AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 3, 1998

REGISTRATION NO. 333-64107

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PLAINS ALL AMERICAN PIPELINE, L.P.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	486110	76-0582150
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

----

500 DALLAS, SUITE 700
HOUSTON, TEXAS 77002
(713) 654-1414
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

MICHAEL R. PATTERSON
SENIOR VICE PRESIDENT,
GENERAL COUNSEL AND SECRETARY
PLAINS ALL AMERICAN INC.
500 DALLAS, SUITE 700
HOUSTON, TEXAS 77002
(713) 654-1414
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

Copies to:

ANDREWS & KURTH L.L.P.	BAKER & BOTTS, L.L.P.
600 TRAVIS, SUITE 4200	3000 ONE SHELL PLAZA
HOUSTON, TEXAS 77002	910 LOUISIANA
(713) 220-4200	HOUSTON, TEXAS 77002
ATTN: DAVID P. OELMAN	(713) 229-1234
DAN A. FLECKMAN	ATTN: JOSHUA DAVIDSON

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. [_]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BECOME EFFECTIVE. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS SUBJECT TO COMPLETION, DATED NOVEMBER 3, 1998

12,782,609 COMMON UNITS

PLAINS ALL AMERICAN PIPELINE, L.P.

REPRESENTING LIMITED PARTNER INTERESTS

[LOGO OF PLAINS ALL AMERICAN APPEARS HERE]

The Common Units offered hereby represent limited partner interests in Plains All American Pipeline, L.P., a Delaware limited partnership (the "Partnership"). The Partnership was recently formed to acquire and operate the midstream crude oil business and assets of Plains Resources Inc. ("Plains Resources"). The Partnership is engaged in interstate and intrastate crude oil pipeline transportation and crude oil terminalling and storage activities and gathering and marketing activities.

The Partnership intends, to the extent it has sufficient cash available from operations, to distribute to each holder of Common Units at least $0.45 per Common Unit per quarter (the "Minimum Quarterly Distribution") or $1.80 per Common Unit on an annualized basis. During the Subordination Period, which will generally not end prior to December 31, 2003, the Common Unitholders will have the right to receive arrearages on the Common Units if the full Minimum Quarterly Distribution is not paid in any quarter. Plains All American Inc., a wholly owned subsidiary of Plains Resources, is the general partner (the "General Partner") of the Partnership and has broad discretion in making cash distributions and in establishing reserves. A glossary of certain terms used in this Prospectus is included as Appendix C to this Prospectus.

LIMITED PARTNER INTERESTS ARE INHERENTLY DIFFERENT FROM CAPITAL STOCK OF A CORPORATION. PURCHASERS OF COMMON UNITS SHOULD CONSIDER EACH OF THE FACTORS DESCRIBED UNDER "RISK FACTORS," STARTING ON PAGE 26 OF THIS PROSPECTUS, IN EVALUATING AN INVESTMENT IN THE PARTNERSHIP, INCLUDING BUT NOT LIMITED TO, THE FOLLOWING:

- THE MINIMUM QUARTERLY DISTRIBUTION IS NOT GUARANTEED, AND THE ACTUAL AMOUNT OF CASH DISTRIBUTIONS WILL DEPEND ON THE PARTNERSHIP'S FUTURE OPERATING PERFORMANCE, THE TERMS OF THE PARTNERSHIP'S INDEBTEDNESS, THE FUNDING OF RESERVES, THE LEVEL OF OPERATING AND CAPITAL EXPENDITURES AND OTHER MATTERS WITHIN THE DISCRETION OF THE GENERAL PARTNER.

(Continued on page iii)

Prior to this offering, there has been no public market for the Common Units. It is currently estimated that the initial public offering price will be between $19.50 and $20.50 per Common Unit. See "Underwriting" for information relating to the factors to be considered in determining the initial public offering price. The Common Units have been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol "PAA."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO PARTNERSHIP(2)
Per Common Unit	$	$	$
Total(3)	$	$	$

(1) For information regarding indemnification of the Underwriters, see

"Underwriting."

(2) Before deducting expenses estimated at $ payable by the Partnership.

(3) The Partnership has granted the Underwriters a 30-day option to purchase up to 1,917,391 additional Common Units on the same terms and conditions as set forth above, solely to cover over-allotments, if any. To the extent such option is exercised by the Underwriters, the Partnership will use such net proceeds to redeem Common Units from the General Partner. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Partnership will be $, $ and $, respectively. See "Underwriting."

The Common Units are being offered by the several Underwriters named herein, subject to prior sale, when, as and if accepted by them and subject to certain conditions. It is expected that certificates for the Common Units offered hereby will be available for delivery on or about , 1998, at the office of Salomon Smith Barney Inc., 333 West 34th Street, New York, New York 10001.

SALOMON SMITH BARNEY PAINEWEBBER INCORPORATED

A.G. EDWARDS & SONS, INC.

DONALDSON, LUFKIN & JENRETTE

GOLDMAN, SACHS & CO.

DAIN RAUSCHER WESSELS
a division of Dain Rauscher Incorporated

ING BARING FURMAN SELZ LLC

, 1998

[MAP ILLUSTRATING LOCATION OF PARTNERSHIP'S ASSETS, INCLUDING THE ALL AMERICAN PIPELINE, THE SJV GATHERING SYSTEM AND THE CUSHING TERMINAL]

(continued from cover page)

- HOLDERS OF COMMON UNITS WILL HAVE ONLY LIMITED VOTING RIGHTS, AND THE GENERAL PARTNER WILL MANAGE AND OPERATE THE PARTNERSHIP. THE GENERAL PARTNER AND ITS AFFILIATES WILL OWN SUFFICIENT COMMON UNITS AND SUBORDINATED UNITS TO PREVENT ITS REMOVAL AS GENERAL PARTNER.

- THE PARTNERSHIP'S REVENUES AND PROFITABILITY ARE AFFECTED BY VARIOUS FACTORS, INCLUDING THE VOLUME OF CRUDE OIL DISCOVERED AND PRODUCED FROM OFFSHORE AND ONSHORE CALIFORNIA FIELDS, DEMAND FOR SUPPLIES OF CRUDE OIL BY REFINERIES IN THE MIDWEST, THE EFFECTS OF COMPETITION FROM OTHER SOURCES OF CRUDE OIL AND THE VOLUME OF CRUDE OIL TERMINALLED, STORED, GATHERED AND MARKETED BY THE PARTNERSHIP. THE VOLUME OF CRUDE OIL PRODUCED FROM OFFSHORE CALIFORNIA HAS DECLINED IN RECENT YEARS.

- THE PARTNERSHIP WILL DISTRIBUTE APPROXIMATELY $142.3 MILLION OF THE PROCEEDS OF THIS OFFERING TO THE GENERAL PARTNER.

- CONFLICTS OF INTEREST MAY ARISE BETWEEN (I) THE GENERAL PARTNER AND ITS AFFILIATES AND (II) THE PARTNERSHIP AND THE UNITHOLDERS. UNDER CERTAIN CIRCUMSTANCES, THE GENERAL PARTNER'S AFFILIATES, INCLUDING PLAINS RESOURCES, ARE PERMITTED TO COMPETE WITH THE PARTNERSHIP. THE PARTNERSHIP AGREEMENT LIMITS THE LIABILITY AND REDUCES THE FIDUCIARY DUTIES OF THE GENERAL PARTNER.

- THE FEDERAL INCOME TAX BENEFITS OF AN INVESTMENT IN THE PARTNERSHIP DEPEND ON THE CLASSIFICATION OF THE PARTNERSHIP AS A PARTNERSHIP FOR FEDERAL INCOME TAX PURPOSES. THE PARTNERSHIP WILL NOT OBTAIN A RULING FROM THE INTERNAL REVENUE SERVICE ON THAT ISSUE.

To enhance the Partnership's ability to pay the Minimum Quarterly Distribution on the Common Units during the Subordination Period, which will generally extend from the closing of this offering through at least December 31, 2003, each holder of Common Units will be entitled to receive the Minimum Quarterly Distribution, plus any arrearages thereon, before any distributions are made on the outstanding subordinated limited partner interests of the Partnership (the "Subordinated Units"). All of the Subordinated Units and 6,817,391 Common Units will be held by a wholly-owned subsidiary of the General Partner. Upon expiration of the Subordination Period, all Subordinated Units will convert into Common Units on a one-for-one basis and will thereafter participate pro rata with the other Common Units in distributions of cash. Under certain circumstances, up to 50% of the Subordinated Units may convert into Common Units prior to the expiration of the Subordination Period. See "Cash Distribution Policy."

The Common Units offered hereby will represent an aggregate 42.6% interest (49.0% if the Underwriters' over-allotment option is exercised in full) in the Partnership and its subsidiary operating partnerships, Plains Marketing, L.P. and All American, L.P., which will hold all of the Partnership's operating assets and which are collectively referred to herein as the "Operating Partnership." The General Partner and its affiliates will own an aggregate 2% general partner interest in the Partnership and the Operating Partnership and the right to receive certain Incentive Distributions. In addition, a wholly-owned subsidiary of the General Partner will own 6,817,391 Common Units and 9,800,000 Subordinated Units, representing an aggregate 55.4% limited partner interest in the Partnership and the Operating Partnership (4,900,000 Common Units and 9,800,000 Subordinated Units representing an aggregate 49.0% limited partner interest in the Partnership and the Operating Partnership if the Underwriters' over-allotment option is exercised in full). The Common Units and the Subordinated Units are collectively referred to herein as the "Units." Holders of the Common Units and the Subordinated Units are collectively referred to herein as "Unitholders."

The sale of the Common Units offered hereby is subject to, among other things, the concurrent completion of the refinancing of certain indebtedness of the General Partner. See "The Transactions."

The Partnership will furnish or make available to record holders of Common Units (i) within 120 days after the close of each fiscal year of the Partnership an annual report containing audited financial statements and a report thereon by its independent public accountants and (ii) within 90 days after the close of each quarter (other than the fourth quarter), certain summary financial information. The Partnership will also furnish each Unitholder with tax information within 90 days after the close of each calendar year.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON UNITS, INCLUDING OVER-ALLOTMENT, ENTERING STABILIZING BIDS, EFFECTING SYNDICATE-COVERING TRANSACTIONS AND IMPOSING PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and historical and pro forma financial data appearing elsewhere in this Prospectus. Except as the context otherwise requires, references to and descriptions of the assets, business, operations and financial results of the Partnership include the All American crude oil pipeline and other assets which were recently purchased by the General Partner from The Goodyear Tire & Rubber Company ("Goodyear"), and the terminalling and storage and gathering and marketing assets, business and operations formerly owned by certain subsidiaries of Plains Resources. The transactions related to the formation of the Partnership, this offering and the other transactions to occur in connection with this offering are referred to in this Prospectus as the "Transactions." Unless otherwise specified, the information in this Prospectus assumes that the Underwriters' over-allotment option is not exercised. A glossary of certain terms used in this Prospectus is included as Appendix C to this Prospectus. Capitalized terms not otherwise defined herein have the meanings given in the glossary.

PLAINS ALL AMERICAN PIPELINE, L.P.

THE PARTNERSHIP

Plains All American Pipeline, L.P. (the "Partnership") was recently formed to acquire and operate the midstream crude oil business and assets of Plains Resources Inc. ("Plains Resources"). The Partnership is engaged in interstate and intrastate crude oil pipeline transportation and crude oil terminalling and storage activities and gathering and marketing activities. The Partnership's operations are concentrated in California, Texas, Oklahoma, Louisiana and the Gulf of Mexico.

The Partnership owns and operates a 1,233-mile seasonally heated, 30-inch, common carrier crude oil pipeline extending from California to West Texas (the "All American Pipeline") and a 45-mile, 16-inch, crude oil gathering system in the San Joaquin Valley of California (the "SJV Gathering System"), both of which it purchased from Goodyear in July 1998 for approximately $400 million. The All American Pipeline is one of the newest interstate crude oil pipelines in the United States, having been constructed by Goodyear between 1985 and 1987 at a cost of approximately $1.6 billion, and is the largest capacity crude oil pipeline connecting California and Texas, with a design capacity of 300,000 barrels per day of heavy crude oil. In West Texas, the All American Pipeline interconnects with other crude oil pipelines that serve the Gulf Coast and Cushing, Oklahoma, the largest crude oil trading hub in the United States and the designated delivery point for New York Mercantile Exchange ("NYMEX") crude oil futures contracts (the "Cushing Interchange").

Production currently transported on the All American Pipeline originates from the Santa Ynez field operated by Exxon and the Point Arguello field operated by Chevron, both offshore California, and from the San Joaquin Valley. Exxon and Chevron, as well as Texaco and Oryx, which are other working interest owners, are contractually obligated to ship all of their production from these offshore fields on the All American Pipeline through August 2007. The SJV Gathering System is used primarily to transport crude oil from fields in the San Joaquin Valley to the All American Pipeline and to intrastate pipelines owned by third parties. The capacity of the SJV Gathering System is approximately 140,000 barrels per day. In addition to transporting third-party volumes for a tariff, the Partnership is engaged in certain merchant activities designed to capture price differentials between the cost to purchase and transport crude oil to a sales point and the price received for such crude oil at the sales point.

At the Cushing Interchange, the Partnership owns and operates a two million barrel, above-ground crude oil terminalling and storage facility (the "Cushing Terminal") that has an estimated daily throughput capacity of approximately 800,000 barrels per day. The Cushing Terminal was completed in 1993, making it the most modern facility in the area, and includes state-of-the-art design features. The Partnership has initiated an expansion project that will add one million barrels of storage capacity at an aggregate cost of approximately $10

million. The expansion project is expected to be completed by mid-1999. Upon completion of the expansion project, management believes the Cushing Terminal will be the third largest facility at the Cushing Interchange (and the largest not owned by a major oil company) with an estimated 12% of that area's storage capacity. The Partnership also owns 586,000 barrels of tank capacity along the SJV Gathering System, 955,000 barrels of tank capacity along the All American Pipeline and 360,000 barrels of tank capacity at Ingleside, Texas on the Gulf Coast (the "Ingleside Terminal").

The Partnership's terminalling and storage operations generate revenue from the Cushing Terminal through a combination of storage and throughput fees from (i) refiners and gatherers seeking to segregate or custom blend crude oil for refining feedstocks, (ii) pipelines, refiners and traders requiring segregated tankage for foreign crude oil, (iii) traders who make or take delivery under NYMEX contracts and (iv) producers seeking to increase their marketing alternatives. The Cushing Terminal and the Partnership's other storage facilities also facilitate the Partnership's merchant activities by enabling the Partnership to buy and store crude oil when the price of crude oil in a given month is less than the price of crude oil in a subsequent month (a "contango" market) and to simultaneously sell crude oil futures contracts for delivery of the crude oil in such subsequent month at the higher futures price, thereby locking in a profit.

The Partnership's gathering and marketing operations include the purchase of crude oil at the wellhead and the bulk purchase of crude oil at pipeline and terminal facilities, the transportation of the crude oil on trucks, barges or pipelines, and the subsequent resale or exchange of the crude oil at various points along the crude oil distribution chain. The crude oil distribution chain extends from the wellhead where crude oil moves by truck and gathering systems to terminal and pipeline injection stations and major pipelines, and is transported to major crude oil trading locations for ultimate consumption by refineries. In many cases, the Partnership matches supply and demand needs by performing a merchant function--generating gathering and marketing margins by buying crude oil at competitive prices, efficiently transporting or exchanging the crude oil along the distribution chain and marketing the crude oil to refineries or other customers. When there is a higher demand than supply of crude oil in the near term, the price of crude oil in a given month exceeds the price of crude in a subsequent month (a "backward" market). A backward market has a positive impact on marketing margins because crude oil gatherers can continue to purchase crude oil from producers at a fixed premium to posted prices while selling crude oil at a higher premium to such prices.

For the year ended December 31, 1997, the Partnership's pro forma gross margin, EBITDA and net loss totaled $84.2 million, $78.2 million and $10.9 million, respectively. Excluding a $64.2 million non-cash impairment charge incurred by Wingfoot in 1997, the Partnership's pro forma net income for 1997 would have been $53.3 million. For the nine months ended September 30, 1998, the Partnership's pro forma gross margin, EBITDA and net income totaled $58.6 million, $54.5 million and $35.7 million, respectively. On a pro forma basis, the All American Pipeline and the SJV Gathering System accounted for approximately 72% of the Partnership's gross margin for the nine-month period ended September 30, 1998, while the terminalling and storage activities and gathering and marketing activities accounted for approximately 28%.

MARKET OVERVIEW

The Department of Energy segregates the United States into five Petroleum Administration Defense Districts ("PADDs") to facilitate continued crude oil supply to key refining areas in the event of a national emergency. The oil industry utilizes these districts in reporting statistics regarding crude oil supply and demand. The All American Pipeline serves, directly or through connecting lines, PADD V, which consists of seven western states, including Alaska and Hawaii, PADD II, which consists of 15 states in the Midwest, and PADD III, which consists of six states located in the South, principally bordering the Gulf of Mexico.

Based on 1997 information provided by the Energy Information Administration, only 17% of the total refinery demand for crude oil in PADD II can be supplied with crude oil produced in PADD II, with the remainder (approximately 2.8 million barrels per day) provided by intra-U.S. transfers of domestic crude oil production and imports from Canada and other foreign sources. Conversely, crude oil production in California,

together with crude oil supplies from Alaska and foreign sources, currently exceeds demand by California refineries. Furthermore, the Partnership believes that, based on public announcements by a number of major and independent oil companies, production levels in California and Alaska may increase over the next several years as a result of which excess supply would be available for shipment to PADD II.

BUSINESS STRATEGY AND COMPETITIVE STRENGTHS

The Partnership's strategy is to capitalize on demand driven opportunities in the Midwest refining markets in PADD II and supply driven opportunities in the oil producing regions of California by combining the strategic location and unique capabilities of its asset base with its extensive marketing and distribution expertise to enhance and optimize its operating margins.

The Partnership intends to execute its business strategy by (i) increasing throughput on the All American Pipeline through an aggressive lease gathering program in the San Joaquin Valley and through additional connections with other California crude pipelines and producers, (ii) realizing cost efficiencies through operational improvements and potential strategic alliances, (iii) utilizing the Cushing Terminal in conjunction with the Partnership's other assets to profit from merchant activities that take advantage of crude oil pricing and quality differentials and (iv) pursuing strategic and accretive acquisitions of crude oil pipeline assets, gathering systems and terminalling and storage facilities which complement the Partnership's existing asset base and distribution capabilities.

The Partnership believes it is well positioned to capitalize on such opportunities due to the following competitive strengths:

- Strategically Located, but Underutilized Pipeline Assets. The All American Pipeline is the largest crude oil pipeline connecting California to West Texas and, depending on the pipeline segment, is operating at approximately 20% to 35% of its designed 300,000 barrel per day capacity. If plans announced by a competing interstate crude oil pipeline to convert to a gas transmission pipeline are implemented, the All American Pipeline will be the only crude oil pipeline available to transport crude oil from California to West Texas. The SJV Gathering System is one of the largest crude oil gathering systems in the San Joaquin Valley of California, one of the most prolific crude oil producing regions in the lower 48 states. The SJV Gathering System is operating at approximately 60% of its total 140,000 barrel per day capacity. Because a major portion of the All American Pipeline and the SJV Gathering System's operating costs are fixed, any increased utilization should result in incremental gross margin. In addition, because the All American Pipeline and the SJV Gathering System are relatively new, the Partnership expects that the maintenance capital expenditures required for these assets will be modest.

- Versatility of Cushing Terminal. Completed in 1993, the Cushing Terminal is the most modern terminalling and storage facility at the Cushing Interchange, incorporating state-of-the-art environmental safeguards and operational enhancements designed to safely and efficiently terminal, store, blend and segregate large volumes and multiple varieties of both foreign and domestic crude oil. The Cushing Terminal has the ability to (i) sequentially store sweet and sour crude oil in the same tank without compromising crude integrity, (ii) segregate up to 18 different varieties of crude oil, (iii) receive and deliver crude oil at the connecting pipelines' maximum operating capacities and (iv) operate with fewer employees than its competitors due to its high level of automation. Due to the Partnership's ownership of a significant portion of the undeveloped land within the Cushing Interchange and its large manifold and pumping system, the Cushing Terminal can be readily expanded, should market conditions warrant, to support up to ten million barrels of tank capacity.

- Specialized Crude Oil Market Knowledge. The marketing of crude oil is complex and requires detailed current knowledge of crude oil sources and end markets and a familiarity with a number of factors,

including grades of crude oil, individual refinery demand for specific grades of crude oil, area market price structures for the different grades of crude oil, location of customers, availability of transportation facilities and timing and costs (including storage) involved in delivering crude oil to the appropriate customer. The Partnership believes that its business relationships with participants in all phases of the crude oil distribution chain, from crude oil producers to refiners, as well as its own industry expertise, provide the Partnership a comprehensive understanding of the U.S. crude oil markets. The Partnership has existing business relationships with crude oil producers representing over 80% of California production and substantially all of the Midwest refiners. The Partnership believes that its specialized crude oil market knowledge, in conjunction with its unique asset base, will enable the Partnership to exploit inefficiencies throughout the crude oil distribution chain.

- Counter-Cyclical Balance Among the Partnership's Business Activities. The Partnership believes that the counter-cyclical nature of its terminalling and storage assets, which typically prosper in contango crude oil markets, and its gathering and marketing assets, which typically prosper in backward crude oil markets, combined with the long-term nature of the contracts on its All American Pipeline, will have a stabilizing effect on the Partnership's cash flow from operations.

- Flexibility to Pursue Expansion and Acquisition Opportunities. The Partnership will enter into a $225 million bank credit agreement comprised of a $175 million term loan facility and a $50 million revolving credit facility. Upon closing of this offering, the Partnership will have total debt outstanding of $175 million and unused borrowing capacity of $50 million. In combination with its ability to issue new Units, the Partnership has significant resources to finance strategic expansion and acquisition opportunities. These opportunities may include the acquisition or expansion of crude oil pipeline assets, gathering systems, terminalling and storage facilities, marketing entities and other assets which the Partnership believes will contribute to the successful execution of its business strategy. The Partnership is currently adding one million barrels of capacity to the Cushing Terminal at an estimated cost of approximately $10 million. Although the Partnership routinely evaluates acquisition and expansion opportunities, it has no other definitive plans for material acquisitions or expansions at this time.

- Experienced Management Team. The Partnership's senior management team has an average of more than 15 years industry experience, with an average of over 10 years with the Partnership or its predecessors and affiliates. In order to incentivize management and employees, the Partnership has adopted a Long-Term Incentive Plan pursuant to which Common Units will be awarded to employees of the General Partner in order to align their economic interests with those of Common Unitholders. In addition, the Partnership's Management Incentive Plan provides for cash bonuses to operating personnel based on the financial performance of the Partnership.

PLAINS RESOURCES

Plains Resources owns all of the capital stock of the General Partner. The Partnership and Plains Resources will enter into an agreement (the "Marketing Agreement") pursuant to which the Partnership will purchase for resale at market prices all of Plains Resources' crude oil production for which it will charge a fee of $0.20 per barrel. This fee may be adjusted every three years based upon then existing market conditions. Plains Resources is an independent energy company specializing in crude oil in both its upstream and midstream segments and is publicly traded on the American Stock Exchange under the symbol "PLX." For the first nine months of 1998, Plains Resources produced approximately 24,700 barrels per day which would be subject to the Marketing Agreement. Over 70% of Plains Resources' proved oil reserves are located in California where the company is the second largest independent oil producer. Plains Resources' total year end proved reserves have grown from 13.7 million barrels of oil equivalent at January 1, 1992 to 161.7 million barrels of oil equivalent at January 1, 1998.

THE TRANSACTIONS

The net proceeds to the Partnership from the sale of Common Units offered hereby are expected to be approximately $239.0 million (assuming an initial public offering price of $20.00 per Common Unit and after deducting underwriting discounts and commissions but before deducting expenses incurred in connection with this offering). Concurrently with the closing of this offering, the Plains Midstream Subsidiaries will be merged into Plains Resources, which will sell the assets of these subsidiaries to the Partnership in exchange for $93.7 million and the assumption of related indebtedness. At the same time, the General Partner will convey all of its interest in the All American Pipeline and the SJV Gathering System, which it acquired in July 1998 for approximately $400 million, to the Partnership in exchange for:

- 6,817,391 Common Units, 9,800,000 Subordinated Units and a 2% general partner interest in the

  Partnership and the Operating Partnership;

- the right to receive Incentive Distributions; and

- the assumption by the Operating Partnership of $175 million of indebtedness incurred by the General Partner in connection with the acquisition of the All American Pipeline and the SJV Gathering System.

The determination of the value of the assets and businesses conveyed to the Partnership in exchange for cash, Units and the assumption of indebtedness was determined by negotiations between Plains Resources and the General Partner and representatives of the Underwriters. The assets and businesses conveyed to the Partnership by the General Partner and Plains Resources constitute all of the assets and businesses of the Partnership. Prior to this offering, there has been no public market for the Common Units of the Partnership. See "Underwriting" for a discussion of the establishment of the initial public offering price of the Common Units.

In addition to the $93.7 million to be paid to Plains Resources, the Partnership will distribute approximately $142.3 million to the General Partner and will use approximately $3 million of the remaining proceeds to pay expenses incurred in connection with the Transactions. The General Partner will use $110 million of the cash distributed to it to retire the remaining indebtedness incurred in connection with the acquisition of the All American Pipeline and the SJV Gathering System and the balance, $32.3 million, will be distributed or loaned to Plains Resources, which will use the cash to repay indebtedness and for other general corporate purposes.

In addition, concurrently with the closing of this offering, the Operating Partnership will enter into a $225 million bank credit agreement (the "Bank Credit Agreement") that will include a $175 million term loan facility (the "Term Loan Facility") and a $50 million revolving credit facility (the "Revolving Credit Facility"). The Partnership may borrow up to $50 million under the Revolving Credit Facility for acquisitions, capital improvements, working capital and general business purposes. At closing, the Operating Partnership will have $175 million outstanding under the Term Loan Facility, representing indebtedness assumed from the General Partner.

The Partnership will use the net proceeds from any exercise of the Underwriters' over-allotment option to redeem Common Units from the General Partner or its affiliates, on a pro rata basis, equal to the number of Common Units issued upon the exercise of such option.

The following table sets forth an estimated breakdown of the sources and uses of funds contemplated by the Transactions:

	AMOUNTS (IN MILLIONS)
Sources of Funds	
Net proceeds from Common Units offering (1)	$239.0
Uses of Funds	
Purchase of assets from Plains Resources	$ 93.7
Payment of expenses of the Transactions	3.0
Distributions to General Partner (2)	142.3
Total	$239.0

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(1) After deducting underwriting discounts and commissions but before deducting expenses incurred in connection with this offering.

(2) Includes reimbursement of capital expenditures to the General Partner.

The transactions referred to above and the others to occur in connection with this offering are referred to herein as the "Transactions."

SUMMARY SELECTED PRO FORMA FINANCIAL AND OPERATING DATA

The following unaudited Summary Selected Pro Forma Financial and Operating Data are derived from the historical financial statements of Wingfoot Ventures Seven, Inc. ("Wingfoot") (a wholly-owned subsidiary of Goodyear and the former owner of the All American Pipeline and the SJV Gathering System) and the Plains Midstream Subsidiaries (which reflect the historical operating results of the Partnership's terminalling and storage activities and gathering and marketing activities) as adjusted for the Transactions. Commencing July 30, 1998 (the date of the acquisition of the All American Pipeline and the SJV Gathering System from Goodyear), the results of operations of the All American Pipeline and the SJV Gathering System are included in the results of operations of the Plains Midstream Subsidiaries. For a discussion of the assumptions used in preparing the Summary Selected Pro Forma Financial and Operating Data, see "Plains All American Pipeline, L.P. Pro Forma Consolidated Financial Statements." The following information should not be deemed indicative of future operating results for the Partnership.

	YEAR ENDED DECEMBER 31,	NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1997	1998
	(IN THOUSANDS, EXCEPT PER UNIT AND BARREL AMOUNTS)		
INCOME STATEMENT DATA:			
Revenues	$1,746,491	$1,284,102	$1,194,648
Cost of sales and operations	1,662,282	1,217,572	1,136,062
Gross margin	84,209	66,530	58,586
General and administrative expenses	6,182	4,628	4,765
Depreciation and amortization	10,516	7,887	8,067
Impairment of pipeline assets(1)	64,173	--	--
Operating income	3,338	54,015	45,754
Interest expense	14,383	10,681	10,722
Other income	138	105	652
Pro forma net income (loss)(1)	$ (10,907)	$ 43,439	$ 35,684
Pro forma net income (loss) per Unit(1)(2)	$ (.36)	$ 1.45	$ 1.19
BALANCE SHEET DATA (AT END OF PERIOD):			
Working capital			$ 8,000
Total assets			581,568
Total long-term debt			175,000
Partners' capital			268,514
OTHER DATA:			
Gross margins:			
Pipeline	$ 70,078	$ 56,475	$ 42,236
Terminalling and storage and gathering and marketing	14,131	10,055	16,350
EBITDA(3)	78,165	62,007	54,473
Maintenance capital expenditures(4)	1,433	1,159	1,775
OPERATING DATA:			
Volumes (barrels per day):			
Pipeline:			
Tariff(5)	164,600	173,700	135,700
Margin(6)	30,500	27,700	38,000
Total pipeline	195,100	201,400	173,700
Lease gathering(7)	94,000	91,800	109,500
Bulk purchases(8)	48,500	45,900	93,800
Terminal throughput(9)	76,700	77,700	79,000

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(1) The pro forma financial statements for the year ended December 31, 1997 include a non-cash impairment charge of $64.2 million related to the writedown of property and equipment by Wingfoot in connection with the sale of Wingfoot by Goodyear to the General Partner. Based on the Partnership's purchase price allocation to property and equipment, an impairment charge would not have been required had the Partnership actually acquired Wingfoot effective January 1, 1997. Excluding this impairment charge, the Partnership's pro forma net income for 1997 would have been $53.3 million. In addition, the pro forma information does not include approximately $0.9 million of general and administrative expenses that the General Partner believes will be incurred by the Partnership as a result of its being a separate public entity.

(2) Net income per Unit is computed by dividing the limited partners' 98% interest in net income by the number of Common and Subordinated Units expected to be outstanding at the closing of this offering.

(3) EBITDA means earnings before interest expense, income taxes, depreciation and amortization. EBITDA provides additional information for evaluating the Partnership's ability to make the Minimum Quarterly Distribution and is presented solely as a supplemental measure. EBITDA is not a measurement presented in accordance with generally accepted accounting principles ("GAAP") and is not intended to be used in lieu of GAAP presentations of results of operations and cash provided by operating activities. The Partnership's EBITDA may not be comparable to EBITDA of other entities as other entities may not calculate EBITDA in the same manner as the Partnership.

(4) Maintenance capital expenditures are capital expenditures made to replace partially or fully depreciated assets to maintain the existing operating capacity of existing assets or extend their useful lives. Capital expenditures made to expand the Partnership's existing capacity, whether through construction or acquisition, are not considered maintenance capital expenditures. Repair and maintenance expenditures associated with existing assets that do not extend the useful life or expand operating capacity are charged to expense as incurred.

(5) Represents crude oil deliveries on the All American Pipeline for the account of third parties.

(6) Represents crude oil deliveries on the All American Pipeline and the SJV Gathering System for the account of affiliated entities.

(7) Represents barrels of crude oil purchased at the wellhead, including volumes which would have been purchased under the Marketing Agreement.

(8) Represents barrels of crude oil purchased at collection points, terminals and pipelines.

(9) Represents total crude oil barrels delivered from the Cushing Terminal and the Ingleside Terminal.

SUMMARY OF RISK FACTORS

Limited partner interests are inherently different from capital stock of a corporation, although many of the business risks to which the Partnership will be subject are similar to those that would be faced by a corporation engaged in a similar business. Prospective purchasers of the Common Units should consider the following risk factors in evaluating an investment in the Common Units.

RISKS INHERENT IN AN INVESTMENT IN THE PARTNERSHIP

- The Minimum Quarterly Distribution is not guaranteed. The actual amount of cash distributions may fluctuate and will depend on the Partnership's future results of operations. Cash distributions are dependent primarily on cash flow, including cash flow from reserves and working capital borrowings, and not solely on profitability, which is affected by non-cash items. Therefore, cash distributions might be made during periods when the Partnership records losses and might not be made during periods when the Partnership records profits. Decisions of the General Partner with respect to the amount and timing of asset purchases and sales, cash expenditures, borrowings, issuances of additional Units and the creation, reduction or increase of reserves will affect the amount of Available Cash. Because the Partnership's terminalling and storage activities and gathering and marketing activities are cyclical, it is likely that the General Partner will make additions to reserves during certain quarters in order to fund operating expenses, interest and principal payments and cash distributions to Unitholders in future quarters.

- On a pro forma basis as of September 30, 1998, the Partnership's total long-term indebtedness would have been $175 million, representing approximately 39% of the Partnership's total capitalization (defined as total long-term debt plus total partners' capital). The Partnership's leverage may adversely affect the ability of the Partnership to finance its future operations and capital needs, limit its ability to pursue acquisitions and other business opportunities and make its results of operations more susceptible to adverse economic or operating conditions. In addition, the Partnership will have $50 million of unused borrowing capacity under the Revolving Credit Facility at the closing of this offering. Future borrowings could result in a significant increase in the Partnership's leverage.

- The terms of the Partnership's indebtedness will prohibit the Partnership from making distributions to Unitholders during an event of default and will contain various limitations on the Partnership's ability to incur indebtedness and to engage in certain transactions that could reduce the ability of the Partnership to capitalize on business opportunities that arise in the course of its business.

- In establishing the terms of this offering, including the number and initial offering price of the Common Units, the number of Common Units and Subordinated Units to be received by the General Partner and its affiliates and the Minimum Quarterly Distribution, the Partnership has relied on certain assumptions concerning its future operations. Although the Partnership believes its assumptions are within a range of reasonableness, whether the assumptions are realized is not, in many cases, within the control of the Partnership or the General Partner and cannot be predicted with any degree of certainty. If the Partnership's assumptions are not realized, the actual Available Cash from Operating Surplus generated by the Partnership could be substantially less than that currently expected and may be less in any quarter than that required to make the Minimum Quarterly Distribution.

- The General Partner will manage and operate the Partnership. Holders of Common Units will have no right to elect the General Partner on an annual or other continuing basis, and will have only limited voting rights on matters affecting the Partnership's business. The General Partner may not be removed except upon the vote of the holders of at least 66 2/3% of the outstanding Units (including Units owned by the General Partner and its affiliates) and upon the election of a successor general partner by the holders of a Unit Majority. The ownership of an aggregate of 56.5% of the combined Common Units

and Subordinated Units by the General Partner and its affiliates gives the General Partner the ability to prevent its removal. As a result, holders of Common Units will have limited influence on matters affecting the operations of the Partnership.

- Subject to certain limitations, the Partnership may issue additional Common Units and other interests in the Partnership, the effect of which may be to dilute the value of the interests of the then-existing holders of Common Units in the net assets of the Partnership, dilute the interests of holders of Common Units in distributions by the Partnership and reduce the support provided by the subordination feature of the Subordinated Units.

- The Partnership's Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement") contains certain provisions that may have the effect of discouraging a person or group from attempting to remove the General Partner or otherwise change the management of the Partnership. The effect of these provisions may be to diminish the price at which the Common Units will trade under certain circumstances.

- Prior to making any distribution on the Common Units, the Partnership will reimburse the General Partner and its affiliates (including officers and directors of the General Partner) for all expenses incurred by the General Partner and its affiliates on behalf of the Partnership (including wages, salaries, incentive compensation and the cost of employee benefit plans paid or provided to employees, officers and directors of the General Partner), which expenses will be determined by the General Partner in its sole discretion. In addition, the General Partner and its affiliates may provide services to the Partnership for which the Partnership will be charged reasonable fees as determined by the General Partner. The reimbursement of such expenses and the payment of any such fees could adversely affect the ability of the Partnership to make distributions.

- Prior to this offering, there has been no public market for the Common Units. The initial public offering price for the Common Units will be determined through negotiations between the General Partner and the representatives of the Underwriters. No assurance can be given as to the market prices at which the Common Units will trade.

- If at any time not more than 20% of the outstanding Common Units are held by persons other than the General Partner and its affiliates, the General Partner will have the right, which it may assign to any of its affiliates or the Partnership, to acquire all, but not less than all, of the remaining Common Units held by such unaffiliated persons at a price generally equal to the then-current market price of Common Units. As a consequence, a holder of Common Units may be required to sell his Common Units at a time when he may not desire to sell them or at a price that is less than the price he would desire to receive upon such sale. A holder may also incur a tax liability upon such sale.

- Under certain circumstances, holders of the Common Units could lose their limited liability and could become liable for amounts improperly distributed to them by the Partnership.

- Holders of the Common Units have not been represented by counsel in connection with this offering, including the preparation of the Partnership Agreement or the other agreements referred to herein or in establishing the terms of this offering.

RISKS INHERENT IN THE PARTNERSHIP'S BUSINESS

- The profitability of the All American Pipeline is dependent upon an adequate supply of crude oil from fields located offshore and onshore California. A significant portion of the Partnership's gross margin is derived from the Santa Ynez and Point Arguello fields located offshore California. Volumes received from these two fields have declined from a daily average of 152,000 barrels in 1995 to 96,000 barrels for the first nine months of 1998. The Partnership expects that there will continue to be natural declines in production from each of these fields. In addition, as a result of the mid-1996 repeal of the export ban

on crude oil produced from the Alaskan North Slope, the volume of Alaskan North Slope crude oil shipped to California has declined and such crude oil is no longer transported on the All American Pipeline. The Partnership believes it is unlikely that there will be future shipments of Alaskan North Slope crude oil on the All American Pipeline.

- The success of the Partnership's business strategy to increase utilization on its pipelines is dependent upon the Partnership's obtaining additional supply from increased production from California producers, an aggressive lease gathering program in the San Joaquin Valley and additional connections with other California crude oil pipelines. There can be no assurance that production of crude oil in California will rise to sufficient levels, or that the Partnership will be successful in increasing volumes gathered at the wellhead or the number of connections with other pipelines, to cause a material increase in utilization rates on the Partnership's pipelines.

- A portion of the Partnership's operations are dependent upon demand for crude oil by refiners in the Midwest and on the Gulf Coast and any decrease in this demand could adversely affect the Partnership.

- The All American Pipeline encounters competition from foreign oil imports and other pipelines that serve the California market and the refining centers in the Midwest and on the Gulf Coast. The Partnership also faces intense competition in its terminalling and storage activities and gathering and marketing activities.

- The profitability of the Partnership's gathering and marketing activities depends primarily on the volumes of crude oil it purchases and gathers. The Partnership must continue to contract for new supplies of crude oil to offset volumes lost due to declines in production or volumes lost to competitors.

- Generally, as the Partnership purchases crude oil, it establishes a margin by selling crude oil for physical delivery to third parties, or by entering into a future delivery obligation with respect to futures contracts on the NYMEX. Through these transactions, the Partnership seeks to maintain a position that is substantially balanced between crude oil purchases, on the one hand, and sales or future delivery obligations, on the other hand and not to speculate on price changes. These price risk management strategies cannot, however, eliminate all price risks. Any event that disrupts the Partnership's anticipated physical supplies of crude oil, such as the shut-in of production or other supply interruptions, may expose it to risk of loss resulting from price changes.

- The Partnership's operations are subject to federal and state environmental laws. Compliance with these laws could result in substantial costs and liabilities to the Partnership. The transportation and storage of crude oil results in a risk that crude oil and other hydrocarbons may suddenly or gradually be released into the environment, potentially causing substantial expenditures for a response action, significant government penalties, liability for natural resource damages to government agencies, personal injury or property damages to private parties and significant business interruption.

CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES

- The General Partner and its affiliates may have conflicts of interest with the Partnership and its limited partners. The Partnership Agreement contains certain provisions that limit the liability and reduce the fiduciary duties of the General Partner to the Unitholders, as well as provisions that may restrict the remedies available to Unitholders for actions that might, without such limitations, constitute breaches of fiduciary duty. Holders of Common Units are deemed to have consented to certain actions and conflicts of interest that might otherwise be deemed a breach of fiduciary or other duties under applicable state law.

- Decisions of the General Partner with respect to the amount and timing of asset purchases and sales, cash expenditures, borrowings, issuances of additional Units and the creation, reduction or increase of

reserves in any quarter will affect whether, or the extent to which, there is sufficient Available Cash from the Partnership's Operating Surplus to meet the Minimum Quarterly Distribution and Target Distribution Levels on all Units in a given quarter or in subsequent quarters. In addition, actions by the General Partner may have the effect of enabling the General Partner to receive distributions on the Subordinated Units or Incentive Distributions or hastening the expiration of the Subordination Period or the conversion of Subordinated Units into Common Units.

- Except for the restrictions set forth in an agreement (the "Omnibus Agreement") to be entered into at closing between the Partnership and Plains Resources, Plains Resources and its affiliates (other than the General Partner) will not be prohibited from engaging in other businesses or activities, including those that might be in direct competition with the Partnership. There can be no assurance that there will not be competition between the Partnership and affiliates of the General Partner, including Plains Resources.

- Certain of the officers of the General Partner, who will provide services to the Partnership, will not be required to work full time on the affairs of the Partnership. Such officers may devote significant time to the affairs of the General Partner's affiliates and will be compensated by these affiliates for the services rendered to them. There may be significant conflicts between the Partnership and affiliates of the General Partner regarding the availability of such officers of the General Partner to manage the Partnership.

TAX RISKS

- The availability to a holder of Common Units of the federal income tax benefits of an investment in the Partnership depends, in large part, on the classification of the Partnership as a partnership for federal income tax purposes. Assuming the accuracy of certain factual matters as to which the General Partner and the Partnership have made representations, Andrews & Kurth L.L.P., special counsel to the General Partner and the Partnership, is of the opinion that, under current law, the Partnership will be classified as a partnership for federal income tax purposes.

- No ruling has been requested from the Internal Revenue Service (the "IRS") with respect to the classification of the Partnership as a partnership for federal income tax purposes or any other matter affecting the Partnership.

- A Unitholder will be required to pay income taxes on his allocable share of the Partnership's income, whether or not he receives cash distributions from the Partnership.

- It is anticipated that through December 31, 2003, a Unitholder may receive substantial distributions that would reduce such holder's tax basis, with the result that such holder may recognize substantial taxable gain upon a sale of such holder's Units, even if the sale price is less than the original cost. Some part of that gain will likely be ordinary income.

- Investment in Common Units by certain tax-exempt entities, regulated investment companies and foreign persons raises issues unique to such persons. For example, virtually all of the taxable income derived by most organizations exempt from federal income tax (including individual retirement accounts ("IRAs") and other retirement plans) from the ownership of a Common Unit will be unrelated business taxable income and thus will be taxable to such a Unitholder.

- In the case of taxpayers subject to the passive loss rules (generally, individuals and closely held corporations), any losses generated by the Partnership will generally only be available to offset future income generated by the Partnership and cannot be used to offset income from other activities, including other passive activities or investments. Passive losses which are not deductible because they exceed the Unitholder's income generated by the Partnership may be deducted in full when the Unitholder disposes of his entire investment in the Partnership in a fully taxable transaction to an unrelated party.

- The General Partner has applied to register the Partnership as a "tax shelter" with the Secretary of the Treasury. No assurance can be given that the Partnership will not be audited by the IRS or that tax adjustments will not be made. Any adjustments in the Partnership's tax returns will lead to adjustments in the Unitholders' tax returns and may lead to audits of the Unitholders' tax returns and adjustments of items unrelated to the Partnership.

- The Partnership will adopt certain depreciation and amortization conventions that do not conform with all aspects of certain proposed and final Treasury regulations. A successful challenge to those conventions by the IRS could adversely affect the amount of tax benefits available to a purchaser of Common Units or could affect the timing of such tax benefits or the amount of gain from the sale of Common Units and could have a negative impact on the value of the Common Units or result in audit adjustments to the tax returns of Unitholders.

- A Unitholder will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of the various jurisdictions in which the Partnership does business or owns property. The Partnership will initially own property and conduct business in Arizona, California, Oklahoma, Kansas, New Mexico, Illinois, Texas, Louisiana, Alabama, Mississippi and Florida. Of those, only Texas and Florida do not currently impose a personal income tax.

See "Risk Factors," "Cash Distribution Policy," "Cash Available for Distribution," "Conflicts of Interest and Fiduciary Responsibilities," "The Partnership Agreement" and "Tax Considerations" for a more detailed description of these and other risk factors and conflicts of interest that should be considered in evaluating an investment in the Common Units.

CASH AVAILABLE FOR DISTRIBUTION

Based on the amount of working capital that the Partnership is expected to have at the time it commences operations and the ability to make Working Capital Borrowings under the Revolving Credit Facility, the Partnership believes that it should have sufficient Available Cash from the Partnership's Operating Surplus to enable it to distribute the Minimum Quarterly Distribution on the Common Units and Subordinated Units to be outstanding immediately after the consummation of this offering with respect to each quarter at least through the quarter ending December 31, 1999. Operating Surplus generally consists of cash generated from operations after deducting related expenditures and other items, plus the Partnership's cash balance at the closing of this offering, plus $25 million. The Partnership's belief is based on a number of assumptions, including the assumptions that:

- the average daily volume of crude oil transported on the All American Pipeline and SJV Gathering System will not be less than the average daily volume transported during the nine months ended September 30, 1998;

- the tariffs charged by the Partnership will not decline from current levels;

- the gross margins from the Partnership's terminalling and storage activities and gathering and marketing activities in the aggregate will continue at not less than the same levels experienced during the nine months ended September 30, 1998 on an annualized basis;

- any loss of gross margin from a reduction in storage activities due to a change in the market from contango to backward will be offset by an increase in marketing margins;

- no material accidents or other events will occur that disrupt the All American Pipeline, the SJV Gathering System, the Partnership's terminalling or storage facilities, or pipelines with which they have significant interconnections; and

- market, regulatory and overall economic conditions will not change substantially.

Although the Partnership believes such assumptions are within a range of reasonableness, whether the assumptions are realized is not, in a number of cases, within the control of the Partnership and cannot be predicted with any degree of certainty. In the event that the Partnership's assumptions are not realized, the actual Available Cash from the Partnership's Operating Surplus generated by the Partnership could be substantially less than that currently expected and could, therefore, be insufficient to permit the Partnership to make cash distributions at the levels described above. See "Risk Factors--Risks Inherent in an Investment in the Partnership--Partnership Assumptions Concerning Future Operations May Not Be Realized." In addition, the terms of the Partnership's indebtedness will restrict the ability of the Partnership to distribute cash to Unitholders in the event of a default under the terms of such indebtedness. Accordingly, no assurance can be given that distributions of the Minimum Quarterly Distribution or any other amounts will be made. See "Cash Distribution Policy," "Cash Available for Distribution" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Partnership does not intend to update the expression of belief set forth above.

The amount of Available Cash from the Partnership's Operating Surplus needed to distribute the Minimum Quarterly Distribution for four quarters on the Common Units and Subordinated Units to be outstanding immediately after this offering and on the combined 2% general partner interest is approximately $54.0 million ($35.3 million for the Common Units, $17.6 million for the Subordinated Units and $1.1 million for the combined 2% general partner interest). The amount of pro forma Available Cash from the Partnership's Operating Surplus generated during 1997 and for the twelve months ended September 30, 1998 was approximately $62.3 million and $54.2 million, respectively. Such amounts would have been sufficient to cover the Minimum Quarterly Distribution during such periods on all of the Common Units, Subordinated Units and the related distribution on the general partner interest. However, such amounts do not include approximately $0.9 million of incremental general and administrative expenses that the General Partner believes will be incurred by

the Partnership as a result of it being a separate public entity. The amounts of pro forma Available Cash from the Partnership's Operating Surplus set forth above were derived from the pro forma and historical financial statements of the Partnership in the manner set forth in Appendix D. The pro forma adjustments are based upon currently available information and certain estimates and assumptions. The pro forma financial statements do not purport to present the results of operations of the Partnership had the Transactions actually been completed as of the dates indicated. Furthermore, Available Cash from the Partnership's Operating Surplus as defined in the Partnership Agreement is a cash accounting concept, while the Partnership's historical and pro forma financial statements have been prepared on an accrual basis. As a consequence, the amount of pro forma Available Cash from the Partnership's Operating Surplus shown above should only be viewed as a general indication of the amount of Available Cash from the Partnership's Operating Surplus that might in fact have been generated by the Partnership had it been formed in earlier periods. For definitions of Available Cash and Operating Surplus, see the Glossary.

PARTNERSHIP STRUCTURE AND MANAGEMENT

The operations of the Partnership will be conducted through, and the operating assets will be owned by, the Operating Partnership. Upon consummation of the Transactions, the Partnership will own a 98.9899% limited partner interest in the Operating Partnership and the General Partner will own a 1% general partner interest in the Partnership and a 1.0111% general partner interest in the Operating Partnership. The General Partner, therefore, will own an aggregate 2% general partner interest in the Partnership and the Operating Partnership on a combined basis.

Following this offering, the senior executives who currently manage the Partnership's business will manage and operate the Partnership's business as the senior executives of the General Partner. The General Partner will not receive any management fee or other compensation in connection with its management of the Partnership, but will be reimbursed for all direct and indirect expenses incurred on behalf of the Partnership (including wages, salaries, incentive compensation and the cost of employee benefit plans paid or provided to employees, officers and directors of the General Partner) and all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner and its affiliates in connection with the operation of the Partnership's business.

Conflicts of interest may arise between the General Partner and its affiliates, on the one hand, and the Partnership, the Operating Partnership and the Unitholders, on the other, including conflicts relating to the compensation of the directors, officers and employees of the General Partner and the determination of fees and expenses that are allocable to the Partnership. The General Partner will have a conflicts committee (the "Conflicts Committee"), consisting of two independent members of its Board of Directors, that will be available at the General Partner's discretion to review matters involving conflicts of interest. See "Management" and "Conflicts of Interest and Fiduciary Responsibilities."

The Partnership's principal executive offices are located at 500 Dallas, Suite 700, Houston, Texas 77002 and its phone number is (713) 654-1414.

The following charts depict the organization and ownership of the Partnership and the Operating Partnership after giving effect to the consummation of the Transactions, including the sale of the Common Units offered hereby, and assuming that the Underwriters' over-allotment option is not exercised. The percentages reflected in the organization chart represent the approximate ownership interest in each of the Partnership and the Operating Partnership individually and not on an aggregate basis. Except for the organization chart, the ownership percentages referred to in this Prospectus reflect the approximate effective ownership interest of the Unitholders in the Partnership and the Operating Partnership on a combined basis. The 2% ownership of the General Partner referred to in this Prospectus reflects the approximate effective ownership interest of the General Partner in the Partnership and the Operating Partnership on a combined basis.

[CHART APPEARS HERE]

THE OFFERING

Securities Offered..........	12,782,609 Common Units (14,700,000 Common Units if the Underwriters' over-allotment option is exercised in full).
Units to be Outstanding After This Offering........	19,600,000 Common Units and 9,800,000 Subordinated Units, representing an aggregate 65.3% and 32.7% limited partner interest in the Partnership, respectively. If the Underwriters' over-allotment option is exercised in full, 1,917,391 additional Common Units will be issued by the Partnership. The net proceeds from any exercise of the Underwriters' over-allotment option will be used to redeem Common Units from the General Partner or its affiliates.
Distributions of Available Cash.......................	Available Cash will generally be distributed 98% to Unitholders and 2% to the General Partner within 45 days after the end of each quarter. If distributions of Available Cash from the Partnership's Operating Surplus exceed the Minimum Quarterly Distribution and certain other specified target levels ("Target Distribution Levels"), the General Partner will receive a percentage of such excess distributions that will increase to up to 50% of the excess distributions above the highest Target Distribution Level. See "Cash Distribution Policy--Incentive Distributions--Hypothetical Annualized Yield."
Subordinated Units.....	The Subordinated Units that will be issued to the General Partner are entitled to receive the Minimum Quarterly Distribution only after the Common Units have received the Minimum Quarterly Distribution plus any arrearages thereon. The Subordinated Units are not entitled to arrearages. Upon expiration of the Subordination Period, which will generally not occur prior to December 31, 2003, the Subordinated Units will convert into Common Units on a one-for-one basis and will thereafter participate pro rata with the other Common Units in distributions of Available Cash. The Subordinated Units are also subordinated to the Common Units upon liquidation and have fewer voting rights than the Common Units.
Distributions to Common and Subordinated Unitholders...	The Partnership intends, to the extent there is sufficient Available Cash from the Partnership's Operating Surplus, to distribute to each holder of Common Units at least the Minimum Quarterly Distribution of $0.45 per Common Unit per quarter. The Minimum Quarterly Distribution is not guaranteed and is subject to adjustment as described under "Cash Distribution Policy--Adjustment of Minimum Quarterly Distribution and Target Distribution Levels." The first distribution to the Unitholders will be made within 45 days after the quarter ending December 31, 1998. The Minimum Quarterly Distribution for the period from the closing of this offering through December 31, 1998 will be adjusted downward based on the actual length of such period. With respect to each quarter during the Subordination Period, which will generally not end prior to December 31, 2003, the Common Unitholders will generally have the right to receive the Minimum

Quarterly Distribution, plus any arrearages thereon ("Common Unit Arrearages"), and the General Partner will have the right to receive the related distribution on its general partner interest, before any distribution of Available Cash from the Partnership's Operating Surplus is made to the Subordinated Unitholders. This subordination feature will enhance the Partnership's ability to distribute the Minimum Quarterly Distribution on the Common Units during the Subordination Period. Subordinated Units will not accrue distribution arrearages. Upon expiration of the Subordination Period, Common Units will no longer accrue distribution arrearages. See "Cash Distribution Policy."

Subordination Period........ The Subordination Period will generally extend from the closing of this offering until the first day of any quarter beginning after December 31, 2003 provided that certain financial tests have been satisfied. Generally, these tests will have been satisfied when the Partnership has paid from Operating Surplus, and generated from Adjusted Operating Surplus, the Minimum Quarterly Distribution on all Units and the general partner interest for the three preceding four-quarter periods. Upon expiration of the Subordination Period, all remaining Subordinated Units will convert into Common Units on a one-for-one basis and will thereafter participate pro rata with the other Common Units in distributions of Available Cash. See "Cash Distribution Policy--Distributions from Operating Surplus during Subordination Period."

Early Conversion of Subordinated Units......... If the tests for conversion set forth above have been met for any quarter ending on or after December 31, 2001, 25% of the Subordinated Units will convert into Common Units. If such tests have been met for any quarter ending on or after December 31, 2002, an additional 25% of the Subordinated Units will convert into Common Units.

The early conversion of the second 25% of Subordinated Units may not occur until at least one year following the early conversion of the first 25% of Subordinated Units. See "Cash Distribution Policy--Distributions from Operating Surplus during Subordination Period."

Incentive Distributions..... If quarterly distributions of Available Cash exceed the Minimum Quarterly Distribution or the Target Distribution Levels, the General Partner will receive distributions which are generally equal to 15%, then 25% and then 50% of the distributions of Available Cash that exceed the Minimum Quarterly Distribution or such Target Distribution Levels. The Target Distribution Levels are based on the amounts of Available Cash from the Partnership's Operating Surplus distributed with respect to a given quarter that exceed distributions made with respect to the Minimum Quarterly Distribution and Common Unit Arrearages, if any. See "Cash Distribution Policy--Incentive Distributions--Hypothetical

Annualized Yield." The distributions to the General Partner described above that are in excess of its combined 2% interest are referred to herein as the "Incentive Distributions."

Adjustment of Minimum Quarterly Distribution and Target Distribution Levels....................	The Minimum Quarterly Distribution and the Target Distribution Levels are subject to downward adjustments in the event that the Unitholders receive distributions of Available Cash from the Partnership's Capital Surplus (generally, cash generated by certain borrowings or sales of assets) or legislation is enacted or existing law is modified or interpreted by the relevant governmental authority in a manner that causes the Partnership to be treated as an association taxable as a corporation or otherwise taxable as an entity for federal, state or local income tax purposes. If, as a result of distributions of Available Cash from the Partnership's Capital Surplus, the Unitholders receive a full return of the initial public offering price of the Common Units and any unpaid Common Unit Arrearages, the distributions of Available Cash payable to the General Partner will increase to 50% of all amounts distributed thereafter. See "Cash Distribution Policy--General," "--Distributions from Capital Surplus" and "--Adjustment of Minimum Quarterly Distribution and Target Distribution Levels."
Partnership's Ability to Issue Additional Units.....	The Partnership Agreement generally authorizes the Partnership to issue an unlimited number of additional limited partner interests of the Partnership for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion without the approval of the Unitholders. During the Subordination Period, however, the Partnership may not issue equity securities ranking prior or senior to the Common Units or an aggregate of more than 9,800,000 Common Units (which number excludes Common Units issued upon exercise of the over-allotment option, conversion of Subordinated Units, pursuant to employee benefit plans, to repay certain indebtedness, or in connection with the making of certain acquisitions or capital improvements that are accretive on a per Unit basis) or an equivalent number of securities ranking on a parity with the Common Units, without the approval of the holders of a Unit Majority. A Unit Majority means, during the Subordination Period, at least a majority of the outstanding Common Units (excluding Common Units held by the General Partner and its affiliates), voting as a class, and at least a majority of the outstanding Subordinated Units, voting as a class, and, after the Subordination Period, at least a majority of the outstanding Common Units. See "The Partnership Agreement--Issuance of Additional Securities."
Limited Call Right..........	If at any time not more than 20% of the outstanding Common Units are held by persons other than the General Partner and its affiliates, the General Partner may purchase all of the remaining Common

Units at a price generally equal to the then current market price of the Common Units. See "The Partnership Agreement--Limited Call Right."

Limited Voting Rights....... Unitholders will not have voting rights except with respect to the following matters, for which the Partnership Agreement in most cases requires the approval of a Unit Majority: (i) a sale or exchange of all or substantially all of the Partnership's assets, (ii) the removal or the withdrawal of the General Partner, (iii) the election of a successor General Partner, (iv) a dissolution or reconstitution of the Partnership, (v) a merger of the Partnership, (vi) issuance of limited partner interests in certain circumstances, (vii) approval of certain actions of the General Partner (including the transfer by the General Partner of its general partner interest or Incentive Distribution Rights under certain circumstances) and (viii) certain amendments to the Partnership Agreement, including any amendment that would cause the Partnership to be treated as an association taxable as a corporation. Holders of Subordinated Units will generally vote as a class separate from the holders of Common Units. Under the Partnership Agreement, the General Partner generally will be permitted to effect amendments to the Partnership Agreement that do not materially adversely affect Unitholders. See "The Partnership Agreement."

Loss of Voting Rights in Certain Circumstances...... Any person or group (other than the General Partner and its affiliates or a direct transferee of the General Partner or its affiliates) that acquires beneficial ownership of 20% or more of the Common Units will lose its voting rights with respect to all of its Common Units. See "The Partnership Agreement--Change of Management Provisions."

Removal and Withdrawal of the General Partner........ Subject to certain conditions, the General Partner may be removed upon the approval of the holders of at least 66 2/3% of the outstanding Units (including Units held by the General Partner and its affiliates) and the election of a successor general partner by the vote of the holders of a Unit Majority. A meeting of holders of the Common Units may be called only by the General Partner or by the holders of 20% or more of the outstanding Common Units. The ownership of an aggregate of 56.5% of the combined Common Units and the Subordinated Units by the General Partner and its affiliates gives the General Partner the ability to prevent its removal. The General Partner has agreed not to voluntarily withdraw as general partner of the Partnership and the Operating Partnership prior to December 31, 2008, subject to limited exceptions, without obtaining the approval of at least a majority of the outstanding Common Units (excluding Common Units held by the General Partner and its affiliates) and furnishing an Opinion of Counsel (as defined in the Glossary). See "The Partnership Agreement--Withdrawal or Removal of the General Partner" and "--Meetings; Voting."

Consequences of Removal of General Partner in Certain Circumstances.............	If the General Partner is removed other than for Cause, (i) the Subordination Period will end and all outstanding Subordinated Units will immediately convert into Common Units on a one-for-one basis, (ii) any existing Common Unit Arrearages will be extinguished and (iii) the General Partner will have the right to convert its general partner interest (and its right to receive Incentive Distributions) into Common Units or to receive cash in exchange for such interests. See "The Partnership Agreement--Change of Management Provisions."
Distributions Upon Liquidation................	If the Partnership liquidates during the Subordination Period, under certain circumstances holders of outstanding Common Units will be entitled to receive more per Unit in liquidating distributions than holders of outstanding Subordinated Units. The per Unit difference will be dependent upon the amount of gain or loss recognized by the Partnership in liquidating its assets and will be limited to the Unrecovered Capital of a Common Unit and any Common Unit Arrearages thereon. Under certain circumstances there may be insufficient gain for the holders of Common Units to fully recover all such amounts, even though there may be cash available for distribution to holders of Subordinated Units. Following conversion of the Subordinated Units into Common Units, all Units will be treated the same upon liquidation of the Partnership. See "Cash Distribution Policy--Distributions of Cash Upon Liquidation."
Use of Proceeds............	The net proceeds to the Partnership from the sale of Common Units offered hereby will be approximately $239.0 million, after deducting underwriting discounts and commissions but before deducting expenses incurred in connection with this offering. The net proceeds of this offering will be applied to (i) purchase certain of the Plains Midstream Subsidiaries' assets from Plains Resources for approximately $93.7 million, (ii) pay approximately $3.0 million of expenses of the Transactions and (iii) make a distribution of approximately $142.3 million to the General Partner. The Partnership will use the net proceeds from any exercise of the Underwriters' over-allotment option to redeem Common Units from the General Partner. See "Use of Proceeds."
Listing.....................	The Common Units have been approved for listing on the New York Stock Exchange (the "NYSE"), subject to official notice of issuance.
NYSE Symbol...........	"PAA."

SUMMARY OF TAX CONSIDERATIONS

The tax consequences of an investment in the Partnership to a particular investor will depend in part on the investor's own tax circumstances. Each prospective investor should consult his own tax advisor about the U.S. federal, state and local tax consequences of an investment in Common Units.

The following is a brief summary of material tax consequences of owning and disposing of Common Units. The following discussion, insofar as it relates to U.S. federal income tax laws, is based upon the opinion of Andrews & Kurth L.L.P., special counsel to the General Partner and the Partnership ("Counsel"), described in "Tax Considerations." This summary is qualified by the discussion in "Tax Considerations," particularly the qualifications on the opinions of Counsel described therein.

PARTNERSHIP STATUS; CASH DISTRIBUTIONS

In the opinion of Counsel, the Partnership will be classified for federal income tax purposes as a partnership, and the beneficial owners of Common Units will generally be considered partners in the Partnership. Accordingly, the Partnership will pay no federal income taxes, and a Common Unitholder will be required to report on his federal income tax return his share of the Partnership's income, gains, losses and deductions. In general, cash distributions to a Common Unitholder will be taxable only if, and to the extent that, they exceed the tax basis in his Common Units.

PARTNERSHIP ALLOCATIONS

In general, income and loss of the Partnership will be allocated to the General Partner and the Unitholders for each taxable year in accordance with their respective percentage interests in the Partnership, as determined annually and prorated on a monthly basis and subsequently apportioned among the General Partner and the Unitholders of record as of the opening of the first business day of the month to which they relate, even though Unitholders may dispose of their Units during the month in question. At any time and to the extent that distributions are made on the Common Units and not on the Subordinated Units, or that Incentive Distributions are made to the General Partner, gross income will be allocated to the recipients to the extent of such distributions. A Unitholder will be required to take into account, in determining his federal income tax liability, his share of income generated by the Partnership for each taxable year of the Partnership ending within or with the Unitholder's taxable year even if cash distributions are not made to him. As a consequence, a Unitholder's share of taxable income of the Partnership (and possibly the income tax payable by him with respect to such income) may exceed the cash actually distributed to him.

RATIO OF TAXABLE INCOME TO DISTRIBUTIONS

The Partnership estimates that a purchaser of Common Units in this offering who owns them through December 31, 2003, will be allocated, on a cumulative basis, an amount of federal taxable income for such period that will be approximately 30% of the cash distributed with respect to that period. The Partnership further estimates that for taxable years after the taxable year ending December 31, 2003, the taxable income allocable to them may represent a significantly higher percentage (and could under certain circumstances exceed the amount) of cash distributed to the Unitholders. These estimates are based upon the assumption that the gross income from operations will approximate the amount required to make the Minimum Quarterly Distribution with respect to all Units and other assumptions with respect to capital expenditures, cash flow and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties which are beyond the control of the Partnership. Further, the estimates are based on current tax law and certain tax reporting positions that the Partnership intends to adopt and with which the IRS could disagree. Accordingly, no assurance can be given that the estimates will prove to be correct. The actual percentages could be higher or lower than as described above and any differences could be material. See "Tax Considerations--Tax Consequences of Unit Ownership--Ratio of Taxable Income to Distributions," and "--Tax Treatment of Operations."

BASIS OF COMMON UNITS

A Unitholder's initial tax basis for a Common Unit purchased in this offering will generally be the amount paid for the Common Unit. A Unitholder's basis will generally be increased by his share of Partnership income and decreased by his share of Partnership losses and distributions.

LIMITATIONS ON DEDUCTIBILITY OF PARTNERSHIP LOSSES

In the case of taxpayers subject to the passive loss rules (generally, individuals and closely held corporations), any Partnership losses will only be available to offset future income generated by the Partnership and cannot be used to offset income from other activities, including passive activities or investments. Any losses unused by virtue of the passive loss rules may be fully deducted when the Unitholder disposes of all of his Common Units in a taxable transaction with an unrelated party.

SECTION 754 ELECTION

The Partnership intends to make the election provided for by Section 754 of the Internal Revenue Code of 1986 (the "Code"), which will generally result in a Unitholder being allocated income and deductions calculated by reference to the portion of his purchase price attributable to each asset of the Partnership.

DISPOSITION OF COMMON UNITS

A Unitholder who sells Common Units will recognize gain or loss equal to the difference between the amount realized and the adjusted tax basis of those Common Units. Thus, distributions of cash from the Partnership to a Unitholder in excess of the income allocated to him will, in effect, become taxable income if he sells the Common Units at a price greater than his adjusted tax basis even if the price is less than his original cost. A portion of the amount realized (whether or not representing gain) may be ordinary income.

STATE, LOCAL AND OTHER TAX CONSIDERATIONS

In addition to federal income taxes, Unitholders will likely be subject to other taxes, such as state and local income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which a Unitholder resides or in which the Partnership does business or owns property. Although an analysis of those various taxes is not presented here, each prospective Unitholder should consider their potential impact on his investment in the Partnership. The Partnership will initially own property and conduct business in Arizona, California, Oklahoma, Kansas, New Mexico, Illinois, Texas, Louisiana, Alabama, Mississippi and Florida. Of those, only Texas and Florida do not currently impose a personal income tax. In certain states, tax losses may not produce a tax benefit in the year incurred (if, for example, the Partnership has no income from sources within that state) and also may not be available to offset income in subsequent taxable years. Some states may require the Partnership, or the Partnership may elect, to withhold a percentage of income from amounts to be distributed to a Unitholder. Withholding, the amount of which may be more or less than a particular Unitholder's income tax liability owed to the state, may not relieve the nonresident Unitholder from the obligation to file an income tax return. Amounts withheld may be treated as if distributed to Unitholders for purposes of determining the amounts distributed by the Partnership. Based on current law and its estimate of future Partnership operations, the Partnership anticipates that any amounts required to be withheld will not be material.

It is the responsibility of each prospective Unitholder to investigate the legal and tax consequences, under the laws of pertinent states and localities, of his investment in the Partnership. Accordingly, each prospective Unitholder should consult, and must depend upon, his own tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each Unitholder to file all U.S. federal, state and local tax returns that may be required of such Unitholder. Counsel has not rendered an opinion on the state or local tax consequences of an investment in the Partnership.

OWNERSHIP OF COMMON UNITS BY TAX-EXEMPT ORGANIZATIONS AND CERTAIN OTHER INVESTORS

An investment in Common Units by tax-exempt organizations (including IRAs and other retirement plans), regulated investment companies (mutual funds) and foreign persons raises issues unique to such persons. Virtually all of the Partnership income allocated to a Unitholder which is a tax-exempt organization will be unrelated business taxable income and, thus will be taxable to such Unitholder. Furthermore, no significant amount of the Partnership's gross income will be qualifying income for purposes of determining whether a Unitholder will qualify as a regulated investment company, and a Unitholder who is a nonresident alien, foreign corporation or other foreign person will be regarded as being engaged in a trade or business in the U.S. as a result of ownership of a Common Unit and, thus, will be required to file federal income tax returns and to pay tax on such Unitholder's share of Partnership taxable income. Furthermore, distributions to foreign Unitholders will be subject to federal income tax withholding. See "Tax Considerations--Tax-Exempt Organizations and Certain Other Investors."

TAX SHELTER REGISTRATION

The Code generally requires that "tax shelters" be registered with the Secretary of the Treasury. It is arguable that the Partnership is not subject to this registration requirement. Nevertheless, the Partnership will be registered as a tax shelter with the Secretary of the Treasury. ISSUANCE OF THE REGISTRATION NUMBER DOES NOT INDICATE THAT AN INVESTMENT IN THE PARTNERSHIP OR THE CLAIMED TAX BENEFITS HAS BEEN REVIEWED, EXAMINED OR APPROVED BY THE IRS. See "Tax Considerations--Administrative Matters--Registration as a Tax Shelter."

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements and information that are based on the beliefs of the Partnership and the General Partner, as well as assumptions made by, and information currently available to, the Partnership and the General Partner. All statements, other than statements of historical fact, included in this Prospectus are forward-looking statements, including, but not limited to, statements identified by the words "anticipate," "believe," "estimate," "expect," "plan," "intend" and "forecast" and similar expressions and statements regarding the Partnership's business strategy, plans and objectives of management of the Partnership for future operations. Such statements reflect the current views of the Partnership and the General Partner with respect to future events, based on what they believe are reasonable assumptions. These statements, however, are subject to certain risks, uncertainties and assumptions, including, but not limited to, the risk factors described in this Prospectus. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those in the forward-looking statements. The Partnership does not intend to update these forward-looking statements and information.

RISK FACTORS

Limited partner interests are inherently different from capital stock of a corporation, although many of the business risks to which the Partnership will be subject are similar to those that would be faced by a corporation engaged in a similar business. Prospective purchasers of the Common Units should consider the following risk factors in evaluating an investment in the Common Units.

RISKS INHERENT IN AN INVESTMENT IN THE PARTNERSHIP

Cash Distributions Are Not Guaranteed and May Fluctuate with Partnership Performance

Although the Partnership will distribute all of its Available Cash, there can be no assurance regarding the amounts of Available Cash to be generated by the Partnership and the Partnership cannot guarantee that the Minimum Quarterly Distribution will be paid. The actual amounts of cash distributions may fluctuate and will depend upon numerous factors, including cash flow generated by operations, required principal and interest payments on the Partnership's debt, the costs of acquisitions (including related debt service payments), restrictions contained in the Partnership's debt instruments, issuances of debt and equity securities by the Partnership, fluctuations in working capital, capital expenditures, adjustments in reserves, prevailing economic conditions and financial, business and other factors, a number of which will be beyond the control of the Partnership and the General Partner. Cash distributions are dependent primarily on cash flow, including cash flow from reserves and working capital borrowings, and not solely on profitability, which is affected by non-cash items. Therefore, cash distributions might be made during periods when the Partnership records losses and might not be made during periods when the Partnership records profits.

The amount of Available Cash from Operating Surplus required to distribute the Minimum Quarterly Distribution for four quarters on the Common Units and Subordinated Units to be outstanding immediately after this offering and on the combined 2% general partner interest is approximately $54.0 million ($35.3 million for the Common Units, $17.6 million for the Subordinated Units and $1.1 million for the combined 2% general partner interest). The amount of pro forma Available Cash from Operating Surplus generated during fiscal 1997 and for the twelve month period ended September 30, 1998 was approximately $62.3 million and $54.2 million, respectively. Such amounts would have been sufficient to cover the Minimum Quarterly Distribution for such periods on all of the Common Units and Subordinated Units and the related distribution on the general partner interest. However, such amounts do not include approximately $0.9 million of incremental general and administrative expenses that the General Partner believes will be incurred by the Partnership as a result of it being a separate public entity. For the calculation of pro forma Available Cash from Operating Surplus, see "Cash Available for Distribution" and Appendix D.

The Partnership Agreement gives the General Partner broad discretion in establishing reserves for the proper conduct of the Partnership's business that will affect the amount of Available Cash. Because the Partnership's terminalling and storage activities and gathering and marketing activities are cyclical, it is likely that the General

Partner will make additions to reserves during certain quarters in order to fund operating expenses, interest and principal payments and cash distributions to Unitholders in future quarters. The effect of the establishment of such operating reserves is to increase the likelihood that the Minimum Quarterly Distribution will be paid in any given quarter but to decrease the likelihood that any amount in excess of the Minimum Quarterly Distribution will be paid in such quarter. As a result of these and other factors, there can be no assurance regarding the actual levels of cash distributions to Unitholders by the Partnership.

The Partnership's Indebtedness May Limit the Partnership's Ability to Make Distributions and May Affect its Operations

On a pro forma basis at September 30, 1998, the Partnership's total long-term indebtedness would have been $175 million, representing approximately 39% of the Partnership's total capitalization (defined as total long-term debt plus total partners' capital). The Partnership's leverage may (i) adversely affect the ability of the Partnership to finance its future operations and capital needs, (ii) limit its ability to pursue acquisitions and other business opportunities and (iii) make its results of operations more susceptible to adverse economic or operating conditions. Furthermore, the payment of principal and interest on the Partnership's indebtedness will reduce the cash available for distribution on the Units. In addition, the Partnership will have $50 million of unused borrowing capacity under the Revolving Credit Facility at the closing of this Offering. Future borrowings, whether under the Bank Credit Agreement or otherwise, could result in a significant increase in the Partnership's leverage.

In addition, the Partnership will be prohibited from making cash distributions during an event of default under the Bank Credit Agreement. Furthermore, various limitations in the Bank Credit Agreement on the Partnership's ability to incur indebtedness and to engage in certain transactions could reduce the ability of the Partnership to capitalize on business opportunities that arise in the course of its business. Any subsequent refinancing of the Bank Credit Agreement or any new indebtedness could have similar or greater restrictions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--The Partnership--Capital Resources, Liquidity and Financial Condition."

Partnership Assumptions Concerning Future Operations May Not Be Realized

In establishing the terms of this offering, including the number and initial offering price of the Common Units, the number of Common Units and Subordinated Units to be received by the General Partner and its affiliates and the Minimum Quarterly Distribution, the Partnership has relied on certain assumptions concerning its future operations, including the assumptions that:

- the average daily volume of crude oil transported on the All American Pipeline and the SJV Gathering System will not be less than the average daily volume transported during the nine months ended September 30, 1998;

- the tariffs charged by the Partnership will not decline from current levels;

- the gross margins from the Partnership's terminalling and storage activities and gathering and marketing activities in the aggregate will continue at not less than the same levels experienced during the nine months ended September 30, 1998 on an annualized basis;

- any loss of gross margin from a reduction in storage activities due to a change in the market from contango to backward will be offset by an increase in marketing margins;

- no material accidents or other events will occur that disrupt the All American Pipeline, the SJV Gathering System, the Partnership's terminalling or storage facilities, or pipelines with which they have significant interconnections; and

- market, regulatory and overall economic conditions will not change substantially.

Although the Partnership believes its assumptions are within a range of reasonableness, whether the assumptions are realized is not, in many cases, within the control of the Partnership or the General Partner and cannot be predicted with any degree of certainty. In the event that the Partnership's assumptions are not realized,

the actual Available Cash from Operating Surplus generated by the Partnership could be substantially less than that currently expected and may be less in any quarter than that required to make the Minimum Quarterly Distribution. See "Cash Available for Distribution."

Unitholders Will Have Limited Voting Rights

The General Partner will manage and operate the Partnership. Unlike the holders of common stock in a corporation, holders of Common Units will have only limited voting rights on matters affecting the Partnership's business. Holders of Common Units will have no right to elect the General Partner on an annual or other continuing basis, and the General Partner may not be removed except pursuant to the vote of the holders of at least 66 2/3% of the outstanding Units (including Units owned by the General Partner and its affiliates) and upon the election of a successor general partner by the vote of the holders of a Unit Majority. The ownership of an aggregate of 56.5% of the combined Common Units and Subordinated Units by the General Partner and its affiliates gives the General Partner the ability to prevent its removal. In addition, all of the other matters requiring the approval of the Common Unitholders during the Subordination Period must first be proposed by the General Partner and submitted to the Unitholders for a vote. The Partnership Agreement also contains provisions limiting the ability of Unitholders to call meetings of Unitholders or to acquire information about the Partnership's operations, as well as other provisions limiting the Unitholders' ability to influence the manner or direction of management. Further, if any person or group (other than the General Partner or its affiliates or a direct transferee of the General Partner or its affiliates) acquires beneficial ownership of 20% or more of any class of Units then outstanding, such person or group will lose voting rights with respect to all of its Units. As a result, holders of Common Units will have limited influence on matters affecting the operation of the Partnership, and third parties may find it difficult to attempt to gain control, or influence the activities, of the Partnership. See "The Partnership Agreement."

The Partnership May Issue Additional Common Units Thereby Diluting Existing Unitholders' Interests

During the Subordination Period, the General Partner has broad discretion, without the approval of Unitholders, to cause the Partnership to issue up to an additional 9,800,000 Common Units (in addition to Common Units issued upon the exercise of the Underwriters' over-allotment option, upon conversion of Subordinated Units, pursuant to employee benefit plans, to repay certain indebtedness, upon the conversion of the general partner interests and Incentive Distribution Rights as a result of the withdrawal of the General Partner or in connection with the making of certain acquisitions or capital improvements that are accretive on a per Unit basis) or an equivalent number of securities ranking on a parity with the Common Units. After the end of the Subordination Period, the Partnership may issue an unlimited number of limited partner interests of any type without the approval of the Unitholders. Based on the circumstances of each case, the issuance of additional Common Units or securities ranking senior to or on a parity with the Common Units may dilute the value of the interests of the then-existing holders of Common Units in the net assets of the Partnership, dilute the interests of holders of Common Units in distributions by the Partnership and reduce the support provided by the subordination feature of the Subordinated Units. The Partnership Agreement does not give the holders of Common Units the right to approve the issuance by the Partnership of equity securities ranking junior to the Common Units at any time.

Issuance of Additional Common Units, Including Upon Conversion of Subordinated Units, Will Increase Risk that the Partnership Will Be Unable to Pay the Full Minimum Quarterly Distribution on All Common Units

The ability of the Partnership to pay the full Minimum Quarterly Distribution on all the Common Units may be reduced by any increase in the number of outstanding Common Units, whether as a result of the conversion of Subordinated Units, upon the conversion of the general partner interests and the right to receive Incentive Distributions or as a result of the withdrawal of the General Partner or future issuances of Common Units. Any of these actions will increase the percentage of the aggregate Minimum Quarterly Distribution payable to the Common Unitholders and decrease the percentage of the aggregate Minimum Quarterly Distribution payable to the Subordinated Unitholders, which will in turn have the effect of (i) reducing the amount of support provided by the subordination feature of the Subordinated Units and (ii) increasing the risk that the Partnership will be unable to pay the Minimum Quarterly Distribution in full on all the Common Units.

No Removal of the General Partner Without its Consent

Following this offering, the ownership of approximately 56.5% of the combined Common Units and Subordinated Units by the General Partner and its affiliates will effectively preclude the removal of the General Partner without its consent. In addition, the Partnership Agreement contains certain provisions that may have the effect of discouraging a person or group from attempting to remove the General Partner or otherwise change the management of the Partnership. If the General Partner is removed as general partner of the Partnership under circumstances where Cause does not exist and Units held by the General Partner and its affiliates are not voted in favor of such removal, (i) the Subordination Period will end and all outstanding Subordinated Units will immediately convert into Common Units on a one-for-one basis, (ii) any existing Common Unit Arrearages will be extinguished and (iii) the General Partner will have the right to convert its general partner interest (and its rights to receive Incentive Distributions) into Common Units or to receive cash in exchange for such interests. The effect of these provisions may be to diminish the price at which the Common Units will trade under certain circumstances. See "The Partnership Agreement--Withdrawal or Removal of the General Partner" and "--Change of Management Provisions."

Purchasers of Common Units Will Experience Dilution

Purchasers of Common Units in this offering will experience immediate and substantial dilution in net tangible book value of $11.32 per Common Unit from the initial public offering price (assuming an initial public offering price of $20.00 per Common Unit). See "Dilution."

Cost Reimbursements and Fees Due to the General Partner May Be Substantial

Prior to making any distribution on the Common Units, the Partnership will reimburse the General Partner and its affiliates (including officers and directors of the General Partner) for all expenses incurred by the General Partner and its affiliates on behalf of the Partnership (including wages, salaries, incentive compensation and the cost of employee benefit plans paid or provided to employees, officers and directors of the General Partner), which expenses will be determined by the General Partner in its sole discretion. In addition, the General Partner and its affiliates may provide services to the Partnership for which the Partnership will be charged reasonable fees as determined by the General Partner. The reimbursement of such expenses and the payment of any such fees could adversely affect the ability of the Partnership to make distributions.

No Prior Public Market for Common Units

Prior to this offering, there has been no public market for the Common Units. The initial public offering price for the Common Units will be determined through negotiations between the General Partner and the representatives of the Underwriters. For a description of the factors to be considered in determining the initial public offering price, see "Underwriting." No assurance can be given as to the market prices at which the Common Units will trade. The Common Units have been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol "PAA."

The General Partner Will Have a Limited Call Right with Respect to the Common Units

If at any time not more than 20% of the issued and outstanding Common Units are held by persons other than the General Partner and its affiliates, the General Partner will have the right, which it may assign to any of its affiliates or the Partnership, to acquire all, but not less than all, of the remaining Common Units held by such unaffiliated persons at a price generally equal to the then-current market price of the Common Units. As a consequence, a holder of Common Units may be required to sell his Common Units at a time when he may not desire to sell them or at a price that is less than the price he would desire to receive upon such sale. A holder may also incur a tax liability upon such sale. See "The Partnership Agreement--Limited Call Right."

Unitholders May Not Have Limited Liability in Certain Circumstances; Liability for Return of Certain Distributions

The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some states. If it were to be determined that the Partnership had been conducting business in any state without compliance with the applicable limited partnership statute, or that the right or the exercise of the right by the Unitholders as a group to remove or replace the General Partner, to approve certain amendments to the Partnership Agreement or to take other action pursuant to the Partnership Agreement constituted participation in the "control" of the Partnership's business, then the Unitholders could be held liable in certain circumstances for the Partnership's obligations to the same extent as a general partner. In addition, under certain circumstances a Unitholder may be liable to the Partnership for the amount of a distribution for a period of three years from the date of the distribution. See "The Partnership Agreement--Limited Liability" for a discussion of the limitations on liability and the implications thereof to a Unitholder.

Holders of Common Units Have Not Been Represented by Counsel

The holders of Common Units have not been represented by counsel in connection with this offering, including the preparation of the Partnership Agreement or the other agreements referred to herein or in establishing the terms of this offering.

Possible Inability to Obtain Consents and Title Documents to Asset Transfers

The Plains Midstream Subsidiaries will be merged into Plains Resources and, concurrently with the closing of this offering, Plains Resources will convey the Plains Midstream Subsidiaries' assets to the Partnership. In addition, the General Partner will convey all its interests in the All American Pipeline and the SJV Gathering System to the Partnership. Certain of the transferors' rights-of-way, leasehold interests in real and personal property and certain of the transferors' permits, licenses and other rights are transferable to the Partnership only with the consent of the lessor or other third party. The failure by the Partnership to obtain any such consents could have a material adverse effect on the Partnership. See "Business--Title to Properties."

RISKS INHERENT IN THE PARTNERSHIP'S BUSINESS

Dependence of Pipeline Upon California Crude Oil Supply

The profitability of the All American Pipeline is dependent upon an adequate supply of crude oil from fields located offshore and onshore California. A significant portion of the Partnership's gross margin is derived from the Santa Ynez and Point Arguello fields located offshore California. During the first nine months of 1998, approximately $26 million, or 44%, of the Partnership's gross margin was attributable to the Santa Ynez field and approximately $10 million, or 16%, was attributable to the Point Arguello field. Although the producers of most of the production from these fields have entered into contracts with the Partnership pursuant to which they have agreed to ship all of their production from these fields on the All American Pipeline through August 2007, they are not obligated to produce or ship any minimum volumes. Volumes received from the Santa Ynez and Point Arguello fields have declined from 92,000 and 60,000 average daily barrels, respectively, in 1995 to 70,000 and 26,000 average daily barrels, respectively, for the first nine months in 1998. The Partnership expects that there will continue to be natural production declines from each of these fields. In addition, any production disruption from these fields due to production problems, transportation problems or other reasons would have a material adverse effect on the Partnership.

As a result of the mid-1996 repeal of the export ban on crude oil produced from the Alaskan North Slope, the volume of Alaskan North Slope crude oil transported on the All American Pipeline declined to 2,000 barrels per day in 1997 compared to 16,000 barrels per day in 1996 and 26,000 barrels per day in 1995. Furthermore, in June 1998, the owner of the only pipeline capable of delivering Alaskan North Slope crude oil to the All American

Pipeline announced the proposed sale of the pipeline to a purchaser that has publicly stated its intention to convert the pipeline to a natural gas pipeline. As a result, the Partnership believes it is unlikely that there will be future shipments of Alaskan North Slope crude oil on the All American Pipeline. See "Business--Crude Oil Pipeline Operations."

The success of the Partnership's business strategy to increase utilization on its pipelines is dependent upon the Partnership's obtaining additional supply from increased production from California producers, an aggressive lease gathering program in the San Joaquin Valley and additional connections with other California crude oil pipelines. The ability of California producers to increase production is dependent on the prevailing market price of oil, the exploration and production budgets of the major and independent oil companies, the depletion rate of existing reservoirs, the success of new wells drilled, environmental concerns, regulatory initiatives and other matters beyond the control of the General Partner. There can be no assurance that production of crude oil in California will rise to sufficient levels to cause an increase in the utilization rate of the Partnership's pipelines. The Partnership may be unable to execute its strategy of increasing volumes on the All American Pipeline if additional production in California does not materialize due to economic, regulatory or other conditions which are beyond the Partnership's control.

Reduced Demand Could Affect Shipments on the All American Pipeline

A portion of the Partnership's business is dependent on demand for crude oil (in particular, California crude oil) in the geographic areas in which deliveries are made by the All American Pipeline and on the ability and willingness of shippers having access to the All American Pipeline to satisfy such demand by deliveries through the All American Pipeline, and any decrease in this demand could adversely affect the Partnership. Demand for crude oil is dependent upon the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, governmental regulation or technological advances in fuel economy and energy generation devices, all of which could reduce such demand.

Competition

The All American Pipeline encounters competition from foreign oil imports and other pipelines that serve the California market and the refining centers in the Midwest and on the Gulf Coast. A new pipeline connecting the San Joaquin Valley to refinery markets in the Los Angeles Basin area is currently under construction by a third party with an anticipated completion date in 1999. The Partnership expects that certain volumes currently transported east on the All American Pipeline may be redirected to Los Angeles through an interconnect with this new pipeline.

The Partnership faces intense competition in its terminalling and storage activities and gathering and marketing activities. Its competitors include other crude oil pipelines, the major integrated oil companies, their marketing affiliates and independent gatherers, brokers and marketers of widely varying sizes, financial resources and experience. Some of these competitors have capital resources many times greater than the Partnership's and control substantially greater supplies of crude oil. See "Business--Competition."

Dependence of Volumes of Crude Oil For Gathering and Marketing Activities

The profitability of the Partnership's gathering and marketing activities depends primarily on the volumes of crude oil it purchases in bulk at major pipeline terminal points and the amount it gathers at the wellhead. To maintain its volumes of crude oil purchased, the Partnership must continue to contract for new supplies of crude oil to offset volumes lost because of natural declines in crude oil production from depleting wells or volumes lost to competitors. Replacement of lost volumes of crude oil is particularly difficult in an environment where production is low and competition to gather available production is intense. Generally, because producers experience inconveniences in switching crude oil purchasers (such as delays in receipt of proceeds while awaiting the preparation of new division orders), producers typically do not change purchasers on the basis of minor

variations in price. Thus, the Partnership may experience difficulty acquiring crude oil at the wellhead in areas where there are existing relationships between producers and other gatherers and purchasers of crude oil.

Sustained low crude oil prices could lead to a decline in drilling activity and production levels or the shutting-in or abandonment of marginal wells. To the extent that low crude oil prices result in lower volumes of crude oil available for purchase at the wellhead, the Partnership may experience lower margins as competition for available crude oil intensifies. In addition, a sustained depression in crude oil prices could result in the bankruptcy of certain producers. Although bankruptcy proceedings are not likely to terminate production from oil wells, they may disrupt purchasing arrangements and have other adverse consequences. Alternatively, sustained high crude oil prices can limit the volume of crude oil purchases by the Partnership if sufficient credit support for its activities is unavailable.

Certain of the Partnership's Price Risks Are Not Hedged

Generally, as the Partnership purchases crude oil, it establishes a margin by selling crude oil for physical delivery to third party users, such as independent refiners or major oil companies, or by entering into a future delivery obligation with respect to futures contracts on the NYMEX. Through these transactions, the Partnership seeks to maintain a position that is substantially balanced between crude oil purchases, on the one hand, and sales or future delivery obligations, on the other hand. It is the Partnership's policy not to acquire and hold crude oil, futures contracts or derivative products for the purpose of speculating on price changes. These price risk management strategies cannot, however, eliminate all price risks. Any event that disrupts the Partnership's anticipated physical supplies of crude oil may expose it to risk of loss resulting from price changes. For example, if the General Partner inaccurately forecasts the shut-in of production or other supply interruptions as the result of depressed oil prices, mechanical interruptions, abrupt production declines or apportionment of pipeline space on common carrier pipelines, the Partnership might be unable to meet its supply commitments with the barrels purchased at the wellhead. The Partnership would be forced to make purchases elsewhere in order to meet its commitments, and in the event prices change adversely, the Partnership's margins also may be adversely affected. Moreover, the Partnership will be exposed to some risks that are not hedged, including certain basis risks (the risk that price differentials between delivery points, delivery periods or types of crude oil will change) and price risks on certain portions of its inventory. For accounting purposes, the Partnership may record losses on a portion of the unhedged inventory due to market price declines, although such losses would have no impact on cash flow as long as the Partnership is not forced to liquidate such inventory.

The Partnership May Not Be Successful in Integrating its Operations

The General Partner acquired the All American Pipeline and the SJV Gathering System in July 1998 and has operated it since that time. Although most of the persons responsible for managing and operating the respective crude oil terminalling and storage activities and gathering and marketing activities and pipeline operations of the Plains Midstream Subsidiaries and the General Partner prior to the formation of the Partnership will continue to be responsible for managing and operating the Partnership's operations after the offering, there can be no assurance that the Partnership will be able to successfully integrate the All American Pipeline and the SJV Gathering System with the Partnership's terminalling and storage activities and gathering and marketing activities or institute the necessary systems and procedures to successfully manage the combined enterprise on a profitable basis. The inability of the Partnership to successfully integrate these operations would have a material adverse effect on the Partnership's business, financial condition and results of operations.

Risks of Acquisition Strategy

The Partnership intends to pursue acquisitions as one means of increasing both the value of the Partnership's Units and its cash flow. The Partnership cannot predict whether it will be successful in consummating any such acquisitions or what the consequences of any such acquisitions would be. Moreover, there can be no assurance that general economic or industry conditions will be conducive to the Partnership's acquisition strategy, that the

Partnership will be able to identify and acquire any such assets or businesses on economically acceptable terms, that any acquisitions will not be dilutive to earnings and distributions to Unitholders or that any additional debt incurred to finance an acquisition will not affect the ability of the Partnership to make distributions to Unitholders. The Partnership is subject to certain covenants in its Letter of Credit Facility and Bank Credit Agreement that might restrict the ability of the Partnership to incur indebtedness to finance acquisitions. The Partnership currently has no commitments to acquire any material assets.

The Partnership's acquisition strategy involves numerous risks, including difficulties inherent in the integration of operations and systems, the diversion of management's attention from other business concerns and the potential loss of key employees of acquired businesses. In addition, future acquisitions also may involve the expenditure of significant funds. Depending upon the nature, size and timing of future acquisitions, the Partnership may be required to secure additional financing. There is no assurance that such additional financing will be available to the Partnership on acceptable terms.

Credit Risks

The Partnership extends credit to customers in the ordinary course of its gathering and marketing activities. In those cases where the Partnership provides division order services for crude oil purchased at the wellhead, the Partnership may be responsible for distribution of proceeds to all parties. In other cases, the Partnership pays a portion of the production proceeds to an operator who distributes these proceeds to the various interest owners. These arrangements expose the Partnership to operator credit risk, and therefore it must determine that operators have sufficient financial resources to make such payments and distributions and to indemnify and defend the Partnership in case of a protest, action or complaint. Even if the Partnership's credit review and analysis mechanisms work properly, there can be no assurance that the Partnership will not experience losses in dealings with other parties.

Risk of Environmental and Safety Costs and Liabilities

The operations of the Partnership are subject to federal and state laws and regulations relating to environmental protection and operational safety. Although the Partnership believes its operations are in substantial compliance with applicable environmental and safety regulations, risks of substantial costs and liabilities are inherent in pipeline, gathering, storage and terminalling facilities operations, and there can be no assurance that such costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental and safety laws, regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the Partnership's operations, could result in substantial costs and liabilities to the Partnership. If the Partnership were not able to recover such resulting costs through insurance or increased tariffs and revenues, cash distributions to Unitholders could be adversely affected.

The transportation and storage of crude oil results in a risk that crude oil and other hydrocarbons may be suddenly or gradually released into the environment, potentially causing substantial expenditures for a response action, significant government penalties, liability for natural resources damages to government agencies, personal injury or property damages to private parties and significant business interruption.

During 1997, the All American Pipeline experienced a leak in a segment of its pipeline in California which resulted in an estimated 12,000 barrels of crude oil being released into the soil. Immediate action was taken to repair the pipeline leak, contain the spill and recover the released crude oil. Approximately 43% of the volume was recovered and the Partnership has received conditional approval from the Mojave District Regional Water Quality Board (the "Water Board") to backfill the affected area and to enable natural degradation to remedy the remaining volume in place. The Partnership has been informed by the Water Board that if testing confirms natural degradation is occurring to the satisfaction of the Water Board, final approval for the Partnership's remediation plan should be granted. Agency approval or disapproval is expected in the first quarter of 1999. If the Partnership's plan is disapproved, a government mandated remediation of the spill could require more significant expenditures, currently estimated to approximate $350,000, although no assurance can be given that the actual cost could not exceed such estimate.

Prior to being acquired by the Partnership's predecessors in 1996, the Ingleside Terminal experienced releases of refined petroleum products into the soil and groundwater underlying the site due to activities on the property. The Partnership is undertaking a voluntary state-administered remediation of the contamination on the property, and to determine whether the contamination extends outside the property boundaries. Costs associated with the remediation of the Ingleside Terminal are not expected to exceed $250,000, although there can be no assurance in that regard.

Dependence on Connections with Other Pipelines

The All American Pipeline is dependent upon its interconnections with other crude oil pipelines to reach markets in the Midwest and the Gulf Coast. Reduced throughput on these pipelines as a result of testing, line repair, reduced operating pressures or other causes could result in reduced throughput on the All American Pipeline which would adversely affect the Partnership's profitability.

The Partnership's Activities Will Be Subject to Certain Operational Hazards and Unforeseen Interruptions

The Partnership's operations are subject to certain operational hazards and unforeseen interruptions, such as natural disasters, adverse weather, accidents or other events beyond the General Partner's control. A casualty occurrence might result in a loss of equipment or life, as well as injury and extensive property or environmental damage. The Partnership will carry insurance with respect to some, but not all, casualty occurrences and disruptions. Plains Resources currently carries insurance for itself and all of its affiliates, including the Partnership, covering general liability, automobile liability and workers' compensation in an aggregate amount of up to $150 million, certain aviation liability for non-owned aircraft of up to $10 million, property, flood and earthquake damage of up to $50 million, environmental liability of up to $20 million (in addition to general liability coverage) and business interruption insurance of up to $300,000 per day for a maximum of 90 days. The Partnership expects to continue to carry insurance in such amounts as it considers reasonable, but cannot ensure that this coverage will be in the amounts and for the types of losses now covered or that such amounts would be sufficient to prevent an unexpected loss from having a material adverse effect on the Partnership's financial condition or results of operations.

The Partnership Will Be Dependent Upon Key Personnel

The Partnership's management group includes certain key employees. The failure of the Partnership to retain these key employees could adversely affect its operations.

CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES

General

Conflicts of interest exist and may arise as a result of the relationships between the General Partner and Plains Resources, its sole stockholder, and its affiliates on the one hand, and the Partnership and its limited partners, on the other. The directors and officers of the General Partner have fiduciary duties to manage the General Partner, including its investments in its subsidiaries and affiliates, in a manner beneficial to Plains Resources. At the same time, the General Partner has fiduciary duties to manage the Partnership in a manner beneficial to the Partnership and the Unitholders. The Partnership Agreement contains certain provisions that allow the General Partner to take into account the interests of parties in addition to the Partnership in resolving conflicts of interest, thereby limiting its fiduciary duty to the Unitholders, as well as provisions that may restrict the remedies available to Unitholders for actions taken that might, without such limitations, constitute breaches of fiduciary duty. The duty of the directors and officers of the General Partner to Plains Resources may, therefore, come into conflict with the duties of the General Partner to the Partnership and the Unitholders. Conflicts of interest may arise with respect to the matters discussed below, among others.

Conflicts Affecting Cash Distributions

Decisions of the General Partner with respect to the amount and timing of asset purchases and sales, cash expenditures, borrowings, issuances of additional Units and the creation, reduction or increase of reserves in any

quarter will affect whether, or the extent to which, there is sufficient Available Cash from the Partnership's Operating Surplus to meet the Minimum Quarterly Distribution and Target Distribution Levels on all Units in a given quarter or in subsequent quarters. In addition, actions by the General Partner may have the effect of enabling the General Partner and its affiliates to receive distributions on the Subordinated Units or Incentive Distributions or hastening the expiration of the Subordination Period or the conversion of Subordinated Units into Common Units.

Conflicts Relating to Employees

The Partnership will not have any employees and will rely solely on employees of the General Partner and its affiliates.

Certain of the officers of the General Partner, who will provide services to the Partnership, will not be required to work full time on the affairs of the Partnership. Such officers may devote significant time to the affairs of the General Partner's affiliates and will be compensated by these affiliates for the services rendered to them. There may be significant conflicts between the Partnership and affiliates of the General Partner regarding the availability of such officers of the General Partner to manage the Partnership.

Conflicts Relating to Reimbursement of the General Partner

Under the terms of the Partnership Agreement, the Partnership will reimburse the General Partner and its affiliates for costs incurred in managing and operating the Partnership, including costs incurred in rendering corporate staff and support services to the Partnership.

Conflicts Regarding the General Partner's Liability

Whenever possible, the General Partner intends to limit the Partnership's liability under contractual arrangements to all or particular assets of the Partnership, with the other party thereto to have no recourse against the General Partner or its assets.

Conflicts Regarding Enforcement

Any agreements between the Partnership and the General Partner and its affiliates will not grant to the holders of Common Units, separate and apart from the Partnership, the right to enforce the obligations of the General Partner and such affiliates in favor of the Partnership. Therefore, the General Partner, in its capacity as the general partner of the Partnership, will be primarily responsible for enforcing such obligations.

No Arm's-Length Negotiations

Under the terms of the Partnership Agreement, the General Partner is not restricted from causing the Partnership to pay the General Partner or its affiliates for any services rendered on terms that are fair and reasonable to the Partnership or entering into additional contractual arrangements with any of such entities on behalf of the Partnership. Neither the Partnership Agreement nor any of the other agreements, contracts and arrangements between the Partnership, on the one hand, and the General Partner and its affiliates, on the other, are or will be the result of arm's-length negotiations.

General Partner's Right to Call For and Purchase Units

The General Partner may exercise its right to call for and purchase Units as provided in the Partnership Agreement or assign such right to one of its affiliates or the Partnership.

Potential for Competition from the General Partner's Affiliates

The Partnership Agreement provides that the General Partner will be restricted from engaging in any business activities other than those incidental to its ownership of interests in the Partnership. Except as provided in the Partnership Agreement and an agreement (the "Omnibus Agreement") to be entered into among the Partnership, the Operating Partnership, the General Partner and Plains Resources, affiliates of the General Partner will not be prohibited from engaging in other businesses or activities, including those that might be in direct competition with the Partnership. The Omnibus Agreement provides that, so long as the General Partner is an affiliate of Plains Resources, neither Plains Resources nor any of its affiliates (other than the General Partner

and the Partnership and their controlled affiliates) (a "Plains Entity") will engage in or acquire any business engaged in the following activities (a "Restricted Business"): (a) crude oil storage, terminalling and gathering activities in the lower 48 states for any party other than a Plains Entity or the Partnership, (b) marketing activities, and (c) transportation of crude oil by pipeline in the lower 48 states for any party other than a Plains Entity or the Partnership. Notwithstanding the foregoing, a Plains Entity may engage in a Restricted Business if:

(i) The Restricted Business was engaged in by the Plains Entity at the closing of this offering.

(ii) The Restricted Business is conducted pursuant to and in accordance with the terms of the Marketing Agreement or any other arrangement entered into with the Partnership with the concurrence of the Conflicts Committee.

(iii) The value of the assets acquired in a transaction that comprise a Restricted Business does not exceed $10 million.

(iv) The value of the assets acquired in a transaction that comprise a Restricted Business exceeds $10 million and the General Partner (with the concurrence of the Conflicts Committee) has elected not to cause the Partnership to pursue such opportunity.

Except as provided in the Omnibus Agreement, a Plains Entity will be free to engage in any type of business activity whatsoever, including those that may be in direct competition with the Partnership. The Omnibus Agreement may not be amended without the concurrence of the Conflicts Committee.

The Omnibus Agreement may be terminated by Plains Resources upon a "change of control" of Plains Resources. A "change of control" will be deemed to occur upon (i) the sale of substantially all of the assets of Plains Resources, (ii) the acquisition of more than 50% of the outstanding common equity of Plains Resources by any entity or (iii) the consummation of a merger following which the holders of Plains Resources' voting securities hold less than 50% of the voting securities of the surviving entity. Accordingly, in the event of a "change of control" of Plains Resources, the owner of the General Partner will not be restricted from engaging in businesses which compete directly with the Partnership. A sale or transfer of the general partner interest or capital stock of the General Partner will result in the purchaser or transferee being bound by the noncompetition provisions of the Omnibus Agreement.

Fiduciary Standards Applicable to and Indemnification of the General Partner

Unless provided for otherwise in a partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness and loyalty and which generally prohibit such general partner from taking any action or engaging in any transaction as to which it has a conflict of interest. The Partnership Agreement expressly permits the General Partner to resolve conflicts of interest between itself or its affiliates, on the one hand, and the Partnership or the Unitholders, on the other, and to consider, in resolving such conflicts of interest, the interests of other parties in addition to the interests of the Unitholders. IN ADDITION, THE PARTNERSHIP AGREEMENT PROVIDES THAT A PURCHASER OF COMMON UNITS IS DEEMED TO HAVE CONSENTED TO CERTAIN CONFLICTS OF INTEREST AND ACTIONS OF THE GENERAL PARTNER AND ITS AFFILIATES THAT MIGHT OTHERWISE BE PROHIBITED, INCLUDING THOSE DESCRIBED ABOVE, AND TO HAVE AGREED THAT SUCH CONFLICTS OF INTEREST AND ACTIONS DO NOT CONSTITUTE A BREACH BY THE GENERAL PARTNER OF ANY DUTY STATED OR IMPLIED BY LAW OR EQUITY. THE GENERAL PARTNER WILL NOT BE IN BREACH OF ITS OBLIGATIONS UNDER THE PARTNERSHIP AGREEMENT OR ITS DUTIES TO THE PARTNERSHIP OR THE UNITHOLDERS IF THE RESOLUTION OF SUCH CONFLICT IS FAIR AND REASONABLE TO THE PARTNERSHIP. THE LATITUDE GIVEN IN THE PARTNERSHIP AGREEMENT TO THE GENERAL PARTNER IN RESOLVING CONFLICTS OF INTEREST MAY SIGNIFICANTLY LIMIT THE ABILITY OF A UNITHOLDER TO CHALLENGE WHAT MIGHT OTHERWISE BE A BREACH OF FIDUCIARY DUTY.

The Partnership Agreement expressly limits the liability of the General Partner by providing that the General Partner, its affiliates and its officers and directors will not be liable for monetary damages to the Partnership, the limited partners or assignees for errors of judgment or for any acts or omissions if the General Partner and such

other persons acted in good faith. In addition, the Partnership is required to indemnify the General Partner, its affiliates and their respective officers, directors, employees, agents and trustees to the fullest extent permitted by law against liabilities, costs and expenses incurred by the General Partner or such other persons, if the General Partner or such persons acted in good faith and in a manner they reasonably believed to be in, or (in the case of a person other than a General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceedings, had no reasonable cause to believe the conduct was unlawful.

The provisions of Delaware law that allow the common law fiduciary duties of a general partner to be modified by a partnership agreement have not been tested in a court of law, and the General Partner has not obtained an opinion of counsel covering the provisions set forth in the Partnership Agreement that purport to waive or restrict the fiduciary duties of the General Partner that would be in effect under common law were it not for the Partnership Agreement. See "Conflicts of Interest and Fiduciary Responsibilities--Conflicts of Interest."

TAX RISKS

For a general discussion of the expected federal income tax consequences of owning and disposing of Common Units, see "Tax Considerations."

Tax Treatment is Dependent on Partnership Status

The availability to a holder of Common Units of the federal income tax benefits of an investment in the Partnership depends, in large part, on the classification of the Partnership as a partnership for federal income tax purposes. Assuming the accuracy of certain factual matters as to which the General Partner and the Partnership have made representations, Counsel is of the opinion that, under current law, the Partnership will be classified as a partnership for federal income tax purposes. The IRS has made no determination with respect to classification of the Partnership as a partnership for federal income tax purposes. Instead, the Partnership intends to rely on such opinion of Counsel (which is not binding on the IRS). Based upon the representations of the Partnership and the General Partner and a review of the applicable legal authorities, Counsel is of the opinion that at least 90% of the Partnership's gross income will constitute "qualifying income." Whether the Partnership will continue to be classified as a partnership in part depends, therefore, on the Partnership's ability to meet this qualifying income test in the future. See "Tax Considerations--Partnership Status."

If the Partnership were classified as an association taxable as a corporation for federal income tax purposes, the Partnership would pay tax on its income at corporate rates (currently a 35% federal rate), distributions would generally be taxed again to the Unitholders as corporate distributions, and no income, gains, losses or deductions would flow through to the Unitholders. Because a tax would be imposed upon the Partnership as an entity, the cash available for distribution to the holders of Common Units would be substantially reduced. Treatment of the Partnership as an association taxable as a corporation or otherwise as a taxable entity would result in a material reduction in the anticipated cash flow and after-tax return to the holders of Common Units and thus would likely result in a substantial reduction in the value of the Common Units. See "Tax Considerations--Partnership Status."

There can be no assurance that the law will not be changed so as to cause the Partnership to be treated as an association taxable as a corporation for federal income tax purposes or otherwise to be subject to entity-level taxation. The Partnership Agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects the Partnership to taxation as a corporation or otherwise subjects the Partnership to entity-level taxation for federal, state or local income tax purposes, certain provisions of the Partnership Agreement will be subject to change, including a decrease in the Minimum Quarterly Distribution and the Target Distribution Levels to reflect the impact of such law on the Partnership. See "Cash Distribution Policy--Adjustment of Minimum Quarterly Distribution and Target Distribution Levels."

No IRS Ruling with Respect to Tax Consequences

No ruling has been requested from the IRS with respect to classification of the Partnership as a partnership for federal income tax purposes or any other matter affecting the Partnership. Accordingly, the IRS may adopt

positions that differ from Counsel's conclusions expressed herein. It may be necessary to resort to administrative or court proceedings in an effort to sustain some or all of Counsel's conclusions, and some or all of such conclusions ultimately may not be sustained. Any such contest with the IRS may materially and adversely impact the market for the Common Units and the price at which the Common Units trade. In addition, the costs of any contest with the IRS will be borne directly or indirectly by some or all of the Unitholders and the General Partner.

Tax Liability Exceeding Cash Distributions

A Unitholder will be required to pay federal income taxes and, in certain cases, state and local income taxes on his allocable share of the Partnership's income, whether or not he receives cash distributions from the Partnership. There is no assurance that a Unitholder will receive cash distributions equal to his allocable share of taxable income from the Partnership or even the tax liability to him resulting from that income. Further, a holder of Common Units may incur a tax liability, in excess of the amount of cash received, upon the sale of his Common Units. See "Tax Considerations--Tax Consequences of Unit Ownership" and "--Disposition of Common Units."

Tax Gain or Loss on Disposition of Common Units

A Unitholder who sells Common Units will recognize gain or loss equal to the difference between the amount realized and his adjusted tax basis in such Common Units. Thus, prior Partnership distributions in excess of cumulative net taxable income in respect of a Common Unit which decreased a Unitholder's tax basis in such Common Unit will, in effect, become taxable income if the Common Unit is sold at a price greater than the Unitholder's tax basis in such Common Units, even if the price is less than his original cost. A portion of the amount realized (whether or not representing gain) may be ordinary income. Furthermore, should the IRS successfully contest certain conventions to be used by the Partnership, a Unitholder could realize more gain on the sale of Units than would be the case under such conventions without the benefit of decreased income in prior years.

Ownership of Common Units by Tax-Exempt Organizations and Certain Other Investors

Investment in Common Units by certain tax-exempt entities, regulated investment companies (mutual funds) and foreign persons raises issues unique to such persons. For example, virtually all of the taxable income derived by most organizations exempt from federal income tax (including IRAs and other retirement plans) from the ownership of a Common Unit will be unrelated business taxable income and thus will be taxable to such a Unitholder. Very little of the partnership's income will be qualifying income to a regulated investment company. Distributions to foreign persons will be subject to withholding. See "Tax Considerations--Tax-Exempt Organizations and Certain Other Investors."

Limitations on Deductibility of Losses

In the case of taxpayers subject to the passive loss rules (generally, individuals and closely held corporations), any losses generated by the Partnership will generally only be available to offset future income generated by the Partnership and cannot be used to offset income from other activities, including other passive activities or investments. Passive losses which are not deductible because they exceed the Unitholder's income generated by the Partnership may be deducted in full when the Unitholder disposes of his entire investment in the Partnership in a fully taxable transaction to an unrelated party. Net passive income from the Partnership may be offset by unused Partnership losses carried over from prior years, but not by losses from other passive activities, including losses from other publicly traded partnerships. See "Tax Considerations--Tax Consequences of Unit Ownership--Limitations on Deductibility of Partnership Losses."

Tax Shelter Registration; Potential IRS Audit

The General Partner has applied to register the Partnership as a "tax shelter" with the Secretary of the Treasury. No assurance can be given that the Partnership will not be audited by the IRS or that tax adjustments

will not be made. The rights of a Unitholder owning less than a 1% interest in the Partnership to participate in the income tax audit process are very limited. Further, any adjustments in the Partnership's tax returns will lead to adjustments in the Unitholders' tax returns and may lead to audits of Unitholders' tax returns and adjustments of items unrelated to the Partnership. Each Unitholder would bear the cost of any expenses incurred in connection with an examination of such Unitholder's personal tax return.

Possible Loss of Tax Benefits Relating to Non-uniformity of Common Units and Nonconforming Depreciation Conventions

Because the Partnership cannot match transferors and transferees of Common Units, uniformity of the economic and tax characteristics of the Common Units to a purchaser of Common Units must be maintained. To maintain uniformity and for other reasons, the Partnership will adopt certain depreciation and amortization conventions that do not conform with all aspects of certain proposed and final Treasury regulations. A successful challenge to those conventions by the IRS could adversely affect the amount of tax benefits available to a purchaser of Common Units or could affect the timing of such tax benefits or the amount of gain from the sale of Common Units and could have a negative impact on the value of the Common Units or result in audit adjustments to the tax returns of Unitholders. See "Tax Considerations--Uniformity of Units."

State, Local and Other Tax Considerations

In addition to federal income taxes, Unitholders will likely be subject to other taxes, such as state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which the Partnership does business or owns property. A Unitholder will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of the various jurisdictions in which the Partnership does business or owns property and may be subject to penalties for failure to comply with those requirements. The Partnership will initially own property and conduct business in Arizona, California, Oklahoma, Kansas, New Mexico, Illinois, Texas, Louisiana, Alabama, Mississippi and Florida. Of those, only Texas and Florida do not currently impose a personal income tax. It is the responsibility of each Unitholder to file all U.S. federal, state and local tax returns that may be required of such Unitholder. Counsel has not rendered an opinion on the state or local tax consequences of an investment in the Partnership. See "Tax Considerations--State, Local and Other Tax Considerations."

Reporting of Partnership Tax Information and Risk of Audits

The Partnership will furnish each holder of Common Units with a Schedule K-1 that sets forth his share of Partnership income, gains, losses and deductions. In preparing these schedules, the Partnership will use various accounting and reporting conventions and adopt various depreciation and amortization methods. There is no assurance that these schedules will yield a result that conforms to statutory or regulatory requirements or to administrative pronouncements of the IRS. Further, the Partnership's tax return may be audited, and any such audit could result in an audit of a Unitholder's individual tax return as well as increased liabilities for taxes because of adjustments resulting from the audit.

THE TRANSACTIONS

The net proceeds to the Partnership from the sale of Common Units offered hereby are expected to be approximately $239.0 million (assuming an initial public offering price of $20.00 per Common Unit and after deducting underwriting discounts and commissions but before deducting expenses incurred in connection with this offering). Concurrently with the closing of this offering, the Plains Midstream Subsidiaries will be merged into Plains Resources, which will sell the assets of these subsidiaries to the Partnership in exchange for $93.7 million and the assumption of related indebtedness. At the same time, the General Partner will convey all of its interest in the All American Pipeline and the SJV Gathering System, which it acquired in July 1998 for approximately $400 million, to the Partnership in exchange for:

- 6,817,391 Common Units, 9,800,000 Subordinated Units and a 2% general partner interest in the Partnership and the Operating Partnership;
- the right to receive Incentive Distributions; and
- the assumption by the Operating Partnership of $175 million of indebtedness incurred by the General Partner in connection with the acquisition of the All American Pipeline and the SJV Gathering System.

The determination of the value of the assets and businesses conveyed to the Partnership in exchange for cash, Units and the assumption of indebtedness was determined by negotiations between Plains Resources and the General Partner and representatives of the Underwriters. The assets and businesses conveyed to the Partnership by the General Partner and Plains Resources constitute all of the assets and businesses of the Partnership. Prior to this offering, there has been no public market for the Common Units of the Partnership. See "Underwriting" for a discussion of the establishment of the initial public offering price of the Common Units.

In addition to the $93.7 million to be paid to Plains Resources, the Partnership will distribute approximately $142.3 million to the General Partner and will use approximately $3 million of the remaining proceeds to pay expenses incurred in connection with the Transactions. The General Partner will use $110 million of the cash distributed to it to retire the remaining indebtedness incurred in connection with the acquisition of the All American Pipeline and the SJV Gathering System and the balance, $32.3 million, will be distributed or loaned to Plains Resources which will use the cash to repay indebtedness and for other general corporate purposes.

In addition, concurrently with the closing of this offering, the Operating Partnership will enter into the $225 million Bank Credit Agreement that will include the $175 million Term Loan Facility and the $50 million Revolving Credit Facility. The Partnership may borrow up to $50 million under the Revolving Credit Facility for acquisitions, capital improvements, working capital and general business purposes. At closing, the Operating Partnership will have $175 million outstanding under the Term Loan Facility, representing indebtedness assumed from the General Partner.

The Partnership will use the net proceeds from any exercise of the Underwriters' over-allotment option to redeem Common Units from the General Partner or its affiliates, on a pro rata basis, equal to the number of Common Units issued upon the exercise of such option.

USE OF PROCEEDS

The net proceeds to the Partnership from the sale of Common Units offered hereby will be approximately $239.0 million, assuming an initial public offering price of $20.00 per Common Unit, and after deducting underwriting discounts and commissions but before deducting expenses incurred in connection with this offering. The net proceeds of this offering will be applied to (i) purchase the Plains Midstream Subsidiaries' assets from Plains Resources for approximately $93.7 million, (ii) pay approximately $3.0 million of expenses of the Transactions and (iii) make a distribution of approximately $142.3 million to the General Partner.

The General Partner will use $110 million of the cash distributed to it to retire a portion of the indebtedness incurred in connection with the acquisition of the All American Pipeline and the SJV Gathering System. Of this indebtedness, $60 million bears interest at LIBOR plus a margin of 1.75% and $50 million bears interest at LIBOR plus a margin of 2.75%. The indebtedness has a final maturity in 2005. The remainder of the distribution to the General Partner will be distributed or loaned to Plains Resources, which will use the cash to repay indebtedness and for general corporate purposes.

The Partnership will use the net proceeds from any exercise of the Underwriters' over-allotment option to redeem Common Units from the General Partner or its affiliates, on a pro rata basis, equal to the number of Common Units issued upon the exercise of such option.

CAPITALIZATION

The following table sets forth (i) the capitalization of Plains Midstream Subsidiaries as of September 30, 1998, (ii) the pro forma adjustments required to reflect the Transactions, including the sale of the Common Units offered hereby (at an assumed initial public offering price of $20.00 per Common Unit) and the application of the net proceeds therefrom as described in "Use of Proceeds," and (iii) the pro forma capitalization of the Partnership as of September 30, 1998. The table is derived from, should be read in conjunction with, and is qualified in its entirety by reference to the historical and pro forma financial statements and notes thereto included elsewhere in this Prospectus.

	AS OF SEPTEMBER 30, 1998		
	HISTORICAL	TRANSACTION ADJUSTMENTS(1)	PRO FORMA, AS ADJUSTED
		(UNAUDITED) (IN THOUSANDS)	
Long-term debt:			
Bank Credit Agreement(2)	$285,000	$(110,000)	$ 175,000
Long-term debt due to affiliates	29,681	(29,681)	--
Total long-term debt	314,681	(139,681)	175,000
Combined equity	122,630	(122,630)	--
Partners' capital:			
Common Unitholders(3)	--	305,242	305,242
Subordinated Unitholders	--	99,515	99,515
General Partner	--	(136,243)	(136,243)
Total combined equity/partners' capital	122,630	145,884	268,514
Total capitalization	$437,311	$ 6,203	$ 443,514

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(1) See Notes to Pro Forma Consolidated Financial Statements of Plains All American Pipeline, L.P. for a discussion of the pro forma adjustments.

(2) In connection with the Transactions, the Operating Partnership will assume $175 million of the $285 million of indebtedness incurred by the General Partner in conjunction with the acquisition of the All American Pipeline and the SJV Gathering System. The Bank Credit Agreement is an amendment and restatement of the bank credit agreement pursuant to which such acquisition was financed.

(3) Includes Common Units offered hereby, as well as Common Units retained by the General Partner.

DILUTION

On a pro forma basis as of September 30, 1998 after giving effect to the Transactions, the net tangible book value was $260.4 million or $8.68 per Common Unit (assuming an initial public offering price of $20.00 per Common Unit). Purchasers of Common Units in this offering will experience substantial and immediate dilution in net tangible book value per Common Unit for financial accounting purposes, as illustrated in the following table:

Assumed initial public offering price per Common Unit		$ 20.00
Net tangible book value per Common Unit before the Offering (1)(2)	$6.65	
Increase in net tangible book value per Common Unit attributable to new investors	2.03	
Less: Pro forma net tangible book value per Common Unit after the Offering (2)(3)		8.68
Immediate dilution in net tangible book value per Common Unit to new investors		$ 11.32

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(1) Determined by dividing the number of Units (6,817,391 Common Units and 9,800,000 Subordinated Units and the 2% general partner interest having dilutive effect equivalent to 600,000 Units) to be issued to the General Partner for its contribution of assets and liabilities to the Partnership into the net tangible book value of the contributed assets and liabilities.

(2) The net tangible book value does not include intangible assets contributed to the Partnership with a book value of $8.1 million ($0.47 per Unit).

(3) Determined by dividing the total number of Units (19,600,000 Common Units, 9,800,000 Subordinated Units and the 2% general partner interest having dilutive effect equivalent to 600,000 Units) to be outstanding after the offering made hereby into the pro forma net tangible book value of the Partnership, after giving effect to the application of the net proceeds of this offering.

The following table sets forth the number of Units that will be issued by the Partnership and the total consideration to the Partnership contributed by the General Partner and its affiliates in respect of their Units and by the purchasers of Common Units in this offering upon the consummation of the Transactions:

	UNITS ACQUIRED		TOTAL CONSIDERATION	
	NUMBER	PERCENT	AMOUNT	PERCENT
General Partner and its affiliates(1)(2)	17,217,391	57.4%	$ 32,479,000	12.1%
New Investors	12,782,609	42.6	236,035,000	87.9
Total	30,000,000	100.0%	$ 268,514,000	100.0%

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(1) Upon the consummation of the Transactions, the General Partner and its affiliates will own an aggregate of 6,817,391 Common Units and 9,800,000 Subordinated Units and a 2% general partner interest in the Partnership having a dilutive effect equivalent to 600,000 Units.

(2) The assets and liabilities contributed and sold by the Plains Midstream Subsidiaries and Plains Resources will be recorded at historical cost rather than fair value in accordance with generally accepted accounting principles. These assets include $8.1 million of intangible assets. Total book value of the consideration provided by the Plains Midstream Subsidiaries and Plains Resources is as follows:

Book value of net assets transferred by the Plains Midstream Subsidiaries at September 30, 1998	$ 126,596,000
Debt retained by Plains Midstream Subsidiaries	141,918,000
Less: Distribution of portion of net proceeds from the Common Units	(142,335,000)
Less: Purchase of assets from Plains Resources	(93,700,000)

$ 32,479,000
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CASH DISTRIBUTION POLICY

GENERAL

Available Cash

The Partnership will distribute to its partners, on a quarterly basis, all of its Available Cash in the manner described herein. Available Cash is defined in the Glossary and generally means, with respect to any quarter of the Partnership, all cash on hand at the end of such quarter less the amount of cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the Partnership's business, (ii) comply with applicable law or any Partnership debt instrument or other agreement, or (iii) provide funds for distributions to Unitholders and the General Partner in respect of any one or more of the next four quarters.

Operating Surplus and Capital Surplus

Cash distributions will be characterized as distributions from either Operating Surplus or Capital Surplus. This distinction affects the amounts distributed to Unitholders relative to the General Partner, and under certain circumstances it determines whether holders of Subordinated Units receive any distributions. See "--Quarterly Distributions of Available Cash."

Operating Surplus is defined in the Glossary and refers generally to (i) the cash balance of the Partnership on the date the Partnership commences operations, plus $25 million, plus all cash receipts of the Partnership from its operations since the closing of the Transactions (excluding cash constituting Capital Surplus), less (ii) all Partnership operating expenses, debt service payments (including reserves therefor but not including payments required in connection with the sale of assets or any refinancing with the proceeds of new indebtedness or an equity offering), maintenance capital expenditures and reserves established for future Partnership operations, in each case since the closing of the Transactions.

Capital Surplus is also defined in the Glossary and will generally be generated only by borrowings (other than Working Capital Borrowings), sales of debt and equity securities and sales or other dispositions of assets for cash (other than inventory, accounts receivable and other assets all as disposed of in the ordinary course of business).

To avoid the difficulty of trying to determine whether Available Cash distributed by the Partnership is from Operating Surplus or from Capital Surplus, all Available Cash distributed by the Partnership from any source will be treated as distributed from Operating Surplus until the sum of all Available Cash distributed since the commencement of the Partnership equals the Operating Surplus as of the end of the quarter prior to such distribution. Any Available Cash in excess of such amount (irrespective of its source) will be deemed to be from Capital Surplus and distributed accordingly.

If Available Cash from Capital Surplus is distributed in respect of each Common Unit in an aggregate amount per Common Unit equal to the initial public offering price of the Common Units (the "Initial Unit Price"), plus any Common Unit Arrearages, the distinction between Operating Surplus and Capital Surplus will cease, and all distributions of Available Cash will be treated as if they were from Operating Surplus. The Partnership does not anticipate that there will be significant distributions from Capital Surplus.

Subordinated Units

The Subordinated Units that will be issued to the General Partner are entitled to receive the Minimum Quarterly Distribution only after the Common Units have received the Minimum Quarterly Distribution plus any arrearages thereon. The Subordinated Units are not entitled to arrearages. Upon expiration of the Subordination Period, which will generally not occur prior to December 31, 2003, the Subordinated Units will convert into Common Units on a one-for-one basis and will thereafter participate pro rata with the other Common Units in distributions of Available Cash. The Subordinated Units are also subordinated to the Common Units upon liquidation and have fewer voting rights than the Common Units.

Incentive Distributions

The Incentive Distributions represent the right to receive an increasing percentage of quarterly distributions of Available Cash from Operating Surplus after the Minimum Quarterly Distribution and the Target Distribution Levels have been achieved. The Target Distribution Levels are based on the amounts of Available Cash from Operating Surplus distributed in excess of the payments made with respect to the Minimum Quarterly Distribution and Common Unit Arrearages, if any, and the related 2% distribution to the General Partner.

Effect of Issuance of Additional Units

Subject to the limitations described under "The Partnership Agreement--Issuance of Additional Securities," the Partnership has the authority to issue additional Common Units or other equity securities of the Partnership for such consideration and on such terms and conditions as are established by the General Partner in its sole discretion and without the approval of the Unitholders. It is possible that the Partnership will fund acquisitions through the issuance of additional Common Units or other equity securities of the Partnership. Holders of any additional Common Units issued by the Partnership will be entitled to share equally with the then-existing holders of Common Units in distributions of Available Cash by the Partnership. In addition, the issuance of additional Partnership Interests may dilute the value of the interests of the then-existing holders of Common Units in the net assets of the Partnership. The General Partner will be required to make an additional capital contribution to the Partnership or the Operating Partnership (other than in connection with the exercise of the over-allotment option) in connection with the issuance of additional Partnership Interests.

QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

The Partnership will make distributions to its partners with respect to each quarter of the Partnership prior to its liquidation in an amount equal to 100% of its Available Cash for such quarter. The Partnership expects to make distributions of all Available Cash within approximately 45 days after the end of each quarter, commencing with the quarter ending December 31, 1998, to holders of record on the applicable record date. The Minimum Quarterly Distribution and the Target Distribution Levels for the period from the closing of this offering through December 31, 1998 will be adjusted downward based on the actual length of such period. The Minimum Quarterly Distribution and the Target Distribution Levels are also subject to certain other adjustments as described below under "--Distributions from Capital Surplus" and "--Adjustment of Minimum Quarterly Distribution and Target Distribution Levels."

With respect to each quarter during the Subordination Period, to the extent there is sufficient Available Cash, the holders of Common Units will have the right to receive the Minimum Quarterly Distribution, plus any Common Unit Arrearages, prior to any distribution of Available Cash to the holders of Subordinated Units. This subordination feature will enhance the Partnership's ability to distribute the Minimum Quarterly Distribution on the Common Units during the Subordination Period. There is no guarantee, however, that the Minimum Quarterly Distribution will be made on the Common Units. Upon expiration of the Subordination Period, all Subordinated Units will be converted on a one-for-one basis into Common Units and will participate pro rata with all other Common Units in future distributions of Available Cash. Under certain circumstances, up to 50% of the Subordinated Units may convert into Common Units prior to the expiration of the Subordination Period. Common Units will not accrue arrearages with respect to distributions for any quarter after the Subordination Period and Subordinated Units will not accrue any arrearages with respect to distributions for any quarter.

DISTRIBUTIONS FROM OPERATING SURPLUS DURING SUBORDINATION PERIOD

The Subordination Period will generally extend from the closing of this offering until the first day of any quarter beginning after December 31, 2003 in respect of which (i) distributions of Available Cash from Operating Surplus on the Common Units and the Subordinated Units with respect to each of the three consecutive four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the outstanding Common Units and Subordinated Units during such periods, (ii) the

Adjusted Operating Surplus generated during each of the three consecutive four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were outstanding on a fully diluted basis and the related distribution on the general partner interests in the Partnership and the Operating Partnership during such periods, and (iii) there are no outstanding Common Unit Arrearages.

Prior to the end of the Subordination Period, a portion of the Subordinated Units will convert into Common Units on a one-for-one basis on the first day after the record date established for the distribution in respect of any quarter ending on or after (a) December 31, 2001 with respect to one-quarter of the Subordinated Units (2,450,000 Subordinated Units) and (b) December 31, 2002 with respect to one-quarter of the Subordinated Units (2,450,000 Subordinated Units) in respect of which (i) distributions of Available Cash from Operating Surplus on the Common Units and the Subordinated Units with respect to each of the three consecutive four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the outstanding Common Units and Subordinated Units during such periods, (ii) the Adjusted Operating Surplus generated during each of the three consecutive four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were outstanding on a fully diluted basis and the related distribution on the general partner interests in the Partnership during such periods, and (iii) there are no outstanding Common Unit Arrearages; provided, however, that the early conversion of the second one-quarter of Subordinated Units may not occur until at least one year following the early conversion of the first one-quarter of Subordinated Units.

Upon expiration of the Subordination Period, all remaining Subordinated Units will convert into Common Units on a one-for-one basis and will thereafter participate, pro rata, with the other Common Units in distributions of Available Cash. In addition, if the General Partner is removed as general partner of the Partnership under circumstances where Cause does not exist and Units held by the General Partner and its affiliates are not voted in favor of such removal, (i) the Subordination Period will end and all outstanding Subordinated Units will immediately convert into Common Units on a one-for-one basis, (ii) any existing Common Unit Arrearages will be extinguished and (iii) the General Partner will have the right to convert its general partner interests (and the right to receive Incentive Distributions) into Common Units or to receive cash in exchange for such interests.

"Adjusted Operating Surplus" for any period generally means Operating Surplus generated during such period, less (a) any net increase in Working Capital Borrowings during such period and (b) any net reduction in cash reserves for Operating Expenditures during such period not relating to an Operating Expenditure made during such period; and plus (x) any net decrease in Working Capital Borrowings during such period and (y) any net increase in cash reserves for Operating Expenditures during such period required by any debt instrument for the repayment of principal, interest or premium. Operating Surplus generated during a period is equal to the difference between (i) the Operating Surplus determined at the end of such period and (ii) the Operating Surplus determined at the beginning of such period.

Distributions by the Partnership of Available Cash from Operating Surplus with respect to any quarter during the Subordination Period will be made in the following manner:

First, 98% to the Common Unitholders, pro rata, and 2% to the General Partner, until there has been distributed in respect of each outstanding Common Unit an amount equal to the Minimum Quarterly Distribution for such quarter;

Second, 98% to the Common Unitholders, pro rata, and 2% to the General Partner, until there has been distributed in respect of each outstanding Common Unit an amount equal to any Common Unit Arrearages accrued and unpaid with respect to any prior quarters during the Subordination Period;

Third, 98% to the Subordinated Unitholders, pro rata, and 2% to the General Partner, until there has been distributed in respect of each outstanding Subordinated Unit an amount equal to the Minimum Quarterly Distribution for such quarter; and

Thereafter, in the manner described in "--Incentive Distributions--Hypothetical Annualized Yield" below.

The above references to the 2% of Available Cash from Operating Surplus distributed to the General Partner are references to the amount of the percentage interest in distributions from the Partnership and the Operating Partnership of the General Partner on a combined basis (exclusive of its or any of its affiliates' interest as holders of the Units). The General Partner will own a 1% general partner interest in the Partnership and a 1.0111% general partner interest in the Operating Partnership. With respect to any Common Unit, the term "Common Unit Arrearages" refers to the amount by which the Minimum Quarterly Distribution in any quarter during the Subordination Period exceeds the distribution of Available Cash from Operating Surplus actually made for such quarter on a Common Unit issued in this offering, cumulative for such quarter and all prior quarters during the Subordination Period. Common Unit Arrearages will not accrue interest.

DISTRIBUTIONS FROM OPERATING SURPLUS AFTER SUBORDINATION PERIOD

Distributions by the Partnership of Available Cash from Operating Surplus with respect to any quarter after the Subordination Period will be made in the following manner:

First, 98% to all Unitholders, pro rata, and 2% to the General Partner, until there has been distributed in respect of each Unit an amount equal to the Minimum Quarterly Distribution for such quarter; and

Thereafter, in the manner described in "--Incentive Distributions--Hypothetical Annualized Yield" below.

INCENTIVE DISTRIBUTIONS--HYPOTHETICAL ANNUALIZED YIELD

For any quarter for which Available Cash from Operating Surplus is distributed to the Common and Subordinated Unitholders in an amount equal to the Minimum Quarterly Distribution on all Units and to the Common Unitholders in an amount equal to any unpaid Common Unit Arrearages, then any additional Available Cash from Operating Surplus in respect of such quarter will be distributed among the Unitholders and the General Partner in the following manner:

First, 85% to all Unitholders, pro rata, and 15% to the General Partner, until the Unitholders have received (in addition to any distributions to Common Unitholders to eliminate Common Unit Arrearages) a total of $0.495 for such quarter in respect of each outstanding Unit (the "First Target Distribution");

Second, 75% to all Unitholders, pro rata, and 25% to the General Partner, until the Unitholders have received (in addition to any distributions to Common Unitholders to eliminate Common Unit Arrearages) a total of $0.675 for such quarter in respect of each outstanding Unit (the "Second Target Distribution"); and

Thereafter, 50% to all Unitholders, pro rata, and 50% to the General Partner.

The distributions to the General Partner set forth above (other than in its capacity as holders of Units) that are in excess of its aggregate 2% general partner interest represent the Incentive Distributions. The right to receive Incentive Distributions is not part of the general partner interest and may be transferred separately from such interests, subject to certain restrictions. See "The Partnership Agreement--Transfer of General Partner Interest and Incentive Distribution Rights."

The following table illustrates the percentage allocation of the additional Available Cash from Operating Surplus between the Unitholders and the General Partner up to the various Target Distribution Levels and a hypothetical annualized percentage yield to be realized by a Unitholder at each Target Distribution Level. These distributions are intended to represent a return on investment to Unitholders. For a discussion of the tax consequences of ownership of Common Units, see "Tax Considerations." For purposes of the following table,

the annualized percentage yield is calculated on a pretax basis by dividing each level of distribution by the assumed initial public offering price of $20.00 per Common Unit. To the extent that the trading price of the Common Units is greater than $20.00 per Common Unit, the calculated distribution yield will decrease and to the extent that the trading price of the Common Units is less than $20.00 per Common Unit, the calculated distribution yield will increase. The calculations are also based on the assumption that the quarterly distribution amounts shown do not include any Common Unit Arrearages. The amounts set forth under "Marginal Percentage Interest in Distributions" are the percentage interests of the General Partner and the Unitholders in any Available Cash from Operating Surplus distributed up to and including the corresponding amount in the column "Quarterly Distribution Amount per Common Unit," until Available Cash distributed to a Common Unitholder reaches the next Target Distribution Level, if any. The percentage interests shown for the Unitholders and the General Partner for the Minimum Quarterly Distribution are also applicable to quarterly distribution amounts that are less than the Minimum Quarterly Distribution.

	QUARTERLY DISTRIBUTION AMOUNT PER COMMON UNIT	HYPOTHETICAL ANNUALIZED YIELD	MARGINAL PERCENTAGE INTEREST IN DISTRIBUTIONS	
			UNITHOLDERS	GENERAL PARTNER
Minimum Quarterly Distribution.............	$0.450	9.00%	98%	2%
First Target Distribution.	$0.495	9.90%	85%	15%
Second Target Distribution.............	$0.675	13.50%	75%	25%
Thereafter................	above $0.675	above 13.50%	50%	50%

DISTRIBUTIONS FROM CAPITAL SURPLUS

Distributions by the Partnership of Available Cash from Capital Surplus will be made in the following manner:

First, 98% to all Unitholders, pro rata, and 2% to the General Partner, until the Partnership has distributed, in respect of each outstanding Common Unit issued in this offering, Available Cash from Capital Surplus in an aggregate amount per Common Unit equal to the Initial Unit Price;

Second, 98% to the holders of Common Units, pro rata, and 2% to the General Partner, until the Partnership has distributed, in respect of each outstanding Common Unit, Available Cash from Capital Surplus in an aggregate amount equal to any unpaid Common Unit Arrearages with respect to such Common Unit; and

Thereafter, all distributions of Available Cash from Capital Surplus will be distributed as if they were from Operating Surplus.

As a distribution of Available Cash from Capital Surplus is made, it is treated as if it were a repayment of the Initial Unit Price. To reflect such repayment, the Minimum Quarterly Distribution and the Target Distribution Levels will be adjusted downward by multiplying each such amount by a fraction, the numerator of which is the Unrecovered Capital of the Common Units immediately after giving effect to such repayment and the denominator of which is the Unrecovered Capital of the Common Units immediately prior to such repayment. This adjustment to the Minimum Quarterly Distribution may make it more likely that Subordinated Units will be converted into Common Units (whether pursuant to the termination of the Subordination Period or to the provisions permitting early conversion of some Subordinated Units) and may accelerate the dates at which such conversions occur.

When "payback" of the Initial Unit Price has occurred, i.e., when the Unrecovered Capital of the Common Units is zero (and any accrued Common Unit Arrearages have been paid), then in effect the Minimum Quarterly Distribution and each of the Target Distribution Levels will have been reduced to zero for subsequent quarters. Thereafter, all distributions of Available Cash from all sources will be treated as if they were from Operating

Surplus. Because the Minimum Quarterly Distribution and the Target Distribution Levels will have been reduced to zero, the General Partner will be entitled thereafter to receive 50% of all distributions of Available Cash in its capacities as General Partner and as holder of the Incentive Distribution Rights (in addition to any distributions to which they may be entitled as holders of Units).

Distributions of Available Cash from Capital Surplus will not reduce the Minimum Quarterly Distribution or Target Distribution Levels for the quarter with respect to which they are distributed.

ADJUSTMENT OF MINIMUM QUARTERLY DISTRIBUTION AND TARGET DISTRIBUTION LEVELS

In addition to reductions of the Minimum Quarterly Distribution and Target Distribution Levels made upon a distribution of Available Cash from Capital Surplus, the Minimum Quarterly Distribution, the Target Distribution Levels, the Unrecovered Capital, the number of additional Common Units issuable during the Subordination Period without a Unitholder vote, the number of Common Units issuable upon conversion of the Subordinated Units and other amounts calculated on a per Unit basis will be proportionately adjusted upward or downward, as appropriate, in the event of any combination or subdivision of Common Units (whether effected by a distribution payable in Common Units or otherwise), but not by reason of the issuance of additional Common Units for cash or property. For example, in the event of a two-for-one split of the Common Units (assuming no prior adjustments), the Minimum Quarterly Distribution, each of the Target Distribution Levels and the Unrecovered Capital of the Common Units would each be reduced to 50% of its initial level.

The Minimum Quarterly Distribution and the Target Distribution Levels may also be adjusted if legislation is enacted or if existing law is modified or interpreted by the relevant governmental authority in a manner that causes the Partnership to become taxable as a corporation or otherwise subjects the Partnership to taxation as an entity for federal, state or local income tax purposes. In such event, the Minimum Quarterly Distribution and the Target Distribution Levels would be reduced to an amount equal to the product of (i) the Minimum Quarterly Distribution and each of the Target Distribution Levels, respectively, multiplied by (ii) one minus the sum of (x) the maximum effective federal income tax rate to which the Partnership is then subject as an entity plus (y) any increase that results from such legislation in the effective overall state and local income tax rate to which the Partnership is subject as an entity for the taxable year in which such event occurs (after taking into account the benefit of any deduction allowable for federal income tax purposes with respect to the payment of state and local income taxes). For example, assuming the Partnership was not previously subject to state and local income tax, if the Partnership were to become taxable as an entity for federal income tax purposes and the Partnership became subject to a maximum marginal federal, and effective state and local, income tax rate of 38%, then the Minimum Quarterly Distribution and the Target Distribution Levels would each be reduced to 62% of the amount thereof immediately prior to such adjustment.

DISTRIBUTIONS OF CASH UPON LIQUIDATION

Following the commencement of the dissolution and liquidation of the Partnership, assets will be sold or otherwise disposed of from time to time and the partners' capital account balances will be adjusted to reflect any resulting gain or loss. The proceeds of such liquidation will, first, be applied to the payment of creditors of the Partnership in the order of priority provided in the Partnership Agreement and by law and, thereafter, be distributed to the Unitholders and the General Partner in accordance with their respective capital account balances as so adjusted.

Partners are entitled to liquidating distributions in accordance with capital account balances. The allocations of gains and losses upon liquidation are intended, to the extent possible, to entitle the holders of outstanding Common Units to a preference over the holders of outstanding Subordinated Units upon the liquidation of the Partnership, to the extent required to permit Common Unitholders to receive their Unrecovered Capital plus any unpaid Common Unit Arrearages. Thus, net losses recognized upon liquidation of the Partnership will be allocated to the holders of the Subordinated Units to the extent of their capital account balances before any loss

is allocated to the holders of the Common Units, and net gains recognized upon liquidation will be allocated first to restore negative balances in the capital account of the General Partner and any Unitholders and then to the Common Unitholders until their capital account balances equal their Unrecovered Capital plus unpaid Common Unit Arrearages. However, no assurance can be given that there will be sufficient gain upon liquidation of the Partnership to enable the holders of Common Units to fully recover all of such amounts, even though there may be cash available for distribution to the holders of Subordinated Units.

The manner of such adjustment is as provided in the Partnership Agreement, the form of which is included as Appendix A to this Prospectus. If the liquidation of the Partnership occurs before the end of the Subordination Period, any net gain (or unrealized gain attributable to assets distributed in kind) will be allocated to the partners as follows:

First, to the General Partner and the holders of Units having negative balances in their capital accounts to the extent of and in proportion to such negative balances;

Second, 98% to the holders of Common Units, pro rata, and 2% to the General Partner, until the capital account for each Common Unit is equal to the sum of (i) the Unrecovered Capital in respect of such Common Unit, (ii) the amount of the Minimum Quarterly Distribution for the quarter during which liquidation of the Partnership occurs and (iii) any unpaid Common Unit Arrearages in respect of such Common Unit;

Third, 98% to the holders of Subordinated Units, pro rata, and 2% to the General Partner, until the capital account for each Subordinated Unit is equal to the sum of (i) the Unrecovered Capital in respect of such Subordinated Unit and (ii) the amount of the Minimum Quarterly Distribution for the quarter during which the liquidation of the Partnership occurs;

Fourth, 85% to the Unitholders, pro rata, and 15% to the General Partner, until there has been allocated under this paragraph fourth an amount per Unit equal to (a) the sum of the excess of the First Target Distribution per Unit over the Minimum Quarterly Distribution per Unit for each quarter of the Partnership's existence, less (b) the cumulative amount per Unit of any distributions of Available Cash from Operating Surplus in excess of the Minimum Quarterly Distribution per Unit that was distributed 85% to the Unitholders, pro rata, and 15% to the General Partner for each quarter of the Partnership's existence;

Fifth, 75% to all Unitholders, pro rata, and 25% to the General Partner, until there has been allocated under this paragraph fifth an amount per Unit equal to (a) the sum of the excess of the Second Target Distribution per Unit over the First Target Distribution per Unit for each quarter of the Partnership's existence, less (b) the cumulative amount per Unit of any distributions of Available Cash from Operating Surplus in excess of the First Target Distribution per Unit that was distributed 75% to the Unitholders, pro rata, and 25% to the General Partner for each quarter of the Partnership's existence; and

Thereafter, 50% to all Unitholders, pro rata, and 50% to the General Partner.

If the liquidation occurs after the Subordination Period, the distinction between Common Units and Subordinated Units will disappear, so that clauses (ii) and (iii) of paragraph second above and all of paragraph third above will no longer be applicable.

Upon liquidation of the Partnership, any loss will generally be allocated to the General Partner and the Unitholders as follows:

First, 98% to holders of Subordinated Units in proportion to the positive balances in their respective capital accounts and 2% to the General Partner, until the capital accounts of the holders of the Subordinated Units have been reduced to zero;

Second, 98% to the holders of Common Units in proportion to the positive balances in their respective capital accounts and 2% to the General Partner, until the capital accounts of the Common Unitholders have been reduced to zero; and

Thereafter, 100% to the General Partner.

If the liquidation occurs after the Subordination Period, the distinction between Common Units and Subordinated Units will disappear, so that all of paragraph first above will no longer be applicable.

In addition, interim adjustments to capital accounts will be made at the time the Partnership issues additional interests in the Partnership or makes distributions of property. Such adjustments will be based on the fair market value of the interests or the property distributed and any gain or loss resulting therefrom will be allocated to the Unitholders and the General Partner in the same manner as gain or loss is allocated upon liquidation. In the event that positive interim adjustments are made to the capital accounts, any subsequent negative adjustments to the capital accounts resulting from the issuance of additional interests in the Partnership, distributions of property by the Partnership, or upon liquidation of the Partnership, will be allocated in a manner which results, to the extent possible, in the capital account balances of the General Partner equaling the amount which would have been the General Partner's capital account balances if no prior positive adjustments to the capital accounts had been made.

CASH AVAILABLE FOR DISTRIBUTION

Based on the amount of working capital that the Partnership is expected to have at the time it commences operations and the ability to make Working Capital Borrowings under the Revolving Credit Facility, the Partnership believes that it should have sufficient Available Cash from Operating Surplus to enable it to distribute the Minimum Quarterly Distribution on the Common Units and Subordinated Units to be outstanding immediately after the consummation of this offering with respect to each quarter at least through the quarter ending December 31, 1999. Operating Surplus generally consists of cash generated from operations after deducting related expenditures and other items, plus the Partnership's cash balance at the closing of this offering, plus $25 million. The Partnership's belief is based on a number of assumptions, including the assumptions that:

- the average daily volume of crude oil transported on the All American Pipeline and SJV Gathering System will not be less than the average daily volume transported during the nine months ended September 30, 1998;

- the tariffs charged by the Partnership will not decline from current levels;

- the gross margins from the Partnership's terminalling and storage activities and gathering and marketing activities in the aggregate will continue at not less than the same levels experienced during the nine months ended September 30, 1998 on an annualized basis;

- any loss of gross margin from a reduction in storage activities due to a change in the market from contango to backward will be offset by an increase in marketing margins;

- no material accidents or other events will occur that disrupt the All American Pipeline, the SJV Gathering System, the Partnership's terminalling or storage facilities, or pipelines with which they have significant interconnections; and

- market, regulatory and overall economic conditions will not change substantially.

Although the Partnership believes such assumptions are within a range of reasonableness, whether the assumptions are realized is not, in a number of cases, within the control of the Partnership and cannot be predicted with any degree of certainty. In the event that the Partnership's assumptions are not realized, the actual Available Cash from Operating Surplus generated by the Partnership could be substantially less than that currently expected and could, therefore, be insufficient to permit the Partnership to make cash distributions at the levels described above. See "Risk Factors--Risks Inherent in an Investment in the Partnership--Partnership Assumptions Concerning Future Operations May Not Be Realized." In addition, the terms of the Partnership's indebtedness will restrict the ability of the Partnership to distribute cash to Unitholders in the event of a default under the terms of such indebtedness. Accordingly, no assurance can be given that distributions of the Minimum Quarterly Distribution or any other amounts will be made. See "Cash Distribution Policy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Partnership does not intend to update the expression of belief set forth above.

The amount of Available Cash from Operating Surplus needed to distribute the Minimum Quarterly Distribution for four quarters on the Common Units and Subordinated Units to be outstanding immediately after this offering and on the combined 2% general partner interest is approximately $54.0 million ($35.3 million for the Common Units, $17.6 million for the Subordinated Units and $1.1 million for the combined 2% general partner interest). The amount of pro forma Available Cash from Operating Surplus generated during 1997 and for the twelve months ended September 30, 1998 was approximately $62.3 million and $54.2 million, respectively. Such amounts would have been sufficient to cover the Minimum Quarterly Distribution during such periods on all of the Common Units, Subordinated Units and the related distribution on the general partner interest. However, such amounts do not include approximately $0.9 million of incremental general and administrative expenses that the General Partner believes will be incurred by the Partnership as a result of it being a separate public entity. The amounts of pro forma Available Cash from Operating Surplus set forth above were derived from the pro forma and historical financial statements of the Partnership in the manner set forth in Appendix D. The pro forma adjustments are based upon currently available information and certain estimates and assumptions. The pro forma financial statements do not purport to present the results of operations

of the Partnership had the Transactions actually been completed as of the dates indicated. Furthermore, Available Cash from Operating Surplus as defined in the Partnership Agreement is a cash accounting concept, while the Partnership's historical and pro forma financial statements have been prepared on an accrual basis. As a consequence, the amount of pro forma Available Cash from Operating Surplus shown above should only be viewed as a general indication of the amount of Available Cash from Operating Surplus that might in fact have been generated by the Partnership had it been formed in earlier periods. For definitions of Available Cash and Operating Surplus, see the Glossary.

SELECTED PRO FORMA FINANCIAL AND OPERATING DATA

The following unaudited Selected Pro Forma Financial and Operating Data are derived from the historical financial statements of Wingfoot (which reflect the historical operating results of the All American Pipeline and the SJV Gathering System) and the Plains Midstream Subsidiaries (which reflect the historical operating results of the Partnership's terminalling and storage activities and gathering and marketing activities) as adjusted for the Transactions. Commencing July 30, 1998 (the date of the acquisition of the All American Pipeline and the SJV Gathering System from Goodyear), the results of operations of the All American Pipeline and the SJV Gathering System are included in the results of operations of the Plains Midstream Subsidiaries. For a discussion of the assumptions used in preparing the Selected Pro Forma Financial and Operating Data, see "Plains All American Pipeline, L.P. Pro Forma Consolidated Financial Statements." The following information should not be deemed indicative of future operating results for the Partnership.

	YEAR ENDED DECEMBER 31,	NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1997	1998
	(IN THOUSANDS, EXCEPT PER UNIT AND BARREL AMOUNTS)		
INCOME STATEMENT DATA:			
Revenues	$1,746,491	$1,284,102	$1,194,648
Cost of sales and operations	1,662,282	1,217,572	1,136,062
Gross margin	84,209	66,530	58,586
General and administrative expenses	6,182	4,628	4,765
Depreciation and amortization	10,516	7,887	8,067
Impairment of pipeline assets(1)	64,173	--	--
Operating income	3,338	54,015	45,754
Interest expense	14,383	10,681	10,722
Other income	138	105	652
Pro forma net income (loss)(1)	$ (10,907)	$ 43,439	$ 35,684
Pro forma net income (loss) per Unit(1)(2)	$ (.36)	$ 1.45	$ 1.19
BALANCE SHEET DATA (AT END OF PERIOD):			
Working capital			$ 8,000
Total assets			581,568
Total long-term debt			175,000
Partners' capital			268,514
OTHER DATA:			
Gross margins:			
Pipeline	$ 70,078	$ 56,475	$ 42,236
Terminalling and storage and gathering and marketing	14,131	10,055	16,350
EBITDA(3)	78,165	62,007	54,473
Maintenance capital expenditures(4)	1,433	1,159	1,775
OPERATING DATA:			
Volumes (barrels per day):			
Pipeline:			
Tariff(5)	164,600	173,700	135,700
Margin(6)	30,500	27,700	38,000
Total pipeline	195,100	201,400	173,700
Lease gathering(7)	94,000	91,800	109,500
Bulk purchases(8)	48,500	45,900	93,800
Terminal throughput(9)	76,700	77,700	79,000

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(1) The pro forma financial statements for the year ended December 31, 1997 include a non-cash impairment charge of $64.2 million related to the writedown of property and equipment by Wingfoot in connection with the sale of Wingfoot by Goodyear to the General Partner. Based on the Partnership's purchase price allocation to property and equipment, an impairment charge would not have been required had the Partnership actually acquired Wingfoot effective January 1, 1997. Excluding this impairment charge, the Partnership's pro forma net income for 1997 would have been $53.3 million. In addition, the pro forma information does not include approximately $0.9 million of general and administrative expenses that the General Partner believes will be incurred by the Partnership as a result of its being a separate public entity.

(2) Net income per Unit is computed by dividing the limited partners' 98% interest in net income by the number of Common and Subordinated Units expected to be outstanding at the closing of this offering.

(3) EBITDA means earnings before interest expense, income taxes, depreciation and amortization. EBITDA provides additional information for evaluating the Partnership's ability to make the Minimum Quarterly Distribution and is presented solely as a supplemental measure. EBITDA is not a measurement presented in accordance with GAAP and is not intended to be used in lieu of GAAP presentations of results of operations and cash provided by operating activities. The Partnership's EBITDA may not be comparable to EBITDA of other entities as other entities may not calculate EBITDA in the same manner as the Partnership.

(4) Maintenance capital expenditures are capital expenditures made to replace partially or fully depreciated assets to maintain the existing operating capacity of existing assets or extend their useful lives. Capital expenditures made to expand the Partnership's existing capacity, whether through construction or acquisition, are not considered maintenance capital expenditures. Repair and maintenance expenditures associated with existing assets that do not extend the useful life or expand operating capacity are charged to expense as incurred.

(5) Represents crude oil deliveries on the All American Pipeline for the account of third parties.

(6) Represents crude oil deliveries on the All American Pipeline and the SJV Gathering System for the account of affiliated entities.

(7) Represents barrels of crude oil purchased at the wellhead, including volumes which would have been purchased under the Marketing Agreement.

(8) Represents barrels of crude oil purchased at collection points, terminals and pipelines.

(9) Represents total crude oil barrels delivered from the Cushing Terminal and the Ingleside Terminal.

SELECTED HISTORICAL FINANCIAL AND OPERATING DATA

The financial information below for Wingfoot for the years ended December 31, 1993 and 1994 and as of December 31, 1993, 1994 and 1995 is derived from the unaudited consolidated financial statements of Wingfoot. The financial information below for Wingfoot for the years ended December 31, 1995, 1996, and 1997 and as of December 31, 1996 and 1997 is derived from the audited consolidated financial statements of Wingfoot. The financial information below for Plains Midstream Subsidiaries as of and for the years ended December 31, 1993, 1994, 1995, 1996 and 1997 is derived from the audited combined financial statements of the Plains Midstream Subsidiaries. The operating data for all periods presented is derived from the records of Wingfoot and the Plains Midstream Subsidiaries. Commencing July 30, 1998 (the date of the acquisition of the All American Pipeline and the SJV Gathering System from Goodyear), the results of operations of the All American Pipeline and the SJV Gathering System are included in the results of operations of the Plains Midstream Subsidiaries. In the Partnership's opinion, each of the unaudited financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of the unaudited periods. The Selected Historical Financial and Operating Data below should be read in conjunction with the financial statements of Wingfoot and the Plains Midstream Subsidiaries, included elsewhere in this Prospectus, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	WINGFOOT						
	YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED JUNE 30,	
	1993	1994	1995	1996	1997	1997	1998
	(IN THOUSANDS, EXCEPT FOR OPERATING DATA)						
INCOME STATEMENT DATA:							
Revenues..............	$ 699,124	$ 664,835	$ 619,277	$ 929,299	$ 992,318	$ 541,698	$374,654
Cost of sales and operations............	661,275	610,570	517,803	826,041	923,152	503,085	344,538
Gross margin...........	37,849	54,265	101,474	103,258	69,166	38,613	30,116
General and administrative expenses.............	6,690	4,285	4,834	2,961	2,767	1,603	1,053
Depreciation and amortization..........	43,596	38,744	39,276	894,638(1)	80,463(2)	8,145	6,808
Loss on sale of pipeline assets.......	--	2,544	5,000	--	--	--	--
Operating income (loss)................	(12,437)	8,692	52,364	(794,341)(1)	(14,064)(2)	28,865	22,255
Interest expense.......	52,634	45,765	50,869	49,000	52,745	25,112	21,929
Other expense..........	112	--	--	--	--	--	--
Net income (loss) before income taxes...	(65,183)	(37,073)	1,495	(843,341)(1)	(66,809)(2)	3,753	326
Charge (benefit) in lieu of income taxes..	(3,678)	(1,837)	(324)	4,227	276	572	84
Net income (loss)......	$ (61,505)	$ (35,236)	$ 1,819	$(847,568)(1)	$ (67,085)(2)	$ 3,181	$ 242
BALANCE SHEET DATA (AT END OF PERIOD):							
Working capital (deficit)(3)..........	$ (1,676)	$ 12,412	$ 5,976	$ (3,796)	$ 7,369	$ (7,987)	$ 36,607(4)
Total assets...........	1,513,087	1,457,681	1,366,965	508,980	472,526	513,512	487,848
Related party debt:							
Short-term............	356,441	146,975	67,752	86,863	136,560	99,012	--
Long-term.............	575,000	748,400	748,400	705,243	705,243	705,243	--(5)
Stockholder's equity (deficit)............	479,462	468,107	469,925	(381,524)(1)	(448,609)(2)	(378,343)	417,764(4)(5)
OTHER DATA:							
EBITDA(6).............	$ 31,047	$ 49,980	$ 96,640	$ 100,297	$ 66,399	$ 37,010	$ 29,063
Cash flows from operating activities..	(21,255)	57,544	50,231	58,372	3,739	(31,887)	(56,785)
Cash flows from investing activities..	(5,626)	10,563	28,866	(6,728)	(50,941)	(4,474)	(1,618)
Cash flows from financing activities..	27,527	(60,347)	(84,060)	(51,024)	45,858	35,417	58,449
Maintenance capital expenditures(7).......	4,767	6,501	4,600	3,783	755	120	547
OPERATING DATA:							
Volumes (barrels per							

day):							
Tariff(8).............	167,200	164,200	207,300	180,900	164,600	181,600	143,000
Margin(9).............	17,300	21,300	9,800	26,300	30,500	25,100	35,400
Total pipeline.......	184,500	185,500	217,100	207,200	195,100	206,700	178,400

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(1) Includes an $851.9 million impairment charge to reduce the carrying value of the All American Pipeline in accordance with the FASB Statement of Financial Accounting Standards No. 121 ("SFAS 121"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Wingfoot--Results of Operations."

(2) Includes a $64.2 million non-cash impairment charge determined using the discounted before-tax expected future cash flows to Wingfoot from the All American Pipeline. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Wingfoot--Results of Operations."

(3) Excludes related party debt.

(4) Working capital includes a $26.3 million receivable from an affiliate of Goodyear. In July 1998, the affiliate of Goodyear repaid such amount to Wingfoot and Wingfoot concurrently paid a distribution of $25.1 million to Goodyear.

(5) Includes Goodyear capital contributions of approximately $866.1 million made in June 1998 in anticipation of the sale of Wingfoot to the General Partner. Such amounts were used to repay related party debt owed by Wingfoot to Goodyear.

(6) EBITDA means earnings before interest expense, income taxes, depreciation and amortization. EBITDA is not a measurement presented in accordance with GAAP and is not intended to be used in lieu of GAAP presentations of results of operations and cash provided by operating activities. Wingfoot's EBITDA may not be comparable to EBITDA of other entities as other entities may not calculate EBITDA in the same manner. EBITDA for 1994 and 1995 excludes loss on sale of pipeline assets of $2.5 million and $5.0 million, respectively.

(7) Maintenance capital expenditures are capital expenditures made to replace partially or fully depreciated assets to maintain the existing operating capacity of existing assets or extend their useful lives. Capital expenditures made to expand existing capacity, whether through construction or acquisition, are not considered maintenance capital expenditures. Repair and maintenance expenditures associated with existing assets that do not extend the useful life or expand the operating capacity are charged to expense as incurred.

(8) Represents crude oil deliveries on the All American Pipeline for the account of third parties.

(9) Represents crude oil deliveries on the All American Pipeline and the SJV Gathering System for the account of affiliated entities.

PLAINS MIDSTREAM SUBSIDIARIES

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1993	1994	1995	1996	1997	1997	1998(1)
	(IN THOUSANDS, EXCEPT FOR OPERATING DATA)						
INCOME STATEMENT DATA:							
Revenues	$130,058	$199,239	$339,825	$531,698	$752,522	$536,332	$755,653
Cost of sales and operations	126,262	193,050	333,459	522,167	740,042	527,477	732,539
Gross margin	3,796	6,189	6,366	9,531	12,480	8,855	23,114
General and administrative expenses	2,027	2,376	2,415	2,974	3,529	2,617	3,561
Depreciation and amortization	416	906	944	1,140	1,165	873	2,605
Operating income (loss)	1,353	2,907	3,007	5,417	7,786	5,365	16,948
Interest expense	873	3,550	3,460	3,559	4,516	2,817	7,202
Other income	38	115	115	90	138	105	647
Net income (loss) before income taxes	518	(528)	(338)	1,948	3,408	2,653	10,393
Provision (benefit) in lieu of income taxes	182	(151)	(93)	726	1,268	951	3,881
Net income (loss)	$ 336	$ (377)	$ (245)	$ 1,222	$ 2,140	$ 1,702	$ 6,512
BALANCE SHEET DATA (AT END OF PERIOD):							
Working capital (deficit)(2)	$ (617)	$ 4,734	$ 9,579	$ 12,087	$ 10,962	$ 21,361	$ 17,502
Total assets	56,985	62,847	82,076	122,557	149,619	151,779	581,568
Intercompany debt:							
Short-term	--	--	6,524	9,501	8,945	8,674	11,739
Long-term	29,558	35,854	32,095	31,811	28,531	39,070	29,681
Total debt(2)	9,638	--	--	--	18,000	25,000	11,500
Combined equity	2,335	2,858	2,613	3,835	5,975	5,538	122,630
OTHER DATA:							
EBITDA(3)	$ 1,807	$ 3,928	$ 4,066	$ 6,647	$ 9,089	$ 6,343	$ 20,200
Cash flows from operating activities	(7,398)	4,763	(5,800)	733	(12,869)(4)	(31,277)(4)	23,430 (4)
Cash flows from investing activities	(22,043)	(485)	(721)	(3,285)	(1,854)	(553)	(412,171)
Cash flows from financing activities	28,883	(4,723)	6,457	2,759	14,321 (4)	31,432 (4)	398,725 (4)
Maintenance capital expenditures(5)	186	274	571	1,063	678	623	852
OPERATING DATA:							
Volumes (barrels per day):							
Lease gathering(6)	18,800	29,600	45,900	58,500	71,400	69,800	84,800
Bulk purchases(7)	--	--	10,200	31,700	48,500	45,900	93,800
Terminal throughput(8)	6,000	28,900	42,500	59,800	76,700	77,700	79,000
Tariff(9)	--	--	--	--	--	--	117,000
Margin(10)	--	--	--	--	--	--	42,000

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(1) Includes the historical operating results of the All American Pipeline and the SJV Gathering System since July 30, 1998 (the date of acquisition from Goodyear).

(2) Excludes intercompany debt.

(3) EBITDA means earnings before interest expense, income taxes, depreciation and amortization. EBITDA is not a measurement presented in accordance with GAAP and is not intended to be used in lieu of GAAP presentations of results of operations and cash provided by operating activities. The Plains Midstream Subsidiaries' EBITDA may not be comparable to EBITDA of other entities as other entities may not calculate EBITDA in the same manner.

(4) Includes purchases of crude oil inventory, primarily acquired as a result of arbitrage opportunities existing from a contango market. The cost of such inventory was financed through borrowings under a letter of credit

facility. Increases in inventory result in a use of cash flow from operating activities, whereas borrowings to finance the purchase of such inventory result in a source of cash flow from financing activities.

(5) Maintenance capital expenditures are capital expenditures made to replace partially or fully depreciated assets to maintain the existing operating capacity of existing assets or extend their useful lives. Capital expenditures made to expand capacity, whether through construction or acquisition, are not considered maintenance capital expenditures. Repair and maintenance expenditures associated with existing assets that do not extend the useful life or expand the operating capacity are charged to expense as incurred.

(6) Represents barrels of crude oil purchased at the wellhead from non-affiliated third parties.

(7) Represents barrels of crude oil purchased at collection points, terminals and pipelines.

(8) Represents total crude oil barrels delivered from the Cushing Terminal and the Ingleside Terminal.

(9) Represents crude oil deliveries on the All American Pipeline for the account of third parties since July 30, 1998.

(10) Represents crude oil deliveries on the All American Pipeline and the SJV Gathering System for the account of affiliated entities since July 30, 1998 (the date of acquisition from Goodyear).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the financial condition and results of operations for the Partnership and its predecessor entities should be read in conjunction with the historical and pro forma consolidated financial statements and notes thereto included elsewhere in this Prospectus. For more detailed information regarding the basis of presentation for the following financial information, see the notes to the pro forma and historical financial statements.

GENERAL

The Partnership is a limited partnership recently formed to acquire and operate the midstream crude oil business and assets of Plains Resources. The Partnership is engaged in interstate and intrastate crude oil pipeline transportation and crude oil terminalling and storage activities and gathering and marketing activities. The Partnership's operations are primarily concentrated in California, Texas, Oklahoma, Louisiana and the Gulf of Mexico. The historical results of operations discussed below are derived from the historical financial statements of Wingfoot and the Plains Midstream Subsidiaries included elsewhere herein.

Pipeline Operations. The activities from pipeline operations generally consist of transporting third-party volumes of crude oil for a tariff ("Tariff Activities") and merchant activities designed to capture price differentials between the cost to purchase and transport crude oil to a sales point and the price received for such crude oil at the sales point ("Margin Activities"). Tariffs on the All American Pipeline vary by receipt point and delivery point. Tariffs for Outer Continental Shelf ("OCS") crude oil delivered to California markets currently average $1.40 per barrel and tariffs for OCS volumes delivered to West Texas currently average $2.96 per barrel. Tariffs for San Joaquin Valley crude oil delivered to West Texas currently average $1.25 per barrel. The gross margin generated by Tariff Activities depends on the volumes transported on the pipeline and the level of the tariff charged, as well as the fixed and variable costs of operating the pipeline. As is common with most merchant activities, the ability of the Partnership to generate a profit on Margin Activities is not tied to the absolute level of crude oil prices but is generated by the difference between the price paid and other costs incurred in the purchase of crude oil and the price at which it sells crude oil. The Partnership is well positioned to take advantage of these price differentials due to its ability to move purchased volumes on the All American Pipeline. The Partnership combines reporting of gross margin for Tariff Activities and Margin Activities due to the sharing of fixed costs between the two activities.

Terminalling and Storage Activities and Gathering and Marketing Activities. Gross margin from terminalling and storage activities is dependent on the throughput volume of crude oil stored and the level of fees generated at the Cushing Terminal. Gross margin from the Partnership's gathering and marketing activities is dependent on the Partnership's ability to sell crude oil at a price in excess of the cost. These operations are not directly affected by the absolute level of crude oil prices, but are affected by overall levels of supply and demand for crude oil.

During periods when the demand for crude oil is weak (as has been the case in 1998 and late 1997), the market for crude oil is often in contango, meaning that the price of crude oil in a given month is less than the price of crude oil in a subsequent month. A contango market has a generally negative impact on marketing margins, but is favorable to the storage business, because storage owners at major trading locations (such as the Cushing Interchange) can simultaneously purchase production at low current prices for storage and sell at higher prices for future delivery. When there is a higher demand than supply of crude oil in the near term, the market is backward, meaning that the price of crude oil in a given month exceeds the price of crude oil in a subsequent month. A backward market has a positive impact on marketing margins because crude oil gatherers can continue to purchase crude oil from producers at a fixed premium to posted prices while selling crude oil at a higher premium to such prices. The Partnership believes that the combination of its terminalling and storage activities and gathering and marketing activities provides a counter-cyclical balance which has a stabilizing effect on the Partnership's cash flow.

As the Partnership purchases crude oil, it establishes a margin by selling crude oil for physical delivery to third party users, such as independent refiners or major oil companies, or by entering into a future delivery obligation with respect to futures contracts on the NYMEX. Through these transactions, the Partnership seeks to maintain a position that is substantially balanced between crude oil purchases and sales and future delivery obligations. The Partnership purchases crude oil on both a fixed and floating price basis. As fixed price barrels are purchased, the Partnership enters into sales arrangements with refiners, trade partners or on the NYMEX, which establishes a margin and protects it against future price fluctuations. When floating price barrels are purchased, the Partnership matches those contracts with similar type sales agreements with its customers, or likewise establishes a hedge position using the NYMEX futures market. From time to time, the Partnership will enter into arrangements which will expose it to basis risk. Basis risk occurs when crude oil is purchased based on a crude oil specification and location which is different from the countervailing sales arrangement. The Partnership's policy is only to purchase crude oil for which it has a market and to structure its sales contracts so that crude oil price fluctuations do not materially affect the gross margin which it receives. The Partnership does not acquire and hold crude oil futures contracts or other derivative products for the purpose of speculating on crude oil price changes that might expose the Partnership to indeterminable losses.

THE PARTNERSHIP

ANALYSIS OF PRO FORMA RESULTS OF OPERATIONS

The pro forma consolidated financial statements of the Partnership reflect the historical operating results of Wingfoot (which reflect the historical operating results of the All American Pipeline and the SJV Gathering System) and the Plains Midstream Subsidiaries (which reflect the historical operating results of the Plains Midstream Subsidiaries' terminalling and storage activities and gathering and marketing activities) as adjusted for the Transactions. See "Plains All American Pipeline, L.P. Pro Forma Consolidated Financial Statements" for a discussion of the assumptions used in preparing the pro forma financial information. The following analysis compares the pro forma results of the Partnership for the nine months ended September 30, 1998 and 1997. Income taxes were eliminated from the pro forma consolidated results, as income taxes will be borne by the partners and not the Partnership.

Nine Months Ended September 30, 1998 and 1997

For the nine months ended September 30, 1998, the Partnership reported net income of $35.7 million on total revenue of $1.2 billion compared to net income for the nine months ended September 30, 1997 of $43.4 million on total revenue of $1.3 billion. The Partnership reported gross margin (revenues less direct expenses of purchases, transportation, terminalling and storage and other operating and maintenance expenses) of $58.6 million for the nine months ended September 30, 1998, reflecting a 12% decrease from the $66.5 million reported for the same period in 1997. Gross profit (gross margin less general and administrative expense) decreased 13% to $53.8 million for the nine months ended September 30, 1998 as compared to $61.9 million for the same period in 1997.

The following table sets forth certain operating information of the Partnership for the periods presented.

	NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998
	(IN THOUSANDS)	
Operating Results:		
Gross margin:		
Pipeline transportation service.................	$56,475	$42,236
Terminalling and storage and gathering and marketing..............	10,055	16,350
Total...................	66,530	58,586
General and administrative expense..................	(4,628)	(4,765)
Gross profit..............	$61,902	$53,821
Average Daily Volumes (barrels):		
Pipeline Tariff Activities...............	174	136
Pipeline Margin Activities...............	27	38
Total...................	201	174
Lease gathering...........	92	109
Bulk purchases............	46	94
Terminal throughput.......	78	79

Pipeline Operations. Tariff revenues were $48.0 million for the nine months ended September 30, 1998, a 29% decline from the $67.4 million reported for the same period in 1997. This decrease in tariff revenues resulted primarily from a 20% decrease in tariff transport volumes from 88,000 barrels per day for the nine months ended September 30, 1997 to 70,000 barrels per day for the same period in 1998 due to a decline in average daily production from the Santa Ynez field. Exxon is currently making certain facility modifications to the Santa Ynez field that should result in increased production from this field by the end of 1998. Accordingly, the Partnership believes that average production from the Santa Ynez field for 1999 will equal or exceed the average daily volumes received during the first nine months of 1998, although there can be no assurances in that regard. Most of the production loss from the Santa Ynez field was of volumes that had been previously transported to West Texas at an average tariff of $2.83 per barrel. Volumes related to Margin Activities increased by 37% to an average of approximately 38,000 barrels per day. The margin between revenue and direct cost of crude purchased increased from $12.8 million for the nine months ended September 30, 1997 to $13.2 million for the same period in 1998.

The following table sets forth All American Pipeline average deliveries per day within and outside California for the periods presented.

	NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998
	(IN THOUSANDS)	
Deliveries:		
Average daily volumes (barrels):		
Within California...	128	116
Outside California..	73	58
Total..	201	174

Terminalling and Storage Activities and Gathering and Marketing Activities. The Partnership reported gross margin of $16.4 million from its terminalling and storage activities and gathering and marketing activities for the nine months ended September 30, 1998, reflecting a 63% increase over the $10.1 million reported for the

same period in 1997. Net of interest expense associated with contango inventory transactions, gross margin and gross profit for the nine months ended September 30, 1998 were $15.7 million and $12.2 million, respectively, representing increases of approximately 66% and 77% over the 1997 amounts. The increase in gross margin was primarily attributable to an increase in the volumes gathered and marketed, principally in West Texas, Louisiana and the Gulf of Mexico of approximately 18% to 109,000 barrels per day for the nine months ended September 30, 1998 from 92,000 barrels per day during the same period in 1997. The balance of the increase in gross margin was a result of an increase in bulk purchases and profits created by arbitrage opportunities associated with a contango market.

Expenses. Operations and maintenance expenses included in cost of sales and operations (generally property taxes, electricity, fuel, labor, repairs and certain other expenses) decreased to $19.8 million for the nine months ended September 30, 1998 from $24.1 million for the comparable period in 1997. This decrease was a function both of variable costs that decline with reduced transportation volumes and average miles transported per barrel. Operations and maintenance expenses are included in the determination of gross margin. General and administrative expenses increased approximately $0.2 million to $4.8 million for the nine months ended September 30, 1998 compared to $4.6 million for the same period in 1997. Such increase was primarily related to additional personnel hired to further expand marketing activities. Depreciation and amortization expense was $8.1 million for the nine months ended September 30, 1998 compared to $7.9 million for the 1997 comparative period. The increase is due primarily to the addition of trucking equipment. Interest expense was $10.7 million for the nine month periods ended September 30, 1998 and 1997.

CAPITAL RESOURCES, LIQUIDITY AND FINANCIAL CONDITION

Letter of Credit Facility. The Partnership's merchant activities involve the purchase of crude oil for resale and require significant extensions of credit by the Partnership's suppliers of crude oil. In order to assure the Partnership's ability to perform its obligations under crude oil purchase agreements, various credit arrangements are negotiated with the Partnership's crude oil suppliers. Such arrangements include open lines of credit directly with the Partnership and standby letters of credit issued under the Letter of Credit Facility discussed below. The following is a summary of the anticipated terms of the Letter of Credit Facility. This summary is qualified in its entirety by reference to the Letter of Credit Facility, the form of which has been filed as an exhibit to the Registration Statement of which this Prospectus is a part.

In connection with the Transactions, the Operating Partnership will enter into a $175 million secured letter of credit and borrowing facility with BankBoston, N.A. ("BankBoston"), ING (U.S.) Capital Corporation ("ING Baring") and certain other lenders (the "Letter of Credit Facility"), which replaces the existing facility for the benefit of one of the Plains Midstream Subsidiaries. The purpose of the Letter of Credit Facility is to provide (i) standby letters of credit to support the purchase and exchange of crude oil for resale and (ii) borrowings to finance crude oil inventory which has been hedged against future price risk or has been designated as working inventory. The Letter of Credit Facility will be secured by a lien on substantially all of the assets of the Partnership. In addition, the Operating Partnership's obligations under the Letter of Credit Facility will be guaranteed by the Partnership. Aggregate availability under the Letter of Credit Facility for direct borrowings and letters of credit will be limited to a borrowing base which will be determined monthly based on certain current assets and current liabilities of the Operating Partnership, primarily crude oil inventory and accounts receivable and accounts payable related to the purchase and sale of crude oil. At October 31, 1998, the borrowing base under the existing letter of credit facility was $175.0 million.

The Letter of Credit Facility will have a $40 million sublimit for borrowings to finance crude oil purchased in connection with operations at the Partnership's crude oil terminal and storage facilities. All purchases of crude oil inventory financed will be required to be hedged against future price risk on terms acceptable to the lenders.

Letters of credit under the Letter of Credit Facility will generally be issued for up to 70 day periods. Borrowings will bear interest at the Operating Partnership's option at either (i) the Base Rate (as defined) or (ii) reserve-adjusted LIBOR plus the applicable margin. The Operating Partnership will incur a commitment fee on the unused portion of the borrowing sublimit under the Letter of Credit Facility and an issuance fee for each letter of credit issued. The Letter of Credit Facility will expire July 31, 2001.

Bank Credit Agreement. In connection with the Transactions, the Operating Partnership will enter into the Bank Credit Agreement with ING Baring, BankBoston and certain other lenders. The following is a summary of the anticipated terms of the Bank Credit Agreement. This summary is qualified in its entirety by reference to the Bank Credit Agreement, the form of which has been filed as an exhibit to the Registration Statement of which this Prospectus is a part.

The Bank Credit Agreement will refinance the General Partner's existing bank facility and will consist of the $175 million Term Loan Facility and the $50 million Revolving Credit Facility. The $50 million Revolving Credit Facility will be used for capital improvements and working capital and general business purposes and will contain a $10 million sublimit for letters of credit issued for general corporate purposes. The Bank Credit Agreement will be secured by a lien on substantially all of the assets of the Partnership. The Operating Partnership's obligations under the Bank Credit Agreement will be guaranteed by the Partnership.

The Term Loan Facility will bear interest at the Operating Partnership's option at either (i) the Base Rate, as defined, or (ii) reserve-adjusted LIBOR plus an applicable margin. Borrowings under the Revolving Credit Facility will bear interest at the Operating Partnership's option at either (i) the Base Rate, as defined, or (ii) reserve-adjusted LIBOR plus an applicable margin. The Operating Partnership will incur a commitment fee on the unused portion of the Revolving Credit Facility and, with respect to each issued letter of credit, an issuance fee.

At closing, the Operating Partnership will have $175 million outstanding under the Term Loan Facility, which amount represents indebtedness assumed from the General Partner. The Operating Partnership will assume a series of 10-year interest rate swaps aggregating approximately $175 million which fixes the LIBOR portion of the interest rate (not including the applicable margin) at a weighted average rate of approximately 5.96%. The Term Loan Facility will mature in seven years, and no principal will be scheduled for payment prior to maturity. The Term Loan Facility may be prepaid at any time without penalty. The Revolving Credit Facility will expire in two years. All borrowings for working capital purposes outstanding under the Revolving Credit Facility must be reduced to no more than $8 million for at least 15 consecutive days during each fiscal year. On the date of the closing of this offering there will be no amounts outstanding under the Revolving Credit Facility.

Both the Letter of Credit Facility and the Bank Credit Agreements are expected to contain a prohibition on distributions on, or purchases or redemptions of, Units if any Default or Event of Default (as defined) is continuing. In addition, both facilities will contain various covenants limiting the ability of the Partnership and the Operating Partnership to (i) incur indebtedness, (ii) grant certain liens, (iii) sell assets in excess of certain limitations, (iv) engage in transactions with affiliates, (v) make investments, (vi) enter into hedging contracts and (vii) enter into a merger, consolidation or sale of its assets. In addition, the terms of the Letter of Credit Facility and the Bank Credit Agreement will require the Partnership to maintain (i) a Current Ratio (as defined) of 1.0 to 1.0; (ii) a Debt Coverage Ratio (as defined) which is not greater than 5.0 to 1.0; (iii) an Interest Coverage Ratio (as defined) which is not less than 3.0 to 1.0; (iv) a Fixed Charge Coverage Ratio (as defined) which is not less than 1.25 to 1.0; and (v) a Debt to Capital Ratio (as defined) of not greater than .60 to 1.0.

Commitments

Historically, capital expenditures for the Partnership have not been significant. Due to the relatively recent construction of the All American Pipeline, the SJV Gathering System and the Cushing Terminal, material maintenance capital expenditures have not been required, and the majority of capital expenditures have been associated with expansion opportunities. While the actual level of maintenance capital expenditures will vary

from year to year, the Partnership expects such expenditures to average approximately $2 million to $4 million annually for the next several years. It is anticipated that such maintenance capital expenditures will be funded from cash flow generated by operating activities.

The Partnership has entered into a turnkey contract to construct an additional one million barrels of tankage at the Cushing Terminal, expanding its existing tank capacity by 50% to three million barrels. Construction of the expansion project began in September 1998 and is expected to be completed in mid-1999 at a total cost of approximately $10 million. It is anticipated that expenditures for the expansion will be funded from borrowings under the Revolving Credit Facility. To date, the Partnership has no material commitments to fund additional capital expenditures.

YEAR 2000

Year 2000 Issue. Many software applications, hardware and equipment and embedded chip systems identify dates using only the last two digits of the year. These products may be unable to distinguish between dates in the Year 2000 and dates in the year 1900. That inability (referred to as the "Year 2000" issue), if not addressed, could cause applications, equipment or systems to fail or provide incorrect information after December 31, 1999, or when using dates after December 31, 1999. This in turn could have an adverse effect on the Partnership, due to the Partnership's direct dependence on its own applications, equipment and systems and indirect dependence on those of other entities with which the Partnership must interact.

Compliance Program. In order to address the Year 2000 issue, the Partnership is participating in the Year 2000 project which Plains Resources has implemented for all of its business units. A project team has been established to coordinate the five phases of this Year 2000 project to assure that key automated systems and related processes will remain functional through year 2000. Those phases include: (i) awareness, (ii) assessment, (iii) remediation, (iv) testing and (v) implementation of the necessary modifications. The key automated systems consist of (a) financial systems applications, (b) hardware and equipment, (c) embedded chip systems and (d) third-party developed software. The evaluation of the Year 2000 issue includes the evaluation of the Year 2000 exposure of third parties material to the operations of Plains Resources or any of its business units (including the Partnership). Plains retained a Year 2000 consulting firm to review the operations of all of its business units and to assess the impact of the Year 2000 issue on such operations. Such review has been completed and the consultant's recommendations are being utilized in the Year 2000 project.

Partnership's State of Readiness. The awareness phase of the Year 2000 project has begun with a corporate-wide awareness program which will continue to be updated throughout the life of the project. The portion of the assessment phase related to financial systems applications has been substantially completed and the necessary modifications and conversions are underway. The portion of the assessment phase which will determine the nature and impact of the Year 2000 issue for hardware and equipment, embedded chip systems, and third-party developed software is continuing. The assessment phase of the project involves, among other things, efforts to obtain representations and assurances from third parties, including third party vendors, that their hardware and equipment, embedded chip systems, and software being used by or impacting Plains Resources or any of its business units (including the Partnership) are or will be modified to be Year 2000 compliant. To date, the responses from such third parties are inconclusive. As a result, management cannot predict the potential consequences if these or other third parties are not Year 2000 compliant. The exposure associated with the Partnership's interaction with third parties is currently being evaluated.

Management expects that the remediation, testing and implementation phases will be substantially completed by mid-1999.

Costs to Address Year 2000 Compliance Issues. While the total cost to the Partnership of the Year 2000 project is still being evaluated, management currently estimates that the costs to be incurred by the Partnership in the remainder of 1998, 1999 and 2000 associated with assessing, testing, modifying or replacing financial system applications, hardware and equipment, embedded chip systems, and third party developed software is between $100,000 and $150,000. The Partnership expects to fund these expenditures with cash from operations or borrowings. To date, the Partnership has expended approximately $230,000.

Risk of Non-Compliance and Contingency Plans. The major applications which pose the greatest Year 2000 risks for the Partnership if implementation of the Year 2000 compliance program is not successful are the Partnership's financial systems applications and the Partnership's supervisory control and data acquisition ("SCADA") computer system and embedded chip systems in field equipment. The potential problems if the Year 2000 compliance program is not successful are disruptions of the Partnership's revenue gathering from and distribution to its customers and vendors and the inability to perform its other financial and accounting functions. Failures of embedded chip systems in field equipment of the Partnership or its customers could disrupt the Partnership's crude oil transportation, terminalling and storage activities and gathering and marketing activities.

The goal of the Year 2000 project is to ensure that all of the critical systems and processes which are under the direct control of Plains Resources and its business units remain functional. However, because certain systems and processes may be interrelated with systems outside of the control of Plains Resources and its business units, there can be no assurance that all implementations will be successful. Accordingly, as part of the Year 2000 project, contingency and business plans will be developed to respond to any failures as they may occur. Such contingency and business plans are scheduled to be completed by mid-year 1999. Management does not expect the costs to the Partnership of the Year 2000 project to have a material adverse effect on the Partnership's financial position, results of operations or cash flows. Based on information available at this time, however, the Partnership cannot conclude that any failure of the Partnership or third parties to achieve Year 2000 compliance will not adversely affect the Partnership.

WINGFOOT

RESULTS OF OPERATIONS

Six Months Ended June 30, 1998 and 1997

For the six months ended June 30, 1998, Wingfoot reported net income of $0.2 million on total revenue of $374.7 million compared to net income for the six months ended June 30, 1997 of $3.2 million on total revenue of $541.7 million. Wingfoot reported gross margin of $30.1 million for the six months ended June 30, 1998, reflecting a 22% decrease from the $38.6 million reported for the same period in 1997. Gross profit decreased 22% to $29.1 million for the six months ended June 30, 1998 as compared to $37.0 million for the same period in 1997.

The following table sets forth certain operating information of Wingfoot for the periods presented.

	SIX MONTHS ENDED JUNE 30, 1997	1998
	(IN THOUSANDS)	
Operating Results:		
Gross margin	$38,613	$30,116
General and administrative expense	(1,603)	(1,053)
Gross profit	$37,010	$29,063
Average Daily Volumes (barrels):		
Tariff Activities	182	143
Margin Activities	25	35
Total	207	178

The following table sets forth All American Pipeline average deliveries per day within and outside California for the periods presented.

	SIX MONTHS ENDED JUNE 30, 1997	1998
	(IN THOUSANDS)	
Deliveries:		
Average daily volumes (barrels):		
Within California	123	117
Outside California	84	61
Total	207	178

Tariff revenues were $33.9 million for the six months ended June 30, 1998, a 26% decline from the $47.1 million reported for the same period in 1997. This decrease in tariff revenues resulted from a 21% decrease in tariff transport volumes due to a decline in average daily production from the Santa Ynez field. from 89,000 barrels for the six months ended June 30, 1997 to 69,000 barrels for the same period in 1998. Exxon is currently making certain facility modifications to the Santa Ynez field that should result in increased production from this field by the end of 1998. Accordingly, the Partnership believes that average production from the Santa Ynez field for 1999 will approximate the average daily volumes received during the first six months of 1998, although there can be no assurances in that regard. Most of the production loss from the Santa Ynez field was of volumes that had been previously transported to West Texas at an average tariff of $2.83 per barrel. Pipeline volumes related to Margin Activities increased by 40% to an average of approximately 35,000 barrels per day. The margin between revenue and direct cost of crude oil purchased increased from $8.8 million for the six months ended June 30, 1997 to $10.2 million for the same period in 1998.

Operations and maintenance expenses (including property taxes) decreased to $13.9 million for the six months ended June 30, 1998 from $17.3 million for the comparable period in 1997. This decrease was a function of variable costs that decrease with reduced transportation volumes and average miles transported per barrel. General and administrative expenses decreased from $1.6 million for the six months ended June 30, 1997 to $1.1 million in the current year period. Such decrease was related to a reduction in expenses associated with financial consulting fees. Depreciation and amortization expense was $6.8 million for the six months ended June 30, 1998 compared to $8.1 million reported for the same period of 1997. The reduction in depreciation and amortization expense was largely the result of the $64.2 million impairment charge taken at the end of 1997. Interest expense was $21.9 million for the six months ended June 30, 1998, approximately 13% below the $25.1 million recorded for the same period of 1997, as a result of the termination of interest charges by Goodyear on May 29, 1998.

Wingfoot recorded pre-tax income for the six months ended June 30, 1998 and 1997 of $0.3 million and $3.8 million, respectively. Variations between Wingfoot's effective income tax rate and the U.S. federal income tax rate of 35% between the two periods were attributable to state taxes and the valuation allowance recorded to offset net deferred tax assets.

Three Years Ended December 31, 1997

Wingfoot reported a net loss of $67.1 million for 1997 on total revenues of $992.3 million compared to a net loss of $847.6 million on total revenues of $929.3 million for 1996 and net income of $1.8 million on total revenues of $619.3 million for 1995. Tariff revenues were $82.1 million in 1997, a 26% decline from the $111.2 million reported in 1996 and a 36% decrease from the $127.8 million recorded in 1995. Wingfoot reported gross margin of $69.2 million for the year ended December 31, 1997, reflecting an approximate 33% decrease from the $103.3 million reported for 1996 and an approximate 32% decrease from 1995. Gross profit totaled $66.4 million for 1997, approximately 34% and 31% below the amounts reported for 1996 and 1995, respectively.

The following table sets forth certain operating information of Wingfoot for the periods presented.

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
	(IN THOUSANDS)		
Operating Results:			
Gross margin	$101,474	$103,258	$69,166
General and administrative expense	(4,834)	(2,961)	(2,767)
Gross profit	$ 96,640	$100,297	$66,399
Average Daily Volumes (barrels):			
Tariff Activities	207	181	165
Margin Activities	10	26	30
Total	217	207	195

The following table sets forth All American Pipeline average deliveries per day within and outside California for each of the years in the periods presented.

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
	(IN THOUSANDS)		
Deliveries:			
Average daily volumes (barrels):			
Within California	76	94	127
Outside California	141	113	68
Total	217	207	195

A number of developments over the last three years combined to adversely affect Wingfoot's operating and financial results. Such developments included:

(i) declines in volumes received from the Santa Ynez and Point Arguello fields from 92,000 and 60,000 average daily barrels in 1995 to 85,000 and 30,000 average daily barrels in 1997;

(ii) a decline in Alaskan North Slope volumes transported on the All American Pipeline from an average of 26,000 barrels per day in 1995 to 16,000 barrels per day in 1996 and 2,000 barrels per day in 1997 as a result of the mid-1996 repeal of the ban on the export of Alaskan North Slope crude; and

(iii) a reduction in OCS volumes transported to West Texas on the All American Pipeline from an average of 73,000 barrels per day in 1995 to 52,000 barrels per day in 1996 and 16,000 barrels per day in

1997 due to overall declines in OCS production volumes, increases in delivery capacity to California refineries as well as modifications to California refineries which allowed those refineries to process more OCS crude oil.

During 1996, the lower gross margin derived from pipeline Tariff Activities was more than offset by Wingfoot's Margin Activities. During most of 1996, U.S. crude oil inventories were at low levels based on historical averages while refinery demand for prompt month delivery was unusually strong, resulting in a substantial backward market in crude oil prices. Primarily as a result of these favorable market conditions, margin between revenues and direct costs of crude oil purchased was $17 million higher in 1996 as compared to 1995 and $9 million higher in 1996 as compared to 1997.

Operations and maintenance expense, including property taxes, for 1997 totaled $30.5 million, an 11% decline from 1996's level of $34.3 million and 15% below 1995's level of $35.7 million. Such trend of declining operating and maintenance costs was a function of variable costs that decrease with reduced transportation volumes and average miles transported per barrel and Wingfoot's efforts to reduce its overall cost structure in recognition of the adverse developments affecting its business activities in 1996.

Total general and administrative expenses were $2.8 million for the year ended December 31, 1997, compared to $3.0 million and $4.8 million for 1996 and 1995, respectively. Such trend of declining general and administrative expenses was related to Wingfoot's efforts to reduce its overall cost structure in recognition of the adverse developments affecting its business activities.

Depreciation and amortization expense was $80.5 million in 1997, $894.6 million in 1996 and $39.3 million in 1995. Depreciation and amortization expense for 1997 included an approximate $64.2 million impairment charge determined using the discounted before-tax expected future cash flows to Wingfoot from the All American Pipeline. As a result of the adverse industry developments affecting its business activities discussed above Wingfoot's management determined that the future cash flows expected to be generated by the All American Pipeline would be less than its carrying value. In accordance with SFAS 121, Wingfoot reduced the carrying value of the All American Pipeline to its then estimated fair value. Accordingly, depreciation and amortization expense for 1996 includes an $851.9 million impairment charge.

Interest expense is comprised of interest on $705.2 million of long-term loans from Goodyear and its subsidiaries. Such amounts bear interest annually at a variable rate, generally tied to LIBOR and other factors relating to the borrowing capacity of Goodyear and its subsidiaries. Interest expense was $52.7 million in 1997, $49.0 million in 1996 and $50.9 million in 1995.

Wingfoot recorded pre-tax losses in 1997 and 1996 and recorded $1.5 million in pre-tax income for 1995. Variations between Wingfoot's effective income tax rate and the U.S. federal income tax rate of 35% among each of the three years is attributable to state taxes and the valuation allowance recorded to offset net deferred tax assets.

CREDIT ARRANGEMENTS WITH GOODYEAR

Wingfoot relied heavily upon Goodyear and its subsidiaries for long-term capital, working capital and credit support. Wingfoot's cash management program utilized zero-balance accounts, which were funded on a daily basis by Goodyear and its subsidiaries. Wingfoot's merchant activities involve the purchase of crude oil for resale and require significant extensions of credit by Wingfoot's suppliers of crude oil. In order to assure Wingfoot's ability to perform its obligations under crude purchase agreements, various credit arrangements were negotiated with Wingfoot's crude suppliers. Such arrangements included open lines of credit directly with Wingfoot, credit extensions by Wingfoot's customers that were guaranteed by Goodyear and standby letters of credit issued under Wingfoot's letter of credit facility.

On April 25, 1994, Wingfoot entered into a term loan with Goodyear and its subsidiaries under which Wingfoot was permitted to borrow up to $825.0 million. Interest on the loan accrued at a variable rate, generally

tied to LIBOR and other factors relating to the borrowing capacity of Goodyear and its subsidiaries. At December 31, 1997 and 1996, Wingfoot had $705.2 million outstanding under this facility. The facility provided for annual mandatory principal payments of $100.0 million beginning April 30, 1999, $100.0 million in 2000, $125.0 million in 2001, $150.0 million in 2002, $150.0 million in 2003 and $80.2 million in 2004.

In addition, in 1994 Wingfoot entered into a credit arrangement with an affiliate of Goodyear under which Wingfoot could borrow up to $250.0 million. The arrangement provided for a 0.1% annual commitment fee on the daily average unused amount of the facility and interest on outstanding balances at a variable rate based on LIBOR. No balances were outstanding at December 31, 1997 and 1996.

At December 31, 1997 and 1996, Wingfoot had short-term debt of $102.4 million and $56.6 million, respectively, resulting from advances by Goodyear and its subsidiaries to fund working capital. Such advances did not accrue interest and were payable on demand.

In connection with the acquisition of the All American Pipeline and the SJV Gathering System, Wingfoot committed to repay the outstanding related party debt with Goodyear and its subsidiaries (including all accrued interest) prior to closing. On June 15, 1998, Goodyear made a capital contribution of $866.1 million and a cash payment of $15.5 million for repayments to Wingfoot. Upon receipt of the aggregate $881.6 million, Wingfoot paid Goodyear $865.2 million ($843.3 million for repayment of certain outstanding related party debt and accrued interest at December 31, 1997 and $22.0 million for repayment of related party accrued interest from January 1, 1998 to May 29, 1998) and remitted the remaining $16.4 million to Goodyear for payment of certain other liabilities to be assumed by Goodyear following the sale of the All American Pipeline and SJV Gathering System to the General Partner.

At December 31, 1997 and 1996, Wingfoot had a short-term uncommitted credit arrangement totaling $3.0 million and $1.5 million, respectively, of which $2.9 million and $1.2 million, respectively was unused. This arrangement provided for interest at LIBOR plus 0.75%. There were no commitment fees or compensating balances associated with this arrangement.

PLAINS MIDSTREAM SUBSIDIARIES

RESULTS OF OPERATIONS

Nine Months Ended September 30, 1998 and 1997

For the nine months ended September 30, 1998, the Plains Midstream Subsidiaries reported net income of $6.5 million on total revenue of $755.7 million compared to net income for the same period of 1997 of $1.7 million on total revenue of $536.3 million. Results for the nine months ended September 30, 1998 include activities of the All American Pipeline and SJV Gathering System since July 30, 1998 (the date of acquisition from Goodyear).

The following table sets forth certain operating information of the Plains Midstream Subsidiaries for the periods presented.

	NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998
	(IN THOUSANDS)	
Operating Results:		
Gross margin:		
Pipeline transportation service	$ --	$ 8,110
Terminalling and storage and gathering and marketing	8,855	15,004
Total	8,855	23,114
General and administrative expense	(2,617)	(3,561)
Gross profit	$ 6,238	$19,553
Average Daily Volumes (barrels):		
Pipeline Tariff Activities	--	117
Pipeline Margin Activities	--	42
Total	--	159
Lease gathering	70	85
Bulk purchases	46	94
Terminal throughput	78	79

The Plains Midstream Subsidiaries reported gross margin of $23.1 million for the nine months ended September 30, 1998, reflecting a 161% increase over the $8.9 million reported for the same period in 1997. Net of interest expense associated with contango inventory transactions, gross margin and gross profit for the nine months ended September 30, 1998 were $22.5 million and $18.9 million, respectively, representing increases of approximately 171% and 234% over the 1997 amounts.

Pipeline Operations. As noted above, the results of operations of the Plains Midstream Subsidiaries include approximately two months of operations of the All American Pipeline and the SJV Gathering System which were acquired effective July 30, 1998. Tariff revenues for this period were $9.5 million and are primarily attributable to transport volumes from the Santa Ynez field (approximately 68,000 barrels per day) and the Point Arguello field (approximately 22,900 barrels per day). The margin between revenue and direct cost of crude purchased was approximately $2.6 million. Operations and maintenance expenses were $4.0 million.

The following table sets forth All American Pipeline average deliveries per day within and outside California since July 30, 1998.

Deliveries:	
Average daily volumes (thousand barrels):	
Within California	113
Outside California	46
Total	159

Terminalling and Storage Activities and Gathering and Marketing Activities. Gross margin from terminalling and storage and gathering and marketing activities was approximately $15.0 million for the nine months ended September 30, 1998, an increase of 69% over gross margin from these activities during the 1997 period. Net of interest associated with contango inventory transactions, gross margin increased by 74% to $14.4 million during the first nine months of 1998 compared to $8.3 million during the first nine months of 1997. The increase in gross margin was primarily attributable to an increase in the volumes gathered and marketed in West Texas, Louisiana and the Gulf of Mexico of approximately 21% to 85,000 barrels from 70,000 barrels per day during the comparable period in 1997. The balance of the increase in gross margin was a result of an increase in bulk purchases and profits created by arbitrage opportunities associated with a contango market.

General and administrative expenses increased from $2.6 million for the nine months ended September 30, 1997 to $3.6 million for the same period in 1998 primarily as a result of additional personnel hired to further expand marketing activities as well as general and administrative expenses associated with All American Pipeline and the SJV Gathering System. Depreciation and amortization was $2.6 million for the nine months ended September 30, 1998 as compared to $0.9 million for the first nine months of 1997. The increase is due to the acquisition of the All American Pipeline and the SJV Gathering System. Interest expense was $7.2 million for the nine months ended September 30, 1998, approximately 156% higher than the $2.8 million recorded in the same period of 1997 due to interest associated with the acquisition of the All American Pipeline and the SJV Gathering System.

The Plains Midstream Subsidiaries are included in the consolidated federal income tax return of Plains Resources. Federal income taxes are calculated as if the Plains Midstream Subsidiaries had filed its return on a separate company basis utilizing a statutory rate of 35%. Such amounts calculated are payable to Plains Resources under the tax sharing agreement between the Plains Midstream Subsidiaries and Plains Resources. For the nine months ended September 30, 1998, the Plains Midstream Subsidiaries recognized a current tax provision of $1.6 million and a deferred tax provision of $2.3 million. For the comparative 1997 period, the Plains Midstream Subsidiaries reported a current tax provision of $0.1 million and a deferred tax provision of $0.9 million. The increase in tax expense is due to the increase in income before taxes between the two periods and an increase in the effective tax rate.

Three Years Ended December 31, 1997

For 1997, the Plains Midstream Subsidiaries reported net income of $2.1 million on total revenue of $752.5 million compared to net income for 1996 of $1.2 million on total revenue of $531.7 million. The Plains Midstream Subsidiaries reported a net loss of $0.2 million for 1995 on total revenue of $339.8 million.

The following table sets forth certain operating information of the Plains Midstream Subsidiaries for the periods presented.

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
	(IN THOUSANDS)		
Operating Results:			
Gross margin	$ 6,366	$ 9,531	$12,480
General and administrative expense	(2,415)	(2,974)	(3,529)
Gross profit	$ 3,951	$ 6,557	$ 8,951
Average Daily Volumes (barrels):			
Lease gathering	46	59	71
Bulk purchases	10	32	49
Terminal throughput	43	59	77

The Plains Midstream Subsidiaries reported gross margin of $12.5 million for the year ended December 31, 1997, reflecting a 31% increase over the $9.5 million reported for the 1996 period and an approximate 96% increase over 1995. Gross profit totaled $9.0 million for 1997, approximately 37% and 127% over the amounts reported for 1996 and 1995, respectively. Net of interest expense associated with contango inventory transactions, gross margin and gross profit for 1997 were $11.6 million and $8.1 million, respectively, representing increases of approximately 22% and 23% over the 1996 respective amounts. The Plains Midstream Subsidiaries did not have any material contango inventory transactions in 1996 or 1995.

The increases in revenues and profitability are primarily due to increased lease gathering and bulk purchases in West Texas, Louisiana and the Gulf of Mexico and activities at the Cushing Terminal. Profitability attributable to the Plains Midstream Subsidiaries' terminalling and storage activities is generally counter-cyclical to their

crude oil gathering and marketing activities. Terminalling and storage margins were generally stronger in 1997 during a contango market, and marketing margins were stronger in 1996 and 1995 during a predominantly backward market.

Total general and administrative expenses were $3.5 million for the year ended December 31, 1997, compared to $3.0 million and $2.4 million for 1996 and 1995, respectively. Such increases were primarily attributable to increased personnel as a result of the continued expansion of the Plains Midstream Subsidiaries' terminalling and storage activities and gathering and marketing activities. Depreciation and amortization was $1.2 million in 1997, $1.1 million in 1996 and $0.9 million in 1995. The increase during 1996 and 1997 was attributable to normal additions and retirements of equipment, and the addition of the Ingleside Terminal which was acquired during the first quarter of 1996.

Interest expense is comprised principally of interest charged to the Plains Midstream Subsidiaries by Plains Resources for amounts borrowed to construct the Cushing Terminal in 1993 and subsequent capital additions, including the Ingleside Terminal. The interest rate on the Cushing Terminal construction loan is 10 1/4%. Interest expense also includes interest incurred in connection with contango inventory transactions of $0.9 million in 1997. Aggregate interest expense was $4.5 million in 1997, $3.6 million in 1996 and $3.5 million in 1995. The increase in 1997 was primarily due to higher short-term borrowings associated with contango crude oil inventory transactions.

The Plains Midstream Subsidiaries reported a total tax provision of approximately $1.3 million and $0.7 million for 1997 and 1996, respectively and a tax benefit of $0.1 million for 1995. The increase in tax expense is due primarily to the increase in income before taxes. For 1997, approximately $1.1 million of the tax provision was deferred and the remainder was currently payable. In 1995 and 1996, substantially all of the Plains Midstream Subsidiaries' tax provision was deferred.

BUSINESS

GENERAL

The Partnership was recently formed to acquire and operate the midstream crude oil business and assets of Plains Resources. The Partnership is engaged in interstate and intrastate crude oil pipeline transportation and crude oil terminalling and storage activities and gathering and marketing activities. The Partnership's operations are concentrated in California, Texas, Oklahoma, Louisiana and the Gulf of Mexico.

The Partnership owns and operates the All American Pipeline, a 1,233-mile seasonally heated, 30-inch, common carrier crude oil pipeline extending from California to West Texas, and the SJV Gathering System, a 45-mile, 16-inch, crude oil gathering system in the San Joaquin Valley of California, both of which it purchased from Goodyear in July 1998 for approximately $400 million. The All American Pipeline is one of the newest interstate crude oil pipelines in the United States, having been constructed by Goodyear between 1985 and 1987 at a cost of approximately $1.6 billion, and is the largest capacity crude oil pipeline connecting California and Texas, with a design capacity of 300,000 barrels per day of heavy crude oil. In West Texas, the All American Pipeline interconnects with other crude oil pipelines that serve the Gulf Coast and the Cushing Interchange, the largest crude oil trading hub in the United States and the designated delivery point for NYMEX crude oil futures contracts.

Production currently transported on the All American Pipeline originates from the Santa Ynez field operated by Exxon and the Point Arguello field operated by Chevron, both offshore California, and from the San Joaquin Valley. Exxon and Chevron, as well as Texaco and Oryx, which are other working interest owners, are contractually obligated to ship all of their production from these offshore fields on the All American Pipeline through August 2007. The SJV Gathering System is used primarily to transport crude oil from fields in the San Joaquin Valley to the All American Pipeline and to intrastate pipelines owned by third parties. The capacity of the SJV Gathering System is approximately 140,000 barrels per day. In addition to transporting third-party volumes for a tariff, the Partnership is engaged in certain merchant activities designed to capture price differentials between the cost to purchase and transport crude oil to a sales point and the price received for such crude oil at the sales point.

At the Cushing Interchange, the Partnership owns and operates the Cushing Terminal, a two million barrel, above-ground crude oil terminalling and storage facility that has an estimated daily throughput capacity of approximately 800,000 barrels per day. The Cushing Terminal was completed in 1993, making it the most modern facility in the area, and includes state-of-the-art design features. The Partnership has initiated an expansion project that will add one million barrels of storage capacity at an aggregate cost of approximately $10 million. The expansion project is expected to be completed by mid-1999. Upon completion of the expansion project, management believes the Cushing Terminal will be the third largest facility at the Cushing Interchange (and the largest not owned by a major oil company) with an estimated 12% of that area's storage capacity. The Partnership also owns 586,000 barrels of tank capacity along the SJV Gathering System, 955,000 barrels of tank capacity along the All American Pipeline and 360,000 barrels of tank capacity at the Ingleside Terminal on the Gulf Coast.

The Partnership's terminalling and storage operations generate revenue from the Cushing Terminal through a combination of storage and throughput fees from (i) refiners and gatherers seeking to segregate or custom blend crude oil for refining feedstocks, (ii) pipelines, refiners and traders requiring segregated tankage for foreign crude oil, (iii) traders who make or take delivery under NYMEX contracts and (iv) producers seeking to increase their marketing alternatives. The Cushing Terminal and the Partnership's other storage facilities also facilitate the Partnership's merchant activities by enabling the Partnership to buy and store crude oil when the price of crude oil in a given month is less than the price of crude oil in a subsequent month (a "contango" market) and to simultaneously sell crude oil futures contracts for delivery of the crude oil in such subsequent month at the higher futures price, thereby locking in a profit.

The Partnership's gathering and marketing operations include the purchase of crude oil at the wellhead and the bulk purchase of crude oil at pipeline and terminal facilities, the transportation of the crude oil on trucks,

barges or pipelines, and the subsequent resale or exchange of the crude oil at various points along the crude oil distribution chain. The crude oil distribution chain extends from the wellhead where crude oil moves by truck and gathering systems to terminal and pipeline injection stations and major pipelines and is transported to major crude oil trading locations for ultimate consumption by refineries. In many cases, the Partnership matches supply and demand needs by performing a merchant function--generating gathering and marketing margins by buying crude oil at competitive prices, efficiently transporting or exchanging the crude oil along the distribution chain and marketing the crude oil to refineries or other customers. When there is a higher demand than supply of crude oil in the near term, the price of crude oil in a given month exceeds the price of crude oil in a subsequent month (a "backward" market). A backward market has a positive impact on marketing margins because crude oil gatherers can continue to purchase crude oil from producers at a fixed premium to posted prices while selling crude oil at a higher premium to such prices. Likewise, since a premium is paid for prompt deliveries, storage opportunities are generally not profitable.

For the year ended December 31, 1997, the Partnership's pro forma gross margin, EBITDA and net loss totaled $84.2 million, $78.2 million and $10.9 million, respectively. Excluding a $64.2 million non-cash impairment charge incurred by Wingfoot in 1997, the Partnership's pro forma net income for 1997 would have been $53.3 million. For the nine months ended September 30, 1998, the Partnership's pro forma gross margin, EBITDA and net income totaled $58.6 million, $54.5 million and $35.7 million, respectively. On a pro forma basis, the All American Pipeline and the SJV Gathering System accounted for approximately 72% of the Partnership's gross margin for the nine-month period ended September 30, 1998, while the terminalling and storage activities and gathering and marketing activities accounted for approximately 28%.

MARKET OVERVIEW

The Department of Energy segregates the United States into five PADDs to facilitate continued crude oil supply to key refining areas in the event of a national emergency. The oil industry utilizes these districts in reporting statistics regarding crude oil supply and demand. The All American Pipeline serves, directly or through connecting lines, PADD V, which consists of seven western states, including Alaska and Hawaii, PADD II, which consists of 15 states in the Midwest, and PADD III, which consists of six states located in the South, principally bordering the Gulf of Mexico. The table below sets forth supply, demand and shortfall information for each PADD for 1997 and is derived from information published by the Energy Information Administration.

PETROLEUM ADMINISTRATION DEFENSE DISTRICT	REFINERY DEMAND	REGIONAL SUPPLY	SUPPLY SHORTFALL
	(MILLIONS OF BARRELS PER DAY)		
PADD I (East Coast)	1.5	0.0	1.5
PADD II (Midwest)	3.4	0.6	2.8
PADD III (South)	6.8	3.3	3.5
PADD IV (Rockies)	0.5	0.4	0.1
PADD V (West Coast)	2.5	2.2	0.3
Total	14.7	6.5	8.2

As reflected in the table above, only 17% of the total refinery demand for crude oil in PADD II can be supplied with crude oil produced in PADD II, with the remainder (approximately 2.8 million barrels per day) provided by intra-U.S. transfers of domestic crude oil production and imports from Canada and foreign sources. In the 14-year period ending December 31, 1997, production from PADD II has fallen approximately 48%, declining from approximately 1.1 million barrels per day in 1984 to approximately 560,000 barrels per day in 1997. Over this same time period, refinery demand for crude oil in this area has risen approximately 21%, increasing from approximately 2.8 million barrels per day in 1984 to approximately 3.4 million barrels per day in 1997. Accordingly, over the last 14 years PADD II's reliance on sources outside the region has increased by approximately 1.1 million barrels per day. Historically, PADD II refiners have relied on California crude oil production to meet a portion of their refinery input requirements.

Within PADD V, the supply/demand trend is quite different. Despite significant population growth, PADD V refinery inputs (crude oil demand) have decreased from a high of approximately 2.6 million barrels per

day in 1989 to an average of approximately 2.5 million barrels per day over the last four years. This net decrease in refinery inputs is primarily due to (i) a reduction in the number of operating refineries and (ii) an increase in the conversion capacity of California refineries (which represent approximately 70% of the total PADD V refinery inputs). Between 1985 and 1997, the number of operating California refineries has declined from 34 (at approximately 79% of total capacity) to 23 (at approximately 94% of total capacity). A portion of the refining capacity lost due to these refinery shut downs has been replaced as the remaining refineries in operation have increased their capacity while upgrading their facilities to produce legislatively mandated cleaner burning gasolines. As California refineries have become more efficient, producing greater volumes of higher value products such as gasoline from a lesser quantity of crude oil, overall refinery demand for crude oil in PADD V has decreased. Excluding Hawaii, which imports approximately 80,000 barrels per day of foreign crude oil, and taking into account geographically captive Canadian volumes that are transported to the Washington state area, PADD V supply currently exceeds demand. Furthermore, the Partnership believes that, based on public announcements by a number of major and independent oil companies, production levels in California and Alaska may increase over the next several years. Accordingly, the Partnership believes that the All American Pipeline will continue to be used to transport California crude oil to connections with pipelines in Texas that will deliver such crude oil to the Cushing Interchange in PADD II as well as the Gulf Coast areas in PADD III.

BUSINESS STRATEGY AND COMPETITIVE STRENGTHS

The Partnership's strategy is to capitalize on demand driven opportunities in the Midwest refining markets in PADD II and supply driven opportunities in the oil producing regions of California by combining the strategic location and unique capabilities of its asset base with its extensive marketing and distribution expertise to enhance and optimize its operating margins.

The Partnership intends to execute its business strategy by (i) increasing throughput on the All American Pipeline through an aggressive lease gathering program in the San Joaquin Valley and through additional connections with other California crude pipelines and producers, (ii) realizing cost efficiencies through operational improvements and potential strategic alliances, (iii) utilizing the Cushing Terminal in conjunction with the Partnership's other assets to profit from merchant activities that take advantage of crude oil pricing and quality differentials and (iv) pursuing strategic and accretive acquisitions of crude oil pipeline assets, gathering systems and terminalling and storage facilities which complement the Partnership's existing asset base and distribution capabilities.

The Partnership believes it is well positioned to capitalize on such opportunities due to the following competitive strengths:

- Strategically Located, but Underutilized Pipeline Assets. The All American Pipeline is the largest crude oil pipeline connecting California to West Texas and, depending on the pipeline segment, is operating at approximately 20% to 35% of its designed 300,000 barrel per day capacity. If plans announced by a competing interstate crude oil pipeline to convert to a gas transmission pipeline are implemented, the All American Pipeline will be the only crude oil pipeline available to transport crude oil from California to West Texas. The SJV Gathering System is one of the largest crude oil gathering systems in the San Joaquin Valley of California, one of the most prolific crude oil producing regions in the lower 48 states. The SJV Gathering System is operating at approximately 60% of its total 140,000 barrel per day capacity. Because a major portion of the All American Pipeline and the SJV Gathering System's operating costs are fixed, any increased utilization should result in incremental gross margin. In addition, because the All American Pipeline and the SJV Gathering System are relatively new, the Partnership expects that the maintenance capital expenditures required for these assets will be modest.

- Versatility of Cushing Terminal. Completed in 1993, the Cushing Terminal is the most modern terminalling and storage facility at the Cushing Interchange, incorporating state-of-the-art environmental safeguards and operational enhancements designed to safely and efficiently terminal, store, blend and

segregate large volumes and multiple varieties of both foreign and domestic crude oil. The Cushing Terminal has the ability to (i) sequentially store sweet and sour crude oil in the same tank without compromising crude integrity, (ii) segregate up to 18 different varieties of crude oil, (iii) receive and deliver crude oil at the connecting pipelines' maximum operating capacities and (iv) operate with fewer employees than its competitors due to its high level of automation. Due to the Partnership's ownership of a significant portion of the undeveloped land within the Cushing Interchange and its large manifold and pumping system, the Cushing Terminal can be readily expanded, should market conditions warrant, to support up to ten million barrels of tank capacity.

- Specialized Crude Oil Market Knowledge. The marketing of crude oil is complex and requires detailed current knowledge of crude oil sources and end markets and a familiarity with a number of factors including grades of crude oil, individual refinery demand for specific grades of crude oil, area market price structures for the different grades of crude oil, location of customers, availability of transportation facilities and timing and costs (including storage) involved in delivering crude oil to the appropriate customer. The Partnership believes that its business relationships with participants in all phases of the crude oil distribution chain, from crude oil producers to refiners, as well as its own industry expertise, provide the Partnership a comprehensive understanding of the U.S. crude oil markets. The Partnership has existing business relationships with crude oil producers representing over 80% of California production and substantially all of the Midwest refiners. The Partnership believes that its specialized crude oil market knowledge, in conjunction with its unique asset base, will enable the Partnership to exploit inefficiencies throughout the crude oil distribution chain.

- Counter-Cyclical Balance Among the Partnership's Business Activities. The Partnership believes that the counter-cyclical nature of its terminalling and storage assets, which typically prosper in contango crude oil markets, and its gathering and marketing assets, which typically prosper in backward crude oil markets, combined with the long-term nature of the contracts on its All American Pipeline, will have a stabilizing effect on the Partnership's cash flow from operations.

- Flexibility to Pursue Expansion and Acquisition Opportunities. The Partnership will enter into the $225 million Bank Credit Agreement comprised of the $175 million Term Loan Facility and the $50 million Revolving Credit Facility. Upon closing of this offering, the Partnership will have total debt outstanding of $175 million and unused borrowing capacity of $50 million. In combination with its ability to issue new Units, the Partnership has significant resources to finance strategic expansion and acquisition opportunities. These opportunities may include the acquisition or expansion of crude oil pipeline assets, gathering systems, terminalling and storage facilities, marketing entities and other assets which the Partnership believes will contribute to the successful execution of its business strategy. The Partnership is currently adding one million barrels of capacity to the Cushing Terminal at an estimated cost of approximately $10 million. Although the Partnership routinely evaluates acquisition and expansion opportunities, it has no other definitive plans for material acquisitions or expansions at this time.

- Experienced Management Team. The Partnership's senior management team has an average of more than 15 years industry experience, with an average of over 10 years with the Partnership or its predecessors and affiliates. In order to incentivize management and employees, the Partnership has adopted a Long-Term Incentive Plan pursuant to which Common Units will be awarded to employees of the General Partner in order to align their economic interests with those of Common Unitholders. In addition, the Partnership's Management Incentive Plan provides for cash bonuses to operating personnel based on the financial performance of the Partnership.

CRUDE OIL PIPELINE OPERATIONS

All American Pipeline

The All American Pipeline is a common carrier crude oil pipeline system that transports crude oil produced from fields offshore and onshore California to locations in California and West Texas pursuant to tariff rates regulated by the FERC. As a common carrier, the All American Pipeline offers transportation services to any shipper of crude oil, provided that the crude oil tendered for transportation satisfies the conditions and specifications contained in the applicable tariff. The All American Pipeline transports crude oil for third parties as well as for the Partnership.

The All American Pipeline is comprised of a heated pipeline system which extends approximately 10 miles from Exxon's onshore facilities at Las Flores on the California coast to Chevron's onshore facilities at Gaviota, California (24-inch diameter pipe) and continues from Gaviota approximately 1,223 miles through Arizona and New Mexico to West Texas (30-inch diameter pipe) where it interconnects with other pipelines. These interconnecting common carrier pipelines transport crude oil to the refineries located along the Gulf Coast and to the Cushing Interchange. At the Cushing Interchange, these pipelines connect with other pipelines that deliver crude oil to Midwest refiners. The All American Pipeline also includes various pumping and heating stations, as well as approximately one million barrels of crude oil storage tank capacity to facilitate the transportation of crude oil. The tank capacity is located at stations in Sisquoc, Pentland and Cadiz, California, and at the station in Wink, Texas. In addition to facilitating transportation, the Partnership believes that such tankage will offer arbitrage opportunities for the Partnership. Unlike many common carrier pipelines, the Partnership owns approximately 5.0 million barrels of crude oil that is used to maintain the All American Pipeline's linefill requirements.

The All American Pipeline has a designed throughput capacity of 300,000 barrels per day of heavy crude oil and larger volumes of lighter crude oils. As currently configured, the pipeline's daily throughput capacity is approximately 216,000 barrels of heavy oil. In order to achieve designed capacity, certain nominal capital expenditures would be required. The All American Pipeline is operated from a control room in Bakersfield, California with a SCADA computer system designed to continuously monitor quantities of crude oil injected in and delivered through the All American Pipeline as well as pressure and temperature variations. This technology also allows for the batching of several different types of crude oil with varying gravities. The SCADA system is designed to enhance leak detection capabilities and provides for remote-controlled shut-down at every pump station on the All American Pipeline. Pumping stations are linked by telephone and microwave communication systems for remote-control operation of the All American Pipeline which allows most of the pump stations to operate without full time site personnel.

The Partnership performs scheduled maintenance on the pipeline and makes repairs and replacements when necessary or appropriate. As one of the most recently constructed major crude oil pipeline systems in the United States, the All American Pipeline requires a relatively low level of maintenance capital expenditures. The Partnership attempts to control corrosion of the pipeline through the use of corrosion inhibiting chemicals injected into the crude stream, external pipe coatings and an anode bed based cathodic protection system. The Partnership monitors the structural integrity of the All American Pipeline through a program of periodic internal inspections using electronic "smart pig" instruments. The Partnership conducts a weekly aerial surveillance of the entire pipeline and right-of-way to monitor activities or encroachments on rights-of-way. Maintenance facilities containing equipment for pipe repair, digging and light equipment maintenance are strategically located along the pipeline. The Partnership believes that the All American Pipeline has been constructed and is maintained in all material respects in accordance with applicable federal, state and local laws and regulations, standards prescribed by the American Petroleum Institute and accepted industry practice.

Following the acquisition of the All American Pipeline and SJV Gathering System, the Partnership has taken certain actions to improve operating efficiencies, including implementing a reorganization to reduce personnel costs, initiating a renegotiation of certain electrical contracts and seeking reductions in property taxes.

System Supply

The All American Pipeline transports several different types of crude oil, including (i) OCS crude oil received at the onshore facilities of the Santa Ynez field at Las Flores, California and the onshore facilities of the Point Arguello field located at Gaviota, California, (ii) Elk Hills crude oil, received at Pentland, California from a connection with the SJV Gathering System and (iii) various crude oil blends received at Pentland from the SJV Gathering System, including West Coast Heavy and Mojave Blend.

OCS Supply. Exxon, which owns all of the Santa Ynez production, and Chevron, Texaco and Oryx, which own approximately one-half of the Point Arguello production, have entered into transportation agreements

committing to transport all of their production from these fields on the All American Pipeline. These agreements, which expire in August 2007, provide for a minimum tariff with annual escalations. Currently, the tariffs average $1.40 per barrel for deliveries to connecting pipelines in California and $2.96 per barrel for deliveries to connecting pipelines in West Texas. The agreements do not require these owners to transport a minimum volume. The producers from the Point Arguello field who do not have contracts with the Partnership have no other means of transporting their production and, therefore, ship their volumes on the All American Pipeline at the posted tariffs. During the first nine months of 1998, approximately $26 million, or 44%, of the Partnership's gross margin was attributable to volumes received from the Santa Ynez field and approximately $10 million, or 16%, was attributable to volumes received from the Point Arguello field. Transportation of volumes from the Point Arguello field on the All American Pipeline commenced in 1991 and from the Santa Ynez field in 1994. The table below sets forth the historical volumes received from both of these fields.

	YEAR ENDED DECEMBER 31,							NINE MONTHS ENDED SEPTEMBER 30,	
	1991	1992	1993	1994	1995	1996	1997	1997	1998
	(BARRELS IN THOUSANDS)								
Average Daily Volumes Received From:									
Point Arguello (at Gaviota)..................	29	47	63	73	60	41	30	30	26
Santa Ynez (at Las Flores).	-	-	-	34	92	95	85	88	70
Total....................	29	47	63	107	152	136	115	118	96

The Partnership anticipates that production from the Point Arguello field will continue to decline at percentage rates which approximate historical decline rates, but that average production received from the Santa Ynez field for 1999 will approximate the average production received during the first nine months of 1998, once certain facility modifications are completed by Exxon. Although the Partnership anticipates that these modifications will be completed prior to January 1, 1999, there can be no assurance with respect to such completion or to the volumes ultimately produced.

According to information published by the Minerals Management Service ("MMS"), significant additional proved, undeveloped reserves have been identified offshore California which have the potential to be delivered on the All American Pipeline. Deliveries on the All American Pipeline depend on a number of factors beyond the Partnership's control, including (i) the economic feasibility of developing the reserves, (ii) the economic feasibility of connecting such reserves to the All American Pipeline and (iii) the ability of the owners of such reserves to obtain the necessary governmental approvals to develop such reserves. The owners of these reserves are currently participating in a study (California Offshore Oil and Gas Energy Resources, "COOGER") with various private organizations and regulatory agencies to determine the best sites to locate onshore facilities that will be required to handle and process potential production from these undeveloped fields as well as the best methods of controlling potential environmental dangers associated with offshore drilling and production. These owners have also agreed to suspend drilling on the undeveloped leases until the COOGER study is completed. The COOGER study is anticipated to be completed by March 31, 1999, at which time owners of these undeveloped reserves are required to submit their development plans to the MMS. There can be no assurance that the owners will develop such reserves, that the MMS will approve development plans or that future regulations or litigation will not prevent or retard their ultimate development and production. There also can be no assurance that if such reserves were to be developed, a competing pipeline might not be built to transport the production. In addition, a June 12, 1998 Executive Order of the President of the United States extends until the year 2012 a statutory moratorium on new leasing of offshore California fields. Existing fields are authorized to continue production, but federal, state and local agencies may restrict permits and authorizations for their development, and may restrict new onshore facilities designed to serve offshore production of crude oil. San Luis Obispo and Santa Barbara counties have adopted zoning ordinances that prohibit development, construction, installation or expansion of any onshore support facility for offshore oil and gas activity in the area, unless approved by a majority of the votes cast by the voters of either county in an authorized election. Any such restrictions, should they be imposed, could adversely affect the future delivery of crude oil to the All American Pipeline.

San Joaquin Valley Supply. In addition to OCS production, crude oil from fields in the San Joaquin Valley is delivered into the All American Pipeline at Pentland through connections with the SJV Gathering System and pipelines operated by Koch and ARCO. The San Joaquin Valley is one of the most prolific oil producing regions in the continental United States, producing approximately 591,000 barrels per day of crude oil during the first six months of 1998 that accounted for approximately 65% of total California production and 11% of the total production in the lower 48 states. The following table reflects the historical production for the San Joaquin Valley as well as total California production (excluding OCS volumes) as reported by the California Division of Oil and Gas.

	YEAR ENDED DECEMBER 31,											SIX MONTHS ENDED JUNE 30,
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	(BARRELS IN THOUSANDS)											
Average Daily Volumes:												
San Joaquin production	700	689	646	629	634	609	588	578	569	579	584	591
Total California production (excluding OCS volumes)	999	969	907	879	875	835	803	784	764	772	781	781

Drilling and exploitation activities have increased in the San Joaquin Valley over the last few years, primarily due to the change in ownership of several large fields, technological advances in horizontal drilling and steam assisted recovery methods that have improved the overall economics of field development and reductions in the operating costs of these fields. Based on public statements by a number of oil companies, the Partnership believes that the outlook for increased production levels in California is favorable. For example, the Partnership believes that the February 1998 purchase by Occidental from the U.S. government of the Elk Hills field, the former strategic petroleum Naval Reserve, may result in increased production as Occidental exploits these crude oil reserves. The Partnership also believes that the All American Pipeline is well positioned to transport any additional crude oil production resulting from these projects.

Alaskan North Slope Supply. Historically, the All American Pipeline had also transported volumes of Alaskan North Slope crude oil. In 1996, the U.S. government repealed the export ban on crude oil produced from the Alaskan North Slope which had effectively prohibited the sale of Alaskan North Slope crude oil to sources outside the U.S. Prior to its repeal, this ban had the impact of increasing volumes of crude oil delivered into the California market. Shipments of Alaskan North Slope crude oil on the All American Pipeline ceased in February 1997, shortly after the repeal of the export ban. In addition, in June 1998, ARCO announced that the only pipeline which had the ability to bring Alaskan North Slope crude oil to the All American Pipeline will be sold and converted to natural gas service. Upon such conversion, Alaskan North Slope crude oil will no longer be physically capable of being delivered into the All American Pipeline. While the Partnership does not expect to transport any volumes of Alaskan North Slope crude oil on the All American Pipeline in the near term, it does believe, based on public disclosures by the major producers of Alaskan North Slope crude oil, that the outlook for increased Alaskan North Slope production is favorable. To the extent additional Alaskan North Slope production is realized and shipped to the West Coast, the supply/demand balance on the West Coast would be favorably impacted for the Partnership.

System Demand

Deliveries from the All American Pipeline are made to refineries within California, along the Gulf Coast or in the Midwest through connecting pipelines of other companies. Demand for crude oil shipped on the All American Pipeline in each of these markets is affected by numerous factors, including refinery utilization and crude oil slate requirements, regional crude oil production, foreign imports, intra-U.S. transfers of crude oil and the price differential (net of transportation cost) between the California and Midwest markets.

Deliveries are made to California refineries through connections with third party pipelines at Sisquoc, Pentland and Mojave. The deliveries at Sisquoc and Pentland are OCS crude oil while the deliveries at Mojave are primarily Mojave Blend. Crude oil transported to West Texas is primarily West Coast Heavy and is delivered

to third party pipelines at Wink and McCamey, Texas. At Wink, West Coast Heavy crude is blended with Domestic Sweet Crude to increase the gravity (the blend is commonly referred to as West Coast Sour), permitting delivery into third party pipelines that can transport the crude to the Cushing Interchange. At McCamey, West Coast Heavy and OCS crude oil are delivered to a third party pipeline that supplies refiners on the Gulf Coast.

The following table sets forth All American Pipeline average deliveries per day within and outside California for each of the years in the five-year period ended December 31, 1997 and for the nine months ended September 30, 1997 and 1998.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1993	1994	1995	1996	1997	1997	1998
	(BARRELS IN THOUSANDS)						
Average Daily Volumes Delivered To:							
California							
Sisquoc	4	21	11	17	21	18	24
Pentland	58	56	65	71	74	75	70
Mojave	-	-	-	6	32	35	22
Total California	62	77	76	94	127	128	116
Texas	122	108	141	113	68	73	58
Total	184	185	217	207	195	201	174

SJV Gathering System

The SJV Gathering System is a proprietary pipeline system that only transports crude oil purchased by entities owned by the Partnership. As a proprietary pipeline, the SJV Gathering System is not subject to common carrier regulations and does not transport crude oil for third parties. The primary purpose of the pipeline is to gather crude oil from various sources in the San Joaquin Valley and to blend such crude oil along the pipeline system in order to deliver either West Coast Heavy or Mojave Blend into the All American Pipeline. Certain crude streams are segregated and delivered into either the All American Pipeline or to third party pipelines connected to the SJV Gathering System.

The SJV Gathering System was constructed in 1987 with a design capacity of approximately 140,000 barrels per day. The system consists of a 16-inch pipeline that originates at the Belridge station and extends 45 miles south to a connection with the All American Pipeline at the Pentland station. The SJV Gathering System is connected to several fields, including the South Belridge, Elk Hills and Midway Sunset fields, three of the seven largest producing fields in the lower 48 states. The SJV Gathering System also includes approximately 586,000 barrels of tank capacity, which has historically been used to facilitate movements along the system. The Partnership believes that such tankage may offer additional opportunities to support the Partnership's activities.

The SJV Gathering System is operated in conjunction with, and with the same SCADA system used in the operations of the All American Pipeline. The Partnership also takes measures to protect the pipeline from corrosion and routinely inspects the pipeline using the same procedures and practices employed in the operation of the All American Pipeline. Like the All American Pipeline, the SJV Gathering System was constructed and is maintained in all material respects in accordance with applicable federal, state and local laws and regulations, standards prescribed by the American Petroleum Institute and accepted industry practice.

The SJV Gathering System is supplied with the crude oil production primarily from major oil companies' equity production from the South Belridge, Cymeric, Midway Sunset and Elk Hills fields. The table below sets forth the historical volumes received into the SJV Gathering System.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1993	1994	1995	1996	1997	1997	1998
	(BARRELS IN THOUSANDS)						
Total Average Daily Volumes..............	67	54	50	67	91	89	85

In order to increase utilization and margins relating to the SJV Gathering System, the Partnership has initiated a wellhead gathering, transportation and marketing program in the San Joaquin Valley. The new program is similar to a program to purchase crude oil from independent producers successfully implemented by the Plains Midstream Subsidiaries in Texas, Oklahoma, Kansas and Louisiana under which volumes increased from 1,300 barrels per day in 1990 to 71,000 barrels per day in 1997. The Partnership has committed resources to its new gathering program by hiring an additional lease buyer, activating an existing truck unloading station and arranging to make additional connections with other pipeline systems in the San Joaquin Valley, including access into the Pacific Pipeline. In addition, the Partnership has entered into an arrangement with various parties whereby the Partnership has reserved up to 40,000 barrels per day of capacity for movements into the Pacific Pipeline, and all crude oil sourced by one such party from the Midway Sunset field will be delivered by the Partnership into the Pacific Pipeline via the SJV Gathering System.

TERMINALLING AND STORAGE ACTIVITIES AND GATHERING AND MARKETING ACTIVITIES

Terminalling and Storage

The Cushing Terminal was constructed in 1993 to capitalize on the crude oil supply and demand imbalance in the Midwest caused by the continued decline of regional production supplies, increasing imports and an inadequate pipeline and terminal infrastructure. The Cushing Terminal is also used to support and enhance the margins associated with the Partnership's merchant activities relating to its lease gathering and bulk trading activities. The Ingleside Terminal was constructed in 1979 and purchased by the Plains Midstream Subsidiaries in 1996 to enhance its lease gathering activities in South Texas.

The Cushing Terminal has a total storage capacity of two million barrels, comprised of fourteen 100,000 barrel tanks and four 150,000 barrel tanks used to store and terminal crude oil. The Cushing Terminal also includes a pipeline manifold and pumping system that has an estimated daily throughput capacity of approximately 800,000 barrels per day. The pipeline manifold and pumping system is designed to support up to ten million barrels of tank capacity. The Cushing Terminal is connected to the major pipelines and terminals in the Cushing Interchange through pipelines that range in size from 10 inches to 24 inches in diameter. A one million barrel expansion project to add four 250,000 barrel tanks is currently underway at the Cushing Terminal with completion targeted for mid-1999.

The Cushing Terminal is a state-of-the-art facility designed to serve the needs of refiners in the Midwest. In order to service an expected increase in the volumes as well as the varieties of foreign and domestic crude oil projected to be transported through the Cushing Interchange, the Partnership incorporated certain attributes into the design of the Cushing Terminal including (i) multiple, smaller tanks to facilitate simultaneous handling of multiple crude varieties in accordance with normal pipeline batch sizes, (ii) dual header systems connecting each tank to the main manifold system to facilitate efficient switching between crude grades with minimal contamination, (iii) bottom drawn sump pumps that enable each tank to be efficiently drained down to minimal remaining volumes to minimize crude contamination and maintain crude integrity, (iv) a mixer on each tank to facilitate blending crude grades to refinery specifications, and (v) a manifold and pump system that allows for receipts and deliveries with connecting carriers at their maximum operating capacity. As a result of incorporating these attributes into the design of the Cushing Terminal, the Partnership believes it is favorably positioned to

serve the needs of Midwest refiners to handle an increase in varieties of crude transported through the Cushing Interchange.

The Cushing Terminal also incorporates numerous environmental and operational safeguards. The Partnership believes that its terminal is the only one at the Cushing Interchange in which each tank has a secondary liner (the equivalent of double bottoms), leak detection devices and secondary seals. The Cushing Terminal is the only terminal at the Cushing Interchange equipped with aboveground pipelines. Like the All American Pipeline and the SJV Gathering System, the Cushing Terminal is operated by a SCADA system and each tank is cathodically protected. In addition, each tank is equipped with an audible and visual high level alarm system to prevent overflows; a floating roof that minimizes air emissions and prevents the possible accumulation of potentially flammable gases between fluid levels and the roof of the tank; and a foam line that, in the event of a fire, is connected to the automated fire water distribution system.

The Cushing Interchange is the largest wet barrel trading hub in the U.S. and the delivery point for crude oil futures contracts traded on the NYMEX. The Cushing Terminal has been designated by the NYMEX as an approved delivery location for crude oil delivered under the NYMEX light sweet crude oil futures contract. As a NYMEX delivery point and a cash market hub, the Cushing Interchange serves as the primary source of refinery feedstock for the Midwest refiners and plays an integral role in establishing and maintaining markets for many varieties of foreign and domestic crude oil. The following illustration details the major pipeline systems and terminals that deliver crude oil to, or can receive oil from, the Cushing Terminal.

[Graphic depicting incoming and outgoing pipelines from the Cushing Terminal]

The Ingleside Terminal was constructed in 1979 and purchased by the Plains Midstream Subsidiaries in 1996 to enhance its lease gathering activities in South Texas. The Ingleside Terminal is located near the Gulf Coast port of Corpus Christi, Texas. The Ingleside Terminal is comprised of 11 tanks ranging in size from a minimum of 15,000 barrels to a maximum of 50,000 barrels. Three of these tanks are heated, which allows for storage of heavier products. The terminal has access to the receipt of crude oil and refined petroleum products from trucks and barges. Likewise, the terminal can deliver crude oil and refined petroleum products to barges and trucks. The Partnership leases a barge dock approximately one mile from the Ingleside Terminal and is connected to the dock by four pipelines ranging in size from 8 inches to 12 inches in diameter. The dock lease can be extended in five-year intervals through 2021.

The Partnership's terminalling and storage operations generate revenue through terminalling and storage fees paid by third parties as well as by utilizing the tankage in conjunction with its merchant activities. Storage fees are generated when the Partnership leases tank capacity to third parties. Terminalling fees, also referred to as throughput fees, are generated when the Partnership receives crude oil from one connecting pipeline (generally received in batch sizes of 25,000 to 400,000 barrels) and redelivers such crude oil to another connecting carrier in volumes that allow the refinery to receive its crude oil on a ratable basis throughout a delivery period (which is generally three to ten days). Both terminalling and storage fees are generally earned from (i) refiners and gatherers that segregate or custom blend crudes for refining feedstocks, (ii) pipeline operators, refiners or traders that need segregated tankage for foreign cargoes, (iii) traders who make or take delivery under NYMEX contracts and (iv) producers and resellers that seek to increase their marketing alternatives. The tankage that is used to support the Partnership's arbitrage activities position the Partnership to capture margins in a contango market or when the market switches from contango to backwardation. The following table sets forth the throughput volumes for the Partnership's terminalling and storage operations, and quantity of tankage leased to third parties from 1993 through the nine months ended September 30, 1998.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1993	1994	1995	1996	1997	1997	1998
	(BARRELS IN THOUSANDS)						
Throughput Volumes (average daily volumes):							
Cushing Terminal	6(1)	29	43	56	69	69	68
Ingleside Terminal	-	-	-	3	8	9	11
Total	6	29	43	59	77	78	79
Storage Leased to Third Parties (monthly average volumes):							
Cushing Terminal	113(1)	464	208	203	414	371	831
Ingleside Terminal	-	-	-	211	254	252	260
Total	113	464	208	414	668	623	1,091

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(1) Reflects eight months of partial operation during construction.

The Partnership expects to use a portion of the new tankage under construction to support the marketing of West Coast Sour crude oil to Midwest refiners. With access to the Cushing Terminal tankage, the Partnership will be able to ensure ratable deliveries throughout the month, thus providing a logistical advantage to foreign crude oils which are delivered by vessel. The Partnership has committed 750,000 barrels of its capacity at the Cushing Terminal to storage arrangements with third parties through mid-1999.

Gathering and Marketing Activities

The Partnership's gathering and marketing activities are primarily conducted in Louisiana, Texas, Oklahoma and Kansas and include (i) purchasing crude oil from producers at the wellhead and in bulk from aggregators at major pipeline interconnects and trading locations, (ii) transporting such crude oil on its own proprietary

gathering assets or assets owned and operated by third parties when necessary or cost effective, (iii) exchanging such crude oil for another grade of crude oil or at a different geographic location, as appropriate, in order to maximize margins or meet contract delivery requirements and (iv) marketing crude oil to refiners or other resellers. The Partnership purchases crude oil from many independent producers and believes that it has established broad-based relationships with crude oil producers in its areas of operations. For the nine months ended September 30, 1998, the Partnership purchased approximately 85,000 barrels per day of crude oil directly at the wellhead from more than 370 producers from approximately 2,000 leases. The Partnership purchases crude oil from producers under contracts that range in term from a thirty-day evergreen to two years. Gathering and marketing activities are characterized by large volumes of transactions with lower margins relative to pipeline and terminalling and storage operations.

The following table shows the average daily volume of the Partnership's lease gathering and bulk purchases from 1995 through the nine months ended September 30, 1998.

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1996	1997	1997	1998
	(BARRELS IN THOUSANDS)				
Lease gathering	46	59	71	70	85
Bulk purchases	10	32	49	46	94
Total volumes	56	91	120	116	179

Crude Oil Purchases. In a typical producer's operation, crude oil flows from the wellhead to a separator where the petroleum gases are removed. After separation, the crude oil is treated to remove water, sand and other contaminants and is then moved into the producer's on-site storage tanks. When the tank is full, the producer contacts the Partnership's field personnel to purchase and transport the crude oil to market. The Partnership utilizes pipelines, trucks and barges owned and operated by third parties and the Partnership's truck fleet and gathering pipelines to transport the crude oil to market. The Partnership owns approximately 25 trucks, 29 tractor-trailers and 14 injection stations.

Pursuant to the Marketing Agreement, the Partnership is the exclusive marketer/purchaser for all of Plains Resources' equity crude oil production. The Marketing Agreement provides that the Partnership will purchase for resale at market prices all of Plains Resources' crude oil production for which it will charge a fee of $0.20 per barrel. This fee will be adjusted every three years based upon then existing market conditions. The Marketing Agreement will terminate upon a "change of control" of Plains Resources or the General Partner. On a pro forma basis, revenues generated under the Marketing Agreement for the nine months ended September 30, 1998 would have been approximately $1.3 million. For the first nine months of 1998, Plains Resources produced approximately 24,700 barrels per day which would be subject to the Marketing Agreement. Plains Resources owns an approximate 100% working interest in each of its fields.

Bulk Purchases. In addition to purchasing crude oil at the wellhead from producers, the Partnership purchases crude oil in bulk at major pipeline terminal points. This production is transported from the wellhead to the pipeline by major oil companies, large independent producers or other gathering and marketing companies. The Partnership purchases crude oil in bulk when it believes additional opportunities exist to realize margins further downstream in the crude oil distribution chain. The opportunities to earn additional margins vary over time with changing market conditions. Accordingly, the margins associated with the Partnership's bulk purchases will fluctuate from period to period. The Partnership's bulk purchasing activities are concentrated in California, Texas, Louisiana and at the Cushing Interchange.

Crude Oil Sales. The marketing of crude oil is complex and requires detailed current knowledge of crude oil sources and end markets and a familiarity with a number of factors including grades of crude oil, individual

refinery demand for specific grades of crude oil, area market price structures for the different grades of crude oil, location of customers, availability of transportation facilities and timing and costs (including storage) involved in delivering crude oil to the appropriate customer. The Partnership sells its crude oil to major integrated oil companies and independent refiners in various types of sale and exchange transactions, generally at market-responsive prices for terms ranging from one month to three years.

As the Partnership purchases crude oil, it establishes a margin by selling crude oil for physical delivery to third party users, such as independent refiners or major oil companies, or by entering into a future delivery obligation with respect to futures contracts on the NYMEX. Through these transactions, the Partnership seeks to maintain a position that is substantially balanced between crude oil purchases and sales and future delivery obligations. The Partnership from time to time enters into fixed price delivery contracts, floating price collar arrangements, financial swaps and oil futures contracts as hedging devices. To ensure a fixed price for future production, the Partnership may sell a futures contract and thereafter either (i) make physical delivery of its product to comply with such contract or (ii) buy a matching futures contract to unwind its futures position and sell its production to a customer. The Partnership's policy is generally to purchase only crude oil for which it has a market and to structure its sales contracts so that crude oil price fluctuations do not materially affect the gross margin which it receives. The Partnership does not acquire and hold crude oil, futures contracts or other derivative products for the purpose of speculating on crude oil price changes that might expose the Partnership to indeterminable losses.

Risk management strategies, including those involving price hedges using NYMEX futures contracts, have become increasingly important in creating and maintaining margins. Such hedging techniques require significant resources dedicated to managing futures positions. The Partnership is able to monitor crude oil volumes, grades, locations and delivery schedules and to coordinate marketing and exchange opportunities, as well as NYMEX hedging positions. This coordination ensures that the Partnership's NYMEX hedging activities are successfully implemented.

Crude Oil Exchanges. The Partnership pursues exchange opportunities to enhance margins throughout the gathering and marketing process. When opportunities arise to increase its margin or to acquire a grade of crude oil that more nearly matches its delivery requirement or the preferences of its refinery customers, the Partnership exchanges physical crude oil with third parties. These exchanges are effected through contracts called exchange or buy-sell agreements. Through an exchange agreement, the Partnership agrees to buy crude oil that differs in terms of geographic location, grade of crude oil or delivery schedule from crude oil it has available for sale. Generally, the Partnership enters into exchanges to acquire crude oil at locations that are closer to its end markets, thereby reducing transportation costs and increasing its margin. The Partnership also exchanges its crude oil to be delivered at an earlier or later date, if the exchange is expected to result in a higher margin net of storage costs, and enters into exchanges based on the grade of crude oil (which includes such factors as sulfur content and specific gravity) in order to meet the quality specifications of its delivery contracts.

Producer Services. Crude oil purchasers who buy from producers compete on the basis of competitive prices and highly responsive services. Through its team of crude oil purchasing representatives, the Partnership maintains ongoing relationships with more than 370 producers. The Partnership believes that its ability to offer high-quality field and administrative services to producers will be a key factor in its ability to maintain volumes of purchased crude oil and to obtain new volumes. High-quality field services include efficient gathering capabilities, availability of trucks, willingness to construct gathering pipelines where economically justified, timely pickup of crude oil from tank batteries at the lease or production point, accurate measurement of crude oil volumes received, avoidance of spills and effective management of pipeline deliveries. Accounting and other administrative services include securing division orders (statements from interest owners affirming the division of ownership in crude oil purchased by the Partnership), providing statements of the crude oil purchased each month, disbursing production proceeds to interest owners and calculation and payment of ad valorem and production taxes on behalf of interest owners. In order to compete effectively, the Partnership must maintain records of title and division order interests in an accurate and timely manner for purposes of making prompt and

correct payment of crude oil production proceeds, together with the correct payment of all severance and production taxes associated with such proceeds.

Credit. The Partnership's merchant activities involve the purchase of crude oil for resale and require significant extensions of credit by the Partnership's suppliers of crude oil. In order to assure the Partnership's ability to perform its obligations under crude purchase agreements, various credit arrangements are negotiated with the Partnership's crude suppliers. Such arrangements include open lines of credit directly with the Partnership and standby letters of credit issued under the Letter of Credit Facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--The Partnership--Capital Resources, Liquidity and Financial Condition."

When the Partnership markets crude oil, it must determine the amount, if any, of the line of credit to be extended to any given customer. If the Partnership determines that a customer should receive a credit line, it must then decide on the amount of credit that should be extended. Since typical Partnership sales transactions can involve tens of thousands of barrels of crude oil, the risk of nonpayment and nonperformance by customers is a major consideration in the Partnership's business. The Partnership believes its sales are made to creditworthy entities or entities with adequate credit support.

Credit review and analysis are also integral to the Partnership's leasehold purchases. Payment for all or substantially all of the monthly leasehold production is sometimes made to the operator of the lease. The operator, in turn, is responsible for the correct payment and distribution of such production proceeds to the proper parties. In these situations, the Partnership must determine whether the operator has sufficient financial resources to make such payments and distributions and to indemnify and defend the Partnership in the event any third party should bring a protest, action or complaint in connection with the ultimate distribution of production proceeds by the operator.

CUSTOMERS

Koch Oil Company accounted for 23% of the Partnership's pro forma 1997 revenues. In addition, shipments of crude oil from the Santa Ynez and Point Arguello fields accounted for approximately $69.1 million, or 84%, of tariff revenues for 1997.

COMPETITION

The All American Pipeline encounters competition from foreign oil imports and other pipelines that serve the California market and the refining centers in the Midwest and on the Gulf Coast.

A new pipeline connecting the San Joaquin Valley to refinery markets in the Los Angeles Basin area is currently under construction by a third party with an anticipated completion date in 1999. The Partnership expects that certain volumes currently transported on the All American Pipeline may be redirected to Los Angeles on such pipeline.

Competition among common carrier pipelines is based primarily on transportation charges, access to producing areas and demand for the crude oil by end users. The Partnership believes that high capital requirements, environmental considerations and the difficulty in acquiring rights of way and related permits make it unlikely that a competing pipeline system comparable in size and scope to the All American Pipeline will be built in the foreseeable future.

The Partnership faces intense competition in its terminalling and storage activities and gathering and marketing activities. Its competitors include other crude oil pipelines, the major integrated oil companies, their marketing affiliates and independent gatherers, brokers and marketers of widely varying sizes, financial resources and experience. Some of these competitors have capital resources many times greater than the Partnership's and control substantially greater supplies of crude oil.

REGULATION

The Partnership's operations are subject to extensive regulation. Many departments and agencies, both federal and state, are authorized by statute to issue and have issued rules and regulations binding on the oil industry and its individual participants. The failure to comply with such rules and regulations can result in substantial penalties. The regulatory burden on the oil industry increases the Partnership's cost of doing business and, consequently, affects its profitability. However, the Partnership does not believe that it is affected in a significantly different manner by these regulations than are its competitors. Due to the myriad and complex federal and state statutes and regulations which may affect the Partnership, directly or indirectly, the following discussion of certain statutes and regulations should not be relied upon as an exhaustive review of all regulatory considerations affecting the Partnership's operations.

Pipeline Regulation

The Partnership's pipelines are subject to regulation by the Department of Transportation ("DOT") under the Hazardous Liquids Pipeline Safety Act of 1979, as amended ("HLPSA") relating to the design, installation, testing, construction, operation, replacement and management of pipeline facilities. The HLPSA requires the Partnership and other pipeline operators to comply with regulations issued pursuant to HLPSA, to permit access to and allow copying of records and to make certain reports and provide information as required by the Secretary of Transportation.

The Pipeline Safety Act of 1992 (the "Pipeline Safety Act") amends the HLPSA in several important respects. It requires the Research and Special Programs Administration ("RSPA") of DOT to consider environmental impacts, as well as its traditional public safety mandate, when developing pipeline safety regulations. In addition, the Pipeline Safety Act mandates the establishment by DOT of pipeline operator qualification rules requiring minimum training requirements for operators, and requires that pipeline operators provide maps and records to RSPA. It also authorizes RSPA to require that pipelines be modified to accommodate internal inspection devices, to mandate the installation of emergency flow restricting devices for pipelines in populated or sensitive areas and to order other changes to the operation and maintenance of petroleum pipelines. The Partnership believes that its pipeline operations are in substantial compliance with applicable HLPSA and Pipeline Safety Act requirements. Nevertheless, significant expenses could be incurred in the future if additional safety measures are required or if safety standards are raised and exceed the current pipeline control system capabilities.

States are largely preempted by federal law from regulating pipeline safety but may assume responsibility for enforcing federal intrastate pipeline regulations and inspection of intrastate pipelines. In practice, states vary considerably in their authority and capacity to address pipeline safety. The Partnership does not anticipate any significant problems in complying with applicable state laws and regulations in those states in which it operates.

Transportation and Sale of Crude Oil

In October 1992 Congress passed the Energy Policy Act of 1992 ("Energy Policy Act"). The Energy Policy Act deemed petroleum pipeline rates in effect for the 365-day period ending on the date of enactment of the Energy Policy Act or that were in effect on the 365th day preceding enactment and had not been subject to complaint, protest or investigation during the 365-day period to be just and reasonable under the Interstate Commerce Act. The Energy Policy Act also provides that complaints against such rates may only be filed under the following limited circumstances: (i) a substantial change has occurred since enactment in either the economic circumstances or the nature of the services which were a basis for the rate; (ii) the complainant was contractually barred from challenging the rate prior to enactment; or (iii) a provision of the tariff is unduly discriminatory or preferential.

The Energy Policy Act further required the FERC to issue rules establishing a simplified and generally applicable ratemaking methodology for petroleum pipelines, and to streamline procedures in petroleum pipeline

proceedings. On October 22, 1993, the FERC responded to the Energy Policy Act directive by issuing Order No. 561, which adopts a new indexing rate methodology for petroleum pipelines. Under the new regulations, which were effective January 1, 1995, petroleum pipelines are able to change their rates within prescribed ceiling levels that are tied to the Producer Price Index for Finished Goods, minus one percent. Rate increases made pursuant to the index will be subject to protest, but such protests must show that the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline's increase in costs. The new indexing methodology can be applied to any existing rate, even if the rate is under investigation. If such rate is subsequently adjusted, the ceiling level established under the index must be likewise adjusted.

In Order No. 561, the FERC said that as a general rule pipelines must utilize the indexing methodology to change their rates. The FERC indicated, however, that it was retaining cost-of-service ratemaking, market-based rates, and settlements as alternatives to the indexing approach. A pipeline can follow a cost-of-service approach when seeking to increase its rates above index levels for uncontrollable circumstances. A pipeline can seek to charge market-based rates if it can establish that it lacks market power. In addition, a pipeline can establish rates pursuant to settlement if agreed upon by all current shippers. Initial rates for new services can be established through a cost-of-service proceeding or through an uncontested agreement between the pipeline and at least one shipper not affiliated with the pipeline.

On May 10, 1996, the Court of Appeals for the District of Columbia Circuit affirmed Order No. 561. The Court held that by establishing a general indexing methodology along with limited exceptions to indexed rates, FERC had reasonably balanced its dual responsibilities of ensuring just and reasonable rates and streamlining ratemaking through generally applicable procedures.

In a recent proceeding involving Lakehead Pipe Line Company, Limited Partnership (Opinion No. 397), FERC concluded that there should not be a corporate income tax allowance built into a petroleum pipeline's rates to reflect income attributable to noncorporate partners since noncorporate partners, unlike corporate partners, do not pay a corporate income tax. This result comports with the principle that, although a regulated entity is entitled to an allowance to cover its incurred costs, including income taxes, there should not be an element included in the cost of service to cover costs not incurred. Opinion No. 397 was affirmed on rehearing in May 1996. Appeals of the Lakehead opinions were taken, but the parties to the Lakehead proceeding subsequently settled the case, with the result that appellate review of the tax and other issues never took place.

There is also pending at the FERC a proceeding involving another publicly traded limited partnership engaged in the common carrier transportation of crude oil (the "Santa Fe Proceeding") in which the FERC could further limit its current position related to the tax allowance permitted in the rates of publicly traded partnerships, as well as possibly alter the FERC's current application of the FERC oil pipeline ratemaking methodology. On September 25, 1997, the administrative law judge in the Santa Fe Proceeding issued an initial decision addressing various aspects of the tax allowance issue as it affects publicly traded partnerships, as well as various technical issues involving the application of the FERC oil pipeline ratemaking methodology. The administrative law judge's initial decision in the Santa Fe Proceeding is currently pending review by the FERC. In such review, it is possible that the FERC could alter its current rulings on the tax allowance issue or on the application of the FERC oil pipeline ratemaking methodology.

The FERC generally has not investigated rates, such as those currently charged by the Partnership, which have been mutually agreed to by the pipeline and the shippers or which are significantly below cost of service rates that might otherwise be justified by the pipeline under the FERC's cost-based ratemaking methods. Substantially all of the Partnership's gross margins on transportation are produced by rates that are either grandfathered or set by agreement of the parties. The rates for substantially all of the crude oil transported from California to West Texas are grandfathered and not subject to decreases through the application of indexing. These rates have not been decreased through application of the indexing method. Rates for OCS crude are set by transportation agreements with shippers that do not expire until 2007 and provide for a minimum tariff with annual escalation. The FERC has twice approved the agreed OCS rates, although application of the PPFIG-1 index method would have required their reduction. When these OCS agreements expire in 2007, they will be

subject to renegotiation or to any of the other methods for establishing rates under Order No. 561. As a result, the Partnership believes that the rates now in effect can be sustained, although no assurance can be given that the rates currently charged by the Partnership would ultimately be upheld if challenged. In addition, the Partnership does not believe that an adverse determination on the tax allowance issue in the Santa Fe Proceeding would have a detrimental impact upon the current rates charged by the Partnership.

ENVIRONMENTAL REGULATION

General

Various federal, state and local laws and regulations governing the discharge of materials into the environment, or otherwise relating to the protection of the environment, affect the Partnership's operations and costs. In particular, the Partnership's activities in connection with storage and transportation of crude oil and other liquid hydrocarbons and its use of facilities for treating, processing or otherwise handling hydrocarbons and wastes therefrom are subject to stringent environmental regulation. As with the industry generally, compliance with existing and anticipated regulations increases the Partnership's overall cost of business. Such areas affected include capital costs to construct, maintain and upgrade equipment and facilities. While these regulations affect the Partnership's capital expenditures and earnings, the Partnership believes that such regulations do not affect its competitive position in that the operations of its competitors that comply with such regulations are similarly affected. Environmental regulations have historically been subject to frequent change by regulatory authorities, and the Partnership is unable to predict the ongoing cost to it of complying with these laws and regulations or the future impact of such regulations on its operation. Violation of federal or state environmental laws, regulations and permits can result in the imposition of significant civil and criminal penalties, injunctions and construction bans or delays. A discharge of hydrocarbons or hazardous substances into the environment could, to the extent such event is not insured, subject the Partnership to substantial expense, including both the cost to comply with applicable regulations and claims by neighboring landowners and other third parties for personal injury and property damage.

Water

The Oil Pollution Act ("OPA") was enacted in 1990 and amends provisions of the Federal Water Pollution Control Act of 1972 ("FWPCA") and other statutes as they pertain to prevention and response to oil spills. The OPA subjects owners of facilities to strict, joint and potentially unlimited liability for removal costs and certain other consequences of an oil spill, where such spill is into navigable waters, along shorelines or in the exclusive economic zone of the U.S. In the event of an oil spill into such waters, substantial liabilities could be imposed upon the Partnership. States in which the Partnership operates have also enacted similar laws. Regulations are currently being developed under OPA and state laws that may also impose additional regulatory burdens on the Partnership.

The FWPCA imposes restrictions and strict controls regarding the discharge of pollutants into navigable waters. Permits must be obtained to discharge pollutants to state and federal waters. The FWPCA imposes substantial potential liability for the costs of removal, remediation and damages. The Partnership believes that compliance with existing permits and compliance with foreseeable new permit requirements will not have a material adverse effect on the Partnership's financial condition or results of operations.

Some states maintain groundwater protection programs that require permits for discharges or operations that may impact groundwater conditions. The Partnership believes that it is in substantial compliance with these state requirements.

Air Emissions

The operations of the Partnership are subject to the Federal Clean Air Act and comparable state and local statutes. The Partnership believes that its operations are in substantial compliance with such statutes in all states in which they operate.

Amendments to the Federal Clean Air Act enacted in late 1990 (the "1990 Federal Clean Air Act Amendments") require or will require most industrial operations in the U.S. to incur capital expenditures in order to meet air emission control standards developed by the Environmental Protection Agency (the "EPA") and state environmental agencies. In addition, the 1990 Federal Clean Air Act Amendments include a new operating permit for major sources ("Title V permits"), which applies to some of the Partnership's facilities. Although no assurances can be given, the Partnership believes implementation of the 1990 Federal Clean Air Act Amendments will not have a material adverse effect on the Partnership's financial condition or results of operations.

Solid Waste

The Partnership generates non-hazardous solid wastes that are subject to the requirements of the Federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes. The EPA is considering the adoption of stricter disposal standards for non-hazardous wastes, including oil and gas wastes. RCRA also governs the disposal of hazardous wastes. At present, the Partnership is not required to comply with a substantial portion of the RCRA requirements because the Partnership's operations generate minimal quantities of hazardous wastes. However, it is possible that additional wastes, which could include wastes currently generated during operations, will in the future be designated as "hazardous wastes." Hazardous wastes are subject to more rigorous and costly disposal requirements than are non-hazardous wastes. Such changes in the regulations could result in additional capital expenditures or operating expenses by the Partnership.

Hazardous Substances

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as "Superfund," imposes liability, without regard to fault or the legality of the original act, on certain classes of persons that contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of the site and companies that disposed or arranged for the disposal of the hazardous substances found at the site. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. In the course of its ordinary operations, the Partnership may generate waste that may fall within CERCLA's definition of a "hazardous substance." The Partnership may be jointly and severally liable under CERCLA for all or part of the costs required to clean up sites at which such hazardous substances have been disposed or released into the environment.

The Partnership currently owns or leases, and has in the past owned or leased, properties where hydrocarbons are being or have been handled. Although the Partnership has utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties owned or leased by the Partnership or on or under other locations where such wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes was not under the Partnership's control. These properties and wastes disposed thereon may be subject to CERCLA, RCRA and analogous state laws. Under such laws, the Partnership could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including contaminated groundwater) or to perform remedial plugging operations to prevent future contamination.

OSHA

The Partnership is also subject to the requirements of the Federal Occupational Safety and Health Act ("OSHA") and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that certain information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and citizens. The Partnership believes that its operations are in substantial

compliance with OSHA requirements, including general industry standards, record keeping requirements and monitoring of occupational exposure to regulated substances.

Endangered Species Act

The Endangered Species Act ("ESA") restricts activities that may affect endangered species or their habitats. While certain facilities of the Partnership are in areas that may be designated as habitat for endangered species, the Partnership believes that it is in substantial compliance with the ESA. However, the discovery of previously unidentified endangered species could cause the Partnership to incur additional costs or operation restrictions or bans in the affected area.

Hazardous Materials Transportation Requirements

The DOT regulations affecting pipeline safety require pipeline operators to implement measures designed to reduce the environmental impact of oil discharge from onshore oil pipelines. These regulations require operators to maintain comprehensive spill response plans, including extensive spill response training for pipeline personnel. In addition, DOT regulations contain detailed specifications for pipeline operation and maintenance. The Partnership believes that its operations are in substantial compliance with such regulations.

ENVIRONMENTAL REMEDIATION

During 1997, the All American Pipeline experienced a leak in a segment of its pipeline in California which resulted in an estimated 12,000 barrels of crude oil being released into the soil. Immediate action was taken to repair the pipeline leak, contain the spill and to recover the released crude oil. The Partnership has submitted a remediation plan. Agency approval or disapproval is expected in the first quarter of 1999. If the Partnership's plan is disapproved, a government mandated remediation of the spill could require significant expenditures, currently estimated to approximate $350,000, although no assurance can be given that the actual cost could not exceed such estimate.

Prior to being acquired by the Partnership's predecessors in 1996, the Ingleside Terminal experienced releases of refined petroleum products into the soil and groundwater underlying the site due to activities on the property. The Partnership has proposed a voluntary state-administered remediation of the contamination on the property, and to determine whether the contamination extends outside the property boundaries. If the Partnership's plan is disapproved, a government mandated remediation of the spill could require more significant expenditures, currently estimated to approximate $250,000, although no assurance can be given that the actual cost could not exceed such estimate. In addition, a portion of any such costs may be reimbursed to the Partnership from Plains Resources. See "Certain Relationships and Related Transactions--Relationship with Plains Resources--Indemnity from the General Partner."

The Partnership may experience future releases of crude oil into the environment from its pipeline and storage operations, or discover releases that were previously unidentified. While the Partnership maintains an extensive inspection program designed to prevent and, as applicable, to detect and address such releases promptly, damages and liabilities incurred due to any future environmental releases from the All American Pipeline, the SJV Gathering System, the Cushing Terminal, the Ingleside Terminal or other Partnership assets may substantially affect the Partnership's business.

OPERATIONAL HAZARDS AND INSURANCE

A pipeline may experience damage as a result of an accident or other natural disaster. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damages and suspension of operations. The Partnership maintains insurance of various types that it considers to be adequate to cover its operations and properties. The insurance covers all of the Partnership's assets in amounts considered reasonable. The insurance policies are subject to deductibles that the Partnership considers reasonable and not excessive. The Partnership's insurance does not cover every potential risk

associated with operating pipelines, including the potential loss of significant revenues. Consistent with insurance coverage generally available to the industry, the Partnership's insurance policies provide limited coverage for losses or liabilities relating to pollution, with broader coverage for sudden and accidental occurrences.

The occurrence of a significant event not fully insured or indemnified against, or the failure of a party to meet its indemnification obligations, could materially and adversely affect the Partnership's operations and financial condition. The Partnership believes that it is adequately insured for public liability and property damage to others with respect to its operations. With respect to all of its coverage, no assurance can be given that the Partnership will be able to maintain adequate insurance in the future at rates it considers reasonable.

TITLE TO PROPERTIES

The Plains Midstream Subsidiaries will be merged into Plains Resources and Plains Resources will transfer substantially all of the real and personal property formerly owned by the Plains Midstream Subsidiaries to the Partnership without warranty at the same time as the Transactions are consummated. Substantially all of the Partnership's pipelines are constructed on rights-of-way granted by the apparent record owners of such property and in some instances such rights-of-way are revocable at the election of the grantor. In many instances, lands over which rights-of-way have been obtained are subject to prior liens which have not been subordinated to the right-of-way grants. In some cases, not all of the apparent record owners have joined in the right-of-way grants, but in substantially all such cases, signatures of the owners of majority interests have been obtained. Permits have been obtained from public authorities to cross over or under, or to lay facilities in or along water courses, county roads, municipal streets and state highways, and in some instances, such permits are revocable at the election of the grantor. Permits have also been obtained from railroad companies to cross over or under lands or rights-of-way, many of which are also revocable at the grantor's election. In some cases, property for pipeline purposes was purchased in fee. All of the pump stations are located on property owned in fee or property under long-term leases.

Some of the leases, easements, rights-of-way, permits and licenses to be transferred to the Partnership require the consent of the grantor of such rights, which in certain instances is a governmental entity. Plains Resources expects to obtain, prior to the closing of this offering, third-party consents, permits and authorizations that will be sufficient to enable them to transfer to the Partnership the assets necessary to enable the Partnership to operate its business in all material respects as described in this Prospectus. With respect to any material consents, permits or authorizations which have not been obtained prior to the closing of this offering, the closing of this offering will not occur unless reasonable bases exist for the General Partner to conclude that such consents, permits or authorizations will be obtained within a reasonable period following the closing, or the failure to obtain such consents, permits or authorizations will have no material adverse effect on the operation of the Partnership's business. If any such consents are not so obtained, Plains Resources will enter into other agreements, or take such other action as may be necessary, in order to ensure that the Partnership has the assets and concomitant rights necessary to enable it to operate the Partnership's business in all material respects as described in this Prospectus.

Plains Resources initially may continue to hold record title to portions of certain assets as nominee for the benefit of the Partnership until the Partnership has had time to make the appropriate filings and obtain necessary licenses, permits, registrations and rights in the jurisdictions in which such assets are located, and to obtain any consents and approvals that are not obtained prior to the consummation of this offering. Such consents and approvals would include those required by federal and state agencies or political subdivisions. Additionally, in some cases, Plains Resources may, on the basis of expense and difficulty associated with the conveyance of title, retain title, as nominees for the benefit of the Partnership, until a future date. The General Partner believes that there will be no material adverse effect on the business of the Partnership as a result of any of the foregoing circumstances. In none of such circumstances is it anticipated that there will be any material change in the tax treatment of the Partnership or the Common Units resulting from the holding by Plains Resources of title as nominee for the benefit of the Partnership.

The instruments of transfer from Plains Resources to the Partnership may not be recorded initially, and therefore the real property records in various jurisdictions may reflect record title in Plains Resources. Plains Resources expects to complete the transfer of record title to real property to the Partnership as soon as practicable after the consummation of this offering. Properties acquired by the Partnership after the consummation of this offering generally will be acquired and held of record in the Partnership's name.

The books and records of the Partnership and Plains Resources will at all times reflect the Partnership's ownership of or beneficial interest in the properties conveyed to if, or held nominally for it, by Plains Resources. However, until record title is held by the Partnership it is possible that real property owned by the Partnership, or by Plains Resources for the benefit of the Partnership, could in some jurisdictions be subject to the claims of Plains Resources creditors. Plains Resources is of the opinion, however, that this presents little, if any, risk for the Partnership.

In certain states and under certain circumstances, the Partnership has the right of eminent domain to acquire rights-of-way and lands necessary for the operations of the All American Pipeline, a common carrier pipeline.

The General Partner believes that upon consummation of the Transactions the Partnership will have satisfactory title to all of its assets. Although title to such properties will be subject to encumbrances in certain cases, such as customary interests generally retained in connection with acquisition of real property, liens related to environmental liabilities associated with historical operations, liens for current taxes and other burdens and minor easements, restrictions and other encumbrances to which the underlying properties were subject at the time of acquisition by the Plains Midstream Subsidiaries or the Partnership, the General Partner believes that none of such burdens will materially detract from the value of such properties or from the Partnership's interest therein or will materially interfere with their use in the operation of the Partnership's business.

EMPLOYEES

To carry out the operations of the Partnership, the General Partner or its affiliates will employ approximately 200 employees. None of such employees of the General Partner is represented by labor unions, and the General Partner considers its employee relations to be good.

LEGAL PROCEEDINGS

The Partnership is a party to various legal actions that have arisen in the ordinary course of its business. The Partnership does not believe that the resolution of these matters will have a material adverse effect on its financial condition or results of operations.

MANAGEMENT

PARTNERSHIP MANAGEMENT

The General Partner will manage and operate the activities of the Partnership. The Unitholders will not directly or indirectly participate in the management or operation of the Partnership or have actual or apparent authority to enter into contracts on behalf of, or to otherwise bind, the Partnership. Notwithstanding any limitation on its obligations or duties, the General Partner will be liable, as general partner of the Partnership, for all debts of the Partnership (to the extent not paid by the Partnership), except to the extent that indebtedness or other obligations incurred by the Partnership are made specifically non-recourse to the General Partner. Whenever possible, the General Partner intends to make any such indebtedness or other obligations non-recourse to the General Partner.

At least two of the members of the Board of Directors of the General Partner who are neither officers or employees of the General Partner nor directors, officers or employees of any affiliate of the General Partner will serve on the Conflicts Committee, which will have the authority to review specific matters as to which the Board of Directors believes there may be a conflict of interest in order to determine if the resolution of such conflict proposed by the General Partner is fair and reasonable to the Partnership. Any matters approved by the Conflicts Committee will be conclusively deemed to be fair and reasonable to the Partnership, approved by all partners of the Partnership and not a breach by the General Partner or its Board of Directors of any duties they may owe the Partnership or the Unitholders. See "Conflicts of Interest and Fiduciary Responsibilities--Fiduciary and Other Duties." In addition, the members of the Conflicts Committee will also constitute an Audit Committee which will review the external financial reporting of the Partnership, will recommend engagement of the Partnership's independent public accountants and will review the Partnership's procedures for internal auditing and the adequacy of the Partnership's internal accounting controls. The members of the Conflicts Committee will also serve on the Compensation Committee, which will oversee compensation decisions for the officers of the General Partner as well as the compensation plans described below. See "--Long Term Incentive Plan" and "--Management Incentive Plan."

As is commonly the case with publicly traded limited partnerships, the Partnership will not directly employ any of the persons responsible for managing or operating the Partnership. In general, the current management of Plains Resources will manage and operate the Partnership's business as officers and employees of the General Partner and its affiliates.

Certain officers of the General Partner may spend a substantial amount of time managing the business and affairs of Plains Resources and its other affiliates and may face a conflict regarding the allocation of their time between the Partnership and Plains Resources' other business interests. The General Partner intends to cause its officers to devote as much time to the management of the Partnership as is necessary for the proper conduct of its business and affairs.

DIRECTORS AND EXECUTIVE OFFICERS OF THE GENERAL PARTNER

The following table sets forth certain information with respect to the executive officers and members of the Board of Directors of the General Partner. Executive officers and directors are elected for one-year terms.

NAME	AGE	POSITION WITH GENERAL PARTNER
Greg L. Armstrong...........	40	Chairman of the Board, Chief Executive Officer and Director
Harry N. Pefanis............	41	President, Chief Operating Officer and Director
Phillip D. Kramer...........	42	Executive Vice President and Chief Financial Officer
George R. Coiner............	47	Senior Vice President
Michael R. Patterson........	50	Senior Vice President, General Counsel and Secretary
Cynthia A. Feeback..........	41	Treasurer
Robert V. Sinnott...........	49	Director

Greg L. Armstrong has been President, Chief Executive Officer and Director of Plains Resources since 1992. He previously served Plains Resources as: President and Chief Operating Officer from October to December 1992; Executive Vice President and Chief Financial Officer from June to October 1992; Senior Vice President and Chief Financial Officer from 1991 to 1992; Vice President and Chief Financial Officer from 1984 to 1991; Corporate Secretary from 1981 to 1988; and Treasurer from 1984 to 1987.

Harry N. Pefanis has been Executive Vice President--Midstream of Plains Resources since May 1998. He previously served Plains Resources as: Senior Vice President from February 1996 until May 1998; Vice President--Products Marketing from 1988 to February 1996; Manager of Products Marketing from 1987 to 1988; and Special Assistant for Corporate Planning from 1983 to 1987. Mr. Pefanis is also President of the Plains Midstream Subsidiaries.

Phillip D. Kramer has been Executive Vice President, Chief Financial Officer and Treasurer of Plains Resources since May 1998. He previously served Plains Resources as: Senior Vice President, Chief Financial Officer and Treasurer from May 1997 until May 1998; Vice President, Chief Financial Officer and Treasurer from 1992 to 1997; Vice President and Treasurer from 1988 to 1992; Treasurer from 1987 to 1988; and Controller from 1983 to 1987.

George R. Coiner has been Vice President of Plains Marketing & Transportation Inc., a Plains Midstream Subsidiary, since November 1995. Prior to joining Plains Marketing & Transportation Inc., he was Senior Vice President, Marketing with Scurlock Permian Corp.

Michael R. Patterson has been Vice President, General Counsel and Secretary of Plains Resources since 1988. He previously served Plains Resources as Vice President and General Counsel from 1985 to 1988.

Cynthia A. Feeback has been Assistant Treasurer and Controller of Plains Resources since May 1998. She previously served Plains Resources as Controller and Principal Accounting Officer from 1993 to 1998; Controller from 1990 to 1993; and Accounting Manager from 1988 to 1990.

Robert V. Sinnott has been Senior Vice President of Kayne Anderson Investment Management, Inc. (an investment management firm) since 1992. He was Vice President and Senior Securities Officer of the Investment Banking Division of Citibank from 1986 to 1992. He is also a director of Plains Resources and Glacier Water Services, Inc. (a vended water company).

Shortly after the consummation of the transactions, the General Partner will add two directors, who will be neither owners, officers, nor employees of the General Partner nor officers, directors or employees, of any affiliate of the General Partner. These two additional directors will be appointed to the Conflicts Committee, Audit Committee and Compensation Committee.

REIMBURSEMENT OF EXPENSES OF THE GENERAL PARTNER AND ITS AFFILIATES

The General Partner will not receive any management fee or other compensation in connection with its management of the Partnership. The General Partner and its affiliates, including Plains Resources, performing services for the Partnership will be reimbursed for all expenses incurred on behalf of the Partnership, including the costs of employee, officer and director compensation and benefits properly allocable to the Partnership, and all other expenses necessary or appropriate to the conduct of the business of, and allocable to, the Partnership. The Partnership Agreement provides that the General Partner will determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion.

EXECUTIVE COMPENSATION

The Partnership and the General Partner were formed in September and February of 1998, respectively. Accordingly, the General Partner paid no compensation to its directors and officers with respect to fiscal 1997,

nor did any obligations accrue in respect of management incentive or retirement benefits for the directors and officers with respect to such year. Officers and employees of the General Partner may participate in employee benefit plans and arrangements sponsored by the General Partner or its affiliates, including plans which may be established by the General Partner or its affiliates in the future.

In addition to the grants made under the Restricted Unit Plan described below, the General Partner has agreed to transfer approximately 324,000 of its Common Units to certain key employees of the General Partner. Generally, approximately 72,000 of such Common Units will vest in each of the years ending December 31, 1999, 2000 and 2001 if the Operating Surplus generated in such year exceeds the amount necessary to pay the Minimum Quarterly Distribution on all outstanding Common Units and the related distribution on the general partner interest. If a tranche of Common Units does not vest in a particular year, such Common Units will vest at the time the Common Unit Arrearages for such year have been paid. In addition, approximately 36,000 of such Common Units will vest in each of the years ending December 31, 1999, 2000 and 2001 if the Operating Surplus generated in such year exceeds the amount necessary to pay the Minimum Quarterly Distribution on all outstanding Common Units and Subordinated Units and the related distribution on the general partner interest. Any Common Units remaining unvested shall vest upon, and in the same proportion as, the conversion of Subordinated Units. The compensation expense incurred in connection with these grants will not be allocated to the Partnership. Of the 324,000 Common Units, 75,000 will be allocated to Mr. Pefanis and 50,000 will be allocated to Mr. Coiner.

EMPLOYMENT AGREEMENT

In connection with the consummation of the Transactions, Mr. Pefanis will enter into an employment agreement with Plains Resources. The summary of the employment agreement which follows does not purport to be complete and is qualified in its entirety by reference to the form of employment agreement, which has been filed as an exhibit to the Registration Statement of which this Prospectus is a part.

Pursuant to the employment agreement, Mr. Pefanis will serve as President and Chief Operating Officer of the General Partner as well as an Executive Vice President of Plains Resources. The employment agreement provides that Mr. Pefanis will be responsible for the overall operations of the General Partner and the marketing operations of Plains Resources. The employment agreement provides that Plains Resources will not require Mr. Pefanis to engage in activities that materially detract from his duties and responsibilities as an officer of the General Partner.

The employment agreement will have an initial term of three years subject to annual extensions and will include confidentiality, nonsolicitation and noncompete provisions, which, in general, will continue for 24 months following Mr. Pefanis' termination of employment.

The agreement will provide for an annual base salary of $235,000, subject to such increases as the Board of Directors of Plains Resources may authorize from time to time. In addition, Mr. Pefanis will be eligible to receive an annual cash bonus to be determined by the Board of Directors of Plains Resources. Mr. Pefanis will participate in the Long-Term Incentive Plan of the General Partner as described below. Mr. Pefanis will also be entitled to participate in such other benefit plans and programs as the General Partner may provide for its employees in general.

Upon a Change in Control of Plains Resources or a Marketing Operations Disposition (as such terms are defined in the employment agreement), the term of the employment agreement will be automatically extended for three years and if Mr. Pefanis' employment is terminated during the one-year period following either event by him for a Good Reason or by Plains Resources other than for death, disability or Cause (as such terms are defined in the employment agreement), he will be entitled to a lump sum severance amount equal to three times the sum of (i) his highest rate of annual base salary and (ii) the largest annual bonus paid during the three preceding years.

LONG-TERM INCENTIVE PLAN

The General Partner has adopted the Plains All American Inc. 1998 Long-Term Incentive Plan (the "Long-Term Incentive Plan") for employees and directors of the General Partner and its affiliates who perform services for the Partnership. The summary of the Long-Term Incentive Plan contained herein does not purport to be complete and is qualified in its entirety by reference to the Long-Term Incentive Plan, which has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The Long-Term Incentive Plan consists of two components, a restricted unit plan (the "Restricted Unit Plan") and a unit option plan (the "Unit Option Plan"). The Long-Term Incentive Plan currently permits the grant of Restricted Units and Unit Options covering an aggregate of 975,000 Common Units. The plan will be administered by the Compensation Committee of the General Partner's Board of Directors.

Restricted Unit Plan. A Restricted Unit is a "phantom" unit that entitles the grantee to receive a Common Unit upon the vesting of the phantom unit. Management currently estimates that an aggregate of approximately 500,000 Restricted Units will be granted upon consummation of the Transactions to employees of the General Partner. Upon consummation of the Transactions, it is expected that approximately 60,000 Restricted Units will be granted to Mr. Pefanis, approximately 30,000 Restricted Units will be granted to Mr. Coiner and approximately 410,000 Restricted Units will be granted to various non-officer employees. The Compensation Committee may, in the future, determine to make additional grants under such plan to employees and directors containing such terms as the Compensation Committee shall determine. In general, Restricted Units granted to employees during the Subordination Period will vest only upon, and in the same proportions as, the conversion of the Subordinated Units to Common Units. Grants made to non-employee directors of the General Partner will be eligible to vest prior to termination of the Subordination Period.

If a grantee terminates employment or membership on the Board for any reason, the grantee's Restricted Units will be automatically forfeited unless, and to the extent, the Compensation Committee provides otherwise. Common Units to be delivered upon the "vesting" of rights may be Common Units acquired by the General Partner in the open market, Common Units already owned by the General Partner, Common Units acquired by the General Partner directly from the Partnership or any other person, or any combination of the foregoing. The General Partner will be entitled to reimbursement by the Partnership for the cost incurred in acquiring such Common Units. If the Partnership issues new Common Units upon vesting of the Restricted Units, the total number of Common Units outstanding will increase. Following the Subordination Period, the Compensation Committee, in its discretion, may grant tandem distribution equivalent rights with respect to Restricted Units.

The issuance of the Common Units pursuant to the Restricted Unit Plan is intended to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation in respect of the Common Units. Therefore, no consideration will be payable by the plan participants upon receipt of the Common Units and the Partnership will receive no remuneration for such Units.

Unit Option Plan. The Unit Option Plan currently permits the grant of options ("Unit Options") covering Common Units. No grants will initially be made under the Unit Option Plan. The Compensation Committee may, in the future, determine to make grants under such plan to employees and directors containing such terms as the Committee shall determine.

Unit Options will have an exercise price equal to fair market value on the date of grant. Unit Options granted during the Subordination Period will become exercisable automatically upon, and in the same proportions as, the conversion of the Subordinated Units to Common Units, unless a later vesting date is provided.

Upon exercise of a Unit Option, the General Partner will acquire Common Units in the open market at a price equal to the then-prevailing price on the principal national securities exchange upon which the Common Units are then traded, or directly from the Partnership or any other person, or use Common Units already owned by the General Partner, or any combination of the foregoing. The General Partner will be entitled to reimbursement by the Partnership for the difference between the cost incurred by the General Partner in acquiring

such Common Units and the proceeds received by the General Partner from an optionee at the time of exercise. Thus, the cost of the Unit Options will be borne by the Partnership. If the Partnership issues new Common Units upon exercise of the Unit Options, the total number of Common Units outstanding will increase, and the General Partner will remit, the proceeds it received from the optionee upon exercise of the Unit Option to the Partnership.

The Unit Option Plan has been designed to furnish additional compensation to employees and directors and to align their economic interests with those of Common Unitholders.

The General Partner's Board of Directors in its discretion may terminate the Long-Term Incentive Plan at any time with respect to any Common Units for which a grant has not theretofore been made. The General Partner's Board of Directors will also have the right to alter or amend the Long-Term Incentive Plan or any part thereof from time to time, including increasing the number of Common Units with respect to which awards may be granted; provided, however, that no change in any outstanding grant may be made that would materially impair the rights of the participant without the consent of such participant.

MANAGEMENT INCENTIVE PLAN

The General Partner has adopted the Plains All American Inc. Management Incentive Plan (the "Management Incentive Plan"). The Management Incentive Plan is designed to enhance the financial performance of the General Partner's key employees by rewarding them with cash awards for achieving quarterly and/or annual financial performance objectives. The Management Incentive Plan will be administered by the Compensation Committee. Individual participants and payments, if any, for each fiscal quarter and year will be determined by and in the discretion of the Compensation Committee. Any incentive payments will be at the discretion of the Compensation Committee, and the General Partner will be able to amend or change the Management Incentive Plan at any time. The General Partner will be entitled to reimbursement by the Partnership for payments and costs incurred under the plan.

COMPENSATION OF DIRECTORS

No additional remuneration will be paid to officers or employees of the General Partner who also serve as directors. The General Partner anticipates that each independent director will receive a combination of cash and Units for attending meetings of the Board of Directors as well as committee meetings. In addition, each independent director will be reimbursed for his out-of-pocket expenses in connection with attending meetings of the Board of Directors or committees thereof. Each director will be fully indemnified by the Partnership for his actions associated with being a director to the extent permitted under Delaware law.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of Units that will be issued upon the consummation of the Transactions and held by beneficial owners of 5% or more of the Units, by directors of the General Partner and by all directors and executive officers of the General Partner as a group.

NAME OF BENEFICIAL OWNER	COMMON UNITS TO BE BENEFICIALLY OWNED	PERCENTAGE OF COMMON UNITS TO BE BENEFICIALLY OWNED	SUBORDINATED UNITS TO BE BENEFICIALLY OWNED	PERCENTAGE OF SUBORDINATED UNITS TO BE BENEFICIALLY OWNED	PERCENTAGE OF TOTAL UNITS TO BE BENEFICIALLY OWNED
Plains Resources Inc.(1)................	6,817,391	34.8%	9,800,000	100%	56.5%
Plains All American Inc.(2)................	6,817,391(3)	34.8%	9,800,000	100%	56.5%
Greg L. Armstrong(2)....	15,000(4)	*	--	--	*
Harry N. Pefanis(2).....	10,000(4)	*	--	--	*
Phillip D. Kramer.......	5,000(4)	*	--	--	*
George R. Coiner........	--	--	--	--	--
Michael R. Patterson....	5,000(4)	*	--	--	*
Cynthia A. Feeback......	--	--	--	--	--
Robert V. Sinnott.......	--	--	--	--	--
All directors and executive officers as a group (7 persons)......	35,000	*	--	--	--

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* Less than one percent.

(1) Plains Resources Inc. is the sole stockholder of Plains All American Inc., the General Partner. The address of Plains Resources Inc. is 500 Dallas, Suite 700, Houston, Texas 77002.

(2) The address of Plains All American Inc. is 500 Dallas, Suite 700, Houston, Texas 77002. If the over-allotment option is exercised, the General Partner and its affiliates will own 4,900,000 Common Units, representing 25% of the outstanding Common Units and, together with its Subordinated Units, 50% of the total outstanding Units. The record holder of such Common Units and Subordinated Units is PAAI L.L.C., a wholly-owned subsidiary of Plains All American Inc., whose address is 500 Dallas, Suite 700, Houston, Texas 77002.

(3) Includes 324,000 Common Units to be transferred to certain employees of the General Partner upon consummation of the Transactions, subject to certain vesting conditions. See "Management--Executive Compensation."

(4) Represent shares expected to be purchased by such officers in the offering.

The following table sets forth the beneficial ownership of Plains Resources common stock, par value $.10 per share (the "Plains Resources Common Stock"), held by directors and executive officers of the General Partner as of October 31, 1998.

NAME OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED(1)	PERCENT OF CLASS
Greg L. Armstrong..	227,901	1.3%
Phillip D. Kramer..	118,352	*
Harry N. Pefanis...	107,947	*
George R. Coiner...	9,637	*
Michael R. Patterson.......................................	121,504	*
Cynthia A. Feeback...	35,182	*
Robert V. Sinnott(2).......................................	67,972	*
Directors and Executive Officers as a group (7 persons)....	688,033	3.9%

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* Less than one percent.

(1) Includes both outstanding shares of Plains Resources Common Stock and shares of Plains Resources Common Stock such person has the right to acquire within 60 days after the date of this Prospectus by exercise of outstanding stock options. Shares subject to exercisable stock options include 224,250 for Mr. Armstrong; 8,750 for Mr. Coiner; 113,250 for Mr. Kramer; 34,250 for Ms. Feeback; 114,000 for Mr. Patterson; 106,500 for Mr. Pefanis; and 35,000 for Mr. Sinnott.

(2) Includes 27,777 shares of Plains Resources Common Stock issuable upon the conversion of 1,000 shares of Plains Resources Series E Cumulative Convertible Preferred Stock.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RIGHTS OF THE GENERAL PARTNER

After this offering, the General Partner and its affiliates will own 6,817,391 Common Units and 9,800,000 Subordinated Units, representing an aggregate 55.4% limited partner interest in the Partnership (49.0% if the Underwriters' over-allotment option is exercised in full). In addition, the General Partner will own an aggregate 2% general partner interest in the Partnership and the Operating Partnership on a combined basis. Through the General Partner's ability, as general partner, to manage and operate the Partnership and the ownership of 6,817,391 Common Units and all of the outstanding Subordinated Units by the General Partner and its affiliates (effectively giving the General Partner the ability to veto certain actions of the Partnership), the General Partner will have the ability to control the management of the Partnership.

AGREEMENTS GOVERNING THE TRANSACTIONS

In connection with the Transactions, the Partnership, the Operating Partnership, the General Partner and certain other parties will enter into the various documents and agreements that will effect the Transactions, including the vesting of assets in, and the assumption of liabilities by, the Operating Partnership, and the application of the proceeds of this offering. These agreements will not be the result of arm's-length negotiations, and there can be no assurance that they, or that any of the transactions provided for therein, will be effected on terms at least as favorable to the parties to such agreements as could have been obtained from unaffiliated third parties. All of the transaction expenses incurred in connection with the Transactions, including the expenses associated with vesting assets into the Operating Partnership, will be paid from the proceeds of this offering. See "Business--Title to Properties."

RELATIONSHIP WITH PLAINS RESOURCES

General

The Partnership will have extensive ongoing relationships with Plains Resources. These relationships will include (i) Plains Resources' wholly owned subsidiary, Plains All American Inc., serving as General Partner of the Partnership, (ii) the Omnibus Agreement, providing for the resolution of certain conflicts arising from the conduct of the Partnership and Plains Resources of related businesses (see "Conflicts of Interest and Fiduciary Responsibilities--Conflicts of Interest--The General Partner's Affiliates May Compete with the Partnership Under Certain Circumstances") and for the General Partner's indemnification of the Partnership for certain matters and (iii) the Marketing Agreement with Plains Resources, providing for the marketing of Plains Resources' crude oil production. See "Business--Terminalling and Storage Activities and Gathering and Marketing Activities."

Transactions with Affiliates

The Plains Midstream Subsidiaries have marketed crude oil production of Plains Resources, its subsidiaries and its royalty owners. The Plains Midstream Subsidiaries paid approximately $101.2 million, $100.5 million and $43.8 million for the purchase of these products for the years ended December 31, 1997, 1996 and 1995, respectively. In management's opinion, such purchases were made at prevailing market rates. The Plains Midstream Subsidiaries did not recognize a profit on the sale of the crude oil purchased from Plains Resources.

Plains Resources allocated certain general and administrative expenses to the Plains Midstream Subsidiaries during 1997, 1996 and 1995. The types of indirect expenses allocated to the Plains Midstream Subsidiaries during this period were office rent, utilities, telephone services, data processing services, office supplies and equipment maintenance. Direct expenses allocated by Plains Resources were primarily salaries and benefits of employees engaged in the business activities of the Plains Midstream Subsidiaries.

Indemnity from the General Partner

In connection with the acquisition of the All American Pipeline and the SJV Gathering System, Wingfoot agreed to indemnify the General Partner for certain environmental and other liabilities. The indemnity is subject to limits of (i) $10 million with respect to matters of corporate authorization and title to shares, (ii) $21.5 million with respect to condition of rights of way, lease rights and undisclosed liabilities and litigation and (iii) $30 million with respect to environmental liabilities resulting from certain undisclosed and pre-existing conditions. Wingfoot has no liability, however, until the aggregate amount of losses, with respect to each such limit, is in excess of $1 million. The indemnities will remain in effect for a two year period after the date of the acquisition, with the exception of the environmental indemnity, which will remain in effect for a period of three years after the date of the Acquisition. The environmental indemnity is also subject to certain sharing ratios which change based on whether the claim is made in the first, second or third year of the indemnity as well as the amount of such claim. The Partnership has also agreed to be solely responsible for the cumulative aggregate amount of losses resulting from the oil leak from the All American Pipeline to the extent such losses do not exceed $350,000. Any costs in excess of $350,000 will be applied to the $1 million deductible for the Wingfoot environmental indemnity. The General Partner has agreed to indemnify the Partnership for environmental and other liabilities to the extent it is indemnified by Wingfoot.

Plains Resources has agreed to indemnify the Partnership for environmental liabilities related to the assets of the Plains Midstream Subsidiaries transferred to the Partnership that arose prior to closing and are discovered within three years after closing (excluding liabilities resulting from a change in law after closing). Plains Resources' indemnification obligation is capped at $3 million (including up to $500,000 of reserves included in the Partnership's working capital at closing).

CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES

CONFLICTS OF INTEREST

Certain conflicts of interest exist and may arise in the future as a result of the relationships between the General Partner and Plains Resources, its sole stockholder, and its other affiliates, on the one hand, and the Partnership and its limited partners, on the other hand. The directors and officers of the General Partner have fiduciary duties to manage the General Partner, including its investments in its subsidiaries and affiliates, in a manner beneficial to Plains Resources. At the same time, the General Partner has a fiduciary duty to manage the Partnership in a manner beneficial to the Partnership and the Unitholders. The Partnership Agreement contains certain provisions that allow the General Partner to take into account the interests of parties in addition to the Partnership in resolving conflicts of interest, thereby limiting its fiduciary duty to the Unitholders, as well as provisions that may restrict the remedies available to Unitholders for actions taken that might, without such limitations, constitute breaches of fiduciary duty. The duty of the directors and officers of the General Partner to Plains Resources may, therefore, come into conflict with the duties of the General Partner to the Partnership and the Unitholders. The Conflicts Committee of the Board of Directors of the General Partner will, at the request of the General Partner, review conflicts of interest that may arise between the General Partner, Plains Resources or its other affiliates, on the one hand, and the Partnership, on the other. See "--Fiduciary and Other Duties" and "Management--Partnership Management."

The fiduciary obligations of general partners is a developing area of law. The provisions of the Delaware Act that allow the fiduciary duties of a general partner to be waived or restricted by a partnership agreement have not been resolved in a court of law, and the General Partner has not obtained an opinion of counsel covering the provisions set forth in the Partnership Agreement that purport to waive or restrict fiduciary duties of the General Partner. Unitholders should consult their own legal counsel concerning the fiduciary responsibilities of the General Partner and its officers and directors and the remedies available to the Unitholders.

Conflicts of interest could arise with respect to the situations described below, among others:

Certain Actions Taken by the General Partner May Affect the Amount of Cash Available for Distribution to Unitholders or Accelerate the Conversion of Subordinated Units

Decisions of the General Partner with respect to the amount and timing of asset purchases and sales, cash expenditures, borrowings, issuances of additional Units and the creation, reduction or increase of reserves in any quarter will affect whether, or the extent to which, there is sufficient Available Cash from Operating Surplus to meet the Minimum Quarterly Distribution and Target Distributions Levels on all Units in a given quarter or in subsequent quarters. The Partnership Agreement provides that any borrowings by the Partnership or the approval thereof by the General Partner shall not constitute a breach of any duty owed by the General Partner to the Partnership or the Unitholders, including borrowings that have the purpose or effect, directly or indirectly, of enabling the General Partner and its affiliates to receive distributions on any Units held by them or the Incentive Distributions or hasten the expiration of the Subordination Period or the conversion of the Subordinated Units into Common Units. The Partnership Agreement provides that the Partnership and the Operating Partnership may borrow funds from the General Partner and its affiliates. The General Partner and its affiliates may not borrow funds from the Partnership or the Operating Partnership. Furthermore, any actions taken by the General Partner consistent with the standards of reasonable discretion set forth in the definitions of Available Cash, Operating Surplus and Capital Surplus will be deemed not to constitute a breach of any duty of the General Partner to the Partnership or the Unitholders.

The Partnership Will Not Have Any Employees and Will Rely on the Employees of the General Partner and Its Affiliates

The Partnership will not have any officers or employees and will rely solely on officers and employees of the General Partner and its affiliates. Affiliates of the General Partner will conduct business and activities of their own in which the Partnership will have no economic interest. If such separate activities of the affiliates of the General Partner are significantly greater than the activities of the Partnership, there could be material competition between the Partnership and General Partner for the time and effort of the officers and employees who provide services to the General Partner. Certain of the officers of the General Partner, who will provide services to the Partnership, will not be required to work full time on the affairs of the Partnership. Such officers may devote significant time to the affairs of the General Partner's affiliates and will be compensated by these affiliates for the services rendered to them. There may be significant conflicts between the Partnership and affiliates of the General Partner regarding the availability of such officers of the General Partner to manage the Partnership.

The Partnership Will Reimburse the General Partner and Its Affiliates for Certain Expenses

Under the terms of the Partnership Agreement, the Partnership will reimburse the General Partner and its affiliates for costs incurred in managing and operating the Partnership, including costs incurred in rendering corporate staff and support services to the Partnership. The Partnership Agreement provides that the General Partner will determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. See "Management--Reimbursement of Expenses of the General Partner and its Affiliates."

The General Partner Intends to Limit its Liability With Respect to the Partnership's Obligations

Whenever possible, the General Partner intends to limit the Partnership's liability under contractual arrangements to all or particular assets of the Partnership, with the other party thereto having no recourse against the General Partner or its assets. The Partnership Agreement provides that any action by the General Partner in so limiting the liability of the General Partner or that of the Partnership will not be deemed to be a breach of the General Partner's fiduciary duties, even if the Partnership could have obtained more favorable terms without such limitation on liability.

Common Unitholders Will Have No Right to Enforce Obligations of the General Partner and Its Affiliates Under Agreements with the Partnership

Any agreements between the Partnership, on the one hand, and the General Partner and its affiliates, on the other, will not grant to the Unitholders, separate and apart from the Partnership, the right to enforce the obligations of the General Partner and such affiliates in favor of the Partnership. Therefore, the General Partner, in its capacity as the general partner of the Partnership, will be primarily responsible for enforcing such obligations.

Contracts Between the Partnership, on the One Hand, and the General Partner and Its Affiliates, on the Other, Will Not be the Result of Arm's-Length Negotiations

Under the terms of the Partnership Agreement, the General Partner is not restricted from causing the Partnership to pay the General Partner or its affiliates for any services rendered or entering into additional contractual arrangements with any of such entities on behalf of the Partnership, provided such services or contractual agreements are on terms fair and reasonable to the Partnership. See "--Fiduciary and Other Duties." Neither the Partnership Agreement nor any of the other agreements, contracts and arrangements between the Partnership, on the one hand, and the General Partner and its affiliates, on the other, are or will be the result of arm's-length negotiations. All of such transactions entered into after the sale of the Common Units offered in this offering are to be on terms which are fair and reasonable to the Partnership, provided that any transaction shall be deemed fair and reasonable if (i) such transaction is approved by the Conflicts Committee, (ii) its terms are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), the transaction is fair to the Partnership. The General Partner and its affiliates will have no obligation to permit the Partnership to use any facilities or assets of the General Partner and such affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation of the General Partner and its affiliates to enter into any such contracts.

Common Units are Subject to the General Partner's Limited Call Right

The General Partner may exercise its right to call and purchase Common Units as provided in the Partnership Agreement or assign such right to one of its affiliates or to the Partnership. The General Partner may use its own discretion, free of fiduciary duty restrictions, in determining whether to exercise such right. As a consequence, a Common Unitholder may have his Common Units purchased from him even though he may not desire to sell them, and the price paid may be less than the amount the holder would desire to receive upon sale of his Common Units. For a description of such right, see "The Partnership Agreement--Limited Call Right."

The Partnership May Retain Separate Counsel for Itself or for the Holders of Common Units; Advisors Retained by the Partnership for this Offering Have Not Been Retained to Act for Holders of Common Units

The Common Unitholders have not been represented by counsel in connection with the preparation of the Partnership Agreement or other agreements referred to herein or in establishing the terms of this offering. The attorneys, independent public accountants and others who have performed services for the Partnership in connection with this offering have been retained by the General Partner, its affiliates and the Partnership and may continue to be retained by the General Partner, its affiliates and the Partnership after this offering. Attorneys, independent public accountants and others who will perform services for the Partnership in the future will be selected by the General Partner or the Conflicts Committee and may also perform services for the General Partner and its affiliates. The Partnership may retain separate counsel for itself or the holders of Common Units in the event of a conflict of interest arising between the General Partner and its affiliates, on the one hand, and the Partnership or the holders of Common Units, on the other, after the sale of the Common Units offered hereby, depending on the nature of such conflict, but it does not intend to do so in most cases.

The General Partner's Affiliates May Compete with the Partnership Under Certain Circumstances

The Partnership Agreement provides that the General Partner will be restricted from engaging in any business activities other than those incidental to its ownership of interests in the Partnership. Except as provided in the Partnership Agreement and the "Omnibus Agreement" to be entered into among the Partnership, the Operating Partnership, the General Partner and Plains Resources, affiliates of the General Partner will not be prohibited from engaging in other businesses or activities, including those that might be in direct competition with the Partnership. The Omnibus Agreement provides that, so long as the General Partner is an affiliate of Plains Resources, neither Plains Resources nor any of its affiliates (other than the General Partner and the Partnership and their controlled affiliates) (a "Plains Entity") will engage in or acquire any business engaged in the following activities (a "Restricted Business"): (a) crude oil storage, terminalling and gathering activities in the lower 48 states for any party other than a Plains Entity or the Partnership, (b) marketing activities, and (c) transportation of crude oil by pipeline in the lower 48 states for any party other than a Plains Entity or the Partnership. Notwithstanding the foregoing, a Plains Entity may engage in a Restricted Business if:

(i) The Restricted Business was engaged in by the Plains Entity at the closing of this offering.

(ii) The Restricted Business is conducted pursuant to and in accordance with the terms of the Marketing Agreement or any other arrangement entered into with the Partnership with the concurrence of the Conflicts Committee.

(iii) The value of the assets acquired in a transaction that comprise a Restricted Business does not exceed $10 million.

(iv) The value of the assets acquired in a transaction that comprise a Restricted Business exceeds $10 million and the General Partner (with the concurrence of the Conflicts Committee) has elected not to cause the Partnership to pursue such opportunity.

Except as provided in the Omnibus Agreement, a Plains Entity will be free to engage in any type of business activity whatsoever, including those that may be in direct competition with the Partnership. The Omnibus Agreement may not be amended without the concurrence of the Conflicts Committee.

The Omnibus Agreement may be terminated by Plains Resources upon a "change of control" of Plains Resources. A "change of control" will be deemed to occur upon (i) the sale of substantially all of the assets of Plains Resources, (ii) the acquisition of more than 50% of the outstanding common equity of Plains Resources by any entity or (iii) the consummation of a merger following which the holders of Plains Resources' voting securities hold less than 50% of the voting securities of the surviving entity. Accordingly, in the event of a "change of control" of Plains Resources, the owner of the General Partner will not be restricted from engaging in businesses which compete directly with the Partnership. A sale or transfer of the general partner interest or capital stock of the General Partner will result in the purchaser or transferee being bound by the noncompetition provisions of the Omnibus Agreement.

FIDUCIARY AND OTHER DUTIES

The General Partner will be accountable to the Partnership and the Unitholders as a fiduciary. Consequently, the General Partner must exercise good faith and integrity in handling the assets and affairs of the Partnership. In contrast to the relatively well-developed law concerning fiduciary duties owed by officers and directors to the shareholders of a corporation, the law concerning the duties owed by a general partner to other partners and to partnerships is relatively undeveloped. Neither the Delaware Revised Uniform Limited Partnership Act (the "Delaware Act") nor case law defines with particularity the fiduciary duties owed by a general partner to limited partners or a limited partnership, but the Delaware Act provides that Delaware limited partnerships may, in their partnership agreements, restrict or expand the fiduciary duties that might otherwise be applied by a court in analyzing the standard of duty owed by a general partner to limited partners and the partnership.

Fiduciary duties are generally considered to include an obligation to act with the highest good faith, fairness and loyalty. Such duty of loyalty, in the absence of a provision in a partnership agreement providing otherwise, would generally prohibit a general partner of a Delaware limited partnership from taking any action or engaging in any transaction as to which it has a conflict of interest. In order to induce the General Partner to manage the business of the Partnership, the Partnership Agreement, as permitted by the Delaware Act, contains various provisions intended to have the effect of restricting the fiduciary duties that might otherwise be owed by the General Partner to the Partnership and its partners and waiving or consenting to conduct by the General Partner and its affiliates that might otherwise raise issues as to compliance with fiduciary duties or applicable law.

The Partnership Agreement provides that in order to become a limited partner of the Partnership, a holder of Common Units is required to agree to be bound by the provisions thereof, including the provisions discussed above. This is in accordance with the policy of the Delaware Act favoring the principle of freedom of contract and the enforceability of partnership agreements. The failure of a limited partner or assignee to sign a partnership agreement does not render the partnership agreement unenforceable against such person.

The Partnership Agreement provides that whenever a conflict arises between the General Partner or its affiliates, on the one hand, and the Partnership or any other partner, on the other, the General Partner shall resolve such conflict. The General Partner in general shall not be in breach of its obligations under the Partnership Agreement or its duties to the Partnership or the Unitholders if the resolution of such conflict is fair and reasonable to the Partnership, and any resolution shall conclusively be deemed to be fair and reasonable to the Partnership if such resolution is (i) approved by the Conflicts Committee (although no party is obligated to seek such approval and the General Partner may adopt a resolution or course of action that has not received such approval), (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). In resolving such conflict, the General Partner may (unless the resolution is specifically provided for in the Partnership Agreement) consider the relative interests of the parties involved in such conflict or affected by such action, any customary or accepted industry practices or historical dealings with a particular person or entity and, if applicable, generally accepted accounting practices or principles and such other factors as its deems relevant. Thus, unlike the strict duty of a fiduciary who must act solely in the best interests of his beneficiary, the Partnership Agreement permits the General Partner to consider the interests of all parties to a conflict of interest, including the interests of the General Partner. In connection with the resolution of any conflict that arises, unless the General Partner has acted in bad faith, the action taken by the General Partner shall not constitute a breach of the Partnership Agreement, any other agreement or any standard of care or duty imposed by the Delaware Act or other applicable law. The Partnership Agreement also provides that in certain circumstances the General Partner may act in its sole discretion, in good faith or pursuant to other appropriate standards.

The Delaware Act provides that a limited partner may institute legal action on behalf of the partnership (a partnership derivative action) to recover damages from a third party where the general partner has refused to institute the action or where an effort to cause the general partner to do so is not likely to succeed. In addition, the statutory or case law of certain jurisdictions may permit a limited partner to institute legal action on behalf of himself and all other similarly situated limited partners (a class action) to recover damages from a general partner for violations of its fiduciary duties to the limited partners.

The Partnership Agreement also provides that any standard of care and duty imposed thereby or under the Delaware Act or any applicable law, rule or regulation will be modified, waived or limited, to the extent permitted by law, as required to permit the General Partner and its officers and directors to act under the Partnership Agreement or any other agreement contemplated therein and to make any decisions pursuant to the authority prescribed in the Partnership Agreement, so long as such action is reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership. Further, the Partnership Agreement provides that the General Partner and its officers and directors will not be liable for monetary damages to the Partnership, the limited partners or assignees for errors of judgment or for any acts or omissions if the General Partner and such other persons acted in good faith.

In addition, under the terms of the Partnership Agreement, the Partnership is required to indemnify the General Partner and its officers, directors, employees, affiliates, partners, members, agents and trustees, to the fullest extent permitted by law, against liabilities, costs and expenses incurred by the General Partner or such other persons, if the General Partner or such persons acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of the Partnership and, with respect to any criminal proceedings, had no reasonable cause to believe their conduct was unlawful. See "The Partnership Agreement--Indemnification." Thus, the General Partner could be indemnified for its negligent acts if it met such requirements concerning good faith and the best interests of the Partnership.

DESCRIPTION OF THE COMMON UNITS

Upon consummation of this offering, the Common Units will be registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder, and the Partnership will be subject to the reporting and certain other requirements of the Exchange Act. The Partnership will be required to file periodic reports containing financial and other information with the Securities and Exchange Commission (the "Commission").

Purchasers of Common Units in this offering and subsequent transferees of Common Units (or their brokers, agents or nominees on their behalf) who wish to become Unitholders of record will be required to execute Transfer Applications, the form of which is included as Appendix B to this Prospectus, before the purchase or transfer of such Common Units will be registered on the records of the Transfer Agent and before cash distributions or federal income tax allocations can be made to the purchaser or transferee. The Partnership will be entitled to treat the nominee holder of a Common Unit as the absolute owner thereof, and the beneficial owner's rights will be limited solely to those that it has against the nominee holder as a result of or by reason of any understanding or agreement between such beneficial owner and nominee holder.

THE UNITS

The Common Units and the Subordinated Units represent limited partner interests in the Partnership, which entitle the holders thereof to participate in Partnership distributions and exercise the rights or privileges available to limited partners under the Partnership Agreement. For a description of the relative rights and preferences of holders of Common Units and Subordinated Units in and to Partnership distributions, together with a description of the circumstances under which Subordinated Units may convert into Common Units, see "Cash Distribution Policy" and "Description of Subordinated Units." For a description of the rights and privileges of limited partners under the Partnership Agreement, see "The Partnership Agreement."

TRANSFER AGENT AND REGISTRAR

Duties. American Stock Transfer & Trust Company will serve as registrar and transfer agent (the "Transfer Agent") for the Common Units and will receive a fee from the Partnership for serving in such capacities. All fees charged by the Transfer Agent for transfers of Common Units will be borne by the Partnership and not by the holders of Common Units, except that fees similar to those customarily paid by stockholders for surety bond premiums to replace lost or stolen certificates, taxes and other governmental charges, special charges for services requested by a holder of a Common Unit and other similar fees or charges will be borne by the affected holder. There will be no charge to holders for disbursements of the Partnership's cash distributions. The Partnership will indemnify the Transfer Agent, its agents and each of their respective shareholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted in respect of its activities as such, except for any liability due to any negligence, gross negligence, bad faith or intentional misconduct of the indemnified person or entity.

Resignation or Removal. The Transfer Agent may at any time resign, by notice to the Partnership, or be removed by the Partnership, such resignation or removal to become effective upon the appointment by the Partnership of a successor transfer agent and registrar and its acceptance of such appointment. If no successor has been appointed and accepted such appointment within 30 days after notice of such resignation or removal, the General Partner is authorized to act as the transfer agent and registrar until a successor is appointed.

TRANSFER OF COMMON UNITS

Until a Common Unit has been transferred on the books of the Partnership, the Partnership and the Transfer Agent, notwithstanding any notice to the contrary, may treat the record holder thereof as the absolute owner for

all purposes, except as otherwise required by law or stock exchange regulations. The transfer of the Common Units to persons that purchase directly from the Underwriters will be accomplished through the completion, execution and delivery of a Transfer Application by such investor in connection with such Common Units. Any subsequent transfers of a Common Unit will not be recorded by the Transfer Agent or recognized by the Partnership unless the transferee executes and delivers a Transfer Application. By executing and delivering a Transfer Application (the form of which is set forth as Appendix B to this Prospectus and which is also set forth on the reverse side of the certificates representing the Common Units), the transferee of Common Units (i) becomes the record holder of such Common Units and shall constitute an assignee until admitted into the Partnership as a substitute limited partner, (ii) automatically requests admission as a substituted limited partner in the Partnership, (iii) agrees to be bound by the terms and conditions of, and executes, the Partnership Agreement, (iv) represents that such transferee has the capacity, power and authority to enter into the Partnership Agreement, (v) grants powers of attorney to officers of the General Partner and any liquidator of the Partnership as specified in the Partnership Agreement and (vi) makes the consents and waivers contained in the Partnership Agreement. An assignee will become a substituted limited partner of the Partnership in respect of the transferred Common Units upon the consent of the General Partner and the recordation of the name of the assignee on the books and records of the Partnership. Such consent may be withheld in the sole discretion of the General Partner.

Common Units are securities and are transferable according to the laws governing transfer of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to request admission as a substituted limited partner in the Partnership in respect of the transferred Common Units. A purchaser or transferee of Common Units who does not execute and deliver a Transfer Application obtains only (a) the right to assign the Common Units to a purchaser or other transferee and (b) the right to transfer the right to seek admission as a substituted limited partner in the Partnership with respect to the transferred Common Units. Thus, a purchaser or transferee of Common Units who does not execute and deliver a Transfer Application will not receive cash distributions or federal income tax allocations unless the Common Units are held in a nominee or "street name" account and the nominee or broker has executed and delivered a Transfer Application with respect to such Common Units, and may not receive certain federal income tax information or reports furnished to record holders of Common Units. The transferor of Common Units will have a duty to provide such transferee with all information that may be necessary to obtain registration of the transfer of the Common Units, but a transferee agrees, by acceptance of the certificate representing Common Units, that the transferor will not have a duty to insure the execution of the Transfer Application by the transferee and will have no liability or responsibility if such transferee neglects to or chooses not to execute and forward the Transfer Application to the Transfer Agent. See "The Partnership Agreement--Status as Limited Partner or Assignee."

DESCRIPTION OF SUBORDINATED UNITS

The Subordinated Units are a separate class of interests in the Partnership, and the rights of holders of such interests to participate in distributions to partners differ from, and are subordinated to, the rights of the holders of Common Units. For any given quarter, any Available Cash will first be distributed to the General Partner and to the holders of Common Units, and then will be distributed to the holders of Subordinated Units depending upon the amount of Available Cash for the quarter, the amount of Common Unit Arrearages, if any, and other factors discussed below.

CONVERSION OF SUBORDINATED UNITS

The Subordination Period will generally extend from the closing of this offering until the first day of any quarter beginning after December 31, 2003 in respect of which (i) distributions of Available Cash from Operating Surplus on the Common Units and the Subordinated Units with respect to each of the three consecutive four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the outstanding Common Units and Subordinated Units during such periods, (ii) the Adjusted Operating Surplus generated during each of the three consecutive four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were outstanding on a fully diluted basis and the related distribution on the general partner interests in the Partnership and the Operating Partnership during such periods, and (iii) there are no outstanding Common Unit Arrearages.

Prior to the end of the Subordination Period and to the extent the tests for conversion described below are satisfied, a portion of the Subordinated Units may be eligible to convert into Common Units prior to December 31, 2003. Subordinated Units will convert into Common Units on a one-for-one basis on the first day after the record date established for the distribution in respect of any quarter ending on or after (a) December 31, 2001 with respect to one-quarter of the Subordinated Units (2,450,000 Subordinated Units) and (b) December 31, 2002 with respect to one-quarter of the Subordinated Units (2,450,000 Subordinated Units), in respect of which (i) distributions of Available Cash from Operating Surplus on the Common Units and the Subordinated Units with respect to each of the three consecutive four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the outstanding Common Units and Subordinated Units during such periods, (ii) the Adjusted Operating Surplus generated during each of the three consecutive four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were outstanding on a fully diluted basis and the related distribution on the general partner interests in the Partnership during such periods and (iii) there are no outstanding Common Unit Arrearages; provided, however, that the early conversion of the second one-quarter of Subordinated Units may not occur until at least one year following the early conversion of the first one-quarter of Subordinated Units.

Upon expiration of the Subordination Period, all remaining Subordinated Units will convert into Common Units on a one-for-one basis and will thereafter participate, pro rata, with the other Common Units in distributions of Available Cash. In addition, if the General Partner is removed as general partner of the Partnership under circumstances where Cause does not exist and Units held by the General Partner and its affiliates are not voted in favor of such removal, (i) the Subordination Period will end and all outstanding Subordinated Units will immediately convert into Common Units on a one-for-one basis, (ii) any existing Common Unit Arrearages will be extinguished and (iii) the General Partner will have the right to convert its general partner interests (and the right to receive Incentive Distributions) into Common Units or to receive cash in exchange for such interests.

LIMITED VOTING RIGHTS

Holders of Subordinated Units will generally vote as a class separate from the holders of Common Units and will have very limited voting rights. During the Subordination Period, Common Units and Subordinated

Units each vote separately as a class on the following matters: (i) a sale or exchange of all or substantially all of the Partnership's assets, (ii) the election of a successor General Partner, (iii) a dissolution or reconstitution of the Partnership, (iv) a merger of the Partnership, (v) issuance of limited partner interests in certain circumstances and (vi) certain amendments to the Partnership Agreement, including any amendment that would cause the Partnership to be treated as an association taxable as a corporation. The Subordinated Units are not entitled to vote on approval of certain actions of the General Partner (including the withdrawal of the General Partner or the transfer by the General Partner of its general partner interest or Incentive Distribution Rights under certain circumstances). Removal of the General Partner requires a two-thirds vote of all outstanding Units. Under the Partnership Agreement, the General Partner generally will be permitted to effect amendments to the Partnership Agreement that do not materially adversely affect Unitholders.

DISTRIBUTIONS UPON LIQUIDATION

If the Partnership liquidates during the Subordination Period, under certain circumstances holders of outstanding Common Units will be entitled to receive more per Unit in liquidating distributions than holders of outstanding Subordinated Units. The per Unit difference will be dependent upon the amount of gain or loss recognized by the Partnership in liquidating its assets. Following conversion of the Subordinated Units into Common Units, all Units will be treated the same upon liquidation of the Partnership.

THE PARTNERSHIP AGREEMENT

The following paragraphs are a summary of the material provisions of the Partnership Agreement. The form of the Partnership Agreement for the Partnership is included in this Prospectus as Appendix A. The form of Partnership Agreement for each of Plains Operating, L.P. and All American Pipeline, L.P. (the "Operating Partnership Agreements") is included as an exhibit to the Registration Statement of which this Prospectus constitutes a part. The Partnership will provide prospective investors with a copy of the form of the Operating Partnership Agreements upon request at no charge. The discussions presented herein and below of the material provisions of the Partnership Agreement are qualified in their entirety by reference to the Partnership Agreement and the Operating Partnership Agreements. The Partnership will be the sole limited partner of the Operating Partnership, which will own, manage and operate the Partnership's business. The General Partner will serve as the general partner of the Partnership and of the Operating Partnership, owning an aggregate 2% general partner interest in the Partnership and the Operating Partnership on a combined basis. The General Partner will manage and operate the Partnership. Unless the context otherwise requires, references herein to the "Partnership Agreement" constitute references to the Partnership Agreement and the Operating Partnership Agreements, collectively.

Certain provisions of the Partnership Agreement are summarized elsewhere in this Prospectus under various headings. With regard to the transfer of Common Units, see "Description of the Common Units--Transfer of Common Units." With regard to distributions of Available Cash, see "Cash Distribution Policy." With regard to allocations of taxable income and taxable loss, see "Tax Considerations." Prospective investors are urged to review these sections of this Prospectus and the Partnership Agreement carefully.

ORGANIZATION AND DURATION

The Partnership was organized in September 1998. The Partnership will dissolve on December 31, 2088, unless sooner dissolved pursuant to the terms of the Partnership Agreement.

PURPOSE

The purpose of the Partnership under the Partnership Agreement is limited to serving as the limited partner of the Operating Partnership and engaging in any business activity that may be engaged in by the Operating Partnership or that is approved by the General Partner. The Operating Partnership Agreement provides that the Operating Partnership may, directly or indirectly, engage in (i) the operations as conducted immediately prior to this offering, (ii) any other activity approved by the General Partner but only to the extent that the General Partner reasonably determines that, as of the date of the acquisition or commencement of such activity, such activity generates "qualifying income" (as such term is defined in Section 7704 of the Code) or (iii) any activity that enhances the operations of an activity that is described in (i) or (ii) above. Although the General Partner has the ability under the Partnership Agreement to cause the Partnership and the Operating Partnership to engage in activities other than the transportation, terminalling and storage and gathering and marketing of crude oil, the General Partner has no current intention of doing so. The General Partner is authorized in general to perform all acts deemed necessary to carry out such purposes and to conduct the business of the Partnership.

POWER OF ATTORNEY

Each Limited Partner, and each person who acquires a Unit from a Unitholder and executes and delivers a Transfer Application with respect thereto, grants to the General Partner and, if a liquidator of the Partnership has been appointed, such liquidator, a power of attorney to, among other things, execute and file certain documents required in connection with the qualification, continuance or dissolution of the Partnership or the amendment of the Partnership Agreement in accordance with the terms thereof and to make consents and waivers contained in the Partnership Agreement.

CAPITAL CONTRIBUTIONS

For a description of the initial capital contributions to be made to the Partnership, see "The Transactions." The Unitholders are not obligated to make additional capital contributions to the Partnership, except as described below under "--Limited Liability."

LIMITED LIABILITY

Assuming that a Limited Partner does not participate in the control of the business of the Partnership within the meaning of the Delaware Act and that he otherwise acts in conformity with the provisions of the Partnership Agreement, his liability under the Delaware Act will be limited, subject to certain possible exceptions, to the amount of capital he is obligated to contribute to the Partnership in respect of his Common Units plus his share of any undistributed profits and assets of the Partnership. If it were determined, however, that the right or exercise of the right by the Limited Partners as a group to remove or replace the General Partner, to approve certain amendments to the Partnership Agreement or to take other action pursuant to the Partnership Agreement constituted "participation in the control" of the Partnership's business for the purposes of the Delaware Act, then the Limited Partners could be held personally liable for the Partnership's obligations under the laws of Delaware to the same extent as the General Partner with respect to persons who transact business with the Partnership reasonably believing, based on the Limited Partner's conduct, that the Limited Partner is a general partner.

Under the Delaware Act, a limited partnership may not make a distribution to a partner to the extent that at the time of the distribution, after giving effect to the distribution, all liabilities of the partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, exceed the fair value of the assets of the limited partnership. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware Act provides that the fair value of property subject to liability for which recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds that nonrecourse liability. The Delaware Act provides that a limited partner who receives such a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Act shall be liable to the limited partnership for the amount of the distribution for three years from the date of the distribution. Under the Delaware Act, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of his assignor to make contributions to the partnership, except the assignee is not obligated for liabilities unknown to him at the time he became a limited partner and which could not be ascertained from the partnership agreement.

The Operating Partnership will initially conduct business in at least eleven states. Maintenance of limited liability may require compliance with legal requirements in such jurisdictions in which the Operating Partnership conducts business, including qualifying the Operating Partnership to do business there. Limitations on the liability of limited partners for the obligations of a limited partner have not been clearly established in many jurisdictions. If it were determined that the Partnership was, by virtue of its limited partner interest in the Operating Partnership or otherwise, conducting business in any state without compliance with the applicable limited partnership statute, or that the right or exercise of the right by the Limited Partners as a group to remove or replace the General Partner, to approve certain amendments to the Partnership Agreement, or to take other action pursuant to the Partnership Agreement constituted "participation in the control" of the Partnership's business for the purposes of the statutes of any relevant jurisdiction, then the Limited Partners could be held personally liable for the Partnership's obligations under the law of such jurisdiction to the same extent as the General Partner under certain circumstances. The Partnership will operate in such manner as the General Partner deems reasonable and necessary or appropriate to preserve the limited liability of the Limited Partners.

ISSUANCE OF ADDITIONAL SECURITIES

The Partnership Agreement authorizes the Partnership to issue an unlimited number of additional limited partner interests and other equity securities of the Partnership for such consideration and on such terms and

conditions as are established by the General Partner in its sole discretion without the approval of any limited partners; provided that, during the Subordination Period, except as provided in the following sentence, the Partnership may not issue, without the approval of the holders of a Unit Majority, (a) equity securities of the Partnership ranking prior or senior to the Common Units or (b) an aggregate of more than 9,800,000 additional Common Units or other securities ranking on a parity with the Common Units. During the Subordination Period, the Partnership may also issue an unlimited number of additional Common Units or parity securities without the approval of the Unitholders (i) upon exercise of the Underwriter's overallotment option, (ii) upon conversion of Subordinated Units, (iii) pursuant to employee benefit plans, (iv) upon conversion of the general partner interests and Incentive Distribution Rights as a result of a withdrawal of the General Partner, (v) in connection with an Acquisition or Capital Improvement that would have resulted in an increase in Adjusted Operating Surplus on a pro forma basis for the preceding four-quarter period or (vi) if the proceeds from such issuance are used exclusively to repay up to $40 million in indebtedness of a member of the Partnership Group, provided that the aggregate amount of cash distributions made to partners on a pro forma basis for the prior four-quarter period did not exceed the interest costs actually incurred during such period on the indebtedness that is to be repaid. In accordance with Delaware law and the provisions of the Partnership Agreement, the Partnership may also issue additional Partnership interests that, in the sole discretion of the General Partner, may have special voting rights to which the Common Units are not entitled.

Upon issuance of additional Partnership Securities (other than upon exercise of the over-allotment option), the General Partner will be required to make additional capital contributions to the extent necessary to maintain its 2% general partner interest in the Partnership and Operating Partnership. Moreover, the General Partner will have the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase Common Units, Subordinated Units or other equity securities of the Partnership from the Partnership whenever, and on the same terms that, the Partnership issues such securities or rights to persons other than the General Partner and its affiliates, to the extent necessary to maintain the percentage interest of the General Partner and its affiliates in the Partnership (including their interest represented by Common Units and Subordinated Units) that existed immediately prior to each such issuance. The holders of Common Units will not have preemptive rights to acquire additional Common Units or other partnership interests that may be issued by the Partnership.

AMENDMENT OF PARTNERSHIP AGREEMENT

Amendments to the Partnership Agreement may be proposed only by or with the consent of the General Partner, which consent may be given or withheld in its sole discretion. In order to adopt a proposed amendment (other than certain amendments discussed below), the General Partner is required to seek written approval of the holders of the number of Units required to approve such amendment or call a meeting of the Limited Partners to consider and vote upon the proposed amendment. In general, proposed amendments must be approved by holders of a Unit Majority, except that no amendment may be made which would (i) enlarge the obligations of any Limited Partner without its consent, unless approved by at least a majority of the type or class of limited partner interests so affected, (ii) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by the Partnership to the General Partner or any of its affiliates without its consent, which may be given or withheld in its sole discretion, (iii) change the term of the Partnership, (iv) provide that the Partnership is not dissolved upon the expiration of its term or upon an election to dissolve the Partnership by the General Partner that is approved by holders of a Unit Majority or (v) give any person the right to dissolve the Partnership other than the General Partner's right to dissolve the Partnership with the approval of holders of a Unit Majority. The provision of the Partnership Agreement preventing the amendments having the effects described in clauses (i)-(v) above can be amended upon the approval of the holders of at least 90% of the outstanding Units voting together as a single class.

The General Partner may generally make amendments to the Partnership Agreement without the approval of any Limited Partner or assignee to reflect (i) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent or the registered office of the Partnership, (ii) the admission, substitution, withdrawal or removal of partners in accordance with the Partnership Agreement,

(iii) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that neither the Partnership nor the Operating Partnership will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes, (iv) an amendment that is necessary, in the opinion of counsel to the Partnership, to prevent the Partnership, or the General Partner or its directors, officers, agents or trustees, from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisors Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, whether or not substantially similar to plan asset regulations currently applied or proposed, (v) subject to the limitations on the issuance of additional Common Units or other limited or general partner interests described above, an amendment that in the discretion of the General Partner is necessary or advisable in connection with the authorization of additional limited or general partner interests, (vi) any amendment expressly permitted in the Partnership Agreement to be made by the General Partner acting alone, (vii) an amendment effected, necessitated or contemplated by a merger agreement that has been approved pursuant to the terms of the Partnership Agreement, (viii) any amendment that, in the discretion of the General Partner, is necessary or advisable in connection with the formation by the Partnership of, or its investment in, any corporation, partnership or other entity (other than the Operating Partnership) as otherwise permitted by the Partnership Agreement, (ix) a change in the fiscal year or taxable year of the Partnership and changes related thereto, and (x) any other amendments substantially similar to any of the foregoing.

In addition to the General Partner's right to amend the Partnership Agreement as described above, the General Partner may make amendments to the Partnership Agreement without the approval of any Limited Partner or assignee if such amendments, in the discretion of the General Partner, (i) do not adversely affect the Limited Partners in any material respect, (ii) are necessary or advisable to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute, (iii) are necessary or advisable to facilitate the trading of limited partner interests (including the division of any class or classes of outstanding limited partner interests into different classes to facilitate uniformity of tax consequences within such classes of limited partner interests) or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed for trading, compliance with any of which the General Partner deems to be in the best interests of the Partnership and the Limited Partners, (iv) are necessary or advisable in connection with any action taken by the General Partner relating to splits or combinations of Units pursuant to the provisions of the Partnership Agreement or (v) are required to effect the intent expressed in this Prospectus or the intent of the provisions of the Partnership Agreement or is otherwise contemplated by the Partnership Agreement.

The General Partner will not be required to obtain an Opinion of Counsel (as defined below) in the event of the amendments described in the two immediately preceding paragraphs. No other amendments to the Partnership Agreement will become effective without the approval of holders of at least 90% of the Units unless the Partnership obtains an Opinion of Counsel to the effect that such amendment will not affect the limited liability under applicable law of any limited partner in the Partnership or the limited partner of the Operating Partnership.

Any amendment that would have a material adverse effect on the rights or preferences of any type or class of outstanding Units in relation to other classes of Units will require the approval of at least a majority of the type or class of Units so affected. Any amendment that reduces the voting percentage required to take any action is required to be approved by the affirmative vote of limited partners constituting not less than the voting requirement sought to be reduced.

MERGER, SALE OR OTHER DISPOSITION OF ASSETS

The General Partner is generally prohibited, without the prior approval of holders of a Unit Majority, from causing the Partnership to, among other things, sell, exchange or otherwise dispose of all or substantially all of its assets in a single transaction or a series of related transactions (including by way of merger, consolidation or

other combination) or approving on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Operating Partnership; provided that the General Partner may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the Partnership's assets without such approval. The General Partner may also sell all or substantially all of the Partnership's assets pursuant to a foreclosure or other realization upon the foregoing encumbrances without such approval. Furthermore, provided that certain conditions are satisfied, the General Partner may merge the Partnership or any member of the Partnership Group into, or convey some or all of the Partnership Group's assets to, a newly formed entity if the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity. The Unitholders are not entitled to dissenters' rights of appraisal under the Partnership Agreement or applicable Delaware law in the event of a merger or consolidation of the Partnership, a sale of substantially all of the Partnership's assets or any other transaction or event.

TERMINATION AND DISSOLUTION

The Partnership will continue until December 31, 2088, unless sooner terminated pursuant to the Partnership Agreement. The Partnership will be dissolved upon (i) the election of the General Partner to dissolve the Partnership, if approved by the holders of a Unit Majority, (ii) the sale, exchange or other disposition of all or substantially all of the assets and properties of the Partnership and the Operating Partnership, (iii) the entry of a decree of judicial dissolution of the Partnership or (iv) the withdrawal or removal of the General Partner or any other event that results in its ceasing to be the General Partner (other than by reason of a transfer of its general partner interest in accordance with the Partnership Agreement or withdrawal or removal following approval and admission of a successor). Upon a dissolution pursuant to clause (iv), the holders of a Unit Majority may also elect, within certain time limitations, to reconstitute the Partnership and continue its business on the same terms and conditions set forth in the Partnership Agreement by forming a new limited partnership on terms identical to those set forth in the Partnership Agreement and having as general partner an entity approved by the holders of a Unit Majority subject to receipt by the Partnership of an opinion of counsel to the effect that (x) such action would not result in the loss of limited liability of any Limited Partner and (y) neither the Partnership, the reconstituted limited partnership nor the Operating Partnership would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue (hereinafter, an "Opinion of Counsel").

LIQUIDATION AND DISTRIBUTION OF PROCEEDS

Upon dissolution of the Partnership, unless the Partnership is reconstituted and continued as a new limited partnership, the person authorized to wind up the affairs of the Partnership (the "Liquidator") will, acting with all of the powers of the General Partner that such Liquidator deems necessary or desirable in its good faith judgment in connection therewith, liquidate the Partnership's assets and apply the proceeds of the liquidation as provided in "Cash Distribution Policy--Distributions of Cash Upon Liquidation." Under certain circumstances and subject to certain limitations, the Liquidator may defer liquidation or distribution of the Partnership's assets for a reasonable period of time or distribute assets to partners in kind if it determines that a sale would be impractical or would cause undue loss to the partners.

WITHDRAWAL OR REMOVAL OF THE GENERAL PARTNER

The General Partner has agreed not to withdraw voluntarily as a general partner of the Partnership and the Operating Partnership prior to December 31, 2008 (with limited exceptions described below), without obtaining the approval of the holders of at least a majority of the outstanding Common Units (excluding Common Units held by the General Partner and its affiliates) and furnishing an Opinion of Counsel. On or after December 31, 2008, the General Partner may withdraw as the General Partner (without first obtaining approval from any Unitholder) by giving 90 days' written notice, and such withdrawal will not constitute a violation of the Partnership Agreement. Notwithstanding the foregoing, the General Partner may withdraw without Unitholder approval upon 90 days' notice to the Limited Partners if at least 50% of the outstanding Common Units are held

or controlled by one person and its affiliates (other than the General Partner and its affiliates). In addition, the Partnership Agreement permits the General Partner (in certain limited instances) to sell or otherwise transfer all of its general partner interests in the Partnership without the approval of the Unitholders. See "--Transfer of General Partner Interest and Incentive Distribution Rights."

Upon the withdrawal of the General Partner under any circumstances (other than as a result of a transfer by the General Partner of all or a part of its general partner interests in the Partnership), the holders of a Unit Majority may select a successor to such withdrawing General Partner. If such a successor is not elected, or is elected but an Opinion of Counsel cannot be obtained, the Partnership will be dissolved, wound up and liquidated, unless within 180 days after such withdrawal the holders of a Unit Majority agree in writing to continue the business of the Partnership and to appoint a successor General Partner. See "--Termination and Dissolution."

The General Partner may not be removed unless such removal is approved by the vote of the holders of not less than 66 2/3% of the outstanding Units (including Units held by the General Partner and its affiliates) and the Partnership receives an Opinion of Counsel. The ownership of Units by the General Partner and its affiliates effectively gives the General Partner the ability to prevent its removal. Any such removal is also subject to the approval of a successor general partner by the vote of the holders of a Unit Majority. The Partnership Agreement also provides that if the General Partner is removed as general partner of the Partnership under circumstances where Cause does not exist and Units held by the General Partner and its affiliates are not voted in favor of such removal (i) the Subordination Period will end and all outstanding Subordinated Units will immediately convert into Common Units on a one-for-one basis, (ii) any existing Common Unit Arrearages will be extinguished and (iii) the General Partner will have the right to convert its general partner interests and all the Incentive Distribution Rights into Common Units or to receive cash in exchange for such interests.

Withdrawal or removal of the General Partner as a general partner of the Partnership also constitutes withdrawal or removal, as the case may be, of the General Partner as a general partner of the Operating Partnership.

In the event of removal of the General Partner under circumstances where Cause exists or withdrawal of the General Partner where such withdrawal violates the Partnership Agreement, a successor general partner will have the option to purchase the general partner interests and Incentive Distribution Rights of the departing General Partner (the "Departing Partner") in the Partnership and the Operating Partnership for a cash payment equal to the fair market value of such interests. Under all other circumstances where the General Partner withdraws or is removed by the Limited Partners, the Departing Partner will have the option to require the successor general partner to purchase such general partner interests of the Departing Partner and its Incentive Distribution Rights for such amount. In each case, such fair market value will be determined by agreement between the Departing Partner and the successor general partner, or if no agreement is reached, by an independent investment banking firm or other independent expert selected by the Departing Partner and the successor general partner (or if no expert can be agreed upon, by an expert chosen by agreement of the experts selected by each of them). In addition, the Partnership will be required to reimburse the Departing Partner for all amounts due the Departing Partner, including, without limitation, all employee-related liabilities, including severance liabilities, incurred in connection with the termination of any employees employed by the Departing Partner for the benefit of the Partnership.

If the above-described option is not exercised by either the Departing Partner or the successor general partner, as applicable, the Departing Partner's general partner interests in the Partnership and the Operating Partnership and its Incentive Distribution Rights will automatically convert into Common Units equal to the fair market value of such interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

TRANSFER OF GENERAL PARTNER INTEREST AND INCENTIVE DISTRIBUTION RIGHTS

Except for a transfer by a General Partner of all, but not less than all, of its general partner interest in the Partnership and the Operating Partnership to (a) an affiliate of the General Partner or (b) another person in connection with the merger or consolidation of the General Partner with or into another person or the transfer by the General Partner of all or substantially all of its assets to another person, the General Partner may not transfer all or any part of its general partner interest in the Partnership and the Operating Partnership to another person prior to December 31, 2008, without the approval of the holders of at least a majority of the outstanding Common Units (excluding Common Units held by the General Partner and its affiliates); provided that, in each case, such transferee assumes the rights and duties of the General Partner to whose interest such transferee has succeeded, agrees to be bound by the provisions of the Partnership Agreement, furnishes an Opinion of Counsel and agrees to acquire all (or the appropriate portion thereof, as applicable) of the General Partner's interest in the Operating Partnership and agrees to be bound by the provisions of the Operating Partnership Agreements. The General Partner shall have the right at any time, however, to transfer its Common Units and Subordinated Units to one or more persons (other than the Partnership) without Unitholder approval. At any time, the stockholders of the General Partner may sell or transfer all or part of their interest in the General Partner to an affiliate or a third party without the approval of the Unitholders. The General Partner or its affiliates or a subsequent holder may transfer its Incentive Distribution Rights to an affiliate or another person in connection with its merger or consolidation with or into, or sale of all or substantially all of its assets to, such person without the prior approval of the Unitholders; provided that, in each case, such transferee agrees to be bound by the provisions of the Partnership Agreement. Prior to December 31, 2008, other transfers of the Incentive Distribution Rights will require the affirmative vote of holders of a Unit Majority. On or after December 31, 2008, the Incentive Distribution Rights will be freely transferable.

CHANGE OF MANAGEMENT PROVISIONS

The Partnership Agreement contains certain provisions that are intended to discourage a person or group from attempting to remove the General Partner as general partner of the Partnership or otherwise change the management of the Partnership. If any person or group other than the General Partner and its affiliates acquires beneficial ownership of 20% or more of any class of Units, such person or group loses voting rights with respect to all of its Units. The Partnership Agreement also provides that if the General Partner is removed as a general partner of the Partnership under circumstances where Cause does not exist and Units held by the General Partner and its affiliates are not voted in favor of such removal, (i) the Subordination Period will end and all outstanding Subordinated Units will immediately convert into Common Units on a one-for-one basis, (ii) any existing Common Unit Arrearages will be extinguished and (iii) the General Partner will have the right to convert its general partner interests (and all of its Incentive Distribution Rights) into Common Units or to receive cash in exchange for such interests.

LIMITED CALL RIGHT

If at any time not more than 20% of the then-issued and outstanding limited partner interests of any class (including Common Units) are held by persons other than the General Partner and its affiliates, the General Partner will have the right, which it may assign in whole or in part to any of its affiliates or to the Partnership, to acquire all, but not less than all, of the remaining limited partner interests of such class held by such unaffiliated persons as of a record date to be selected by the General Partner, on at least 10 but not more than 60 days' notice. The purchase price in the event of such a purchase shall be the greater of (i) the highest price paid by the General Partner or any of its affiliates for any limited partner interests of such class purchased within the 90 days preceding the date on which the General Partner first mails notice of its election to purchase such limited partner interests, and (ii) the Current Market Price (as defined in the Glossary) as of the date three days prior to the date such notice is mailed. As a consequence of the General Partner's right to purchase outstanding limited partner interests, a holder of limited partner interests may have his limited partner interests purchased even though he may not desire to sell them, or the price paid may be less than the amount the holder would desire to receive upon the sale of his limited partner interests. The tax consequences to a Unitholder of the exercise of this

call right are the same as a sale by such Unitholder of his Common Units in the market. See "Tax Considerations--Disposition of Common Units."

MEETINGS; VOTING

Except as described below with respect to a Person or group owning 20% or more of all Units, Unitholders or assignees who are record holders of Units on the record date set pursuant to the Partnership Agreement will be entitled to notice of, and to vote at, meetings of limited partners of the Partnership and to act with respect to matters as to which approvals may be solicited. With respect to voting rights attributable to Common Units that are owned by an assignee who is a record holder but who has not yet been admitted as a limited partner, the General Partner shall be deemed to be the limited partner with respect thereto and shall, in exercising the voting rights in respect of such Common Units on any matter, vote such Common Units at the written direction of such record holder. Absent such direction, such Common Units will not be voted (except that, in the case of Common Units held by the General Partner on behalf of Non-citizen Assignees (as defined below), the General Partner shall distribute the votes in respect of such Common Units in the same ratios as the votes of limited partners in respect of other Units are cast).

The General Partner does not anticipate that any meeting of Unitholders will be called in the foreseeable future. Any action that is required or permitted to be taken by the Unitholders may be taken either at a meeting of the Unitholders or without a meeting if consents in writing setting forth the action so taken are signed by holders of such number of Units as would be necessary to authorize or take such action at a meeting of all of the Unitholders. Meetings of the Unitholders of the Partnership may be called by the General Partner or by Unitholders owning at least 20% of the outstanding Units of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding Units of the class or classes for which a meeting has been called represented in person or by proxy shall constitute a quorum at a meeting of Unitholders of such class or classes, unless any such action by the Unitholders requires approval by holders of a greater percentage of such Units, in which case the quorum shall be such greater percentage.

Each record holder of a Unit has a vote according to his percentage interest in the Partnership, although additional limited partner interests having special voting rights could be issued by the Partnership. See "--Issuance of Additional Securities." However, if at any time any person or group (other than the General Partner and its affiliates or a direct transferee of the General Partner or its affiliates) acquires, in the aggregate, beneficial ownership of 20% or more of any class of Units then outstanding, such person or group will lose voting rights with respect to all of its Units and such Units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of Unitholders, calculating required votes, determining the presence of a quorum or for other similar Partnership purposes. The Partnership Agreement provides that Common Units held in nominee or street name account will be voted by the broker (or other nominee) pursuant to the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise. Except as otherwise provided in the Partnership Agreement, Subordinated Units will vote together with Common Units as a single class.

Any notice, demand, request, report or proxy material required or permitted to be given or made to record holders of Common Units (whether or not such record holder has been admitted as a limited partner) under the terms of the Partnership Agreement will be delivered to the record holder by the Partnership or by the Transfer Agent at the request of the Partnership.

STATUS AS LIMITED PARTNER OR ASSIGNEE

Except as described above under "--Limited Liability," the Common Units will be fully paid, and Unitholders will not be required to make additional contributions to the Partnership.

An assignee of a Common Unit, subsequent to executing and delivering a Transfer Application, but pending its admission as a substituted Limited Partner in the Partnership, is entitled to an interest in the Partnership

equivalent to that of a Limited Partner with respect to the right to share in allocations and distributions from the Partnership, including liquidating distributions. The General Partner will vote and exercise other powers attributable to Common Units owned by an assignee who has not become a substitute Limited Partner at the written direction of such assignee. See "--Meetings; Voting." Transferees who do not execute and deliver a Transfer Application will be treated neither as assignees nor as record holders of Common Units, and will not receive cash distributions, federal income tax allocations or reports furnished to record holders of Common Units. See "Description of the Common Units--Transfer of Common Units."

NON-CITIZEN ASSIGNEES; REDEMPTION

If the Partnership is or becomes subject to federal, state or local laws or regulations that, in the reasonable determination of the General Partner, create a substantial risk of cancellation or forfeiture of any property in which the Partnership has an interest because of the nationality, citizenship or other related status of any Limited Partner or assignee, the Partnership may redeem the Units held by such Limited Partner or assignee at their Current Market Price. In order to avoid any such cancellation or forfeiture, the General Partner may require each Limited Partner or assignee to furnish information about his nationality, citizenship or related status. If a Limited Partner or assignee fails to furnish information about such nationality, citizenship or other related status within 30 days after a request for such information or the General Partner determines after receipt of such information that the Limited Partner or assignee is not an eligible citizen, such Limited Partner or assignee may be treated as a non-citizen assignee ("Non-citizen Assignee"). In addition to other limitations on the rights of an assignee who is not a substituted Limited Partner, a Non-citizen Assignee does not have the right to direct the voting of his Units and may not receive distributions in kind upon liquidation of the Partnership.

INDEMNIFICATION

The Partnership Agreement provides that the Partnership will indemnify (i) the General Partner, (ii) any Departing Partner, (iii) any Person who is or was an affiliate of a General Partner or any Departing Partner, (iv) any Person who is or was a member, partner, officer, director, employee, agent or trustee of a General Partner or any Departing Partner or any affiliate of a General Partner or any Departing Partner, or (v) any Person who is or was serving at the request of a General Partner or any Departing Partner or any affiliate of a General Partner or any Departing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another Person ("Indemnitees"), to the fullest extent permitted by law, from and against any and all losses, claims, damages, liabilities (joint or several), expenses (including, without limitation, legal fees and expenses), judgments, fines, penalties, interest, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in or not opposed to the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful. Any indemnification under these provisions will be only out of the assets of the Partnership, and the General Partner shall not be personally liable for, or have any obligation to contribute or loan funds or assets to the Partnership to enable it to effectuate, such indemnification. The Partnership is authorized to purchase (or to reimburse the General Partner or its affiliates for the cost of) insurance against liabilities asserted against and expenses incurred by such persons in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such person against such liabilities under the provisions described above.

BOOKS AND REPORTS

The General Partner is required to keep appropriate books of the business of the Partnership at the principal offices of the Partnership. The books will be maintained for both tax and financial reporting purposes on an accrual basis. For tax and financial reporting purposes, the fiscal year of the Partnership is the calendar year.

The Partnership will furnish or make available to record holders of Common Units (i) within 120 days after the close of each fiscal year of the Partnership an annual report containing audited financial statements and a report thereon by its independent public accountants and (ii) within 90 days after the close of each quarter (other than the fourth quarter), certain summary financial information.

The Partnership will furnish each record holder of a Unit information reasonably required for tax reporting purposes within 90 days after the close of each calendar year. Such information is expected to be furnished in summary form so that certain complex calculations normally required of partners can be avoided. The Partnership's ability to furnish such summary information to Unitholders will depend on the cooperation of such Unitholders in supplying certain information to the Partnership. Every Unitholder (without regard to whether he supplies such information to the Partnership) will receive information to assist him in determining his federal and state tax liability and filing his federal and state income tax returns.

RIGHT TO INSPECT PARTNERSHIP BOOKS AND RECORDS

The Partnership Agreement provides that a Limited Partner can for a purpose reasonably related to such Limited Partner's interest as a limited partner, upon reasonable demand and at his own expense, have furnished to him (i) a current list of the name and last known address of each partner, (ii) a copy of the Partnership's tax returns, (iii) information as to the amount of cash, and a description and statement of the agreed value of any other property or services, contributed or to be contributed by each partner and the date on which each became a partner, (iv) copies of the Partnership Agreement, the certificate of limited partnership of the Partnership, amendments thereto and powers of attorney pursuant to which the same have been executed, (v) information regarding the status of the Partnership's business and financial condition, and (vi) such other information regarding the affairs of the Partnership as is just and reasonable. The General Partner may, and intends to, keep confidential from the Limited Partners trade secrets or other information the disclosure of which the General Partner believes in good faith is not in the best interests of the Partnership or which the Partnership is required by law or by agreements with third parties to keep confidential.

REGISTRATION RIGHTS

Pursuant to the terms of the Partnership Agreement and subject to certain limitations described therein, the Partnership has agreed to register for resale under the Securities Act and applicable state securities laws any Common Units or other securities of the Partnership (including Subordinated Units) proposed to be sold by the General Partner or any of its affiliates if an exemption from such registration requirements is not otherwise available for such proposed transaction. The Partnership is obligated to pay all expenses incidental to such registration, excluding underwriting discounts and commissions. See "Units Eligible for Future Sale."

UNITS ELIGIBLE FOR FUTURE SALE

After the sale of the Common Units offered hereby, the General Partner will hold 6,817,391 Common Units and 9,800,000 Subordinated Units (all of which will convert into Common Units at the end of the Subordination Period and some of which may convert earlier). The sale of these Units could have an adverse impact on the price of the Common Units or on any trading market that may develop.

The Common Units sold in this offering will generally be freely transferable without restriction or further registration under the Securities Act, except that any Common Units owned by an "affiliate" of the Partnership (as that term is defined in the rules and regulations under the Securities Act) may not be resold publicly except in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom under Rule 144 thereunder ("Rule 144") or otherwise. Rule 144 permits securities acquired by an affiliate of the issuer to be sold into the market in an amount that does not exceed, during any three-month period, the greater of (i) 1% of the total number of such securities outstanding or (ii) the average weekly reported trading volume of the Common Units for the four calendar weeks prior to such sale. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about the Partnership. A person who is not deemed to have been an affiliate of the Partnership at any time during the three months preceding a sale, and who has beneficially owned his Common Units for at least two years, would be entitled to sell such Common Units under Rule 144 without regard to the public information requirements, volume limitations, manner of sale provisions or notice requirements of Rule 144.

Prior to the end of the Subordination Period, the Partnership may not issue equity securities of the Partnership ranking prior or senior to the Common Units or an aggregate of more than 9,800,000 additional Common Units (which number shall be subject to adjustment in the event of a combination or subdivision of Common Units and shall exclude Common Units issued upon exercise of the Underwriters' over-allotment option, upon conversion of Subordinated Units, upon conversion of the General Partner interest as a result of a withdrawal of the General Partner, pursuant to an employee benefit plan, in connection with certain acquisitions or capital improvements or upon the repayment of certain indebtedness), or an equivalent amount of securities ranking on a parity with the Common Units, without the approval of the holders of a Unit Majority. The Partnership Agreement provides that, after the Subordination Period, the Partnership may issue an unlimited number of limited partner interests of any type without a vote of the Unitholders. The Partnership Agreement does not impose any restriction on the Partnership's ability to issue equity securities ranking junior to the Common Units at any time. Any issuance of additional Common Units or certain other equity securities would result in a corresponding decrease in the proportionate ownership interest in the Partnership represented by, and could adversely affect the cash distributions to and market price of, Common Units then outstanding. See "The Partnership Agreement--Issuance of Additional Securities."

Pursuant to the Partnership Agreement, the General Partner and its affiliates will have the right, upon the terms and subject to the conditions therein, to cause the Partnership to register under the Securities Act and state laws the offer and sale of any Units that they hold. Subject to the terms and conditions of the Partnership Agreement, such registration rights allow the General Partner and its affiliates or their assignees holding any Units to require registration of any such Units and to include any such Units in a registration by the Partnership of other Units, including Units offered by the Partnership or by any Unitholder. Such registration rights will continue in effect for two years following any withdrawal or removal of the General Partner as a general partner of the Partnership. In connection with any such registration, the Partnership will indemnify each Unitholder participating in such registration and its officers, directors and controlling persons from and against any liabilities under the Securities Act or any state securities laws arising from the registration statement or prospectus. The Partnership will bear all costs and expenses of any such registration. In addition, the General Partner and its affiliates may sell their Units in private transactions at any time, subject to compliance with applicable laws.

Each of the Partnership, the Operating Partnership, the General Partner, Plains Resources and the officers and directors of the General Partner have agreed not to (i) offer, sell, contract to sell, or otherwise dispose of any Common Units or Subordinated Units, any securities convertible into, or exercisable or exchangeable for, or that

represent the right to receive, Common Units or Subordinated Units or any securities that are senior to or pari passu with the Common Units or (ii) grant any options or warrants to purchase Common Units or Subordinated Units (other than the grant of Unit Options or Restricted Units pursuant to the Long-Term Incentive Plan), for a period of 180 days after the date of this Prospectus, without the prior written consent of Salomon Smith Barney Inc., except for issuances of Common Units in connection with certain Acquisitions or Capital Improvements that are accretive on a per Unit basis.

TAX CONSIDERATIONS

This section is a summary of material tax considerations that may be relevant to prospective Unitholders and, to the extent set forth below under "--Legal Opinions and Advice," expresses the opinion of Andrews & Kurth L.L.P., special counsel to the General Partner and the Partnership ("Counsel"), insofar as it relates to matters of law and legal conclusions. This section is based upon current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed regulations thereunder and current administrative rulings and court decisions, all of which are subject to change. Subsequent changes in such authorities may cause the tax consequences to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to the Partnership are references to both the Partnership and the Operating Partnership.

No attempt has been made in the following discussion to comment on all federal income tax matters affecting the Partnership or the Unitholders. Moreover, the discussion focuses on Unitholders who are individual citizens or residents of the U.S. and has only limited application to corporations, estates, trusts, non-resident aliens or other Unitholders subject to specialized tax treatment (such as tax-exempt institutions, foreign persons, individual retirement accounts, REITs or mutual funds). Accordingly, each prospective Unitholder should consult, and should depend on, his own tax advisor in analyzing the federal, state, local and foreign tax consequences peculiar to him of the ownership or disposition of Common Units.

LEGAL OPINIONS AND ADVICE

Counsel is of the opinion that, based on the accuracy of the representations and subject to the qualifications set forth in the detailed discussion that follows, for federal income tax purposes (i) the Partnership and the Operating Partnership will each be treated as a partnership, and (ii) owners of Common Units (with certain exceptions, as described in "--Limited Partner Status" below) will be treated as partners of the Partnership (but not the Operating Partnership). In addition, all statements as to matters of law and legal conclusions contained in this section, unless otherwise noted, reflect the opinion of Counsel.

No ruling has been or will be requested from the IRS and the IRS has made no determination with respect to the foregoing issues or any other matter affecting the Partnership or prospective Unitholders. An opinion of counsel represents only that counsel's best legal judgment and does not bind the IRS or the courts. Thus, no assurance can be provided that the opinions and statements set forth herein would be sustained by a court if contested by the IRS. Any such contest with the IRS may materially and adversely impact the market for the Common Units and the prices at which Common Units trade. In addition, the costs of any contest with the IRS will be borne directly or indirectly by the Unitholders and the General Partner. Furthermore, no assurance can be given that the treatment of the Partnership or an investment therein will not be significantly modified by future legislative or administrative changes or court decisions. Any such modification may or may not be retroactively applied.

For the reasons hereinafter described, Counsel has not rendered an opinion with respect to the following specific federal income tax issues: (i) the treatment of a Unitholder whose Common Units are loaned to a short seller to cover a short sale of Common Units (see "--Tax Treatment of Operations--Treatment of Short Sales"), (ii) whether a Unitholder acquiring Common Units in separate transactions must maintain a single aggregate adjusted tax basis in his Common Units (see "--Disposition of Common Units--Recognition of Gain or Loss"), (iii) whether the Partnership's monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations (see "--Disposition of Common Units--Allocations Between Transferors and Transferees"), and (iv) whether the Partnership's method for depreciating Section 743 adjustments is sustainable (see "--Tax Treatment of Operations--Section 754 Election").

TAX RATES

The top marginal income tax rate for individuals for 1998 is 39.6%. In general, net capital gains of an individual are subject to a maximum 20% tax rate if the asset was held for more than 12 months at the time of disposition.

PARTNERSHIP STATUS

A partnership is not a taxable entity and incurs no federal income tax liability. Instead, each partner of a partnership is required to take into account his allocable share of items of income, gain, loss and deduction of the partnership in computing his federal income tax liability, regardless of whether cash distributions are made. Distributions by a partnership to a partner are generally not taxable unless the amount of cash distributed is in excess of the partner's adjusted basis in his partnership interest.

No ruling has been or will be sought from the IRS and the IRS has made no determination as to the status of the Partnership or the Operating Partnership as a partnership for federal income tax purposes. Instead the Partnership has relied on the opinion of Counsel that, based upon the Code, the regulations thereunder, published revenue rulings and court decisions, the Partnership and the Operating Partnership will each be classified as a partnership for federal income tax purposes.

In rendering its opinion, Counsel has relied on certain factual representations made by the Partnership and the General Partner. Such factual matters are as follows:

(a) Neither the Partnership nor the Operating Partnership will elect to be treated as an association or corporation;

(b) The Partnership will be operated in accordance with (i) all applicable partnership statutes, (ii) the Partnership Agreement, and (iii) the description thereof in this Prospectus;

(c) The Operating Partnership will be operated in accordance with (i) all applicable partnership statutes, (ii) the Operating Partnership Agreement, and (iii) the description thereof in this Prospectus;

(d) For each taxable year, more than 90% of the gross income of the Partnership will be income from sources that Counsel has opined or may opine is "qualifying income" within the meaning of Section 7704(d) of the Code;

(e) Each futures contract entered into by the Operating Partnership for the purchase or sale of crude oil will be identified as a hedging transaction pursuant to Treasury Regulation Section 1.1221-2(e)(1); and

(f) Gain or loss resulting from future transactions entered into by the Operating Partnership will be treated as an adjustment in the computation of cost of goods sold with respect to sales of crude oil for federal income tax purposes.

Section 7704 of the Code provides that publicly-traded partnerships will, as a general rule, be taxed as corporations. However, an exception (the "Qualifying Income Exception") exists with respect to publicly-traded partnerships of which 90% or more of the gross income for every taxable year consists of "qualifying income." Qualifying income includes income and gains derived from the transportation and marketing of crude oil. Other types of qualifying income include interest (from other than a financial business), dividends, gains from the sale of real property and gains from the sale or other disposition of capital assets held for the production of income that otherwise constitutes qualifying income. Based upon the representations of the Partnership and the General Partner and a review of the applicable legal authorities, Counsel is of the opinion that at least 90% of the Partnership's gross income will constitute qualifying income. The Partnership estimates that less than 1% of its gross income for each taxable year will not constitute qualifying income.

If the Partnership fails to meet the Qualifying Income Exception (other than a failure which is determined by the IRS to be inadvertent and which is cured within a reasonable time after discovery), the Partnership will be treated as if it had transferred all of its assets (subject to liabilities) to a newly formed corporation (on the first day of the year in which it fails to meet the Qualifying Income Exception) in return for stock in that corporation, and then distributed that stock to the partners in liquidation of their interests in the Partnership. This contribution and liquidation should be tax-free to Unitholders and the Partnership, so long as the Partnership, at that time, does not have liabilities in excess of the tax basis of its assets. Thereafter, the Partnership would be treated as a corporation for federal income tax purposes.

If the Partnership or the Operating Partnership were treated as an association taxable as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, its items of income, gain, loss and deduction would be reflected only on its tax return rather than being passed through to the Unitholders, and its net income would be taxed to the Partnership or the Operating Partnership at corporate rates. In addition, any distribution made to a Unitholder would be treated as either taxable dividend income (to the extent of the Partnership's current or accumulated earnings and profits) or (in the absence of earnings and profits) a nontaxable return of capital (to the extent of the Unitholder's tax basis in his Common Units) or taxable capital gain (after the Unitholder's tax basis in his Common Units is reduced to zero). Accordingly, treatment of either the Partnership or the Operating Partnership as an association taxable as a corporation would result in a material reduction in a Unitholder's cash flow and after-tax return and thus would likely result in a substantial reduction of the value of the Units.

The discussion below is based on the assumption that the Partnership will be classified as a partnership for federal income tax purposes.

LIMITED PARTNER STATUS

Unitholders who have become limited partners of the Partnership will be treated as partners of the Partnership for federal income tax purposes. Counsel is also of the opinion that (a) assignees who have executed and delivered Transfer Applications, and are awaiting admission as limited partners and (b) Unitholders whose Common Units are held in street name or by a nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their Common Units will be treated as partners of the Partnership for federal income tax purposes. As there is no direct authority addressing assignees of Common Units who are entitled to execute and deliver Transfer Applications and thereby become entitled to direct the exercise of attendant rights, but who fail to execute and deliver Transfer Applications, Counsel's opinion does not extend to these persons. Furthermore, a purchaser or other transferee of Common Units who does not execute and deliver a Transfer Application may not receive certain federal income tax information or reports furnished to record holders of Common Units unless the Common Units are held in a nominee or street name account and the nominee or broker has executed and delivered a Transfer Application with respect to such Common Units.

A beneficial owner of Common Units whose Common Units have been transferred to a short seller to complete a short sale would appear to lose his status as a partner with respect to such Common Units for federal income tax purposes. See "--Tax Treatment of Operations--Treatment of Short Sales."

Income, gain, deductions or losses would not appear to be reportable by a Unitholder who is not a partner for federal income tax purposes, and any cash distributions received by such a Unitholder would therefore be fully taxable as ordinary income. These holders should consult their own tax advisors with respect to their status as partners in the Partnership for federal income tax purposes.

TAX CONSEQUENCES OF UNIT OWNERSHIP

Flow-through of Taxable Income

No federal income tax will be paid by the Partnership. Instead, each Unitholder will be required to report on his income tax return his allocable share of the income, gains, losses and deductions of the Partnership without regard to whether corresponding cash distributions are received by such Unitholder. Consequently, a Unitholder may be allocated income from the Partnership even if he has not received a cash distribution. Each Unitholder will be required to include in income his allocable share of Partnership income, gain, loss and deduction for the taxable year of the Partnership ending with or within the taxable year of the Unitholder.

Treatment of Partnership Distributions

Distributions by the Partnership to a Unitholder generally will not be taxable to the Unitholder for federal income tax purposes to the extent of his tax basis in his Common Units immediately before the distribution.

Cash distributions in excess of a Unitholder's tax basis generally will be considered to be gain from the sale or exchange of the Common Units, taxable in accordance with the rules described under "--Disposition of Common Units" below. Any reduction in a Unitholder's share of the Partnership's liabilities for which no partner, including the General Partner, bears the economic risk of loss ("nonrecourse liabilities") will be treated as a distribution of cash to that Unitholder. To the extent that Partnership distributions cause a Unitholder's "at risk" amount to be less than zero at the end of any taxable year, he must recapture any losses deducted in previous years. See "--Limitations on Deductibility of Partnership Losses."

A decrease in a Unitholder's percentage interest in the Partnership because of the issuance by the Partnership of additional Common Units will decrease such Unitholder's share of nonrecourse liabilities of the Partnership, and thus will result in a corresponding deemed distribution of cash. A non-pro rata distribution of money or property may result in ordinary income to a Unitholder, regardless of his tax basis in his Common Units, if such distribution reduces the Unitholder's share of the Partnership's "unrealized receivables" (including depreciation recapture) and/or substantially appreciated "inventory items" (both as defined in Section 751 of the Code) (collectively, "Section 751 Assets"). To that extent, the Unitholder will be treated as having been distributed his proportionate share of the Section 751 Assets and having exchanged such assets with the Partnership in return for the non-pro rata portion of the actual distribution made to him. This latter deemed exchange will generally result in the Unitholder's realization of ordinary income under Section 751(b) of the Code. Such income will equal the excess of (1) the non-pro rata portion of such distribution over (2) the Unitholder's tax basis for the share of such Section 751 Assets deemed relinquished in the exchange.

Ratio of Taxable Income to Distributions

The Partnership estimates that a purchaser of Common Units in this offering who holds such Common Units from the date of the closing of this offering through December 31, 2003, will be allocated, on a cumulative basis, an amount of federal taxable income for such period that will be approximately 30% of the cash distributed with respect to that period. The Partnership further estimates that for taxable years after the taxable year ending December 31, 2003 the taxable income allocable to the Unitholders may constitute a significantly higher percentage of cash distributed to Unitholders. The foregoing estimates are based upon the assumption that gross income from operations will approximate the amount required to make the Minimum Quarterly Distribution with respect to all Units and other assumptions with respect to capital expenditures, cash flow and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond the control of the Partnership. Further, the estimates are based on current tax law and certain tax reporting positions that the Partnership intends to adopt and with which the IRS could disagree. Accordingly, no assurance can be given that the estimates will prove to be correct. The actual percentage could be higher or lower, and any such differences could be material and could materially affect the value of the Common Units.

Basis of Common Units

A Unitholder's initial tax basis for his Common Units will be the amount he paid for the Common Units plus his share of the Partnership's nonrecourse liabilities. That basis will be increased by his share of Partnership income and by any increases in his share of Partnership nonrecourse liabilities. That basis will be decreased (but not below zero) by distributions from the Partnership, by the Unitholder's share of Partnership losses, by any decrease in his share of Partnership nonrecourse liabilities and by his share of expenditures of the Partnership that are not deductible in computing its taxable income and are not required to be capitalized. A limited partner will have no share of Partnership debt which is recourse to the General Partner, but will have a share, generally based on his share of profits, of Partnership nonrecourse liabilities. See "--Disposition of Common Units--Recognition of Gain or Loss."

Limitations on Deductibility of Partnership Losses

The deduction by a Unitholder of his share of Partnership losses will be limited to the tax basis in his Units and, in the case of an individual Unitholder or a corporate Unitholder (if more than 50% of the value of its stock

is owned directly or indirectly by five or fewer individuals or certain tax-exempt organizations), to the amount for which the Unitholder is considered to be "at risk" with respect to the Partnership's activities, if that is less than the Unitholder's tax basis. A Unitholder must recapture losses deducted in previous years to the extent that Partnership distributions cause the Unitholder's at risk amount to be less than zero at the end of any taxable year. Losses disallowed to a Unitholder or recaptured as a result of these limitations will carry forward and will be allowable to the extent that the Unitholder's tax basis or at risk amount (whichever is the limiting factor) is subsequently increased. Upon the taxable disposition of a Unit, any gain recognized by a Unitholder can be offset by losses that were previously suspended by the at risk limitation but may not be offset by losses suspended by the basis limitation. Any excess loss (above such gain) previously suspended by the at risk or basis limitations is no longer utilizable.

In general, a Unitholder will be at risk to the extent of the tax basis of his Units, excluding any portion of that basis attributable to his share of Partnership nonrecourse liabilities, reduced by any amount of money the Unitholder borrows to acquire or hold his Units if the lender of such borrowed funds owns an interest in the Partnership, is related to such a person or can look only to Units for repayment. A Unitholder's at risk amount will increase or decrease as the tax basis of the Unitholder's Units increases or decreases (other than tax basis increases or decreases attributable to increases or decreases in his share of Partnership nonrecourse liabilities).

The passive loss limitations generally provide that individuals, estates, trusts and certain closely-held corporations and personal service corporations can deduct losses from passive activities (generally, activities in which the taxpayer does not materially participate) only to the extent of the taxpayer's income from those passive activities. The passive loss limitations are applied separately with respect to each publicly-traded partnership. Consequently, any passive losses generated by the Partnership will only be available to offset future income generated by the Partnership and will not be available to offset income from other passive activities or investments (including other publicly-traded partnerships) or salary or active business income. Passive losses which are not deductible because they exceed a Unitholder's income generated by the Partnership may be deducted in full when he disposes of his entire investment in the Partnership in a fully taxable transaction to an unrelated party. The passive activity loss rules are applied after other applicable limitations on deductions such as the at risk rules and the basis limitation.

A Unitholder's share of net income from the Partnership may be offset by any suspended passive losses from the Partnership, but it may not be offset by any other current or carryover losses from other passive activities, including those attributable to other publicly-traded partnerships. The IRS has announced that Treasury Regulations will be issued which characterize net passive income from a publicly-traded partnership as investment income for purposes of the limitations on the deductibility of investment interest.

Limitations on Interest Deductions

The deductibility of a non-corporate taxpayer's "investment interest expense" is generally limited to the amount of such taxpayer's "net investment income." As noted, a Unitholder's net passive income from the Partnership will be treated as investment income for this purpose. In addition, the Unitholder's share of the Partnership's portfolio income will be treated as investment income. Investment interest expense includes (i) interest on indebtedness properly allocable to property held for investment, (ii) the Partnership's interest expense attributed to portfolio income, and (iii) the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income. The computation of a Unitholder's investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a Unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income pursuant to the passive loss rules less deductible expenses (other than interest) directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment.

ALLOCATION OF PARTNERSHIP INCOME, GAIN, LOSS AND DEDUCTION

In general, if the Partnership has a net profit, items of income, gain, loss and deduction will be allocated among the General Partner and the Unitholders in accordance with their respective percentage interests in the Partnership. At any time that distributions are made to the Common Units and not to the Subordinated Units, or that Incentive Distributions are made to the General Partner, gross income will be allocated to the recipients to the extent of such distribution. If the Partnership has a net loss, items of income, gain, loss and deduction will generally be allocated first, to the General Partner and the Unitholders in accordance with their respective Percentage Interests to the extent of their positive capital accounts (as maintained under the Partnership Agreement) and, second, to the General Partner.

As required by Section 704(c) of the Code and as permitted by Regulations thereunder, certain items of Partnership income, deduction, gain and loss will be allocated to account for the difference between the tax basis and fair market value of property contributed to the Partnership by the General Partner ("Contributed Property"). The effect of these allocations to a Unitholder will be essentially the same as if the tax basis of the Contributed Property were equal to their fair market value at the time of contribution. In addition, certain items of recapture income will be allocated to the extent possible to the partner allocated the deduction giving rise to the treatment of such gain as recapture income in order to minimize the recognition of ordinary income by some Unitholders. Finally, although the Partnership does not expect that its operations will result in the creation of negative capital accounts, if negative capital accounts nevertheless result, items of Partnership income and gain will be allocated in an amount and manner sufficient to eliminate the negative balance as quickly as possible.

Regulations provide that an allocation of items of partnership income, gain, loss or deduction, other than an allocation required by Section 704(c) of the Code to eliminate the difference between a partner's "book" capital account (credited with the fair market value of Contributed Property) and "tax" capital account (credited with the tax basis of Contributed Property) (the "Book-Tax Disparity"), will generally be given effect for federal income tax purposes in determining a partner's distributive share of an item of income, gain, loss or deduction only if the allocation has substantial economic effect. In any other case, a partner's distributive share of an item will be determined on the basis of the partner's interest in the partnership, which will be determined by taking into account all the facts and circumstances, including the partners' relative contributions to the partnership, the interests of the partners in economic profits and losses, the interest of the partners in cash flow and other nonliquidating distributions and rights of the partners to distributions of capital upon liquidation.

Counsel is of the opinion that allocations under the Partnership Agreement will be given effect for federal income tax purposes in determining a Unitholder's distributive share of an item of income, gain, loss or deduction.

TAX TREATMENT OF OPERATIONS

Accounting Method and Taxable Year

The Partnership will use the year ending December 31 as its taxable year and will adopt the accrual method of accounting for federal income tax purposes. Each Unitholder will be required to include in income his allocable share of Partnership income, gain, loss and deduction for the taxable year of the Partnership ending within or with the taxable year of the Unitholder. In addition, a Unitholder who has a taxable year ending on a date other than December 31 and who disposes of all of his Units following the close of the Partnership's taxable year but before the close of his taxable year must include his allocable share of Partnership income, gain, loss and deduction in income for his taxable year with the result that he will be required to report in income for his taxable year his distributive share of more than one year of Partnership income, gain, loss and deduction. See "--Disposition of Common Units--Allocations Between Transferors and Transferees."

Initial Tax Basis, Depreciation and Amortization

The tax basis of the various assets of the Partnership will be used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of such assets. The Partnership assets

will initially have an aggregate tax basis equal to the tax basis of the assets in the possession of the General Partner immediately prior to the formation of the Partnership. The federal income tax burden associated with the difference between the fair market value of property contributed by the General Partner and the tax basis established for such property will be borne by the General Partner. See "--Allocation of Partnership Income, Gain, Loss and Deduction."

To the extent allowable, the Partnership may elect to use the depletion, depreciation and cost recovery methods that will result in the largest deductions in the early years of the Partnership. The Partnership will not be entitled to any amortization deductions with respect to any goodwill conveyed to the Partnership on formation. Property subsequently acquired or constructed by the Partnership may be depreciated using accelerated methods permitted by the Code.

If the Partnership disposes of depreciable property by sale, foreclosure or otherwise, all or a portion of any gain (determined by reference to the amount of depreciation previously deducted and the nature of the property) may be subject to the recapture rules and taxed as ordinary income rather than capital gain. Similarly, a partner who has taken cost recovery or depreciation deductions with respect to property owned by the Partnership may be required to recapture such deductions as ordinary income upon a sale of his interest in the Partnership. See "--Allocation of Partnership Income, Gain, Loss and Deduction" and "--Disposition of Common Units--Recognition of Gain or Loss."

Costs incurred in organizing the Partnership may be amortized over any period selected by the Partnership not shorter than 60 months. The costs incurred in promoting the issuance of Units (i.e. syndication expenses) must be capitalized and cannot be deducted currently, ratably or upon termination of the Partnership. There are uncertainties regarding the classification of costs as organization expenses, which may be amortized, and as syndication expenses, which may not be amortized. Under recently adopted regulations, the underwriting discounts and commissions would be treated as a syndication cost.

Section 754 Election

The Partnership intends to make the election permitted by Section 754 of the Code. That election is irrevocable without the consent of the IRS. The election will generally permit the Partnership to adjust a Common Unit purchaser's (other than a Common Unit purchaser that purchases Common Units from the Partnership) tax basis in the Partnership's assets ("inside basis") pursuant to Section 743(b) of the Code to reflect his purchase price. The Section 743(b) adjustment belongs to the purchaser and not to other partners. (For purposes of this discussion, a partner's inside basis in the Partnership's assets will be considered to have two components: (1) his share of the Partnership's tax basis in such assets ("common basis") and (2) his Section 743(b) adjustment to that basis.)

Proposed Treasury regulations under Section 743 of the Code require, if the remedial allocation method is adopted (which the Partnership intends to do), a portion of the Section 743(b) adjustment attributable recovery property to be depreciated over the remaining cost recovery period for the Section 704(c) built-in gain. Nevertheless, the proposed regulations under Section 197 indicate that the Section 743(b) adjustment attributable to an amortizable Section 197 intangible should be treated as a newly-acquired asset placed in service in the month when the purchaser acquires the Unit. Under Treasury Regulation Section 1.167(c)-1(a)(6), a Section 743(b) adjustment attributable to property subject to depreciation under Section 167 of the Code rather than cost recovery deductions under Section 168 is generally required to be depreciated using either the straight-line method or the 150% declining balance method. Although the proposed regulations under Section 743 will likely eliminate many of the problems if finalized in their current form, the depreciation and amortization methods and useful lives associated with the Section 743(b) adjustment may differ from the methods and useful lives generally used to depreciate the common basis in such properties. Pursuant to the Partnership Agreement, the Partnership is authorized to adopt a convention to preserve the uniformity of Units even if such convention is not consistent with Treasury Regulation Section 1.167(c)-1(a)(6) and Proposed Treasury Regulation Section 1.197-2(g)(3). See "--Uniformity of Units."

Although Counsel is unable to opine as to the validity of such an approach, the Partnership intends to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property (to the extent of any unamortized Book-Tax Disparity) using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the common basis of such property, or treat that portion as non-amortizable to the extent attributable to property the common basis of which is not amortizable. This method is consistent with the proposed regulations under Section 743 but is arguably inconsistent with Treasury Regulation Section 1.167(c)-1(a)(6) and Proposed Treasury Regulation Section 1.197-2(g)(3) (neither of which is expected to directly apply to a material portion of the Partnership's assets). To the extent such Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, the Partnership will apply the rules described in the Regulations and legislative history. If the Partnership determines that such position cannot reasonably be taken, the Partnership may adopt a depreciation or amortization convention under which all purchasers acquiring Units in the same month would receive depreciation or amortization, whether attributable to common basis or Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's assets. Such an aggregate approach may result in lower annual depreciation or amortization deductions than would otherwise be allowable to certain Unitholders. See "--Uniformity of Units."

The allocation of the Section 743(b) adjustment must be made in accordance with the Code. The IRS may seek to reallocate some or all of any Section 743(b) adjustment not so allocated by the Partnership to goodwill which, as an intangible asset, would be amortizable over a longer period of time than some of the Partnership's tangible assets.

A Section 754 election is advantageous if the transferee's tax basis in his Units is higher than such Units' share of the aggregate tax basis of the Partnership's assets immediately prior to the transfer. In such a case, as a result of the election, the transferee would have a higher tax basis in his share of the Partnership's assets for purposes of calculating, among other items, his depreciation and depletion deductions and his share of any gain or loss on a sale of the Partnership's assets. Conversely, a Section 754 election is disadvantageous if the transferee's tax basis in such Units is lower than such Unit's share of the aggregate tax basis of the Partnership's assets immediately prior to the transfer. Thus, the fair market value of the Units may be affected either favorably or adversely by the election.

The calculations involved in the Section 754 election are complex and will be made by the Partnership on the basis of certain assumptions as to the value of Partnership assets and other matters. There is no assurance that the determinations made by the Partnership will not be successfully challenged by the IRS and that the deductions resulting from them will not be reduced or disallowed altogether. Should the IRS require a different basis adjustment to be made, and should, in the Partnership's opinion, the expense of compliance exceed the benefit of the election, the Partnership may seek permission from the IRS to revoke the Section 754 election for the Partnership. If such permission is granted, a subsequent purchaser of Units may be allocated more income than he would have been allocated had the election not been revoked.

Alternative Minimum Tax

Although it is not expected that the Partnership will generate significant tax preference items or adjustments, each Unitholder will be required to take into account his distributive share of any items of Partnership income, gain, deduction or loss for purposes of the alternative minimum tax. The minimum tax rate for noncorporate taxpayers is 26% on the first $175,000 of alternative minimum taxable income in excess of the exemption amount and 28% on any additional alternative minimum taxable income. Prospective Unitholders should consult with their tax advisors as to the impact of an investment in Units on their liability for the alternative minimum tax.

Valuation of Partnership Property and Basis of Properties

The federal income tax consequences of the ownership and disposition of Units will depend in part on estimates by the Partnership of the relative fair market values, and determinations of the initial tax bases, of the

assets of the Partnership. Although the Partnership may from time to time consult with professional appraisers with respect to valuation matters, many of the relative fair market value estimates will be made by the Partnership. These estimates and determinations of basis are subject to challenge and will not be binding on the IRS or the courts. If the estimates of fair market value or determinations of basis are subsequently found to be incorrect, the character and amount of items of income, gain, loss or deductions previously reported by Unitholders might change, and Unitholders might be required to adjust their tax liability for prior years.

Treatment of Short Sales

A Unitholder whose Units are loaned to a "short seller" to cover a short sale of Units may be considered as having disposed of ownership of those Units. If so, he would no longer be a partner with respect to those Units during the period of the loan and may recognize gain or loss from the disposition. As a result, during this period, any Partnership income, gain, deduction or loss with respect to those Units would not be reportable by the Unitholder, any cash distributions received by the Unitholder with respect to those Units would be fully taxable and all of such distributions would appear to be treated as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition should modify any applicable brokerage account agreements to prohibit their brokers from borrowing their Units. The IRS has announced that it is actively studying issues relating to the tax treatment of short sales of partnership interests. See also "--Disposition of Common Units--Recognition of Gain or Loss."

DISPOSITION OF COMMON UNITS

Recognition of Gain or Loss

Gain or loss will be recognized on a sale of Units equal to the difference between the amount realized and the Unitholder's tax basis for the Units sold. A Unitholder's amount realized will be measured by the sum of the cash or the fair market value of other property received plus his share of Partnership nonrecourse liabilities. Because the amount realized includes a Unitholder's share of Partnership nonrecourse liabilities, the gain recognized on the sale of Units could result in a tax liability in excess of any cash received from such sale.

Prior Partnership distributions in excess of cumulative net taxable income in respect of a Common Unit which decreased a Unitholder's tax basis in such Common Unit will, in effect, become taxable income if the Common Unit is sold at a price greater than the Unitholder's tax basis in such Common Unit, even if the price is less than his original cost.

Should the IRS successfully contest the convention used by the Partnership to amortize only a portion of the Section 743(b) adjustment (described under "--Tax Treatment of Operations--Section 754 Election") attributable to an amortizable Section 197 intangible after a sale by the General Partner of Units, a Unitholder could realize additional gain from the sale of Units than had such convention been respected. In that case, the Unitholder may have been entitled to additional deductions against income in prior years but may be unable to claim them, with the result to him of greater overall taxable income than appropriate. Counsel is unable to opine as to the validity of the convention but believes such a contest by the IRS to be unlikely because a successful contest could result in substantial additional deductions to other Unitholders.

Gain or loss recognized by a Unitholder (other than a "dealer" in Units) on the sale or exchange of a Unit held for more than one year will generally be taxable as capital gain or loss. Capital gain recognized on the sale of Units held for more than 12 months will generally be taxed at a maximum rate of 20%. A portion of this gain or loss (which could be substantial), however, will be separately computed and taxed as ordinary income or loss under Section 751 of the Code to the extent attributable to assets giving rise to depreciation recapture or other "unrealized receivables" or to "inventory items" owned by the Partnership. The term "unrealized receivables" includes potential recapture items, including depreciation recapture. Ordinary income attributable to unrealized receivables, inventory items and depreciation recapture may exceed net taxable gain realized upon the sale of the Unit and may be recognized even if there is a net taxable loss realized on the sale of the Unit. Thus, a Unitholder

may recognize both ordinary income and a capital loss upon a disposition of Units. Net capital loss may offset no more than $3,000 of ordinary income in the case of individuals and may only be used to offset capital gain in the case of corporations.

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis. Upon a sale or other disposition of less than all of such interests, a portion of that tax basis must be allocated to the interests sold using an "equitable apportionment" method. The ruling is unclear as to how the holding period of these interests is determined once they are combined. If this ruling is applicable to the holders of Common Units, a Common Unitholder will be unable to select high or low basis Common Units to sell as would be the case with corporate stock. It is not clear whether the ruling applies to the Partnership because, similar to corporate stock, interests in the Partnership are evidenced by separate certificates. Accordingly, Counsel is unable to opine as to the effect such ruling will have on the Unitholders. A Unitholder considering the purchase of additional Common Units or a sale of Common Units purchased in separate transactions should consult his tax advisor as to the possible consequences of such ruling.

Certain provisions of the Code affect the taxation of certain financial products and securities, including partnership interests, by treating a taxpayer as having sold an "appreciated" partnership interest (one in which gain would be recognized if it were sold, assigned or terminated at its fair market value) if the taxpayer or related persons enters into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest or substantially identical property. Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest, the taxpayer will be treated as having sold such position if the taxpayer or related person then acquires the partnership interest or substantially identical property. The Secretary of Treasury is also authorized to issue regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

Allocations Between Transferors and Transferees

In general, the Partnership's taxable income and losses will be determined annually, will be prorated on a monthly basis and will be subsequently apportioned among the Unitholders in proportion to the number of Units owned by each of them as of the opening of the NYSE on the first business day of the month (the "Allocation Date"). However, gain or loss realized on a sale or other disposition of Partnership assets other than in the ordinary course of business will be allocated among the Unitholders on the Allocation Date in the month in which that gain or loss is recognized. As a result, a Unitholder transferring Common Units in the open market may be allocated income, gain, loss and deduction accrued after the date of transfer.

The use of this method may not be permitted under existing Treasury Regulations. Accordingly, Counsel is unable to opine on the validity of this method of allocating income and deductions between the transferors and the transferees of Units. If this method is not allowed under the Treasury Regulations (or only applies to transfers of less than all of the Unitholder's interest), taxable income or losses of the Partnership might be reallocated among the Unitholders. The Partnership is authorized to revise its method of allocation between transferors and transferees (as well as among partners whose interests otherwise vary during a taxable period) to conform to a method permitted under future Treasury Regulations.

A Unitholder who owns Units at any time during a quarter and who disposes of such Units prior to the record date set for a cash distribution with respect to such quarter will be allocated items of Partnership income, gain, loss and deductions attributable to such quarter but will not be entitled to receive that cash distribution.

Notification Requirements

A Unitholder who sells or exchanges Units is required to notify the Partnership in writing of that sale or exchange within 30 days after the sale or exchange and in any event by no later than January 15 of the year

following the calendar year in which the sale or exchange occurred. The Partnership is required to notify the IRS of that transaction and to furnish certain information to the transferor and transferee. However, these reporting requirements do not apply with respect to a sale by an individual who is a citizen of the U.S. and who effects the sale or exchange through a broker. Additionally, a transferor and a transferee of a Unit will be required to furnish statements to the IRS, filed with their income tax returns for the taxable year in which the sale or exchange occurred, that set forth the amount of the consideration received for the Unit that is allocated to goodwill or going concern value of the Partnership. Failure to satisfy these reporting obligations may lead to the imposition of substantial penalties.

Constructive Termination

The Partnership and the Operating Partnership will be considered to have been terminated if there is a sale or exchange of 50% or more of the total interests in Partnership capital and profits within a 12-month period. If the Partnership elects to be treated as a large partnership, it will not terminate by reason of the sale or exchange of interests in the Partnership. A termination of the Partnership will cause a termination of the Operating Partnership. A termination of the Partnership will result in the closing of the Partnership's taxable year for all Unitholders. In the case of a Unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of the Partnership's taxable year may result in more than 12 months' taxable income or loss of the Partnership being includable in his taxable income for the year of termination. New tax elections required to be made by the Partnership, including a new election under Section 754 of the Code, must be made subsequent to a termination, and a termination could result in a deferral of Partnership deductions for depreciation. A termination could also result in penalties if the Partnership were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject the Partnership to, any tax legislation enacted prior to the termination.

Entity-Level Collections

If the Partnership is required or elects under applicable law to pay any federal, state or local income tax on behalf of any Unitholder or any General Partner or any former Unitholder, the Partnership is authorized to pay those taxes from Partnership funds. Such payment, if made, will be treated as a distribution of cash to the partner on whose behalf the payment was made. If the payment is made on behalf of a person whose identity cannot be determined, the Partnership is authorized to treat the payment as a distribution to current Unitholders. The Partnership is authorized to amend the Partnership Agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of Units and to adjust subsequent distributions, so that after giving effect to such distributions, the priority and characterization of distributions otherwise applicable under the Partnership Agreement is maintained as nearly as is practicable. Payments by the Partnership as described above could give rise to an overpayment of tax on behalf of an individual partner in which event the partner could file a claim for credit or refund.

UNIFORMITY OF UNITS

Because the Partnership cannot match transferors and transferees of Units, uniformity of the economic and tax characteristics of the Units to a purchaser of such Units must be maintained. In the absence of uniformity, compliance with a number of federal income tax requirements, both statutory and regulatory, could be substantially diminished. A lack of uniformity can result from a literal application of Treasury Regulation Section 1.167(c)-1(a)(6) and Proposed Treasury Regulation Section 1.197-2(g)(3). Any non-uniformity could have a negative impact on the value of the Units. See "--Tax Treatment of Operations--Section 754 Election."

The Partnership intends to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of contributed property or adjusted property (to the extent of any unamortized Book-Tax Disparity) using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the Common Basis of such property, or treat that portion as nonamortizable, to the extent attributable to property the Common Basis of which is not amortizable, consistent with the proposed regulations

under Section 743 but despite its inconsistency with Treasury Regulation Section 1.167(c)-1(a)(6) and Proposed Treasury Regulation Section 1.197-2(g)(3) (neither of which is expected to directly apply to a material portion of the Partnership's assets). See "--Tax Treatment of Operations--Section 754 Election." To the extent such Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, the Partnership will apply the rules described in the Regulations and legislative history. If the Partnership determines that such a position cannot reasonably be taken, the Partnership may adopt a depreciation and amortization convention under which all purchasers acquiring Units in the same month would receive depreciation and amortization deductions, whether attributable to Common Basis or Section 743(b) basis, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If such an aggregate approach is adopted, it may result in lower annual depreciation and amortization deductions than would otherwise be allowable to certain Unitholders and risk the loss of depreciation and amortization deductions not taken in the year that such deductions are otherwise allowable. This convention will not be adopted if the Partnership determines that the loss of depreciation and amortization deductions will have a material adverse effect on the Unitholders. If the Partnership chooses not to utilize this aggregate method, the Partnership may use any other reasonable depreciation and amortization convention to preserve the uniformity of the intrinsic tax characteristics of any Units that would not have a material adverse effect on the Unitholders. The IRS may challenge any method of depreciating the Section 743(b) adjustment described in this paragraph. If such a challenge were sustained, the uniformity of Units might be affected, and the gain from the sale of Units might be increased without the benefit of additional deductions. See "--Disposition of Common Units--Recognition of Gain or Loss."

TAX-EXEMPT ORGANIZATIONS AND CERTAIN OTHER INVESTORS

Ownership of Units by employee benefit plans, other tax-exempt organizations, nonresident aliens, foreign corporations, other foreign persons and regulated investment companies raises issues unique to such persons and, as described below, may have substantially adverse tax consequences. Employee benefit plans and most other organizations exempt from federal income tax (including individual retirement accounts ("IRAs") and other retirement plans) are subject to federal income tax on unrelated business taxable income. Virtually all of the taxable income derived by such an organization from the ownership of a Unit will be unrelated business taxable income and thus will be taxable to such a Unitholder.

A regulated investment partnership or "mutual fund" is required to derive 90% or more of its gross income from interest, dividends, gains from the sale of stocks or securities or foreign currency or certain related sources. It is not anticipated that any significant amount of the Partnership's gross income will include that type of income.

Non-resident aliens and foreign corporations, trusts or estates which hold Units will be considered to be engaged in business in the U.S. on account of ownership of Units. As a consequence they will be required to file federal tax returns in respect of their share of Partnership income, gain, loss or deduction and pay federal income tax at regular rates on any net income or gain. Generally, a partnership is required to pay a withholding tax on the portion of the partnership's income which is effectively connected with the conduct of a U.S. trade or business and which is allocable to the foreign partners, regardless of whether any actual distributions have been made to such partners. However, under rules applicable to publicly-traded partnerships, the Partnership will withhold (currently at the rate of 39.6%) on actual cash distributions made quarterly to foreign Unitholders. Each foreign Unitholder must obtain a taxpayer identification number from the IRS and submit that number to the Transfer Agent of the Partnership on a Form W-8 in order to obtain credit for the taxes withheld. A change in applicable law may require the Partnership to change these procedures.

Because a foreign corporation which owns Units will be treated as engaged in a U.S. trade or business, such a corporation may be subject to U.S. branch profits tax at a rate of 30%, in addition to regular federal income tax, on its allocable share of the Partnership's income and gain (as adjusted for changes in the foreign corporation's "U.S. net equity") which are effectively connected with the conduct of a U.S. trade or business. That tax may be reduced or eliminated by an income tax treaty between the U.S. and the country with respect to

which the foreign corporate Unitholder is a "qualified resident." In addition, such a Unitholder is subject to special information reporting requirements under Section 6038C of the Code.

Under a ruling of the IRS a foreign Unitholder who sells or otherwise disposes of a Unit will be subject to federal income tax on gain realized on the disposition of such Unit to the extent that such gain is effectively connected with a U.S. trade or business of the foreign Unitholder. Apart from the ruling, a foreign Unitholder will not be taxed or subject to withholding upon the disposition of a Unit if that foreign Unitholder has held less than 5% in value of the Units during the five-year period ending on the date of the disposition and if the Units are regularly traded on an established securities market at the time of the disposition.

ADMINISTRATIVE MATTERS

Partnership Information Returns and Audit Procedures

The Partnership intends to furnish to each Unitholder, within 90 days after the close of each calendar year, certain tax information, including a Schedule K-1, which sets forth each Unitholder's share of the Partnership's income, gain, loss and deduction for the preceding Partnership taxable year. In preparing this information, which will generally not be reviewed by counsel, the Partnership will use various accounting and reporting conventions, some of which have been mentioned in the previous discussion, to determine the Unitholder's share of income, gain, loss and deduction. There is no assurance that any of those conventions will yield a result which conforms to the requirements of the Code, regulations or administrative interpretations of the IRS. The Partnership cannot assure prospective Unitholders that the IRS will not successfully contend in court that such accounting and reporting conventions are impermissible. Any such challenge by the IRS could negatively affect the value of the Units.

The federal income tax information returns filed by the Partnership may be audited by the IRS. Adjustments resulting from any such audit may require each Unitholder to adjust a prior year's tax liability, and possibly may result in an audit of the Unitholder's own return. Any audit of a Unitholder's return could result in adjustments of non-Partnership as well as Partnership items.

Partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings with the partners. The Code provides for one partner to be designated as the "Tax Matters Partner" for these purposes. The Partnership Agreement appoints the General Partner as the Tax Matters Partner of the Partnership.

The Tax Matters Partner will make certain elections on behalf of the Partnership and Unitholders and can extend the statute of limitations for assessment of tax deficiencies against Unitholders with respect to Partnership items. The Tax Matters Partner may bind a Unitholder with less than a 1% profits interest in the Partnership to a settlement with the IRS unless that Unitholder elects, by filing a statement with the IRS, not to give such authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review (by which all the Unitholders are bound) of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, such review may be sought by any Unitholder having at least a 1% interest in the profits of the Partnership and by the Unitholders having in the aggregate at least a 5% profits interest. However, only one action for judicial review will go forward, and each Unitholder with an interest in the outcome may participate. However, if the Partnership elects to be treated as a large partnership, a partner will not have the right to participate in settlement conferences with the IRS or to seek a refund.

A Unitholder must file a statement with the IRS identifying the treatment of any item on his federal income tax return that is not consistent with the treatment of the item on the Partnership's return. Intentional or negligent disregard of the consistency requirement may subject a Unitholder to substantial penalties. However, if the Partnership elects to be treated as a large partnership, its partners would be required to treat all Partnership items in a manner consistent with the Partnership return.

If the Partnership elects to be treated as a large partnership, each partner would take into account separately his share of the following items, determined at the partnership level: (1) taxable income or loss from passive loss limitation activities; (2) taxable income or loss from other activities (such as portfolio income or loss); (3) net capital gains to the extent allocable to passive loss limitation activities and other activities; (4) tax exempt interest; (5) a net alternative minimum tax adjustment separately computed for passive loss limitation activities and other activities; (6) general credits; (7) low-income housing credit; (8) rehabilitation credit; (9) foreign income taxes; (10) credit for producing fuel from a nonconventional source; and (11) any other items the Secretary of Treasury deems appropriate. Moreover, miscellaneous itemized deductions would not be passed through to the partners and 30% of such deductions would be used at the partnership level.

A number of other changes to the tax compliance and administrative rules relating to electing large partnerships have been made. One provision requires that each partner in a large partnership, such as the Partnership, take into account his share of any adjustments to partnership items in the year such adjustments are made. Under prior law, adjustments relating to partnership items for a previous taxable year were taken into account by those persons who were partners in the previous taxable year. Alternatively, a partnership could elect to or, in some circumstances, could be required to directly pay the tax resulting from any such adjustments. In either case, therefore, Unitholders could bear significant economic burdens associated with tax adjustments relating to periods predating their acquisition of Units. It is not expected that the Partnership will elect to have the large partnership provisions apply because of the cost of their application.

Nominee Reporting

Persons who hold an interest in the Partnership as a nominee for another person are required to furnish to the Partnership (a) the name, address and taxpayer identification number of the beneficial owner and the nominee; (b) whether the beneficial owner is (i) a person that is not a U.S. person, (ii) a foreign government, an international organization or any wholly-owned agency or instrumentality of either of the foregoing, or (iii) a tax-exempt entity; (c) the amount and description of Units held, acquired or transferred for the beneficial owner; and (d) certain information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales. Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and certain information on Units they acquire, hold or transfer for their own account. A penalty of $50 per failure (up to a maximum of $100,000 per calendar year) is imposed by the Code for failure to report such information to the Partnership. The nominee is required to supply the beneficial owner of the Units with the information furnished to the Partnership.

Registration as a Tax Shelter

The Code requires that "tax shelters" be registered with the Secretary of the Treasury. The temporary Treasury Regulations interpreting the tax shelter registration provisions of the Code are extremely broad. It is arguable that the Partnership is not subject to the registration requirement on the basis that it will not constitute a tax shelter. However, the General Partner, as a principal organizer of the Partnership, will register the Partnership as a tax shelter with the Secretary of the Treasury in the absence of assurance that the Partnership will not be subject to tax shelter registration and in light of the substantial penalties which might be imposed if registration is required and not undertaken. ISSUANCE OF THE REGISTRATION NUMBER DOES NOT INDICATE THAT AN INVESTMENT IN THE PARTNERSHIP OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED OR APPROVED BY THE IRS. The Partnership must furnish the registration number to the Unitholders, and a Unitholder who sells or otherwise transfers a Unit in a subsequent transaction must furnish the registration number to the transferee. The penalty for failure of the transferor of a Unit to furnish the registration number to the transferee is $100 for each such failure. The Unitholders must disclose the tax shelter registration number of the Partnership on Form 8271 to be attached to the tax return on which any deduction, loss or other benefit generated by the Partnership is claimed or income of the Partnership is included. A Unitholder who fails to disclose the tax shelter registration number on his return, without reasonable cause for

that failure, will be subject to a $250 penalty for each failure. Any penalties discussed herein are not deductible for federal income tax purposes.

Accuracy-Related Penalties

An additional tax equal to 20% of the amount of any portion of an underpayment of tax which is attributable to one or more of certain listed causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements, is imposed by the Code. No penalty will be imposed, however, with respect to any portion of an underpayment if it is shown that there was a reasonable cause for that portion and that the taxpayer acted in good faith with respect to that portion.

A substantial understatement of income tax in any taxable year exists if the amount of the understatement exceeds the greater of 10% of the tax required to be shown on the return for the taxable year or $5,000 ($10,000 for most corporations). The amount of any understatement subject to penalty generally is reduced if any portion is attributable to a position adopted on the return (i) with respect to which there is, or was, "substantial authority" or (ii) as to which there is a reasonable basis and the pertinent facts of such position are disclosed on the return. Certain more stringent rules apply to "tax shelters," a term that in this context does not appear to include the Partnership. If any Partnership item of income, gain, loss or deduction included in the distributive shares of Unitholders might result in such an "understatement" of income for which no "substantial authority" exists, the Partnership must disclose the pertinent facts on its return. In addition, the Partnership will make a reasonable effort to furnish sufficient information for Unitholders to make adequate disclosure on their returns to avoid liability for this penalty.

A substantial valuation misstatement exists if the value of any property (or the adjusted basis of any property) claimed on a tax return is 200% or more of the amount determined to be the correct amount of such valuation or adjusted basis. No penalty is imposed unless the portion of the underpayment attributable to a substantial valuation misstatement exceeds $5,000 ($10,000 for most corporations). If the valuation claimed on a return is 400% or more than the correct valuation, the penalty imposed increases to 40%.

STATE, LOCAL AND OTHER TAX CONSIDERATIONS

In addition to federal income taxes, Unitholders will be subject to other taxes, such as state and local income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which the Partnership does business or owns property. Although an analysis of those various taxes is not presented here, each prospective Unitholder should consider their potential impact on his investment in the Partnership. The Partnership will initially own property and conduct business in Arizona, California, Oklahoma, Kansas, New Mexico, Illinois, Texas, Louisiana, Alabama, Mississippi and Florida. Of those, only Texas and Florida do not currently impose a personal income tax. A Unitholder will be required to file state income tax returns and to pay state income taxes in some or all of the states in which the Partnership does business or owns property and may be subject to penalties for failure to comply with those requirements. In certain states, tax losses may not produce a tax benefit in the year incurred (if, for example, the Partnership has no income from sources within that state) and also may not be available to offset income in subsequent taxable years. Some of the states may require the Partnership, or the Partnership may elect, to withhold a percentage of income from amounts to be distributed to a Unitholder who is not a resident of the state. Withholding, the amount of which may be greater or less than a particular Unitholder's income tax liability to the state, generally does not relieve the non-resident Unitholder from the obligation to file an income tax return. Amounts withheld may be treated as if distributed to Unitholders for purposes of determining the amounts distributed by the Partnership. See "--Disposition of Common Units--Entity-Level Collections." Based on current law and its estimate of future Partnership operations, the General Partner anticipates that any amounts required to be withheld will not be material.

It is the responsibility of each Unitholder to investigate the legal and tax consequences, under the laws of pertinent states and localities, of his investment in the Partnership. Accordingly, each prospective Unitholder

should consult, and must depend upon, his own tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each Unitholder to file all state and local, as well as U.S. federal, tax returns that may be required of such Unitholder. Counsel has not rendered an opinion on the state or local tax consequences of an investment in the Partnership.

INVESTMENT IN THE PARTNERSHIP BY EMPLOYEE BENEFIT PLANS

An investment in the Partnership by an employee benefit plan is subject to certain additional considerations because the investments of such plans are subject to the fiduciary responsibility and prohibited transaction provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and restrictions imposed by Section 4975 of the Code. As used herein, the term "employee benefit plan" includes, but is not limited to, qualified pension, profit-sharing and stock bonus plans, Keogh plans, simplified employee pension plans and tax deferred annuities or IRAs established or maintained by an employer or employee organization. Among other things, consideration should be given to (a) whether such investment is prudent under Section 404(a)(1)(B) of ERISA; (b) whether in making such investment, such plan will satisfy the diversification requirement of Section 404(a)(1)(C) of ERISA; and (c) whether such investment will result in recognition of unrelated business taxable income by such plan and, if so, the potential after-tax investment return. See "Tax Considerations--Uniformity of Units--Tax-Exempt Organizations and Certain Other Investors." The person with investment discretion with respect to the assets of an employee benefit plan (a "fiduciary") should determine whether an investment in the Partnership is authorized by the appropriate governing instrument and is a proper investment for such plan.

Section 406 of ERISA and Section 4975 of the Code (which also applies to IRAs that are not considered part of an employee benefit plan) prohibit an employee benefit plan from engaging in certain transactions involving "plan assets" with parties that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the plan.

In addition to considering whether the purchase of Common Units is a prohibited transaction, a fiduciary of an employee benefit plan should consider whether such plan will, by investing in the Partnership, be deemed to own an undivided interest in the assets of the Partnership, with the result that the General Partner also would be a fiduciary of such plan and the operations of the Partnership would be subject to the regulatory restrictions of ERISA, including its prohibited transaction rules, as well as the prohibited transaction rules of the Code.

The Department of Labor regulations provide guidance with respect to whether the assets of an entity in which employee benefit plans acquire equity interests would be deemed "plan assets" under certain circumstances. Pursuant to these regulations, an entity's assets would not be considered to be "plan assets" if, among other things, (a) the equity interest acquired by employee benefit plans are publicly offered securities-- i.e., the equity interests are widely held by 100 or more investors independent of the issuer and each other, freely transferable and registered pursuant to certain provisions of the federal securities laws, (b) the entity is an "Operating Partnership"--i.e., it is primarily engaged in the production or sale of a product or service other than the investment of capital either directly or through a majority owned subsidiary or subsidiaries, or (c) there is no significant investment by benefit plan investors, which is defined to mean that less than 25% of the value of each class of equity interest (disregarding certain interests held by the General Partner, its affiliates, and certain other persons) is held by the employee benefit plans referred to above, IRAs and other employee benefit plans not subject to ERISA (such as governmental plans). The Partnership's assets should not be considered "plan assets" under these regulations because it is expected that the investment will satisfy the requirements in (a) and (b) above and may also satisfy the requirements in (c).

Plan fiduciaries contemplating a purchase of Common Units should consult with their own counsel regarding the consequences under ERISA and the Code in light of the serious penalties imposed on persons who engage in prohibited transactions or other violations.

UNDERWRITING

Upon the terms and subject to the conditions stated in the Underwriting Agreement dated the date hereof (the "Underwriting Agreement"), the Partnership has agreed to sell to each of the Underwriters named below, and each of the Underwriters has severally agreed to purchase from the Partnership, the number of Common Units set forth opposite its name below:

UNDERWRITER	NUMBER OF COMMON UNITS
Salomon Smith Barney Inc.	
PaineWebber Incorporated	
A.G. Edwards & Sons, Inc.	
Donaldson, Lufkin & Jenrette Securities Corporation	
Goldman, Sachs & Co.	
Dain Rauscher Wessels a division of Dain Rauscher Incorporated	
ING Baring Furman Selz LLC	
Total	12,782,609

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the Common Units offered hereby are subject to approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are obligated to take and pay for all Common Units offered hereby (other than those covered by the Underwriters' over-allotment option described below) if any such Common Units are taken.

The Underwriters, for whom Salomon Smith Barney Inc., PaineWebber Incorporated, A.G. Edwards & Sons, Inc., Donaldson, Lufkin & Jenrette Securities Corporation, Goldman, Sachs & Co., Dain Rauscher Wessels, a division of Dain Rauscher Incorporated, and ING Baring Furman Selz LLC are acting as Representatives (the "Representatives"), propose to offer part of the Common Units directly to the public at the offering price set forth on the cover page of this Prospectus and part of such Common Units to certain dealers at such price less a concession not in excess of $ per Common Unit. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $ per Common Unit to other Underwriters or to certain other dealers. After the initial offering of the Common Units to the public, the offering price and other selling terms may from time to time be varied by the Representatives. The Representatives have informed the Partnership that the Underwriters do not intend to confirm sales to accounts over which they exercise discretionary authority without the prior written approval of the transaction by the customer.

The Partnership has granted to the Underwriters an option, exercisable for 30 days from the date of this Prospectus, to purchase up to 1,917,391 additional Common Units at the Price to Public set forth on the cover page of this Prospectus, minus the underwriting discounts and commissions. To the extent such option is exercised by the Underwriters, the Partnership will use the net proceeds received therefrom to redeem Common Units from the General Partner and its affiliates equal to the number of Common Units issued upon the exercise of such option. The Underwriters may exercise such option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the Common Units offered hereby. To the extent such option is exercised, each Underwriter will be obligated, subject to certain conditions, to purchase approximately the same percentage of such additional Common Units as the number of Common Units set forth opposite such Underwriter's name in the preceding table bears to the total number of Common Units listed in such table.

In connection with this offering and in compliance with applicable law, the Underwriters may overallot (i.e., sell more Common Units than the total amount shown on the list of Underwriters that appears above) and may effect transactions that stabilize, maintain or otherwise affect the market price of the Common Units at levels above those that might otherwise prevail in the open market. Such transactions may include placing bids for the

Common Units or effecting purchases of the Common Units for the purposes of pegging, fixing or maintaining the price of the Common Units or for the purpose of reducing a syndicate short position created in connection with the offering. In addition, the contractual arrangements among the Underwriters include a provision whereby, if the Representatives purchase Common Units in the open market for the account of the underwriting syndicate and the Common Units purchased can be traced to a particular Underwriter or member of the selling group, the underwriting syndicate may impose a "penalty bid" whereby it may require the Underwriter or selling group member in question to purchase the Common Units in question at the cost price to the syndicate or may recover from (or decline to pay to) the Underwriter or selling group member in question the selling concession applicable to the Common Units in question. As a result, an Underwriter or selling group member and, in turn, brokers, may lose the fees that they otherwise would have earned from a sale of the Common Units if their customer resells the Common Units while the penalty bid is in effect. The Underwriters are not required to engage in any of these activities and any such activities, if commenced, may be discontinued at any time.

The Partnership, the Operating Partnership, the General Partner, Plains Resources and the officers and directors of the General Partner have agreed not to (i) offer, sell, contract to sell or otherwise dispose of any Common Units or Subordinated Units, any securities that are convertible into, or exercisable or exchangeable for, or that represent the right to receive, Common Units or Subordinated Units or any securities that are senior to or pari passu with Common Units, or (ii) grant any options or warrants to purchase Common Units or Subordinated Units (other than the grant of Unit Options or Restricted Units pursuant to the Long-Term Incentive Plan), for a period of 180 days after the date of this Prospectus without the prior written consent of Salomon Smith Barney Inc., except for issuances of Common Units in connection with certain Acquisitions or Capital Improvements that are accretive on a per Unit basis.

Prior to this offering, there has been no public market for the Common Units of the Partnership. Consequently, the initial public offering price has been determined by negotiations between the General Partner and the Representatives. Among the factors considered in determining the initial public offering price were the history of and prospects for the Partnership's business and the industry in which it competes, an assessment of the Partnership's management and the present state of the Partnership's development, the past and present revenues, earnings and cash flows of the Partnership, the prospects for growth of the Partnership's revenues, earnings and cash flows, the current state of the economy in the United States and the current level of economic activity in the industry in which the Partnership competes and in related or comparable industries, and currently prevailing conditions in the securities markets, including current market valuations of publicly traded companies which are comparable to the Partnership.

The Common Units have been approved for listing on the NYSE, under the symbol "PAA".

Because the National Association for Securities Dealers, Inc. ("NASD") views the Common Units offered hereby as interests in a direct participation program, the offering is being made in compliance with Rule 2810 of the NASD's Conduct Rules. Investor suitability with respect to the Common Units should be judged similarly to the suitability with respect to other securities that are listed for trading on a national securities exchange.

The provisions of Rule 2710(c)(8) of the NASD's Conduct Rules apply to this offering because more than 10% of the net proceeds of this offering will be paid to ING (U.S.) Capital Corporation, which is an affiliate of ING Barings Furman Selz LLC, as agent for loans entered into to finance the acquisition of the Wingfoot entities. Rule 2710(c)(8) requires, among other things, that the initial public offering price be no higher than that recommended by a "qualified independent underwriter," who must participate in the preparation of the registration statement and the prospectus and who must exercise the usual standards of "due diligence" with respect thereto. Salomon Smith Barney Inc. is acting as a qualified independent underwriter in this offering and the initial public offering price of the Common Units will not be higher than the price recommended by Salomon Smith Barney Inc., which price will be determined based on the factors discussed above.

The Partnership, the Operating Partnership, the General Partner and Plains Resources have agreed to indemnify the Underwriters against certain civil liabilities, including liabilities under the Securities Act.

VALIDITY OF THE COMMON UNITS

The validity of the Common Units will be passed upon for the Partnership by Andrews & Kurth L.L.P., Houston, Texas. Certain legal matters in connection with the Common Units offered hereby are being passed upon for the Underwriters by Baker & Botts, L.L.P., Houston, Texas.

EXPERTS

The combined financial statements of the Plains Midstream Subsidiaries as of December 31, 1997 and 1996 and for each of the three years in the period ended December 31, 1997 included in this Prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Wingfoot Ventures Seven, Inc. as of December 31, 1997 and 1996 and for each of the three years in the period ended December 31, 1997 included in this Prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The balance sheet of Plains All American Inc. as of June 30, 1998 included in this Prospectus has been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The balance sheet of the Partnership as of October 30, 1998 included in this Prospectus has been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The pro forma consolidated income statement of the Partnership for the year ended December 31, 1997 included in this Prospectus has been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in performing examinations of pro forma financial information in accordance with standards established by the American Institute of Certified Public Accountants.

With respect to the unaudited historical combined financial information of the Plains Midstream Subsidiaries as of September 30, 1998 and for the nine month periods ended September 30, 1997 and 1998, the unaudited historical consolidated financial information of Wingfoot Ventures Seven, Inc. as of June 30, 1998 and for the six month periods ended June 30, 1997 and 1998, the unaudited pro forma consolidated balance sheet of the Partnership as of September 30, 1998 and the related unaudited pro forma consolidated income statements for the nine month periods ended September 30, 1997 and 1998, included in this Prospectus, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports dated September 16, 1998, September 23, 1998 and October 31, 1998, respectively, appearing herein state that they did not audit and they do not express an opinion on the unaudited historical interim combined financial information or the unaudited pro forma consolidated financial information as of September 30, 1998 and for the nine month periods ended September 30, 1997 and 1998 or the unaudited historical interim consolidated financial information as of June 30, 1998 and for the six month periods ended June 30, 1997 and 1998. PricewaterhouseCoopers LLP has not carried out any significant or additional audit tests beyond those which would have been necessary if their reports had not been included. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act for their reports on the unaudited historical interim combined financial information, unaudited historical consolidated financial information and on the unaudited pro forma consolidated financial information because those reports are not a "report" or a "part" of the registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Securities Act.

AVAILABLE INFORMATION

The Partnership has not previously been subject to the informational requirements of the Exchange Act. The Partnership has filed with the Commission a Registration Statement on Form S-1 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Common Units offered hereby. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement, certain items of which are contained in exhibits and schedules to the Registration Statement as permitted by the rules and regulations of the Commission. For further information with respect to the Partnership and the Common Units offered hereby, reference is made to the Registration Statement, including the exhibits and schedules thereto. Statements made in this Prospectus concerning the contents of any contract, agreement or other document are not necessarily complete; with respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement is qualified in its entirety by such reference. The Registration Statement and the exhibits and schedules thereto filed with the Commission by the Partnership may be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Commission located at 7 World Trade Center, Suite 1300, New York, New York 10048 and 500 West Madison Street, Chicago, Illinois 60661. Copies of such material can also be obtained upon written request from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates or from the Commission's Web site on the Internet at http://www.sec.gov.

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REPORT OF INDEPENDENT ACCOUNTANTS ON REVIEW OF

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors and Stockholders of

Plains Resources Inc.

We have reviewed the pro forma and offering adjustments reflecting the offering, formation and related transactions described in the Notes to Pro Forma Consolidated Financial Statements and application of those adjustments to the historical amounts in the accompanying unaudited pro forma consolidated balance sheet of Plains All American Pipeline, L.P., as of September 30, 1998 and the unaudited pro forma consolidated income statements for the nine months ended September 30, 1997 and 1998. The historical combined balance sheet as of September 30, 1998 and the historical combined income statements for the nine months ended September 30, 1997 and 1998 are derived from the historical unaudited combined financial statements of Plains Resources Inc. Midstream Subsidiaries, which were reviewed by us, appearing elsewhere herein. The historical unaudited consolidated income statements for the six months ended June 30, 1997 and 1998 are derived from the historical unaudited consolidated financial statements of Wingfoot Ventures Seven, Inc., which were reviewed by us, appearing elsewhere herein. Such pro forma and offering adjustments are based upon management's assumptions as described in the Notes to Pro Forma Consolidated Financial Statements. Our review was made in accordance with standards established by the American Institute of Certified Public Accountants.

A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assumptions, the pro forma adjustments and the application of those adjustments to historical financial information. Accordingly, we do not express an opinion.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the offering, formation and related transactions occurred at an earlier date. However, the pro forma consolidated financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned offering, formation and related transactions actually occurred earlier.

Based on our review, nothing came to our attention that caused us to believe that management's assumptions do not provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned offering, formation and related transactions described in the Notes to Pro Forma Consolidated Financial Statements, that the related pro forma and offering adjustments do not give appropriate effect to those assumptions, or that the pro forma as adjusted column does not reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma consolidated balance sheet as of September 30, 1998, and the pro forma consolidated income statements for the nine months ended September 30, 1997 and 1998.

PRICEWATERHOUSECOOPERS LLP

Houston, Texas

October 31, 1998

REPORT OF INDEPENDENT ACCOUNTANTS ON EXAMINATION OF

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors and Stockholders of

Plains Resources Inc.

We have examined the pro forma and offering adjustments reflecting the offering, formation and related transactions described in the Notes to Pro Forma Consolidated Financial Statements and the application of those adjustments to the historical amounts in the accompanying unaudited pro forma consolidated income statement of Plains All American Pipeline, L.P., for the year ended December 31, 1997. This historical consolidated income statement for the year ended December 31, 1997 is derived from the historical combined statement of operations for the year ended December 31, 1997 of Plains Resources Inc. Midstream Subsidiaries and the historical consolidated statement of operations for the year ended December 31, 1997 of Wingfoot Ventures Seven, Inc., which were audited by us, appearing elsewhere herein. Such pro forma and offering adjustments are based upon management's assumptions as described in the Notes to Pro Forma Consolidated Financial Statements. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary in the circumstances.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the offering, formation and related transactions occurred at an earlier date. However, the pro forma consolidated income statement is not necessarily indicative of the results of operations that would have been attained had the above-mentioned offering, formation and related transactions actually occurred earlier.

In our opinion, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned offering, formation and related transactions described in the Notes to Pro Forma Consolidated Financial Statements, the related pro forma and offering adjustments give appropriate effect to those assumptions, and the pro forma as adjusted column reflects the proper application of those adjustments to the historical consolidated income statement amounts in the pro forma consolidated income statement for the year ended December 31, 1997.

PRICEWATERHOUSECOOPERS LLP

Houston, Texas

October 31, 1998

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF

PLAINS ALL AMERICAN PIPELINE, L.P.

The following pro forma consolidated financial statements are based upon the historical financial statements of the Plains Resources Inc. Midstream Subsidiaries (the "Plains Midstream Subsidiaries"), comprised of wholly owned subsidiaries of Plains Resources Inc. ("Plains Resources"), including Plains All American Inc. (the "General Partner"), and Wingfoot Ventures Seven, Inc. ("Wingfoot"), a wholly owned subsidiary of The Goodyear Tire & Rubber Company ("Goodyear"). The September 30, 1998 financial statements of the Plains Midstream Subsidiaries reflect the July 30, 1998 acquisition (the "Acquisition") of all of the outstanding capital stock of the All American Pipeline Company, Celeron Gathering Corporation and Celeron Trading & Transportation Company (collectively, the "Celeron Companies," which comprise substantially all of Wingfoot) from Wingfoot for approximately $400 million in cash, which was financed in part through a borrowing of $300 million under the Plains Midstream Subsidiaries' $325 million limited recourse bank facility (the "Plains Midstream Credit Facility") (a portion of which funded initial working capital) and a capital contribution of $114 million from Plains Resources. The Acquisition was accounted for by the Plains Midstream Subsidiaries using the purchase method of accounting.

The pro forma consolidated financial statements reflect the acquisition and the following transactions to occur concurrently with, or at the closing of, the offering of the Common Units made hereby (the "Transactions" and the "Offering," respectively): (i) the Plains Midstream Subsidiaries will be merged into Plains Resources, which will sell the assets of these subsidiaries to the Partnership in exchange for $93.7 million and related indebtedness, (ii) the General Partner will convey all of its interest in the All American Pipeline and the SJV Gathering System to the Partnership in exchange for Units, (iii) the public offering by Plains All American Pipeline, L.P. (the "Partnership") of 12,782,609 Common Units at an assumed initial public offering price of $20.00 per Common Unit resulting in aggregate net proceeds to the Partnership of $236.0 million, net of underwriters' discounts and commissions and offering expenses, and (iv) the distribution of $142.3 million to the General Partner. Following these Transactions, the General Partner and its affiliates will hold, in the aggregate, 6,817,391 Common Units, 9,800,000 Subordinated Units, a 2% general partner interest in the Partnership and the right to receive Incentive Distributions. In addition, the Partnership will assume approximately $175 million in debt from the General Partner incurred in connection with the purchase of the All American Pipeline and the SJV Gathering System. The Partnership will not assume $110 million of Bank Debt and $29.7 million of long-term Intercompany Payable to Affiliates of the Plains Midstream Subsidiaries.

The pro forma and Offering adjustments are based upon currently available information and certain estimates and assumptions, and therefore, the actual adjustments may differ from the unaudited pro forma and Offering adjustments. However, management believes that the assumptions provide a reasonable basis for presenting the significant effects of the transactions as contemplated and that the unaudited pro forma and Offering adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma consolidated financial statements. The pro forma consolidated financial statements do not purport to present the financial position or results of operations of the Partnership had the Transactions to be effected at the closing of this Offering actually been completed as of the dates indicated. In addition, the pro forma consolidated financial statements are not necessarily indicative of the results of future operations of the Partnership and should be read in conjunction with the historical financial statements of the Plains Midstream Subsidiaries and Wingfoot appearing elsewhere in this Prospectus.

The following pro forma and Offering adjustments have been prepared as if the Transactions and Offering had taken place on September 30, 1998, in the case of the Pro Forma Consolidated Balance Sheet or as of January 1, 1997, in the case of the Pro Forma Consolidated Income Statements for the year ended December 31, 1997 and the nine months ended September 30, 1997 and 1998.

PLAINS ALL AMERICAN PIPELINE, L.P.

PRO FORMA CONSOLIDATED BALANCE SHEET (UNAUDITED)

SEPTEMBER 30, 1998

(IN THOUSANDS)

	HISTORICAL PLAINS MIDSTREAM	PRO FORMA ADJUSTMENTS	PRO FORMA	OFFERING ADJUSTMENTS	PRO FORMA AS ADJUSTED
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 9,986	$	$ 9,986	$236,035 L (142,335)N (93,700)M	$ 9,986
Accounts receivable	110,027		110,027		110,027
Inventory	24,691		24,691		24,691
Other	1,350		1,350		1,350
Total current assets	146,054	--	146,054	--	146,054
PROPERTY AND EQUIPMENT	433,479	(32,667)G (6,060)H	394,752	32,667 M	427,419
Less accumulated depreciation	(6,060)	6,060 H	--		--
	427,419	(32,667)	394,752	32,667	427,419
OTHER ASSETS	8,095		8,095		8,095
	$581,568	$(32,667)	$548,901	$32,667	$581,568
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	$112,657		$112,657		$112,657
Notes payable	11,500		11,500		11,500
Intercompany payable to affiliates	11,739	$ (2,237)H	9,502		9,502
Accrued interest payable	4,395		4,395		4,395
Total current liabilities	140,291	(2,237)	138,054	--	138,054
LONG-TERM LIABILITIES					
Bank debt	285,000	(110,000)H	175,000		175,000
Intercompany payable to affiliates	29,681	(29,681)H	--	--	--
Payable in lieu of deferred taxes	3,966	(3,966)I			--
Total liabilities	458,938	(145,884)	313,054	--	313,054
COMBINED EQUITY	122,630	(32,667)G (93,929)H 3,966 I	--		--
	122,630	(122,630)	--	--	--
PARTNERS' EQUITY					
Common Units	--	93,369 H	93,369	236,035 L (24,162)M	305,242
Subordinated Units	--	134,259 H	134,259	(34,744)M	99,515
General Partner Interest	--	8,219 H	8,219	(2,127)M (142,335)N	(136,243)
	--	235,847	235,847	32,667	268,514
	$581,568	$(32,667)	$548,901	$ 32,667	$581,568

See notes to pro forma consolidated financial statements.

PLAINS ALL AMERICAN PIPELINE, L.P.

PRO FORMA CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998

(IN THOUSANDS)

	HISTORICAL					
	PLAINS MIDSTREAM SUBSIDIARIES	WINGFOOT				
	NINE MONTHS ENDED SEPTEMBER 30, 1998	SIX MONTHS ENDED JUNE 30, 1998	PRO FORMA ADJUSTMENTS	PRO FORMA	OFFERING ADJUSTMENTS	PRO FORMA AS ADJUSTED
REVENUES	$755,653	$374,654	$ 62,995 A	$1,193,302	$1,346 O	$1,194,648
COST OF SALES AND OPERATIONS	732,539	344,538	59,962 A (977)F	1,136,062		1,136,062
Gross margin	23,114	30,116	4,010	57,240	1,346	58,586
EXPENSES						
General and administrative	3,561	1,053	151 A	4,765		4,765
Depreciation and amortization	2,605	6,808	1,025 A (7,833)B 5,462 C	8,067		8,067
Operating income	16,948	22,255	5,205	44,408	1,346	45,754
Related party interest expense	2,250	21,929	(21,929)D (2,250)J	--		--
Interest expense	4,952	--	(4,347)J 10,117 K	10,722		10,722
Interest and other income	647	--	5 A	652		652
NET INCOME BEFORE INCOME TAXES	10,393	326	23,619	34,338	1,346	35,684
Provision in lieu of income taxes	3,881	84	419 A (4,384)I	--		--
NET INCOME	$ 6,512	$ 242	$ 27,584	$ 34,338	$1,346	$ 35,684
Net income per Unit						$ 1.19

See notes to pro forma consolidated financial statements.

PLAINS ALL AMERICAN PIPELINE, L.P.

PRO FORMA CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997

(IN THOUSANDS)

	HISTORICAL					
	PLAINS MIDSTREAM SUBSIDIARIES	WINGFOOT				
	NINE MONTHS ENDED SEPTEMBER 30, 1997	SIX MONTHS ENDED JUNE 30, 1997	PRO FORMA ADJUSTMENTS	PRO FORMA	OFFERING ADJUSTMENTS	PRO FORMA AS ADJUSTED
REVENUES	$536,332	$541,698	$204,872 A	$1,282,902	$1,200 O	$1,284,102
COST OF SALES AND OPERATIONS	527,477	503,085	187,694 A 293 E (977)F	1,217,572		1,217,572
Gross margin	8,855	38,613	17,862	65,330	1,200	66,530
EXPENSES						
General and administrative	2,617	1,603	494 A (86)E	4,628		4,628
Depreciation and amortization	873	8,145	4,073 A (12,218)B 7,014 C	7,887		7,887
Operating income	5,365	28,865	18,585	52,815	1,200	54,015
Related party interest expense	2,253	25,112	14,119 A (39,231)D (2,253)J	--		--
Interest expense	564	--	10,117 K	10,681		10,681
Interest and other income	105	--	--	105		105
NET INCOME BEFORE INCOME TAXES	2,653	3,753	35,833	42,239	1,200	43,439
Provision in lieu of income taxes	951	572	285 A (1,808)I	--		--
NET INCOME	$ 1,702	$ 3,181	$ 37,356	$ 42,239	$1,200	$ 43,439
Net Income per Unit						$ 1.45

See notes to pro forma consolidated financial statements.

PLAINS ALL AMERICAN PIPELINE, L.P.

PRO FORMA CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE YEAR ENDED DECEMBER 31, 1997

(IN THOUSANDS)

	HISTORICAL					
	PLAINS MIDSTREAM SUBSIDIARIES	WINGFOOT	PRO FORMA ADJUSTMENTS	PRO FORMA	ADJUSTMENTS	PRO FORMA AS ADJUSTED
REVENUES................	$752,522	$992,318	$	$1,744,840	$1,651 O	$1,746,491
COST OF SALES AND OPERATIONS.............	740,042	923,152	391 E (1,303)F	1,662,282		1,662,282
Gross margin............	12,480	69,166	912	82,558	1,651	84,209
EXPENSES						
General and administrative.........	3,529	2,767	(114)E	6,182		6,182
Depreciation and amortization...........	1,165	16,290	(16,290)B 9,351 C	10,516		10,516
Impairment of pipeline assets.................	--	64,173	--	64,173		64,173
Operating income........	7,786	(14,064)	7,965	1,687	1,651	3,338
Related party interest expense................	3,622	52,745	(52,745)D (3,622)J	--		--
Interest expense........	894	--	13,489 K	14,383		14,383
Interest and other income.................	138	--	--	138		138
NET INCOME (LOSS) BEFORE INCOME TAXES...........	3,408	(66,809)	50,843	(12,558)	1,651	(10,907)
Provision in lieu of income taxes...........	1,268	276	(1,544)I	--		--
NET INCOME (LOSS).......	$ 2,140	$(67,085)	$52,387	$ (12,558)	$1,651	$ (10,907)
Net Loss per Unit.......						$ (.36)

See notes to pro forma consolidated financial statements.

PLAINS ALL AMERICAN PIPELINE, L.P.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

PRO FORMA ADJUSTMENTS

Introduction

The pro forma consolidated financial statements are based upon the historical financial statements of the Plains Midstream Subsidiaries, comprised of wholly owned subsidiaries of Plains Resources, including Plains All American Inc. (the "General Partner"), and Wingfoot, a wholly owned subsidiary of Goodyear. The September 30, 1998 financial statements of the Plains Midstream Subsidiaries reflect the July 30, 1998 Acquisition of all of the outstanding capital stock of the Celeron Companies, (which comprise substantially all of Wingfoot) from Wingfoot for approximately $400 million in cash, which was financed in part through a borrowing of $300 million under the Plains Midstream Subsidiaries' $325 million limited recourse bank facility (a portion of which funded initial working capital) and a capital contribution of $114 million from Plains Resources. The Acquisition was accounted for by the Plains Midstream Subsidiaries using the purchase method of accounting.

The pro forma consolidated financial statements reflect the Acquisition and the following Transactions to occur concurrently with, or at the closing of, the Offering of the Common Units made hereby: (i) the Plains Midstream Subsidiaries will be merged into Plains Resources, which will sell the assets of these subsidiaries to the Partnership in exchange for $93.7 million and related indebtedness, (ii) the General Partner will convey all of its interest in the All American Pipeline and the SJV Gathering System to the Partnership in exchange for Units, (iii) the public Offering by Plains All American Pipeline, L.P. of 12,782,609 Common Units at an assumed initial public offering price of $20.00 per Common Unit resulting in aggregate net proceeds to the Partnership of $236.0 million, net of underwriters' discounts and commissions and Offering expenses, and (iv) the distribution of $142.3 million to the General Partner. Following these Transactions, the General Partner and its affiliates will hold, in the aggregate, 6,817,391 Common Units, 9,800,000 Subordinated Units, a 2% general partner interest in the Partnership and the right to receive Incentive Distributions. In addition, the Partnership will assume approximately $175 million in debt from the General Partner incurred in connection with the purchase of the All American Pipeline and the SJV Gathering System. The Partnership will not assume $110 million of Bank Debt and $29.7 million of long-term Intercompany Payable to Affiliates of the Plains Midstream Subsidiaries.

The Acquisition adjustments which follow reflect the effect of the Acquisition on the Pro Forma Consolidated Income Statements, including related acquisition financing. The purchase price was allocated in accordance with APB 16 as follows (in thousands):

Property and equipment	$392,393
Other assets (debt issue costs)	6,138
Net working capital items	8,979
	$407,510

In addition to the Acquisition, Formation and Offering adjustments below, the Partnership estimates that incremental expenses will be incurred due to the Acquisition. Such amounts include estimated expenses associated with the operation of the Partnership as a separate public entity (e.g., costs of tax return preparation, audit fees, annual and quarterly reports to Unitholders, investor relations, and registrar and transfer agent fees), estimated expenses for issuance of letters of credit in excess of such amounts incurred by the Plains Midstream Subsidiaries and Wingfoot due primarily to the elimination of Goodyear as a guarantor of Wingfoot's crude oil purchase obligations and additional estimated amounts included for insurance expenses related to the assets and operations of Wingfoot. The additional insurance expense reflects Goodyear's past practice of self insuring the assets and operations of Wingfoot. The pro forma and Offering adjustments do not give effect to these incremental expenses. Additionally, the pro forma consolidated income statement for the year ended December 31, 1997 does not include a pro forma adjustment related to the non-cash impairment charge of $64.2 million related to the writedown of property and equipment by Wingfoot in connection with the sale of Wingfoot by Goodyear to the General Partner.

However, based on the Partnership's purchase price allocation to property and equipment, the Partnership would not have incurred an impairment charge during 1997 had it actually acquired Wingfoot as of January 1, 1997.

Acquisition

A. The acquisition of the Celeron Companies was completed on July 30, 1998. As a result, the historical financial information of the Plains Midstream Subsidiaries for the nine months ended September 30, 1998 includes the results of operations of the Celeron Companies from July 30, 1998 through September 30, 1998. The amounts below reflect the results of operations for periods not otherwise included in the historical financial information of the Plains Midstream Subsidiaries or Wingfoot.

	PERIOD FROM JULY 1, 1998 TO JULY 30, 1998 (DATE OF ACQUISITION)	THREE MONTHS ENDED SEPTEMBER 30, 1997
Revenues	$62,995	$204,872
Cost of Sales and Operations	59,962	187,694
Gross margin	3,033	17,178
General and administrative	151	494
Depreciation and amortization	1,025	4,073
Operating income	1,857	12,611
Related party interest expense	--	14,119
Interest and other income	5	--
Net income before taxes	1,862	(1,508)
Provision in lieu of income taxes	419	285
Net income (loss)	$ 1,443	$ (1,793)

B. Reflects the elimination of historical Wingfoot depreciation and amortization expense.

C. Reflects pro forma depreciation and amortization expense based on the purchase price of the Wingfoot assets by the Plains Midstream Subsidiaries. The pro forma composite useful depreciable life of the Partnership's fixed assets is 36 years.

D. Reflects the elimination of interest expense on loans from Goodyear to Wingfoot. In connection with the Acquisition, Goodyear made a capital contribution of $866.1 million to Wingfoot. Concurrently, the related party debt and accrued interest of approximately $865.2 million was repaid in full to Goodyear on June 15, 1998.

E. Reflects the elimination of expenses and credits associated with Wingfoot's post retirement pension, health and benefit plans in which the Partnership employees are no longer entitled to participate so that cost of sales and operations and general and administrative expense reflect the ongoing cost of employee benefits to the Partnership. The credits reflected in 1997 relate to amounts earned by Wingfoot on its prepaid pension assets.

F. Reflects the reduction in compensation and benefits expense due to the recent termination of personnel. Such amounts are based on historical expenses incurred by Wingfoot. The terminations occurred in August 1998 and the General Partner has no plans to replace these personnel. The reduction in personnel is not expected to adversely impact the Partnership's revenues or costs.

Formation

G. Reflects the transfer of certain of the Plains Midstream Subsidiaries' crude oil terminalling and storage and gathering and marketing assets to Plains Resources at the net book value of $32.7 million.

H. Reflects the transactions by which the Partnership obtains ownership of the assets of the Plains Midstream Subsidiaries at net book value in exchange for 6.8 million Common Units, 9.8 million Subordinated Units and a 2% general partner interest in the Partnership as well as the assumption of $175 million in Bank Debt. The Partnership will not assume $110 million of Bank Debt and $29.7 million of long-term Intercompany Payable to Affiliates of the Plains Midstream Subsidiaries. Additionally, upon completion of the Offering, the Partnership will have $8.0 million of net working capital, resulting in $2.2 million of currently payable Intercompany Payable to Affiliates in the Pro Forma Consolidated Balance Sheet not being assumed by the Partnership. Accumulated depreciation in the amount of $6.1 million has been credited against the Property and Equipment balance to reflect the Partnership's bases in the assets. The book value assigned to the Common Units, Subordinated Units and 2% general partner interest is based on the pro rata number of units of each class issued. The general partner interest was reduced by the cash distribution of $142.3 million (see Adjustment N).

I. Reflects the elimination of the historical income tax provision and related deferred income tax liabilities as income taxes will be borne by the partners and not the Partnership.

J. Reflects the elimination of historical interest expense on the Acquisition indebtedness and loans from Plains Resources to the Plains Midstream Subsidiaries. Such loans were not assumed by the Partnership.

K. Reflects pro forma interest expense on borrowings of $175 million assumed from the Plains Midstream Subsidiaries under the Bank Credit Agreement. The Partnership has entered into a series of 10-year interest rate swaps which fix the LIBOR portion of the interest rate at a weighted average rate of 5.96% (7.71% after giving effect to the weighted average interest rate margin under the Bank Credit Agreement).

Offering

L. Reflects the estimated net proceeds to the Partnership of $236.0 million from the issuance and sale of 12.8 million Common Units at an assumed initial public offering price of $20.00 per Common Unit in the Offering, net of underwriters' discounts and commissions of approximately $16.6 million and Offering expenses of approximately $3.0 million.

M. Reflects the purchase by the Partnership of the assets transferred to Plains Resources in adjustment G for $93.7 million. As this transaction is between entities under common control, it has been recorded at historical net book value of $32.7 million, with the incremental amount paid by the Partnership of $61.0 million recorded as a reduction in Partners' Equity.

N. Reflects the distribution of cash to the General Partner from the net proceeds of the Offering.

O. Reflects the pro forma revenues from a marketing agreement entered into upon consummation of the Offering pursuant to which the Partnership will market all of Plains Resources' crude oil production for a fee of $0.20 per barrel. Pro forma revenues from such marketing agreement were calculated based on Plains Resources historical crude oil production volumes which were marketed by the Plains Midstream Subsidiaries.

PRO FORMA NET INCOME PER UNIT

Pro forma net income per Unit is determined by dividing the pro forma net income that would have been allocated to the Common and Subordinated Unitholders, which is 98% of pro forma net income, by the number of Common and Subordinated Units expected to be outstanding at the closing of the Offering. For purposes of this calculation the Minimum Quarterly Distribution was assumed to have been paid to both Common and Subordinated Unitholders and the number of Common and Subordinated Units outstanding, 29.4 million, were assumed to have been outstanding the entire period. Pursuant to the partnership agreement, to the extent that the Minimum Quarterly Distribution is exceeded, the General Partner is entitled to certain incentive distributions which will result in less income proportionately being allocated to the Common and Subordinated Unitholders. Basic and diluted pro forma net income per Common and Subordinated Unit are equal as there are no dilutive Units.

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholder

of Plains Resources Inc. Midstream Subsidiaries

We have reviewed the accompanying combined balance sheet of Plains Resources Inc. Midstream Subsidiaries as of September 30, 1998, and the related combined statements of income and of cash flows for the nine month periods ended September 30, 1997 and 1998. This financial information is the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying combined interim financial information for it to be in conformity with generally accepted accounting principles.

We previously audited in accordance with generally accepted auditing standards the combined balance sheet as of December 31, 1997 and the related combined statements of operations and combined equity and of cash flows for the year then ended, and in our report dated September 16, 1998 presented on page F-19 of this Registration Statement we expressed an unqualified opinion on those combined financial statements. In our opinion, the information set forth in the accompanying combined balance sheet information as of December 31, 1997 is fairly stated in all material respects in relation to the combined balance sheet from which it has been derived.

PRICEWATERHOUSECOOPERS LLP

Houston, Texas

October 30, 1998

PLAINS RESOURCES INC. MIDSTREAM SUBSIDIARIES

(WHOLLY OWNED SUBSIDIARIES OF PLAINS RESOURCES INC.)

COMBINED BALANCE SHEETS

(IN THOUSANDS)

	DECEMBER 31, 1997	SEPTEMBER 30, 1998
		(UNAUDITED)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2	$ 9,986
Accounts receivable	96,319	110,027
Inventory	18,909	24,691
Prepaid expenses and other	197	1,350
Total current assets	115,427	146,054
PROPERTY AND EQUIPMENT		
Crude oil pipeline, gathering, terminal and storage facilities	33,491	428,714
Trucking equipment, injection stations and other	2,798	4,765
Less accumulated depreciation	(3,903)	(6,060)
	32,386	427,419
OTHER ASSETS	1,806	8,095
	$149,619	$581,568
LIABILITIES AND COMBINED EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 86,415	$112,657
Notes payable	18,000	11,500
Intercompany payable to affiliates	8,945	11,739
Accrued interest payable	50	4,395
Total current liabilities	113,410	140,291
LONG-TERM LIABILITIES		
Bank debt	--	285,000
Intercompany payable to affiliates	28,531	29,681
Payable in lieu of deferred taxes	1,703	3,966
Total liabilities	143,644	458,938
COMBINED EQUITY	5,975	122,630
	$149,619	$581,568

See notes to combined financial statements.

PLAINS RESOURCES INC. MIDSTREAM SUBSIDIARIES

(WHOLLY OWNED SUBSIDIARIES OF PLAINS RESOURCES INC.)

COMBINED STATEMENTS OF INCOME

(UNAUDITED) (IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998
REVENUES	$536,332	$755,653
COST OF SALES AND OPERATIONS	527,477	732,539
Gross margin	8,855	23,114
EXPENSES		
General and administrative	2,617	3,561
Depreciation and amortization	873	2,605
Total expenses	3,490	6,166
Operating income	5,365	16,948
Related party interest expense	2,253	2,250
Interest expense	564	4,952
Interest and other income	105	647
Net income before income taxes	2,653	10,393
Provision in lieu of income taxes	951	3,881
NET INCOME	$ 1,702	$ 6,512

See notes to combined financial statements.

PLAINS RESOURCES INC. MIDSTREAM SUBSIDIARIES

(WHOLLY OWNED SUBSIDIARIES OF PLAINS RESOURCES INC.)

COMBINED STATEMENTS OF CASH FLOWS
(UNAUDITED) (IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,702	$ 6,512
Items not affecting cash flows from operating activities:		
Depreciation and amortization	873	2,605
(Gain) loss on sale of property and equipment	(28)	124
Change in payable in lieu of deferred taxes	848	2,263
Change in assets and liabilities resulting from operating activities:		
Accounts receivable	(2,605)	38,078
Accounts payable and accrued liabilities	(4,816)	(24,223)
Accrued interest	55	4,345
Inventory	(27,185)	(5,121)
Other	(121)	(1,153)
Net cash (used in) provided by operating activities	(31,277)	23,430
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition (see Note 2)	--	(401,372)
Additions to property and equipment	(623)	(3,927)
Disposals of property and equipment	84	--
Additions to other assets	(14)	(6,872)
Net cash used in investing activities	(553)	(412,171)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from affiliates	6,432	3,944
Debt issue costs incurred in connection with Acquisition (see Note 2)	--	6,138
Proceeds from long-term debt	--	285,000
Proceeds from short-term debt	25,000	28,800
Repayments of short-term debt	--	(35,300)
Capital contribution from Plains Resources	--	113,700
Dividend to Plains Resources	--	(3,557)
Net cash provided by financing activities	31,432	398,725
Net (decrease) increase in cash	(398)	9,984
Cash, beginning of period	404	2
Cash, end of period	$ 6	$ 9,986
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 2,762	$ 2,807

See notes to combined financial statements.

PLAINS RESOURCES INC. MIDSTREAM SUBSIDIARIES

(WHOLLY OWNED SUBSIDIARIES OF PLAINS RESOURCES INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1--ORGANIZATION AND ACCOUNTING POLICIES

Organization

Plains Resources Inc. Midstream Subsidiaries (the "Plains Midstream Subsidiaries") consist of wholly owned subsidiaries of Plains Resources Inc. ("Plains Resources"). The Plains Midstream Subsidiaries are in the business of interstate and intrastate crude oil pipeline transportation, crude oil terminalling, storage, gathering and marketing primarily in California, Texas, Oklahoma, Louisiana and the Gulf of Mexico.

Accounting Policies

The accompanying unaudited combined financial statements have been prepared in accordance with the instructions to interim financial reporting as prescribed by the Securities and Exchange Commission. All material adjustments consisting only of normal recurring adjustments which, in the opinion of management, are necessary for a fair statement of the results for the interim periods, have been reflected. These interim financial statements should be read in conjunction with the annual combined financial statements of the Plains Midstream Subsidiaries included elsewhere in this Prospectus.

NOTE 2--ACQUISITION

On July 30, 1998, the Plains Midstream Subsidiaries acquired all of the outstanding capital stock of the All American Pipeline Company, Celeron Gathering Corporation and Celeron Trading & Transportation Company (collectively the "Celeron Companies") from Wingfoot Ventures Seven, Inc., a wholly-owned subsidiary of Goodyear, for approximately $400 million, including transaction costs. The principal assets of the entities acquired include the All American Pipeline, a 1,233-mile crude oil pipeline extending from California to Texas, and a 45-mile crude oil gathering system in the San Joaquin Valley of California, as well as other assets related to such operations. The acquisition was accounted for utilizing the purchase method of accounting with the assets, liabilities and results of operations included in the Combined Financial Statements effective July 30, 1998. The following unaudited pro forma information is presented to show the effect on revenues and net income had the acquisition been consummated on January 1, 1997.

	NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998
	(IN THOUSANDS)	
Revenues	$1,284,102	$1,194,648
Net Income	$ 43,439	$ 35,684

Financing for the acquisition was provided through (i) a $325 million, limited recourse bank facility with ING (U.S.) Capital Corporation, BankBoston, N.A. and other lenders (the "Plains Midstream Credit Facility") and (ii) an approximate $114 million capital contribution by Plains Resources. Actual borrowings under the Plains Midstream Credit Facility at closing were $300 million. Proceeds from such borrowings, together with the capital contribution from Plains, were used to acquire all of the outstanding capital stock of the Celeron Companies from Goodyear and to provide initial working capital.

The Plains Midstream Credit Facility is guaranteed by the Celeron Companies and is secured by certain assets of the Celeron Companies, including all pipelines, gathering lines, available accounts receivable,

inventory, linefill and the capital stock of the Celeron Companies. The Plains Midstream Credit Facility consists of (i) a $100 million reducing, revolving line of credit with a $30 million sub-limit for letters of credit ("Tranche A") and (ii) a $225 million non-amortizing term loan ("Tranche B"). The Plains Midstream Subsidiaries incur a commitment fee of 0.5% per annum on the unused portion of Tranche A. The commitment for Tranche A reduces in twenty-four equal quarterly amounts commencing September 30, 1998, with final maturity on June 30, 2004. Tranche B of the Plains Midstream Credit Facility is repayable at maturity on June 30, 2005. Prepayment of principal on Tranche B is subject to a penalty of 1% on amounts prepaid prior to December 31, 1998, and 0.5% thereafter through June 30, 1999. The Plains Midstream Credit Facility bears interest at the Plains Midstream Subsidiaries option at the Base Rate (as defined therein) or (i) LIBOR plus 1.75% for Tranche A and (ii) LIBOR plus 3.00% prior to September 30, 1998 and LIBOR plus 2.75% thereafter for Tranche B. The Plains Midstream Subsidiaries have entered into 10 year interest rate swaps with three of the lending banks to fix the LIBOR portion of the interest rate on $200 million of indebtedness under Tranche B at 5.96% plus the applicable margin.

The Plains Midstream Credit Facility contains covenants which, among other things, requires the Plains Midstream Subsidiaries to maintain certain financial ratios and minimum net worth. In addition, the Plains Midstream Credit Facility contains restrictions on additional debt or liens, hedging contracts, asset sales other than those in the ordinary course of business, dividends and other distributions, investments and capital expenditures above a specified amount.

As a result of the acquisition, the Plains Midstream Subsidiaries increased their letter of credit and inventory credit facility from $90 million to $175 million. On July 30, 1998, the Plains Midstream Subsidiaries established a $175 million secured revolving credit facility with BankBoston, N.A., ING (U.S.) Capital Corporation and other lenders (the "Letter of Credit Facility"). The purpose of the Letter of Credit Facility is to provide standby letters of credit to support the purchase of crude oil for resale and borrowings to finance crude oil inventory which has been hedged against future price risk. The Letter of Credit Facility is guaranteed by Plains Resources. The Letter of Credit Facility is secured by certain assets of the Plains Midstream Subsidiaries, primarily accounts receivable and crude oil inventory. Aggregate availability under the Letter of Credit Facility is subject to certain borrowing base tests which are determined monthly.

The Plains Midstream Subsidiaries have established a $40 million sublimit (the "Sublimit") within the Letter of Credit Facility for borrowings to finance crude oil purchased in connection with operations at the Plains Midstream Subsidiaries' crude oil terminal and storage facilities. Under the terms of the Sublimit, all purchases of crude oil inventory financed are required to be hedged against future price risk on terms acceptable to the lenders.

Letters of credit under the Letter of Credit Facility are generally issued for up to seventy day periods. Borrowings incur interest at the borrower's option of either (i) the Base Rate, as defined, or (ii) LIBOR plus an applicable margin. The Plains Midstream Subsidiaries incur a commitment fee of 0.25% per annum on the unused portion of the Letter of Credit Facility. The Letter of Credit Facility has a final maturity date of July 30, 2001.

The Letter of Credit Facility contains covenants which, among other things, require the Plains Midstream Subsidiaries to maintain certain financial ratios and minimum levels of working capital and net worth. In addition, the Letter of Credit Facility contains restrictions on additional indebtedness, acquisitions, mergers, sale of assets, affiliate transactions, derivative contracts and capital expenditures.

PLAINS RESOURCES INC. MIDSTREAM SUBSIDIARIES

(WHOLLY OWNED SUBSIDIARIES OF PLAINS RESOURCES INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

(UNAUDITED)

NOTE 3--COMBINED EQUITY

The following is a reconciliation of the combined equity balance of the Plains Midstream Subsidiaries Inc.:

	1997	1998
Balance--December 31	$3,835	$ 5,975
Net income for the nine months ended September 30	1,702	6,512
Capital contribution in connection with the acquisition of the Celeron Companies	--	113,700
Dividend to Plains Resources	--	(3,557)
Balance--September 30	$5,537	$122,630

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholder of Plains Resources Inc. Midstream Subsidiaries

In our opinion, the accompanying combined balance sheets and the related combined statements of operations and combined equity and of cash flows present fairly, in all material respects, the financial position of Plains Resources Inc. Midstream Subsidiaries (wholly owned subsidiaries of Plains Resources Inc.) at December 31, 1996 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of Plains Resources Inc. Midstream Subsidiaries' management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP

Houston, Texas
September 16, 1998

PLAINS RESOURCES INC. MIDSTREAM SUBSIDIARIES

(WHOLLY OWNED SUBSIDIARIES OF PLAINS RESOURCES INC.)

COMBINED BALANCE SHEETS

(IN THOUSANDS)

	DECEMBER 31, 1996	DECEMBER 31, 1997
ASSETS		
CURRENT ASSETS		
Cash	$ 404	$ 2
Accounts receivable	85,904	96,319
Inventory	2,459	18,909
Other	158	197
Total current assets	88,925	115,427
PROPERTY AND EQUIPMENT		
Crude oil terminal and storage facilities	33,349	33,491
Trucking equipment, injection stations and other	2,492	2,798
Less accumulated depreciation	(3,027)	(3,903)
	32,814	32,386
OTHER ASSETS	818	1,806
	$122,557	$149,619
LIABILITIES AND COMBINED EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 76,838	$ 86,415
Notes payable	--	18,000
Intercompany payable to affiliates	9,501	8,945
Accrued interest payable	--	50
Total current liabilities	86,339	113,410
LONG-TERM LIABILITIES		
Intercompany payable to affiliates	31,811	28,531
Payable in lieu of deferred taxes	572	1,703
Total liabilities	118,722	143,644
COMBINED EQUITY	3,835	5,975
	$122,557	$149,619

See notes to combined financial statements.

PLAINS RESOURCES INC. MIDSTREAM SUBSIDIARIES

(WHOLLY OWNED SUBSIDIARIES OF PLAINS RESOURCES INC.)

COMBINED STATEMENTS OF OPERATIONS AND COMBINED EQUITY

(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
REVENUES	$339,825	$531,698	$752,522
COST OF SALES AND OPERATIONS	333,459	522,167	740,042
Gross margin	6,366	9,531	12,480
EXPENSES			
General and administrative	2,415	2,974	3,529
Depreciation and amortization	944	1,140	1,165
Total expenses	3,359	4,114	4,694
Operating income	3,007	5,417	7,786
Related party interest expense	3,460	3,559	3,622
Interest expense	--	--	894
Interest and other income	115	90	138
Net (loss) income before (benefit) provision in lieu of income taxes	(338)	1,948	3,408
(Benefit) provision in lieu of income taxes	(93)	726	1,268
NET (LOSS) INCOME	(245)	1,222	2,140
Beginning combined equity	2,858	2,613	3,835
Ending combined equity	$ 2,613	$ 3,835	$ 5,975

See notes to combined financial statements.

PLAINS RESOURCES INC. MIDSTREAM SUBSIDIARIES

(WHOLLY OWNED SUBSIDIARIES OF PLAINS RESOURCES INC.)

COMBINED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income	$ (245)	$ 1,222	$ 2,140
Items not affecting cash flows from operating activities:			
Depreciation and amortization	944	1,140	1,165
Gain on sale of property and equipment	(3)	(34)	(28)
Change in payable in lieu of deferred taxes	(93)	706	1,131
Change in assets and liabilities resulting from operating activities:			
Accounts receivable	(21,999)	(38,771)	(10,415)
Accounts payable and accrued liabilities	14,559	35,994	9,577
Accrued interest	--	--	50
Inventory	1,007	435	(16,450)
Other	30	41	(39)
Net cash (used in) provided by operating activities	(5,800)	733	(12,869)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	(571)	(3,346)	(678)
Disposals of property and equipment	34	97	85
Additions to other assets	(184)	(36)	(1,261)
Net cash used in investing activities	(721)	(3,285)	(1,854)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from (payments to) affiliates	4,963	2,759	(3,679)
Proceeds from short-term debt	--	--	39,000
Repayments of short-term debt	--	--	(21,000)
Cash in compensating balance account	1,494	--	--
Net cash provided by financing activities	6,457	2,759	14,321
Net (decrease) increase in cash	(64)	207	(402)
Cash, beginning of period	261	197	404
Cash, end of period	$ 197	$ 404	$ 2
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid	$ 3,460	$ 3,559	$ 4,466

See notes to combined financial statements.

PLAINS RESOURCES INC. MIDSTREAM SUBSIDIARIES

(WHOLLY OWNED SUBSIDIARIES OF PLAINS RESOURCES INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Plains Resources Inc. Midstream Subsidiaries (the "Plains Midstream Subsidiaries") consist of wholly owned subsidiaries of Plains Resources Inc. ("Plains Resources"). The Plains Midstream Subsidiaries are in the business of crude oil terminalling and storage and gathering and marketing primarily in Oklahoma (where they own a two million barrel, above ground crude oil terminalling and storage facility (the "Cushing Terminal")), Texas, Louisiana and Kansas.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates are reasonable, actual results could differ from these estimates.

Revenue Recognition

Revenues are accrued at the time title to the product sold transfers to the purchaser, which typically occurs upon receipt of the product by the purchaser, and purchases are accrued at the time title to the product purchased transfers to the Plains Midstream Subsidiaries, which typically occurs upon receipt of the product by the Plains Midstream Subsidiaries. Except for crude oil purchased from time to time as inventory to service the needs of its terminalling and storage customers, the Plains Midstream Subsidiaries' policy is to purchase only crude oil for which they have a market to sell and to structure their sales contracts so that crude oil price fluctuations do not materially affect the gross margin which they receive. As the Plains Midstream Subsidiaries purchase crude oil, they establish a margin by selling crude oil for physical delivery to third party users, such as independent refiners or major oil companies, or by entering into a future delivery obligation with respect to futures contracts on the New York Mercantile Exchange ("NYMEX"). Through these transactions, the Plains Midstream Subsidiaries seek to maintain a position that is substantially balanced between crude oil purchases and sales and future delivery obligations.

Cash

The Plains Midstream Subsidiaries' cash management program utilizes zero-balance accounts, which are funded on a daily basis by Plains Resources. Accordingly, the Plains Midstream Subsidiaries maintain book overdraft balances which have been reclassified to current liabilities.

Inventory

Inventory consists of crude oil in pipelines and in storage tanks which is valued at the lower of cost or market, with cost determined using the average cost method.

Property and Equipment

Property and equipment is recorded at cost. Acquisitions and betterments are capitalized; maintenance and repairs are expensed. Depreciation on the Cushing Terminal is provided using the straight-line method over an estimated useful life of forty years; other property and equipment is also depreciated using the straight-line method over estimated useful lives of five to ten years.

Other Assets

Other assets include goodwill associated with the purchase of certain transportation and crude oil gathering assets and are amortized over a period of twenty years.

Federal Income Taxes

The Plains Midstream Subsidiaries are included in the combined federal income tax return of Plains Resources. Income taxes are calculated as if the Plains Midstream Subsidiaries had filed a return on a separate company basis utilizing a statutory rate of 35%. Payables in lieu of deferred taxes represent deferred tax liabilities which are recognized based on the temporary differences between the tax basis of the Plains Midstream Subsidiaries' assets and liabilities and the amounts reported in the financial statements. These amounts are owed to Plains Resources. Current amounts payable are also owed to Plains Resources and are included in intercompany payable to affiliates in the accompanying Combined Balance Sheets (see Note 2).

Hedging

The Plains Midstream Subsidiaries utilize various derivative instruments to hedge their exposure to price fluctuations on crude oil transactions. The derivative instruments used consist primarily of futures and option contracts traded on the NYMEX and crude oil swap contracts entered into with financial institutions. These instruments are utilized to hedge transactions which are based on NYMEX oil prices; therefore, a high correlation exists between the hedged item and the hedge contract.

Recognized gains and losses on hedge contracts are reported as a component of the related transaction. Cash flows from hedging activities are included in operating activities in the Combined Statements of Cash Flows. Net deferred gains and losses on futures contracts, including closed futures contracts, entered into to hedge anticipated crude oil purchases and sales are included in accounts payable and accrued liabilities in the Combined Balance Sheets. Deferred gains or losses from inventory hedges are included as part of the inventory cost and recognized when the related inventory is sold. Crude oil swap contracts have no carrying value and therefore are not reflected in the Combined Balance Sheets.

Recent Accounting Pronouncements

In July 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 131 ("SFAS 131"), Disclosures About Segments of an Enterprise and Related Information, effective for fiscal years beginning after December 15, 1997. SFAS 131 introduces a new model for segment reporting and requires disclosures for each segment that are similar to those required under current standards with the addition of quarterly disclosure requirements and a finer partitioning of geographic disclosures. Reportable segments are based on products and services, geography, legal structure, management structure or any manner in which management disaggregates a company. This statement replaces the notion of industry and geographic segments in current FASB standards. Management is currently evaluating the impact of this statement on the Plains Midstream Subsidiaries' disclosures.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"). SFAS 133 is effective for all fiscal years beginning after June 15, 1999. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it

is, the type of hedge transaction. For fair-value hedge transactions in which the Plains Midstream Subsidiaries are hedging changes in an asset's, liability's, or firm commitment's fair value, changes in the fair value of the derivative instrument will generally be offset in the income statement by changes in the hedged item's fair value. For cash-flow hedge transactions, in which the Plains Midstream Subsidiaries are hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The Plains Midstream Subsidiaries have not yet determined the impact that the adoption of SFAS 133 will have on their earnings or statement of financial position.

NOTE 2--INCOME TAXES

As discussed in Note 1, the Plains Midstream Subsidiaries' results are included in Plains Resources' combined federal income tax return. The amounts presented below were calculated as if the Plains Midstream Subsidiaries filed a separate tax return. Current amounts payable per the calculations in the amount of $20,000 and $137,000 for the years ended December 31, 1996 and 1997, respectively, are payable to Plains Resources and are included in intercompany payable to affiliates in the accompanying Combined Balance Sheets.

(Benefit) provision in lieu of income taxes consists of the following components:

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
	(IN THOUSANDS)		
Federal			
Current	$ --	$ 1	$ 38
Deferred	(93)	706	1,131
State			
Current	--	19	99
Total	$(93)	$726	$1,268

Actual (benefit) provision in lieu of income taxes differs from (benefit) provision in lieu of income taxes computed by applying the U.S. federal statutory corporate tax rate of 35% to (loss) income before such (benefit) provision as follows:

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
	(IN THOUSANDS)		
Provision at the statutory rate	$(118)	$682	$1,169
State income tax, net of benefit for federal deduction	--	12	65
Permanent differences	25	32	34
Total	$ (93)	$726	$1,268

The Plains Midstream Subsidiaries' payable in lieu of deferred taxes at December 31, 1996 and 1997, results from differences in depreciation methods used for financial purposes and for tax purposes.

NOTE 3--CREDIT FACILITIES

The Plains Midstream Subsidiaries have a $90 million Uncommitted Secured Demand Transactional Line of Credit Facility ("the Transactional Facility") with five banks. The purpose of the Transactional Facility is to provide standby letters of credit to support the purchase by the Plains Midstream Subsidiaries of crude oil for resale and borrowings by the Plains Midstream Subsidiaries to finance crude oil inventory which has been hedged against future price risk. The Transactional Facility is secured by all of the assets of the Plains Midstream Subsidiaries and is guaranteed by Plains Resources. Plains Resources' guarantee is secured by a $1 million standby letter of credit issued under Plains Resources' revolving credit facility.

Generally, letters of credit under the Transactional Facility are issued for up to seventy day periods. At December 31, 1996 and 1997, the Plains Midstream Subsidiaries had outstanding letters of credit of approximately $39.6 million and $37.8 million, respectively, issued under the Transactional Facility. To date, no amounts have been drawn on such letters of credit issued by the Plains Midstream Subsidiaries.

The Plains Midstream Subsidiaries have established a $25 million sublimit (the "Sublimit") within the Transactional Facility for standby letters of credit and borrowings to finance crude oil purchases. Under the terms of the Sublimit, all purchases of crude oil inventory financed are required to be hedged against future price risk on terms acceptable to the lenders. No borrowings were outstanding under the Sublimit as of December 31, 1996. At December 31, 1997, approximately $18.0 million in borrowings were outstanding under the Sublimit.

Borrowings under the Transactional Facility incur interest at the borrower's option of either (i) the Base Rate, as defined, or (ii) LIBOR plus an applicable margin. All financings under the Transactional Facility, which expire in November 1998, are at the discretion of the lenders on a transaction by transaction basis. Aggregate cash borrowings by the Plains Midstream Subsidiaries for inventory transactions are limited to $25 million.

In July 1998, Plains All American Inc., a wholly owned subsidiary of Plains Resources, acquired the All American Pipeline, a 1,233-mile crude oil pipeline extending from California to Texas, and a 45-mile crude oil gathering system in the San Joaquin Valley of California, as well as certain other assets related to such operations. As a result of Plains Resources' acquisition of such assets, the Plains Midstream Subsidiaries increased their letter of credit and inventory credit facility from $90 million to $175 million. On July 30, 1998, the Plains Midstream Subsidiaries established a $175 million secured revolving credit facility with BankBoston, N.A., ING (U.S.) Capital Corporation and other lenders (the "Letter of Credit Facility"). The purpose of the Letter of Credit Facility is to provide standby letters of credit to support the purchase of crude oil for resale and borrowings to finance crude oil inventory which has been hedged against future price risk. The Letter of Credit Facility is guaranteed by Plains Resources. The Letter of Credit Facility is secured by certain assets of the Plains Midstream Subsidiaries, primarily accounts receivable and crude oil inventory. Aggregate availability under the Letter of Credit Facility is subject to certain borrowing base tests which are determined monthly.

The Plains Midstream Subsidiaries have established a $40 million sublimit (the "Sublimit") within the Letter of Credit Facility for borrowings to finance crude oil purchased in connection with operations at the Plains Midstream Subsidiaries' crude oil terminal and storage facilities. Under the terms of the Sublimit, all purchases of crude oil inventory financed are required to be hedged against future price risk on terms acceptable to the lenders.

Letters of credit under the Letter of Credit Facility are generally issued for up to seventy day periods. Borrowings incur interest at the borrower's option of either (i) the Base Rate, as defined, or (ii) LIBOR plus an applicable margin. The Plains Midstream Subsidiaries incur a commitment fee of 0.25% per annum on the unused portion of the Letter of Credit Facility. The Letter of Credit Facility has a final maturity date of July 30, 2001.

The Letter of Credit Facility contains covenants which, among other things, require the Plains Midstream Subsidiaries to maintain certain financial ratios and minimum levels of working capital and net worth. In addition, the Letter of Credit Facility contains restrictions on additional indebtedness, acquisitions, mergers, sale of assets, affiliate transactions, derivative contracts and capital expenditures.

NOTE 4--MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

During 1995, Phibro, Inc. ("Phibro") and Basis Petroleum, Inc. ("Basis"), formerly Phibro Energy U.S.A., Inc., accounted for 19% and 15%, respectively, of the Plains Midstream Subsidiaries' total sales. For 1996 and 1997, customers accounting for more than 10% of total sales are as follows: 1996--Koch Oil Company ("Koch")--16% and Basis--11%; 1997--Koch--30%, Sempra Energy Trading Corporation, formerly AIG Trading Corporation--12% and Basis--11%. No other purchaser accounted for as much as 10% of total sales during 1995, 1996 and 1997.

Financial instruments which potentially subject the Plains Midstream Subsidiaries to concentrations of credit risk consist principally of trade receivables. The Plains Midstream Subsidiaries' accounts receivable are primarily from purchasers of crude oil. This industry concentration has the potential to impact the Plains Midstream Subsidiaries' overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. The Plains Midstream Subsidiaries generally require letters of credit for receivables from customers which are not considered investment grade, unless the credit risk can otherwise be reduced.

NOTE 5--RELATED PARTY TRANSACTIONS

The Plains Midstream Subsidiaries market certain crude oil production of Plains Resources, its subsidiaries and its royalty owners. The Plains Midstream Subsidiaries paid approximately $43.8 million, $100.5 million and $101.2 million for the purchase of these products for the years ended December 31, 1995, 1996 and 1997, respectively. In management's opinion, such purchases were made at prevailing market rates. The Plains Midstream Subsidiaries did not recognize a profit on the sale of the barrels purchased from Plains Resources.

The Plains Midstream Subsidiaries are guarantors of Plains Resources' $225 million revolving credit facility and $200 million 10 1/4% Senior Subordinated Notes due 2006. The agreements under which such debt was issued contain covenants which, among other things, restrict the Plains Midstream Subsidiaries' ability to make certain loans and investments and restrict additional borrowings by the Plains Midstream Subsidiaries.

Plains Resources allocated certain direct and indirect general and administrative expenses to the Plains Midstream Subsidiaries during 1995, 1996 and 1997. Indirect costs were allocated based on the number of employees. The types of indirect expenses allocated to the Plains Midstream Subsidiaries during this period were office rent, utilities, telephone services, data processing services, office supplies and equipment maintenance. Direct expenses allocated by Plains Resources were primarily salaries and benefits of employees engaged in the business activities of the Plains Midstream Subsidiaries. Management believes that the method used to allocate expenses is reasonable.

The Plains Midstream Subsidiaries fund the acquisition of certain asset and inventory purchases through borrowings from Plains Resources. In addition, the Plains Midstream Subsidiaries participate in a cash management arrangement with Plains Resources covering the funding of daily cash requirements and the investing of excess cash. Amounts due to the Parent Company under the arrangements bear interest at a rate of 10 1/4%. The balance due to Plains Resources as of December 31, 1996 and 1997, was approximately $30.0

million and $26.7 million, respectively. Such amounts include approximately $0.2 million and $0.3 million of cumulative federal and state income taxes payable at December 31, 1996 and 1997, respectively. Balances due to other subsidiaries of Plains Resources as of December 31, 1996 and 1997 were approximately $11.3 million and $10.8 million, respectively.

The Plains Midstream Subsidiaries have entered into various derivative financial instruments (see Note 6) on Plains Resources's behalf. The principal objective is to hedge exposure to price volatility on crude oil produced by Plains Resources. Any gains or losses on these transactions are passed on to Plains Resources.

NOTE 6--FINANCIAL INSTRUMENTS

Derivatives

The Plains Midstream Subsidiaries utilize derivative financial instruments, as defined in SFAS No. 119, "Disclosure About Derivative Financial Instruments and Fair Value of Financial Instruments," to hedge exposure to price volatility on crude oil and do not use such instruments for speculative trading purposes. These arrangements expose the Plains Midstream Subsidiaries to credit risk (as to counterparties) and to risk of adverse price movements in certain cases where the Plains Midstream Subsidiaries' purchases are less than expected.

Fair Value of Financial Instruments

In accordance with the requirements of SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," the carrying values of items comprising current assets and current liabilities approximate fair value due to the short-term maturities of these instruments. Crude oil futures contracts permit settlement by delivery of the crude oil and, therefore, are not financial instruments, as defined. The unrealized gain on crude oil swap transactions entered into on behalf of the Parent Company was approximately $0.1 million and $1.0 million as of December 31, 1996 and 1997, respectively. These amounts represent the calculated difference between the NYMEX crude oil price and the contract price of the hedge arrangements as of December 31, 1996 and 1997.

NOTE 7--LITIGATION

The Plains Midstream Subsidiaries, in the ordinary course of business, are defendants in various legal proceedings in which their exposure, individually and in the aggregate, is not considered material to the accompanying financial statements.

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholder

of Wingfoot Ventures Seven, Inc.

We have reviewed the accompanying consolidated balance sheets of Wingfoot Ventures Seven, Inc. as of June 30, 1998, and the related consolidated statements of income and of cash flows for the six month periods ended June 30, 1998 and 1997. This financial information is the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial information for it to be in conformity with generally accepted accounting principles.

We previously audited in accordance with generally accepted auditing standards the consolidated balance sheet as of December 31, 1997 and the related consolidated statements of operations and accumulated deficit, and of cash flows for the year then ended, and in our report dated July 27, 1998 presented on page F-34 of this Registration Statement we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 1997 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PRICEWATERHOUSECOOPERS LLP

San Francisco, California

September 23, 1998

WINGFOOT VENTURES SEVEN, INC.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31, 1997	JUNE 30, 1998
		(UNAUDITED)
ASSETS		
CURRENT ASSETS		
Cash	$ 104	$ 150
Accounts receivable	64,077	53,367
Receivable from affiliate	--	26,304
Working oil inventory	2,240	5,714
Prepaid expenses and other current assets	5,179	6,577
Total current assets	71,600	92,112
Property, plant and equipment	1,629,391	1,631,009
Less allowance for depreciation and amortization	(1,228,465)	(1,235,273)
	400,926	395,736
Total assets	$ 472,526	$ 487,848
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 53,065	$ 43,992
Benefits and compensation	1,834	1,459
Accrued expenses	1,591	1,872
Accrued interest to related party	34,121	--
Accrued taxes	6,670	7,102
Short-term debt to related party	102,439	--
Other current liabilities	1,071	1,080
Total current liabilities	200,791	55,505
LONG-TERM LIABILITIES		
Long-term debt to related party	705,243	--
Deferred income taxes	7,130	6,830
Benefits and compensation	7,971	7,749
Total liabilities	921,135	70,084
STOCKHOLDER'S EQUITY		
Common stock, $100 par value, 1,000 shares authorized; issued and outstanding 12 shares	1	1
Additional paid-in capital	907,374	1,773,505
Accumulated deficit	(1,355,984)	(1,355,742)
	(448,609)	417,764
Total liabilities and stockholder's equity	$ 472,526	$ 487,848

See notes to consolidated financial statements.

WINGFOOT VENTURES SEVEN, INC.

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED) (IN THOUSANDS)

	SIX MONTHS ENDED JUNE 30,	
	1997	1998
REVENUES	$541,698	$374,654
COST OF SALES AND OPERATIONS	503,085	344,538
Gross margin	38,613	30,116
EXPENSES		
Depreciation and amortization	8,145	6,808
General and administrative	1,603	1,053
Total expenses	9,748	7,861
Operating income	28,865	22,255
Related party interest expense	25,112	21,929
Income before income taxes	3,753	326
Provision in lieu of income taxes	572	84
NET INCOME	$ 3,181	$ 242

See notes to consolidated financial statements.

WINGFOOT VENTURES SEVEN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED) (IN THOUSANDS)

	SIX MONTHS ENDED JUNE 30, 1997	SIX MONTHS ENDED JUNE 30, 1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 3,181	$ 242
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,145	6,808
Deferred income taxes	(103)	(300)
Changes in assets and liabilities resulting from operating activities:		
Accounts receivable	5,064	10,710
Receivable from affiliate	--	(26,304)
Working oil inventory, prepaid expenses and other current assets	(15,650)	(4,872)
Accounts payable	(5,886)	(9,073)
Accrued taxes	225	432
Accruals and other current liabilities	(26,903)	(34,206)
Benefits and compensation	40	(222)
Net cash used in operating activities	(31,887)	(56,785)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,238)	(850)
Linefill	(3,236)	(768)
Net cash used in investing activities	(4,474)	(1,618)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital contribution	--	866,131
Net proceeds (repayments) of debt to related party	35,417	(807,682)
Net cash provided by financing activities	35,417	58,449
Net (decrease) increase in cash	(944)	46
Cash, beginning of period	1,448	104
Cash, end of period	$ 504	$ 150

See notes to consolidated financial statements.

WINGFOOT VENTURES SEVEN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1998

(IN THOUSANDS)
(UNAUDITED)

1. THE COMPANY

Wingfoot Ventures Seven, Inc. ("Wingfoot") is a wholly-owned subsidiary of The Goodyear Tire & Rubber Company ("Goodyear"). Wingfoot operates in the mid-stream segment of the energy transportation business and consists of four operating subsidiaries: All American Pipeline Company ("AAPL") and its wholly-owned subsidiary, Celeron Gathering Corporation ("CGC"), Celeron Trading and Transportation ("CT&T") and Celeron Corporation ("CC"). AAPL is engaged in the operation of a heated crude oil pipeline which extends approximately 1,233 miles from Las Flores and Gaviota on the California coast to West Texas. As a common carrier, AAPL charges transportation tariffs which must be filed with the Federal Energy Regulatory Commission ("FERC") and the Public Utilities Commission of the State of California ("CPUC"). CGC operates a proprietary crude oil gathering pipeline in the San Joaquin Valley area of California. CT&T is engaged in purchasing, selling and exchanging crude oil, a substantial portion of which is transported through AAPL's pipeline. CC provides management services to AAPL, CGC and CT&T.

On March 21, 1998, a Stock Purchase Agreement ("the Agreement") was executed between Wingfoot and Plains All American Inc. ("PAAI"), a wholly-owned subsidiary of Plains Resources Inc., whereby all of the issued and outstanding shares of the capital stock of AAPL and CT&T would be sold to PAAI contingent upon, among other things, approval by the Federal Trade Commission and the CPUC. The net assets to be sold are comprised of assets and liabilities of AAPL, CGC and CT&T and include or exclude all assets and liabilities listed in certain Bills of Sale and Assumption Agreements included in the Agreement. In addition, the following items have been excluded from the net assets to be sold: all of Wingfoot's intercompany transactions with Goodyear; certain other liabilities; and debt and interest owed to Goodyear and its subsidiaries. On July 30, 1998, the Agreement was consummated by PAAI for approximately $400 million, including transaction costs.

2. ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions of interim financial reporting as prescribed by the Securities and Exchange Commission. All material adjustments consisting only of normal recurring adjustments which, in the opinion of management, were necessary for a fair statement of the results for the interim periods, have been reflected. These consolidated unaudited interim financial statements should be read in conjunction with the annual consolidated financial statements of Wingfoot included elsewhere in this Prospectus.

3. RELATED PARTY DEBT

Pursuant to the Agreement, Wingfoot is obligated to repay the outstanding related party debt and accrued interest of certain of its subsidiaries prior to closing. On June 15, 1998, Goodyear made capital contributions of $866,131 and cash payments of $15,494 for repayments to Wingfoot. Upon receipt of the $881,625, Wingfoot paid Goodyear $865,219 ($843,269 for repayment of certain outstanding related party debt and accrued interest at December 31, 1997 and $21,950 for repayment of related party accrued interest from January 1, 1998 to May 29, 1998) and remitted the remaining $16,406 to Goodyear for payment of certain other liabilities to be assumed by Goodyear as a result of the Agreement.

4. SUBSEQUENT EVENT

Pursuant to the Agreement, in July 1998, an affiliate of Goodyear repaid $26.3 million to Wingfoot. Concurrently, Wingfoot distributed $25.1 million to Goodyear.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholder of
Wingfoot Ventures Seven, Inc. (a wholly-owned subsidiary of
The Goodyear Tire and Rubber Company)

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and accumulated deficit and of cash flows present fairly, in all material respects, the financial position of Wingfoot Ventures Seven, Inc. (a wholly-owned subsidiary of The Goodyear Tire & Rubber Company) and its subsidiaries at December 31, 1996 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP

San Francisco, California
July 27, 1998

WINGFOOT VENTURES SEVEN, INC.

(A WHOLLY-OWNED SUBSIDIARY OF THE GOODYEAR TIRE & RUBBER COMPANY)

CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

	DECEMBER 31, 1996	DECEMBER 31, 1997
ASSETS		
Cash	$ 1,448	$ 104
Accounts receivable	66,433	64,077
Working oil inventory	5,789	2,240
Prepaid expenses and other current assets	4,862	5,179
Total current assets	78,532	71,600
Property, plant and equipment (Note 3)	1,578,450	1,629,391
Less--accumulated depreciation	(1,148,002)	(1,228,465)
	430,448	400,926
Total assets	$ 508,980	$ 472,526
LIABILITIES AND STOCKHOLDER'S EQUITY		
Accounts payable	$ 67,097	$ 53,065
Benefits and compensation	1,465	1,834
Accrued expenses	4,804	1,591
Accrued interest to related party (Note 4)	30,282	34,121
Accrued taxes	8,594	6,670
Short-term debt to related party (Note 4)	56,581	102,439
Other current liabilities	368	1,071
Total current liabilities	169,191	200,791
Long-term debt to related party (Note 4)	705,243	705,243
Deferred income taxes	7,833	7,130
Benefits and compensation	8,237	7,971
Total liabilities	890,504	921,135
Commitments and contingencies (Note 12)		
Stockholder's equity:		
Common stock, $100 par value--authorized 1,000 shares; issued and outstanding 12 shares	1	1
Additional paid-in capital	907,374	907,374
Accumulated deficit	(1,288,899)	(1,355,984)
Total equity	(381,524)	(448,609)
Total liabilities and stockholders' equity	$ 508,980	$ 472,526

The accompanying notes are an integral part of this statement.

WINGFOOT VENTURES SEVEN, INC.

(A WHOLLY-OWNED SUBSIDIARY OF THE GOODYEAR TIRE & RUBBER COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

(DOLLARS IN THOUSANDS)

	FOR THE YEARS ENDED DECEMBER 31,		
	1995	1996	1997
Revenues (Note 11)	$ 619,277	$ 929,299	$ 992,318
Expenses:			
Purchases, transportation, and storage	482,130	791,729	892,618
Property taxes	7,100	8,500	7,450
Operations and maintenance	28,573	25,812	23,084
Depreciation and amortization	39,276	42,760	16,290
Impairment of pipeline assets (Note 3)	--	851,878	64,173
Loss on sale of pipeline assets	5,000	--	--
Related party interest expense (Note 4)	50,869	49,000	52,745
General and administrative	4,834	2,961	2,767
Total expenses	617,782	1,772,640	1,059,127
(Loss) income before income taxes	1,495	(843,341)	(66,809)
Charge/(benefit) in lieu of income taxes	(324)	4,227	276
Net income (loss)	1,819	(847,568)	(67,085)
Beginning accumulated deficit	(443,150)	(441,331)	(1,288,899)
Ending accumulated deficit	$(441,331)	$(1,288,899)	$(1,355,984)

The accompanying notes are an integral part of this statement.

WINGFOOT VENTURES SEVEN, INC.

(A WHOLLY-OWNED SUBSIDIARY OF THE GOODYEAR TIRE & RUBBER COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	FOR THE YEARS ENDED DECEMBER 31,		
	1995	1996	1997
Cash flows from operating activities			
Net income (loss)	$ 1,819	$(847,568)	$(67,085)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	39,276	42,760	16,290
Impairment of pipeline assets	--	851,878	64,173
Loss on sale of pipeline assets	5,000	--	--
Deferred income taxes	2,341	(933)	(703)
Changes in assets and liabilities resulting from operating activities:			
Accounts receivable	(982)	(28,183)	2,356
Working oil inventory	(971)	305	3,549
Prepaid expenses and other current assets	(855)	(218)	(317)
Accounts payable	2,898	41,316	(14,032)
Benefits and compensation	(2,580)	--	103
Accrued expenses	526	(1,596)	(3,213)
Accrued interest to related party	4,841	(3,906)	3,839
Accrued taxes	(1,051)	4,149	(1,924)
Other current liabilities	(31)	368	703
Net cash provided by operating activities	50,231	58,372	3,739
Cash flows from investing activities:			
Capital expenditures	(4,319)	(3,983)	(2,463)
Proceeds from sale of pipeline assets	1,998	125	1,249
(Purchase) sale of pipeline linefill	31,187	(2,870)	(49,727)
Net cash provided by (used in) investing activities	28,866	(6,728)	(50,941)
Cash flows from financing activities:			
Net (repayments) proceeds of debt to related party (Note 4)	(84,060)	(51,024)	45,858
Net cash (used in) provided by financing activities	(84,060)	(51,024)	45,858
Net (decrease) increase in cash	(4,963)	620	(1,344)
Cash, beginning of the year	5,791	828	1,448
Cash, end of the year	$ 828	$ 1,448	$ 104

The accompanying notes are an integral part of this statement.

WINGFOOT VENTURES SEVEN, INC.

(A WHOLLY-OWNED SUBSIDIARY OF THE GOODYEAR TIRE & RUBBER COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1995, 1996 AND 1997

(DOLLARS IN THOUSANDS)

1. THE COMPANY

Wingfoot Ventures Seven, Inc. ("Wingfoot") is a wholly-owned subsidiary of The Goodyear Tire & Rubber Company ("Goodyear or the Parent"). The Company operates in the mid-stream segment of the energy transportation business and consists of four operating subsidiaries; All American Pipeline Company ("AAPL") and its wholly-owned subsidiary, Celeron Gathering Corporation ("CGC"), Celeron Trading and Transportation ("CT&T") and Celeron Corporation ("CC"). AAPL is engaged in the operation of a heated crude oil pipeline which extends approximately 1,233 miles from Las Flores and Gaviota on the California coast to West Texas. As a common carrier, AAPL charges transportation tariffs which must be filed with the Federal Energy Regulatory Commission ("FERC") and the Public Utilities Commission of the State of California ("CPUC"). CGC operates a proprietary crude oil gathering pipeline in the San Joaquin Valley area of California. CT&T is engaged in purchasing, selling and exchanging crude oil, a substantial portion of which is transported through AAPL's pipeline. CC provides management services to AAPL, CGC and CT&T.

On March 21, 1998, a Stock Purchase Agreement ("the Agreement") was executed between Wingfoot and Plains All American Inc. ("PAAI"), a wholly-owned subsidiary of Plains Resources Inc., whereby all of the issued and outstanding shares of the capital stock of AAPL and CT&T would be sold to PAAI contingent upon, among other things, approval by the Federal Trade Commission and the CPUC. The net assets to be sold are comprised of assets and liabilities of AAPL, CGC and CT&T and include or exclude all assets and liabilities listed in certain Bills of Sale and Assumption Agreements included in the Agreement. In addition, the following items have been excluded from the net assets to be sold: all of Wingfoot's intercompany transactions with Goodyear; certain other liabilities; and debt and interest owed to Goodyear and its subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of Wingfoot and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of credit risk and major customers

Financial instruments which potentially expose Wingfoot to concentrations of credit risk consist primarily of accounts receivable. Wingfoot's accounts receivable are primarily from major oil companies and their affiliates, as well as independent oil companies. Wingfoot generally requires its smaller independent customers to provide letters of credit. Although Wingfoot is directly affected by the financial well being of the oil and gas industry, management does not believe significant credit risk exists. Historically, credit losses have not been significant.

Revenue recognition

As a regulated interstate pipeline, AAPL recognizes revenues for the transportation of crude oil based upon FERC and CPUC filed tariff rates and the related transported volume. AAPL recognizes tariff revenue at the time such volume is delivered. CT&T and CGC recognize revenue from the sale of crude oil to third parties at the time title to the product sold transfers to the purchaser.

Statement of cash flows

There was no cash used to pay income taxes during the years ended December 31, 1995, 1996 and 1997. Interest of $46,028, $52,906 and $48,906 was paid for the years ended December 31, 1995, 1996 and 1997, respectively.

Working oil inventory

Working oil inventory is carried at the lower of current market value or cost and determined under the last-in, first-out method.

Property, plant and equipment

Property, plant and equipment (the "System") consists primarily of crude oil linefill (crude oil used to pack a pipeline such that when an incremental barrel enters a pipeline it forces a barrel out at another location) and oil pipeline facilities, which include the cost of land, rights-of-way, pipe, pump station equipment, storage tanks, vehicles, material, labor, overhead and interest incurred during the construction period. Depreciation on oil pipeline facilities is computed using the straight-line method, principally over 37 years (see Note 3). Proceeds from the sale and repurchase of linefill are reflected as cash flows from investing activities in the accompanying consolidated statements of cash flows. Repairs and maintenance costs are charged to expense as incurred.

The System is assessed for possible impairment in accordance with the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121). Under this standard, the occurrence of certain events may trigger a review of affected assets for possible impairment. An impairment is deemed to exist if the sum of undiscounted before-tax expected future cash flows for the asset are less than the asset's carrying value. If an impairment is indicated, the amount of the impairment is measured as the difference between the asset's fair market value and its carrying value. Where a market value is not available, it is approximated by Wingfoot's best estimate of the sum of discounted before-tax expected future cash flows. Impairment amounts are recorded as impairment of pipeline assets in the period in which a specific event occurs (see Note 3).

Income taxes

Wingfoot and its subsidiaries' results are included in the consolidated federal income tax return of its parent, Goodyear. Tax losses and investment tax credits have been generated by AAPL and have been utilized in the consolidated federal income tax returns of Goodyear. In accordance with AAPL's tax sharing agreement with Goodyear, the tax benefits from the cumulative tax losses and investment tax credits are not payable by Goodyear to AAPL until such time as these credits can be utilized on the basis of a separate company tax computation. While Goodyear has realized tax benefits from losses and tax credits of AAPL in its consolidated return, AAPL will not receive reimbursement until a tax liability is incurred as calculated on a separate company basis. To the extent that future taxable income is generated, AAPL has a potential future net reimbursement from Goodyear for the benefit of prior years' tax losses and investment tax credits generated in the amount of approximately $573,000 and $569,000 at December 31, 1996 and 1997, respectively. Utilizing the stand-alone calculation

required by the tax sharing agreement, this potential reimbursement results in a net deferred tax asset on AAPL's balance sheet. Following the terms of the tax sharing agreement, the net asset has been fully offset by a valuation allowance.

In connection with the Agreement, PAAI and Goodyear will execute an IRS Section 338(h)(10) election that provides for a step-up in basis of the acquired assets, which will eliminate any deferred tax liability at the acquisition date. In addition, any future net reimbursement from Goodyear for the benefit of prior years' tax losses and investment tax credits will be extinguished.

Wingfoot's provision for income taxes includes federal and state taxes currently payable and deferred taxes arising from temporary differences.

Financial instruments

Wingfoot utilizes New York Mercantile Exchange crude oil futures contracts to manage its exposure to price volatility for its crude trading activities. Specifically, Wingfoot enters into these contracts to hedge its firm commitments and anticipated transactions. All contracts permit settlement by physical delivery of crude oil. Gains and losses related to these contracts are deferred and recorded when the underlying hedged transaction occurs.

3. PROPERTY, PLANT AND EQUIPMENT

The System consists of the following:

	DECEMBER 31,	
	1996	1997
Oil pipeline facilities and linefill	$ 1,578,450	$ 1,629,391
Less: accumulated depreciation	(1,148,002)	(1,228,465)
	$ 430,448	$ 400,926

During 1996, industry developments occurred indicating that the quantities of California and Alaska North Slope crude oil expected to be tendered in the future to the System for transportation would be below prior estimates and that volumes of crude oil expected to be tendered to the System for transportation to markets outside of California in the future would be significantly lower than previously anticipated. As a result, management determined that the future cash flows expected to be generated by the System would be less than its carrying value. In accordance with SFAS 121, Wingfoot reduced the carrying value of the System to its fair value of $430,448 at December 31, 1996, and recorded a charge of $851,878.

As a result of the Agreement, Wingfoot reviewed the System, which was held for use at December 31, 1997, for impairment since it was more likely than not that a sale would occur significantly before the end of its previously estimated remaining useful life. Management determined that the undiscounted before-tax future cash flows expected to be generated by the System would be less than its carrying value. In accordance with SFAS 121, Wingfoot reduced the carrying value of the System to its fair value of $400,926 at December 31, 1997, determined using discounted before-tax expected future cash flows from the System, and recorded a charge of $64,173.

4. DEBT

Line of credit

At December 31, 1996 and 1997 to satisfy margin requirements associated with its futures contracts, Wingfoot had a short-term uncommitted credit arrangement totaling $1,500 and $3,000, respectively, of which $1,162 and $2,973, respectively, was unused. This arrangement bears interest at London Interbank Offered Rate (LIBOR) plus 0.75%. There are no commitment fees or compensating balances associated with this arrangement.

Short-term debt to related party

Short-term debt at December 31, 1996 and 1997 represents advances from Goodyear and its subsidiaries. These advances do not accrue interest and are payable on demand (see Note 13).

Long-term debt to related party

On April 25, 1994, Wingfoot entered into a term loan with Goodyear and its subsidiaries under which Wingfoot may borrow up to $825,000. The loan bears interest annually, at a variable rate, generally tied to LIBOR and other factors relating to the borrowing capacity of Goodyear and its subsidiaries.

	DECEMBER 31,	
	1996	1997
Term loan due to an affiliate, interest at 12-month LIBOR plus 1 1/2%, 6.72% and 7.52% at December 31, 1996 and 1997, respectively	$705,243	$705,243
Less amount due in one year	--	--
	$705,243	$705,243

At December 31, 1996 and 1997, Wingfoot had an outstanding balance of $705,243 under this loan. Wingfoot is required to make annual mandatory principal repayments of $100,000 beginning April 30, 1999, $100,000 in 2000, $125,000 in 2001, $150,000 in 2002, $150,000 in 2003 and $80,243 in 2004. Interest costs incurred through the term loan totaled $50,869, $49,000 and $52,745 for the years ended December 31, 1995, 1996, and 1997, respectively. Substantially all amounts outstanding were repaid subsequent to December 31, 1997 (see Note 13).

Credit agreement

On April 25, 1994, Wingfoot entered into a credit agreement with an affiliate under which Wingfoot may borrow up to $250,000. The agreement provides for a .10% per annum commitment fee on the daily average unused amount of the facility. The loan bears interest at a variable rate based on LIBOR. There is no balance outstanding at December 31, 1996 and 1997.

5. FINANCIAL INSTRUMENTS

The carrying values of Wingfoot's accounts receivable, other current assets, accounts payable, accrued expenses, and other current liabilities approximate fair value due to the short-term maturities of these assets and liabilities. The carrying value of Wingfoot's line of credit approximates fair value as interest rates are variable,

based upon prevailing rates for similar agreements. Deferred gains associated with Wingfoot's futures contracts at December 31, 1996 and 1997 totaled $13 and $1,071, respectively.

6. BOOK OVERDRAFTS

At December 31, 1996 and 1997, Wingfoot had $3,281 and $626, respectively, in book overdrafts representing outstanding checks in excess of funds on deposit. These amounts have been included in accounts payable.

7. APPLICABILITY OF STATEMENT OF FINANCIAL ACCOUNTING STANDARDS (SFAS NO. 71)

SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," provides guidance in preparing financial statements for entities with operations subject to rate-making authorities. The tariff rates of Wingfoot's pipeline are regulated by the FERC and the CPUC.

Prior to commencement of operations in 1989, as allowed by FERC, Wingfoot had capitalized an Allowance for Funds Used During Construction (AFUDC) for rate-making purposes. The recording of any AFUDC represents the implicit cost of financing construction as if the construction was financed through a combination of borrowings and equity contributions. SFAS No. 71 requires that an AFUDC recorded for rate-making purposes should be recorded for financial reporting purposes as well, as long as there is reasonable assurance that costs incurred will be recoverable in the future.

At year end 1996, Wingfoot did not expect to recover the costs that had been previously capitalized. Accordingly, Wingfoot has discontinued the application of SFAS No. 71 and in December 1996 adopted the provisions of SFAS No. 101, "Regulated Enterprise Accounting for the Discontinuation of Application of FASB Statement No. 71." This statement requires Wingfoot to eliminate the effects of any actions of regulators that had been recognized as an asset that would not have normally been recognized by a non-regulated entity. As the only cost capitalized under the provisions of SFAS No. 71 was AFUDC, no additional impairment was recorded as the AFUDC balance was included in the FAS No. 121 impairment writedown (see Note 3).

8. RELATED PARTY TRANSACTIONS

During 1996, Wingfoot transferred long-term credits of $30,843 to Goodyear, increasing Wingfoot's long-term debt payable to Goodyear. Wingfoot has no further benefit or obligation related to these matters.

Wingfoot's related party financing arrangements are described in Note 4.

Affiliated companies provide personnel and support services to Wingfoot. For the years ended December 31, 1995, 1996 and 1997, Wingfoot incurred approximately $400, $361 and $477, respectively, for such services.

Goodyear has guaranteed Wingfoot's obligations with various counter parties in connection with crude purchase agreements and crude exchanges made in the ordinary course of business (see Note 12).

9. EMPLOYEE BENEFIT PLANS

Postretirement health care benefits

Wingfoot provides its associates with health care benefits upon retirement. The healthcare benefits are provided by insurance companies through premiums based on expected benefits to be paid during the year. Portions of the healthcare benefits are not insured and are paid by the plan.

The net periodic postretirement benefit cost:

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1996	1997
Service cost	$ 63	$ 71	$ 86
Interest cost	185	183	186
Net amortization	(23)	(9)	(10)
Net periodic postretirement benefit cost	$225	$245	$262

The following table sets forth the funded status and amounts recognized on Wingfoot's Consolidated Balance Sheet:

	DECEMBER 31,	
	1996	1997
Actuarial present value of accumulated benefit obligation:		
Retirees	$(1,838)	$(1,759)
Vested active plan participants	(116)	(194)
Other active plan participants	(480)	(566)
Accumulated benefit obligation in excess of plan assets	(2,434)	(2,519)
Unrecognized net (gain)	(409)	(243)
Accrued postretirement benefit cost recognized on the Consolidated Balance Sheet	$(2,843)	$(2,762)

	1995	1996	1997
The assumptions used were:			
Discount rate	7.75%	7.75%	7.75%
Rate of increase in compensation levels	4.50	4.50	4.50

An 8.00% annual rate of increase in the cost of health care benefits for retirees under 65 years of age and a 5.75% annual rate of increase for retirees 65 years or older is assumed in 1998. This rate gradually decreases to 5.00% in 2010 and remains at that level thereafter. To illustrate the significance of a 1.00% increase in the assumed healthcare cost trend, the accumulated benefit obligation would increase by $30 at December 31, 1997 and the aggregate service and interest cost by $3 for the year then ended.

The Agreement specifies that postretirement healthcare benefit obligations for only non-vested employees will be assumed by PAAI. PAAI does not intend to continue such benefits subsequent to the acquisition. After the close of the sale, postretirement healthcare benefits for retirees and vested employees will be funded by Goodyear.

Pension plan

Substantially all of Wingfoot's associates participate in the pension plan of CC. CC makes contributions to the pension plan equal to the amount accrued for pension costs.

Net periodic pension (credit) follows:

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1996	1997
Service cost	$ 305	$ 315	$ 340
Interest cost	544	578	616
Expected return on plan assets	(990)	(1,292)	(1,536)
Amortization	(187)	(222)	(323)
Net periodic pension (credit)	$(328)	$ (621)	$ (903)

The following table sets forth the funded status and amounts recognized on Wingfoot's Consolidated Balance Sheet dated December 31, 1996 and 1997. At the end of 1996 and 1997, assets exceeded accumulated benefits. Plan assets are invested primarily in common stocks and fixed income securities.

	DECEMBER 31,	
	1996	1997
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(5,380)	$(5,625)
Accumulated benefit obligation	(6,796)	(7,434)
Projected benefit obligation	(8,115)	(9,073)
Plan assets	17,234	21,446
Projected benefit obligation less than plan assets	9,119	12,373
Unrecognized net gain	(3,775)	(6,313)
Unrecognized prior service cost	(55)	(51)
Unrecognized net (assets) at transition	(1,238)	(1,054)
Adjustment required to recognize minimum liability	--	--
Pension asset recognized on the Consolidated Balance Sheet	$ 4,051	$ 4,955

In connection with the sale, CC has amended the Pension Plan document to provide for an election to participants to request a lump-sum or annuity distribution of vested benefits, for a six-month period after July 31, 1998, the expected consummation date of the sale of Wingfoot. Further, on July 31, 1998, the accrued benefits under the Plan will be frozen and will become the responsibility of Goodyear. This amendment has been approved by CC's Board of Directors.

Management plans

AAPL and CC have two non-qualified, unfunded plans that cover certain past management and designated current management. The net periodic pension cost for these plans consisted of:

	FOR THE YEAR END DECEMBER 31,		
	1995	1996	1997
Interest cost	$ 416	$ 409	$ 375
Amortization of gain	(28)	(2)	(11)
Net periodic pension cost	$ 388	$ 407	$ 364

The funded status of these plans consisted of:

	DECEMBER 31,	
	1996	1997
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(3,122)	$(2,822)
Accumulated benefit obligation	(3,122)	(2,822)
Projected benefit obligation	(5,164)	(4,838)
Plan assets	--	--
Projected benefit obligation less than plan assets	(5,164)	(4,838)
Unrecognized net gain	(332)	(369)
Adjustment required to recognize minimum liability	(42)	--
Pension liability recognized on the Consolidated Balance Sheet	$(5,538)	$(5,207)

Under the Agreement, the liability associated with the management plans will not be transferred to PAAI. The vested benefits under the management plans will be paid by Goodyear.

Significant assumptions used in the calculation of pension expense and obligations for the pension and management plans were:

	1995	1996	1997
Discount rate	7.75%	7.75%	7.50%
Rate of increase in compensation levels	5.00%	5.00%	5.00%
Expected long-term rate of return on plan assets	9.00%	9.00%	9.00%

Employee savings plan

Substantially all of Wingfoot's associates are eligible to participate in a savings plan administered by Goodyear. Under this plan associates elect to contribute a percentage of their pay. In 1995, 1996 and 1997, the plan provided for Wingfoot's matching of these contributions (up to a maximum of 6.00% of the associate's annual pay or, if less, $9,500) at a rate of 50.00%. Wingfoot's contributions were $251, $229 and $172 for the years ended December 31, 1995, 1996 and 1997, respectively. In connection with the sale, Wingfoot's associates can no longer contribute to the savings plan after the closing. All vested Wingfoot contributions will be funded by Goodyear.

10. INCOME TAXES

Wingfoot's effective income tax rate varied from the statutory U.S. federal income tax rate of 35% due to state taxes and the valuation allowance recorded to offset net deferred tax assets.

Deferred tax liabilities at December 31, 1996 and 1997 result primarily from temporary differences between book and tax treatments of depreciation, and capitalized construction costs, including interest. Deferred tax assets at December 31, 1996 and 1997 result primarily from AAPL's prior year tax losses and investment tax credits. The resulting deferred tax assets have been fully offset by a valuation allowance of $202,000 and $488,000 at December 31, 1996 and 1997, respectively.

Wingfoot records its deferred taxes on a tax jurisdiction basis and classifies the net deferred tax amounts as current or non-current based on the balance sheet classifications of the related assets or liabilities. Based on this methodology, Wingfoot has recorded its net deferred tax liability as long-term.

The provision for income taxes consists of the following:

	DECEMBER 31,		
	1995	1996	1997
Federal:			
Current	$(3,505)	$4,320	$ 139
Deferred	2,341	(933)	(703)
State:			
Current	840	840	840
Charge/(benefit) in lieu of income taxes	$ (324)	$4,227	$ 276

In connection with the Agreement, PAAI and Goodyear will execute an IRS Section 338(h)(10) election (see Note 2).

11. REVENUES ATTRIBUTABLE TO MAJOR CUSTOMERS

During 1995, sales to three companies accounted for 64% (32% to Company B, 18% to Company A and 14% to Company D) of Wingfoot's total revenues. During 1996, sales to two companies accounted for 38% (21% to Company B and 17% to Company A) of Wingfoot's total revenues. Sales to three companies accounted for 46% (18% to Company A, 15% to Company B and 13% to Company C) of Wingfoot's total revenue during 1997. No other single customer accounted for as much as 10% of total sales during 1995, 1996 or 1997.

12. COMMITMENTS AND CONTINGENCIES

Wingfoot leases office space under leases accounted for as operating leases. Rental expense amounted to $1,605, $1,195 and $981 for the years ended December 31, 1995, 1996 and 1997, respectively. Minimum rental payments under operating leases are as follows:

YEAR ENDING DECEMBER 31,	OPERATING LEASES
1998	$ 924
1999	893
2000	878
2001	874
2002	875
Thereafter	3,273
	$7,717

Wingfoot incurred costs associated with leased land, rights-of-way, permits and regulatory fees of $701, $590 and $479 for the years ended December 31, 1995, 1996 and 1997, respectively. At December 31, 1997, minimum future payments, net of sublease income, associated with these contracts are approximately $476 for the following year. Generally these contracts extend beyond one year but can be canceled at any time should they not be required for operations.

In connection with its crude oil marketing, Goodyear provides certain parties with Parent Guaranties to secure Wingfoot's obligation for the purchase of crude oil. Generally, these Guaranties are issued from one year to unlimited periods. At December 31, 1997, Wingfoot had outstanding letters of credit of approximately $2,860. Such letters of credit are secured by the crude inventory and accounts receivable of Wingfoot and are guaranteed by Goodyear.

In order to receive electrical power service at certain remote locations, Wingfoot has entered into facilities contracts with several utility companies. These facilities charges are calculated periodically based upon, among other factors, actual electricity energy used. Minimum future payments for these contracts at December 31, 1997 are approximately $760 annually for each of the next five years.

At December 31, 1997, Wingfoot was not a subject of any significant litigation, loss contingencies or other claims. Under the terms of the Agreement, Wingfoot has agreed in certain circumstances to indemnify PAAI, above a minimum aggregate amount and subject to a limitation, as defined in the Agreement, for losses arising from future litigation, loss contingencies and claims relating to events that occurred prior to the closing date.

13. SUBSEQUENT EVENTS

Pursuant to the Agreement, Wingfoot is obligated to repay the outstanding related party debt and accrued interest of certain of its subsidiaries prior to closing. On June 15, 1998, Goodyear made capital contributions of $866,131 and cash payments of $15,494 for repayments to Wingfoot. Upon receipt of the $881,625, Wingfoot paid Goodyear $865,219 ($843,269 for repayment of certain outstanding related party debt and accrued interest at December 31, 1997 and $21,950 for repayment of related party accrued interest from January 1, 1998 to May 29, 1998) and remitted the remaining $16,406 to Goodyear for payment of certain other liabilities to be assumed by Goodyear as a result of the Agreement.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholder of Plains All American Inc.

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of Plains All American Inc. (a wholly owned subsidiary of Plains Resources Inc.) at June 30, 1998 in conformity with generally accepted accounting principles. This financial statement is the responsibility of Plains All American Inc.'s management; our responsibility is to express an opinion on this financial statement based upon our audit. We conducted our audit of this statement in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP

Houston, Texas
September 14, 1998

PLAINS ALL AMERICAN INC.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	JUNE 30, 1998	SEPTEMBER 30, 1998 (UNAUDITED)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 29,229	$ 9,901
Accounts receivable	--	8,344
Receivables from affiliates	--	610
Inventory	--	1,048
Prepaid expenses	--	1,003
	29,229	20,906
PROPERTY AND EQUIPMENT		
Property and equipment	--	395,051
Less accumulated depreciation and amortization	--	(1,332)
	--	393,719
OTHER ASSETS	--	6,084
	$ 29,229	$420,709
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ --	$ 17,560
Accrued interest payable		4,375
Total current liabilities	--	21,935
LONG-TERM LIABILITIES		
Bank debt	--	285,000
Total liabilities	--	306,935
STOCKHOLDER'S EQUITY		
Common Stock, $.01 par value, 1,000 shares authorized; issued and outstanding 100 shares	--	--
Additional paid-in capital	28,700	113,701
Retained earnings	529	73
	29,229	113,774
	$ 29,229	$420,709

See note to consolidated financial statement.

PLAINS ALL AMERICAN INC.

NOTE TO CONSOLIDATED FINANCIAL STATEMENT

Plains All American Inc. ("PAAI") is a recently formed Delaware corporation which is owned 100% by Plains Resources Inc. ("Plains Resources"). PAAI was formed to acquire, own and operate the interstate crude oil pipeline assets and operations acquired from The Goodyear Tire & Rubber Company ("Goodyear").

On July 30, 1998, PAAI acquired all of the outstanding capital stock of the All American Pipeline Company, Celeron Gathering Corporation and Celeron Trading & Transportation Company (collectively the "Celeron Companies") from Wingfoot Ventures Seven, Inc., a wholly-owned subsidiary of Goodyear for approximately $400 million, including transaction costs. The principal assets of the entities acquired include the All American Pipeline, a 1,233-mile crude oil pipeline extending from California to Texas, and a 45-mile crude oil gathering system in the San Joaquin Valley of California, as well as other assets related to such operations. The acquisition was accounted for utilizing the purchase method of accounting and the purchase price was allocated in accordance with APB 16 as follows (in thousands):

Property and equipment	$392,393
Other assets (debt issue costs)	6,138
Net working capital items	8,979
	$407,510

Financing for the acquisition was provided through (i) The Plains Midstream Subsidiaries $325 million, limited recourse bank facility with ING (U.S.) Capital Corporation, BankBoston, N.A. and other lenders (the "Plains Midstream Credit Facility") and (ii) an approximate $114 million capital contribution from Plains Resources. Approximately $29 million of the capital contribution was made in the first quarter of 1998 and the remainder was made in July 1998. On July 30, 1998, The Plains Midstream Subsidiaries borrowed $300 million under the Plains Midstream Credit Facility. Such proceeds were used to acquire all of the outstanding capital stock of the Celeron Companies from Goodyear and to provide initial working capital.

The Plains Midstream Credit Facility is guaranteed by the Celeron Companies and is secured by the assets of the Plains Midstream Subsidiaries and the Celeron Companies, including all pipelines, gathering lines, available accounts receivable, inventory, linefill and the capital stock of the Celeron Companies. The Plains Midstream Credit Facility consists of (i) a $100 million reducing, revolving line of credit with a $30 million sub-limit for letters of credit ("Tranche A") and (ii) a $225 million non-amortizing term loan ("Tranche B"). The Plains Midstream Subsidiaries incur a commitment fee of 0.5% per annum on the unused portion of Tranche A. The commitment for Tranche A reduces in twenty-four equal quarterly amounts commencing September 30, 1998, with final maturity on June 30, 2004. Tranche B of the Plains Midstream Credit Facility is repayable at maturity on June 30, 2005. Prepayment of principal on Tranche B is subject to a penalty of 1% on amounts prepaid prior to December 31, 1998, and 0.5% thereafter through June 30, 1999. The Plains Midstream Credit Facility bears interest at the Plains Midstream Subsidiaries option at the Base Rate (as defined therein) or (i) LIBOR plus 1.75% for Tranche A and (ii) LIBOR plus 3.00% prior to September 30, 1998 and LIBOR plus 2.75% thereafter for Tranche B. The Plains Midstream Subsidiaries have entered into 10 year interest rate swaps with three of the lending banks to fix the LIBOR portion of the interest rate on $200 million of indebtedness under Tranche B at 5.96% plus the applicable margin.

The Plains Midstream Credit Facility contains covenants which, among other things, requires the Plains Midstream Subsidiaries to maintain certain financial ratios and minimum net worth. In addition, the Plains Midstream Credit Facility contains restrictions on additional debt or liens, hedging contracts, asset sales other than those in the ordinary course of business, dividends and other distributions, investments and capital expenditures above a specified amount.

Retained earnings at June 30, 1998 reflects interest income on the $29 million Plains Resources capital contribution from the date of inception to June 30, 1998.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners of Plains All American Pipeline, L.P.

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of Plains All American Pipeline, L.P. ("the Partnership") at October 30, 1998 in conformity with generally accepted accounting principles. This financial statement is the responsibility of the Partnership's management; our responsibility is to express an opinion on this financial statement based upon our audit. We conducted our audit of this statement in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP

Houston, Texas

October 31, 1998

PLAINS ALL AMERICAN PIPELINE, L.P.

BALANCE SHEET

OCTOBER 30, 1998

ASSET

CURRENT ASSET	
Cash	$1,980

PARTNERS' EQUITY

LIMITED PARTNER'S EQUITY	$ 990
GENERAL PARTNER'S EQUITY	990
Total partners' equity	$1,980

See notes to Balance Sheet.

PLAINS ALL AMERICAN PIPELINE, L.P.

NOTES TO BALANCE SHEET

OCTOBER 30, 1998

1. THE COMPANY

Plains All American Pipeline, L.P. ("the Partnership") is a Delaware limited partnership that was formed on September 17, 1998 to acquire, own and operate the interstate crude oil pipeline assets and operations and the terminalling and storage and gathering and marketing assets of Plains Resources Inc. and its subsidiaries. The general partner of the Partnership is Plains All American Inc. (the "General Partner").

2. LONG-TERM INCENTIVE PLAN AND MANAGEMENT INCENTIVE PLAN

LONG-TERM INCENTIVE PLAN

The General Partner anticipates adopting the Plains All American Inc. 1998 Long-Term Incentive Plan (the "Long-Term Incentive Plan") for employees and directors of the General Partner and its affiliates who perform services for the Partnership. The Long-Term Incentive Plan consists of two components, a restricted unit plan (the "Restricted Unit Plan") and a unit option plan (the "Unit Option Plan"). The Long-Term Incentive Plan currently permits the grant of Restricted Units and Unit Options covering an aggregate of 975,000 Common Units. The plan will be administered by the Compensation Committee of the General Partner's Board of Directors.

Restricted Unit Plan. A Restricted Unit is a "phantom" unit that entitles the grantee to receive a Common Unit upon the vesting of the phantom unit. Management currently estimates that an aggregate of approximately 600,000 Restricted Units will be granted upon consummation of the Transactions to employees of the General Partner. Management expects that approximately 500,000 Restricted Units will be granted to various non-officer employees. The Compensation Committee may, in the future, determine to make additional grants under such plan to employees and directors containing such terms as the Committee shall determine. In general, Restricted Units granted to employees during the Subordination Period will vest only upon, and in the same proportions as, the conversion of the Subordinated Units to Common Units. Grants made to non-employee directors of the General Partner will be eligible to vest prior to termination of the Subordination Period.

If a grantee terminates employment or membership on the Board for any reason, the grantee's Restricted Units will be automatically forfeited unless, and to the extent, the Compensation Committee provides otherwise. Common Units to be delivered upon the "vesting" of rights may be Common Units acquired by the General Partner in the open market, Common Units already owned by the General Partner, Common Units acquired by the General Partner directly from the Partnership or any other person, or any combination of the foregoing. The General Partner will be entitled to reimbursement by the Partnership for the cost incurred in acquiring such Common Units. If the Partnership issues new Common Units upon vesting of the Restricted Units, the total number of Common Units outstanding will increase. Following the Subordination Period, the Compensation Committee, in its discretion, may grant tandem distribution equivalent rights with respect to Restricted Units.

The issuance of the Common Units pursuant to the Restricted Unit Plan is intended to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation in respect of the Common Units. Therefore, no consideration will be payable by the plan participants upon receipt of the Common Units and the Partnership will receive no remuneration for such Units.

Unit Option Plan. The Unit Option Plan currently permits the grant of options ("Unit Options") covering Common Units. No grants will initially be made under the Unit Option Plan. The Compensation Committee may, in the future, determine to make grants under such plan to employees and directors containing such terms as the Committee shall determine.

Unit Options will have an exercise price equal to fair market value on the date of grant. Unit Options granted during the Subordination Period will become exercisable automatically upon, and in the same proportions as, the conversion of the Subordinated Units to Common Units, unless a later vesting date is provided.

Upon exercise of a Unit Option, the General Partner will acquire Common Units in the open market at a price equal to the then-prevailing price on the principal national securities exchange upon which the Common Units are then traded, or directly from the Partnership or any other person, or use Common Units already owned by the General Partner, or any combination of the foregoing. The General Partner will be entitled to reimbursement by the Partnership for the difference between the cost incurred by the General Partner in acquiring such Common Units and the proceeds received by the General Partner from an optionee at the time of exercise. Thus, the cost of the Unit Options will be borne by the Partnership. If the Partnership issues new Common Units upon exercise of the Unit Options, the total number of Common Units outstanding will increase, and the General Partner will remit, the proceeds it received from the optionee upon exercise of the Unit Option to the Partnership.

The Unit Option Plan has been designed to furnish additional compensation to employees and directors and to align their economic interests with those of Common Unitholders.

The General Partner's Board of Directors in its discretion may terminate the Long-Term Incentive Plan at any time with respect to any Common Units for which a grant has not theretofore been made. The General Partner's Board of Directors will also have the right to alter or amend the Long-Term Incentive Plan or any part thereof from time to time, including increasing the number of Common Units with respect to which awards may be granted; provided, however, that no change in any outstanding grant may be made that would materially impair the rights of the participant without the consent of such participant.

MANAGEMENT INCENTIVE PLAN

The General Partner anticipates adopting the Plains All American Inc. Management Incentive Plan (the "Management Incentive Plan"). The Management Incentive Plan is designed to enhance the financial performance of the General Partner's key employees by rewarding them with cash awards for achieving quarterly and/or annual financial performance objectives. The Management Incentive Plan will be administered by the Compensation Committee. Individual participants and payments, if any, for each fiscal quarter and year will be determined by and in the discretion of the Compensation Committee. Any incentive payments will be at the discretion of the Compensation Committee, and the General Partner will be able to amend or change the Management Incentive Plan at any time. The General Partner will be entitled to reimbursement by the Partnership for payments and costs incurred under the plan.

APPENDIX A

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

PLAINS ALL AMERICAN PIPELINE, L.P.

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AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF PLAINS ALL AMERICAN PIPELINE, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF PLAINS ALL AMERICAN PIPELINE, L.P. dated as of , 1998, is entered into by and among Plains All American Inc., a Delaware corporation, as the General Partner, and Plains Resources Inc., as the Organizational Limited Partner, together with any other Persons who become Partners in the Partnership or parties hereto as provided herein. In consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Acquisition" means any transaction in which any Group Member acquires (through an asset acquisition, merger, stock acquisition or other form of investment) control over all or a portion of the assets, properties or business of another Person for the purpose of increasing the operating capacity or revenues of the Partnership Group from the operating capacity or revenues of the Partnership Group existing immediately prior to such transaction.

"Additional Book Basis" means the portion of any remaining Carrying Value of an Adjusted Property that is attributable to positive adjustments made to such Carrying Value as a result of Book-Up Events. For purposes of determining the extent that Carrying Value constitutes Additional Book Basis:

(i) Any negative adjustment made to the Carrying Value of an Adjusted Property as a result of either a Book-Down Event or a Book-Up Event shall first be deemed to offset or decrease that portion of the Carrying Value of such Adjusted Property that is attributable to any prior positive adjustments made thereto pursuant to a Book-Up Event or Book-Down Event.

(ii) If Carrying Value that constitutes Additional Book Basis is reduced as a result of a Book-Down Event and the Carrying Value of other property is increased as a result of such Book-Down Event, an allocable portion of any such increase in Carrying Value shall be treated as Additional Book Basis; provided that the amount treated as Additional Book Basis pursuant hereto as a result of such Book-Down Event shall not exceed the amount by which the Aggregate Remaining Net Positive Adjustments after such Book-Down Event exceeds the remaining Additional Book Basis attributable to all of the Partnership's Adjusted Property after such Book-Down Event (determined without regard to the application of this clause (ii) to such Book-Down Event).

"Additional Book Basis Derivative Items" means any Book Basis Derivative Items that are computed with reference to Additional Book Basis. To the extent that the Additional Book Basis attributable to all of the Partnership's Adjusted Property as of the beginning of any taxable period exceeds the Aggregate Remaining Net Positive Adjustments as of the beginning of such period (the "Excess Additional Book Basis"), the Additional Book Basis Derivative Items for such period shall be reduced by the amount that bears the same ratio to the amount of Additional Book Basis Derivative Items determined without regard to this sentence as the Excess Additional Book Basis bears to the Additional Book Basis as of the beginning of such period.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.4 and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)) and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such fiscal year, are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such fiscal year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(d)(i) or 6.1(d)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The "Adjusted Capital Account" of a Partner in respect of a General Partner Interest, a Common Unit, a Subordinated Unit or an Incentive Distribution Right or any other specified interest in the Partnership shall be the amount which such Adjusted Capital Account would be if such General Partner Interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other interest was first issued.

"Adjusted Operating Surplus" means, with respect to any period, Operating Surplus generated during such period (a) less (i) any net increase in Working Capital Borrowings during such period and (ii) any net reduction in cash reserves for Operating Expenditures during such period not relating to an Operating Expenditure made during such period, and (b) plus (i) any net decrease in Working Capital Borrowings during such period and (ii) any net increase in cash reserves for Operating Expenditures during such period required by any debt instrument for the repayment of principal, interest or premium. Adjusted Operating Surplus does not include that portion of Operating Surplus included in clause (a)(i) of the definition of Operating Surplus.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii). Once an Adjusted Property is deemed contributed to a new partnership in exchange for an interest in the new partnership, followed by a deemed liquidation of the Partnership for federal income tax purposes upon a termination of the Partnership pursuant to Treasury Regulation Section 1.708-(b)(1)(iv), such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is subsequently adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Aggregate Remaining Net Positive Adjustments" means, as of the end of any taxable period, the sum of the Remaining Net Positive Adjustments of all the Partners.

"Agreed Allocation" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 6.1, including, without limitation, a Curative Allocation (if appropriate to the context in which the term "Agreed Allocation" is used).

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. The General Partner shall, in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"Agreement" means this Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P., as it may be amended, supplemented or restated from time to time.

"Assignee" means a Non-citizen Assignee or a Person to whom one or more Limited Partner Interests have been transferred in a manner permitted under this Agreement and who has executed and delivered a Transfer Application as required by this Agreement, but who has not been admitted as a Substituted Limited Partner.

"Associate" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"Available Cash" means, with respect to any Quarter ending prior to the Liquidation Date,

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Partnership Group on hand on the date of determination of Available Cash with respect to such Quarter resulting from Working Capital Borrowings made subsequent to the end of such Quarter, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the business of the Partnership Group (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership Group) subsequent to such Quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any Group Member is a party or by which it is bound or its assets are subject or (iii) provide funds for distributions under Section 6.4 or 6.5 in respect of any one or more of the next four Quarters; provided, however, that the General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the Partnership is unable to distribute the Minimum Quarterly Distribution on all Common Units, plus any Cumulative Common Unit Arrearage on all Common Units, with respect to such Quarter; and, provided further, that disbursements made by a Group Member or cash reserves established, increased or reduced after the end 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, within such Quarter if the General Partner so determines.

Notwithstanding the foregoing, "Available Cash" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"Book Basis Derivative Items" means any item of income, deduction, gain or loss included in the determination of Net Income or Net Loss that is computed with reference to the Carrying Value of an Adjusted Property (e.g., depreciation, depletion, or gain or loss with respect to an Adjusted Property).

"Book-Down Event" means an event which triggers a negative adjustment to the Capital Accounts of the Partners pursuant to Section 5.5(d).

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 5.5 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Book-Up Event" means an event which triggers a positive adjustment to the Capital Accounts of the Partners pursuant to Section 5.5(d).

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the states of New York or Texas shall not be regarded as a Business Day.

"Capital Account" means the capital account maintained for a Partner pursuant to Section 5.5. The "Capital Account" of a Partner in respect of a General Partner Interest, a Common Unit, a Subordinated Unit, an Incentive Distribution Right or any other Partnership Interest shall be the amount which such Capital Account would be if such General Partner Interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other Partnership Interest were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other Partnership Interest was first issued.

"Capital Contribution" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner contributes to the Partnership pursuant to this Agreement or the Contribution and Conveyance Agreement.

"Capital Improvement" means any (a) addition or improvement to the capital assets owned by any Group Member or (b) acquisition of existing, or the construction of new, capital assets (including, without limitation, pipeline systems, terminalling and storage facilities and related assets), in each case made to increase the operating capacity or revenues of the Partnership Group from the operating capacity or revenues of the Partnership Group existing immediately prior to such addition, improvement, acquisition or construction.

"Capital Surplus" has the meaning assigned to such term in Section 6.3(a).

"Carrying Value" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions charged to the Partner's and Assignee's Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 5.5(d)(i) and 5.5(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Cause" means a court of competent jurisdiction has entered a final, non-appealable judgment finding the General Partner liable for actual fraud, gross negligence or willful or wanton misconduct in its capacity as general partner of the Partnership.

"Certificate" means a certificate, substantially in the form of Exhibit A to this Agreement or in such other form as may be adopted by the General Partner in its discretion, issued by the Partnership evidencing ownership of one or more Common Units or a certificate, in such form as may be adopted by the General Partner in its discretion, issued by the Partnership evidencing ownership of one or more other Partnership Securities.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

"Citizenship Certification" means a properly completed certificate in such form as may be specified by the General Partner by which an Assignee or a Limited Partner certifies that he (and if he is a nominee holding for the account of another Person, that to the best of his knowledge such other Person) is an Eligible Citizen.

"Claim" has the meaning assigned to such term in Section 7.12(c).

"Closing Date" means the first date on which Common Units are sold by the Partnership to the Underwriters pursuant to the provisions of the Underwriting Agreement.

"Closing Price" has the meaning assigned to such term in Section 15.1(a).

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of successor law.

"Combined Interest" has the meaning assigned to such term in Section 11.3(a).

"Commission" means the United States Securities and Exchange Commission.

"Common Unit" means a Partnership Security representing a fractional part of the Partnership Interests of all Limited Partners and Assignees and of the General Partner (exclusive of its interest as a holder of the General Partner Interest and Incentive Distribution Rights) and having the rights and obligations specified with respect to Common Units in this Agreement. The term "Common Unit" does not refer to a Subordinated Unit prior to its conversion into a Common Unit pursuant to the terms hereof.

"Common Unit Arrearage" means, with respect to any Common Unit, whenever issued, as to any Quarter within the Subordination Period, the excess, if any, of (a) the Minimum Quarterly Distribution with respect to a Common Unit in respect of such Quarter over (b) the sum of all Available Cash distributed with respect to a Common Unit in respect of such Quarter pursuant to Section 6.4(a)(i).

"Conflicts Committee" means a committee of the Board of Directors of the General Partner composed entirely of two or more directors who are neither securityholders, officers nor employees of the General Partner nor officers, directors or employees of any Affiliate of the General Partner.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership (or deemed contributed to a new partnership on termination of the Partnership pursuant to Section 708 of the Code). Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 5.5(d), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"Contribution and Conveyance Agreement" means that certain Contribution, Conveyance and Assumption Agreement, dated as of the Closing Date, among the General Partner, the Plains Midstream Subsidiaries, the Partnership, the Operating Partnership and certain other parties, together with the additional conveyance documents and instruments contemplated or referenced thereunder.

"Cumulative Common Unit Arrearage" means, with respect to any Common Unit, whenever issued, and as of the end of any Quarter, the excess, if any, of (a) the sum resulting from adding together the Common Unit Arrearage as to an Initial Common Unit for each of the Quarters within the Subordination Period ending on or before the last day of such Quarter over (b) the sum of any distributions theretofore made pursuant to Section 6.4(a)(ii) and the second sentence of Section 6.5 with respect to an Initial Common Unit (including any distributions to be made in respect of the last of such Quarters).

"Curative Allocation" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 6.1(d)(xi).

"Current Market Price" has the meaning assigned to such term in Section 15.1(a).

"Delaware Act" means the Delaware Revised Uniform Limited Partnership Act, 6 Del C. (S) 17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"Departing Partner" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1 or 11.2.

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation Section 1.752-2(a).

"Eligible Citizen" means a Person qualified to own interests in real property in jurisdictions in which any Group Member does business or proposes to do business from time to time, and whose status as a

Limited Partner or Assignee does not or would not subject such Group Member to a significant risk of cancellation or forfeiture of any of its properties or any interest therein.

"Event of Withdrawal" has the meaning assigned to such term in Section 11.1(a).

"Final Subordinated Units" has the meaning assigned to such term in Section 6.1(d)(x).

"First Liquidation Target Amount" has the meaning assigned to such term in Section 6.1(c)(i)(D).

"First Target Distribution" means $.495 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on December 31, 1998, it means the product of $.495 multiplied by a fraction of which the numerator is the number of days in such period, and of which the denominator is 91), subject to adjustment in accordance with Sections 6.6 and 6.9.

"General Partner" means Plains All American Inc. and its successors and permitted assigns as general partner of the Partnership.

"General Partner Interest" means the ownership interest of the General Partner in the Partnership (in its capacity as a general partner without reference to any Limited Partner Interest held by it) which may be evidenced by Partnership Securities or a combination thereof or interest therein, and includes any and all benefits to which the General Partner is entitled as provided in this Agreement, together with all obligations of the General Partner to comply with the terms and provisions of this Agreement.

"Group" means a Person that with or through any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent given to such Person in response to a proxy or consent solicitation made to 10 or more Persons) or disposing of any Partnership Securities with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, Partnership Securities.

"Group Member" means a member of the Partnership Group.

"Holder" as used in Section 7.12, has the meaning assigned to such term in Section 7.12(a).

"Incentive Distribution Right" means a non-voting Limited Partner Interest issued to the General Partner in connection with the transfer of substantially all of its general partner interest in the Operating Partnership to the Partnership pursuant to Section 5.2, which Partnership Interest will confer upon the holder thereof only the rights and obligations specifically provided in this Agreement with respect to Incentive Distribution Rights (and no other rights otherwise available to or other obligations of a holder of a Partnership Interest). Notwithstanding anything in this Agreement to the contrary, the holder of an Incentive Distribution Right shall not be entitled to vote such Incentive Distribution Right on any Partnership matter except as may otherwise be required by law.

"Incentive Distributions" means any amount of cash distributed to the holders of the Incentive Distribution Rights pursuant to Sections 6.4(a)(iv), (v) and (vi) and 6.4(b)(ii), (iii) and (iv).

"Indemnified Persons" has the meaning assigned to such term in Section 7.12(c).

"Indemnitee" means (a) the General Partner, (b) any Departing Partner, (c) any Person who is or was an Affiliate of the General Partner or any Departing Partner, (d) any Person who is or was a member, partner, officer, director, employee, agent or trustee of any Group Member, the General Partner or any Departing Partner or any Affiliate of any Group Member, the General Partner or any Departing Partner and (e) any Person who is or was serving at the request of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another Person; provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

"Initial Common Units" means the Common Units sold in the Initial Offering.

"Initial Limited Partners" means the General Partner (with respect to the Common Units, Subordinated Units and the Incentive Distribution Rights received by it pursuant to Section 5.2) and the Underwriters, in each case upon being admitted to the Partnership in accordance with Section 10.1.

"Initial Offering" means the initial offering and sale of Common Units to the public, as described in the Registration Statement.

"Initial Unit Price" means (a) with respect to the Common Units and the Subordinated Units, the initial public offering price per Common Unit at which the Underwriters offered the Common Units to the public for sale as set forth on the cover page of the prospectus included as part of the Registration Statement and first issued at or after the time the Registration Statement first became effective or (b) with respect to any other class or series of Units, the price per Unit at which such class or series of Units is initially sold by the Partnership, as determined by the General Partner, in each case adjusted as the General Partner determines to be appropriate to give effect to any distribution, subdivision or combination of Units.

"Interim Capital Transactions" means the following transactions if they occur prior to the Liquidation Date: (a) borrowings, refinancings or refundings of indebtedness and sales of debt securities (other than Working Capital Borrowings and other than for items purchased on open account in the ordinary course of business) by any Group Member; (b) sales of equity interests by any Group Member (other than the Common Units sold to the Underwriters pursuant to the exercise of their over-allotment option); and (c) sales or other voluntary or involuntary dispositions of any assets of any Group Member (other than (i) sales or other dispositions of inventory, accounts receivable and other assets in the ordinary course of business and (ii) sales or other dispositions of assets as part of normal retirements or replacements).

"Issue Price" means the price at which a Unit is purchased from the Partnership, after taking into account any sales commission or underwriting discount charged to the Partnership.

"Limited Partner" means, unless the context otherwise requires, (a) the Organizational Limited Partner prior to its withdrawal from the Partnership, each Initial Limited Partner, each Substituted Limited Partner, each Additional Limited Partner and any Partner upon the change of its status from General Partner to Limited Partner pursuant to Section 11.3 or (b) solely for purposes of Articles V, VI, VII and IX and Sections 12.3 and 12.4, each Assignee; provided, however, that when the term "Limited Partner" is used herein in the context of any vote or other approval, including without limitation Articles XIII and XIV, such term shall not, solely for such purpose, include any holder of an Incentive Distribution Right except as may otherwise be required by law.

"Limited Partner Interest" means the ownership interest of a Limited Partner or Assignee in the Partnership, which may be evidenced by Common Units, Subordinated Units, Incentive Distribution Rights or other Partnership Securities or a combination thereof or interest therein, and includes any and all benefits to which such Limited Partner or Assignee is entitled as provided in this Agreement, together with all obligations of such Limited Partner or Assignee to comply with the terms and provisions of this Agreement; provided, however, that when the term "Limited Partner Interest" is used herein in the context of any vote or other approval, including without limitation Articles XIII and XIV, such term shall not, solely for such purpose, include any holder of an Incentive Distribution Right except as may otherwise be required by law.

"Liquidation Date" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the holders of Outstanding Units have the right to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"Liquidator" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Act.

"Merger Agreement" has the meaning assigned to such term in Section 14.1.

"Minimum Quarterly Distribution" means $0.45 per Unit per Quarter (or with respect to the period commencing on the Closing Date and ending on December 31, 1998, it means the product of $0.45 multiplied by a fraction of which the numerator is the number of days in such period and of which the denominator is 91), subject to adjustment in accordance with Sections 6.6 and 6.9.

"National Securities Exchange" means an exchange registered with the Commission under Section 6(a) of the Securities Exchange Act of 1934, as amended, supplemented or restated from time to time, and any successor to such statute, or the Nasdaq Stock Market or any successor thereto.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner or Assignee by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.5(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner or Assignee upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable year, the excess, if any, of the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Income shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d); provided that the determination of the items that have been specially allocated under Section 6.1(d) shall be made as if Section 6.1(d)(xii) were not in this Agreement.

"Net Loss" means, for any taxable year, the excess, if any, of the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d); provided that the determination of the items that have been specially allocated under Section 6.1(d) shall be made as if Section 6.1(d)(xii) were not in this Agreement.

"Net Positive Adjustments" means, with respect to any Partner, the excess, if any, of the total positive adjustments over the total negative adjustments made to the Capital Account of such Partner pursuant to Book-Up Events and Book-Down Events.

"Net Termination Gain" means, for any taxable year, the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Net Termination Loss" means, for any taxable year, the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Non-citizen Assignee" means a Person whom the General Partner has determined in its discretion does not constitute an Eligible Citizen and as to whose Partnership Interest the General Partner has become the Substituted Limited Partner, pursuant to Section 4.9.

"Nonrecourse Built-in Gain" means, with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or pledge securing a Nonrecourse Liability, the amount of any taxable gain

that would be allocated to the Partners pursuant to Sections 6.2(b)(i)(A), 6.2(b)(ii)(A) and 6.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

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

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"Notice of Election to Purchase" has the meaning assigned to such term in Section 15.1(b).

"Omnibus Agreement" means that Omnibus Agreement, dated as of the Closing Date, among Plains Resources Inc., the General Partner, the Partnership and each Operating Partnership.

"Operating Expenditures" means all Partnership Group expenditures, including, but not limited to, taxes, reimbursements of the General Partner, debt service payments, and capital expenditures, subject to the following:

(a) Payments (including prepayments) of principal of and premium on indebtedness shall not be an Operating Expenditure if the payment is (i) required in connection with the sale or other disposition of assets or (ii) made in connection with the refinancing or refunding of indebtedness with the proceeds from new indebtedness or from the sale of equity interests. For purposes of the foregoing, at the election and in the reasonable discretion of the General Partner, any payment of principal or premium shall be deemed to be refunded or refinanced by any indebtedness incurred or to be incurred by the Partnership Group within 180 days before or after such payment to the extent of the principal amount of such indebtedness.

(b) Operating Expenditures shall not include (i) capital expenditures made for Acquisitions or for Capital Improvements, (ii) payment of transaction expenses relating to Interim Capital Transactions or (iii) distributions to Partners. Where capital expenditures are made in part for Acquisitions or for Capital Improvements and in part for other purposes, the General Partner's good faith allocation between the amounts paid for each shall be conclusive.

"Operating Partnerships" means Plains Marketing, L.P., a Delaware limited partnership, All American, L.P., a Delaware limited partnership, and any successors thereto.

"Operating Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of each of the Operating Partnerships, as they may be amended, supplemented or restated from time to time.

"Operating Surplus" means, with respect to any period ending prior to the Liquidation Date, on a cumulative basis and without duplication,

(a) the sum of (i) $25 million plus all cash and cash equivalents of the Partnership Group on hand as of the close of business on the Closing Date, (ii) all cash receipts of the Partnership Group for the period beginning on the Closing Date and ending with the last day of such period, other than cash receipts from Interim Capital Transactions (except to the extent specified in Section 6.5) and (iii) all cash receipts of the Partnership Group after the end of such period but on or before the date of determination of Operating Surplus with respect to such period resulting from Working Capital Borrowings, less

(b) the sum of (i) Operating Expenditures for the period beginning on the Closing Date and ending with the last day of such period and (ii) the amount of cash reserves that is necessary or advisable in the reasonable discretion of the General Partner to provide funds for future Operating Expenditures; provided, however, that disbursements made (including contributions to a Group Member or disbursements on behalf of a Group Member) or cash reserves established, increased or reduced after the end of such period but on or before the date of determination of Available Cash with respect to such period shall be deemed to have been made, established, increased or reduced, for purposes of determining Operating Surplus, within such period if the General Partner so determines.

Notwithstanding the foregoing, "Operating Surplus" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"Opinion of Counsel" means a written opinion of counsel (who may be regular counsel to the Partnership or the General Partner or any of its Affiliates) acceptable to the General Partner in its reasonable discretion.

"Organizational Limited Partner" means Plains Resources Inc. in its capacity as the organizational limited partner of the Partnership pursuant to this Agreement.

"Outstanding" means, with respect to Partnership Securities, all Partnership Securities that are issued by the Partnership and reflected as outstanding on the Partnership's books and records as of the date of determination; provided, however, that if at any time any Person or Group (other than the General Partner or its Affiliates) beneficially owns 20% or more of any Outstanding Partnership Securities of any class then Outstanding, all Partnership Securities owned by such Person or Group shall not be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of Limited Partners to vote on any matter (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under this Agreement, except that Common Units so owned shall be considered to be Outstanding for purposes of Section 11.1(b)(iv) (such Common Units shall not, however, be treated as a separate class of Partnership Securities for purposes of this Agreement); provided, further, that the foregoing limitation shall not apply (i) to any Person or Group who acquired 20% or more of any Partnership Securities of any class then Outstanding directly from the General Partner or its Affiliates or (ii) to any Person or Group who acquired 20% or more of any Partnership Securities of any class then Outstanding directly or indirectly from a Person or Group described in clause (i) provided that the General Partner shall have notified such Person or Group in writing that such limitation shall not apply.

"Over-Allotment Option" means the over-allotment option granted to the Underwriters by the Partnership pursuant to the Underwriting Agreement.

"Parity Units" means Common Units and all other Units having rights to distributions or in liquidation ranking on a parity with the Common Units.

"Partner Nonrecourse Debt" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

"Partners" means the General Partner and the Limited Partners.

"Partnership" means Plains All American Pipeline, L.P., a Delaware limited partnership, and any successors thereto.

"Partnership Group" means the Partnership, the Operating Partnerships and any Subsidiary of any such entity, treated as a single consolidated entity.

"Partnership Interest" means an interest in the Partnership, which shall include the General Partner Interest and Limited Partner Interests.

"Partnership Minimum Gain" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(d).

"Partnership Security" means any class or series of equity interest in the Partnership (but excluding any options, rights, warrants and appreciation rights relating to an equity interest in the Partnership), including without limitation, Common Units, Subordinated Units and Incentive Distribution Rights.

"Percentage Interest" means as of any date of determination (a) as to the General Partner (with respect to its General Partner Interest), an aggregate 1.0%, (b) as to any Unitholder or Assignee holding Units, the product obtained by multiplying (i) 99% less the percentage applicable to paragraph (c) by (ii) the quotient obtained by dividing (A) the number of Units held by such Unitholder or Assignee by (B) the total number of all Outstanding Units, and (c) as to the holders of additional Partnership Securities issued by the Partnership in accordance with Section 5.6, the percentage established as a part of such issuance. The Percentage Interest with respect to an Incentive Distribution Right shall at all times be zero.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Per Unit Capital Amount" means, as of any date of determination, the Capital Account, stated on a per Unit basis, underlying any Unit held by a Person other than the General Partner or any Affiliate of the General Partner who holds Units.

"Plains Midstream Subsidiaries" means Plains Marketing & Transportation Inc., a Delaware corporation, Plains Terminal & Transfer Corporation, a Delaware corporation, PLX Crude Lines Inc., a Delaware corporation, and PLX Ingleside Inc., a Delaware corporation, each a wholly owned subsidiary of Plains Resources prior to their merger into Plains Resources.

"Pro Rata" means (a) when modifying Units or any class thereof, apportioned equally among all designated Units in accordance with their relative Percentage Interests, (b) when modifying Partners and Assignees, apportioned among all Partners and Assignees in accordance with their relative Percentage Interests and (c) when modifying holders of Incentive Distribution Rights, apportioned equally among all holders of Incentive Distribution Rights in accordance with the relative number of Incentive Distribution Rights held by each such holder.

"Purchase Date" means the date determined by the General Partner as the date for purchase of all Outstanding Units of a certain class (other than Units owned by the General Partner and its Affiliates) pursuant to Article XV.

"Quarter" means, unless the context requires otherwise, a fiscal quarter of the Partnership.

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

"Record Date" means the date established by the General Partner for determining (a) the identity of the Record Holders entitled to notice of, or to vote at, any meeting of Limited Partners or entitled to vote by ballot or give approval of Partnership action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Limited Partners or (b) the identity of Record Holders entitled to receive any report or distribution or to participate in any offer.

"Record Holder" means the Person in whose name a Common Unit is registered on the books of the Transfer Agent as of the opening of business on a particular Business Day, or with respect to other Partnership Securities, the Person in whose name any such other Partnership Security is registered on the books which the General Partner has caused to be kept as of the opening of business on such Business Day.

"Redeemable Interests" means any Partnership Interests for which a redemption notice has been given, and has not been withdrawn, pursuant to Section 4.10.

"Registration Statement" means the Registration Statement on Form S-1 (Registration No. 333-64107) as it has been or as it may be amended or supplemented from time to time, filed by the Partnership with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"Remaining Net Positive Adjustments" means as of the end of any taxable period, (i) with respect to the Unitholders holding Common Units or Subordinated Units, the excess of (a) the Net Positive Adjustments of the Unitholders holding Common Units or Subordinated Units as of the end of such period over (b) the sum of those Partners' Share of Additional Book Basis Derivative Items for each prior taxable period, (ii) with respect to the General Partner (as holder of the General Partner Interest), the excess of (a) the Net Positive Adjustments of the General Partner as of the end of such period over (b) the sum of the General Partner's Share of Additional Book Basis Derivative Items with respect to the General Partner Interest for each prior taxable period, and (iii) with respect to the holders of Incentive Distribution Rights, the excess of (a) the Net Positive Adjustments of the holders of Incentive Distribution Rights as of the end of such period over (b) the sum of the Share of Additional Book Basis Derivative Items of the holders of the Incentive Distribution Rights for each prior taxable period.

"Required Allocations" means (a) any limitation imposed on any allocation of Net Losses or Net Termination Losses under Section 6.1(b) or 6.1(c)(ii) and (b) any allocation of an item of income, gain, loss or deduction pursuant to Section 6.1(d)(i), 6.1(d)(ii), 6.1(d)(iv), 6.1(d)(vii) or 6.1(d)(ix).

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 6.2(b)(i)(A) or 6.2(b)(ii)(A), respectively, to eliminate Book-Tax Disparities.

"Restricted Business" has the meaning assigned to such term in the Omnibus Agreement.

"Second Liquidation Target Amount" has the meaning assigned to such term in Section 6.1(c)(i)(E).

"Second Target Distribution" means $.675 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on December 31, 1998, it means the product of $.675 multiplied by a fraction of which the numerator is equal to the number of days in such period and of which the denominator is 91), subject to adjustment in accordance with Sections 6.6 and 6.9.

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"Share of Additional Book Basis Derivative Items" means in connection with any allocation of Additional Book Basis Derivative Items for any taxable period, (i) with respect to the Unitholders holding Common Units or Subordinated Units, the amount that bears the same ratio to such Additional Book Basis Derivative Items as the Unitholders' Remaining Net Positive Adjustments as of the end of such period bears to the Aggregate Remaining Net Positive Adjustments as of that time, (ii) with respect to the General Partner (as holder of the General Partner Interest), the amount that bears the same ratio to such additional Book Basis Derivative Items as the General Partner's Remaining Net Positive Adjustments as of the end of such period bears to the Aggregate Remaining Net Positive Adjustment as of that time, and (iii) with respect to the Partners holding Incentive Distribution Rights, the amount that bears the same ratio to such Additional Book Basis Derivative Items as the Remaining Net Positive Adjustments of the Partners holding the Incentive Distribution Rights as of the end of such period bears to the Aggregate Remaining Net Positive Adjustments as of that time.

"Special Approval" means approval by a majority of the members of the Conflicts Committee.

"Subordinated Unit" means a Unit representing a fractional part of the Partnership Interests of all Limited Partners and Assignees (other than of holders of the Incentive Distribution Rights) and having the rights and obligations specified with respect to Subordinated Units in this Agreement. The term "Subordinated Unit" as used herein does not include a Common Unit.

"Subordination Period" means the period commencing on the Closing Date and ending on the first to occur of the following dates:

(a) the first day of any Quarter beginning after December 31, 2003 in respect of which (i) (A) distributions of Available Cash from Operating Surplus on each of the Outstanding Common Units and Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all Outstanding Common Units and Subordinated Units during such periods and (B) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were Outstanding during such periods on a fully diluted basis (i.e., taking into account for purposes of such determination all Outstanding Common Units, all Outstanding Subordinated Units, all Common Units and Subordinated Units issuable upon exercise of employee options that have, as of the date of determination, already vested or are scheduled to vest prior to the end of the Quarter immediately following the Quarter with respect to which such determination is made, and all Common Units and Subordinated Units that have as of the date of determination, been earned by but not yet issued to management of the Partnership in respect of incentive compensation), plus the related distribution on the General Partner Interest in the Partnership and on the general partner interest in the Operating Partnership, during such periods and (ii) there are no Cumulative Common Unit Arrearages; and

(b) the date on which the General Partner is removed as general partner of the Partnership upon the requisite vote by holders of Outstanding Units under circumstances where Cause does not exist and Units held by the General Partner and its Affiliates are not voted in favor of such removal.

"Subsidiary" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"Surviving Business Entity" has the meaning assigned to such term in Section 14.2(b).

"Trading Day" has the meaning assigned to such term in Section 15.1(a).

"Transfer" has the meaning assigned to such term in Section 4.4(a).

"Transfer Agent" means such bank, trust company or other Person (including the General Partner or one of its Affiliates) as shall be appointed from time to time by the Partnership to act as registrar and transfer agent for the Common Units; provided that if no Transfer Agent is specifically designated for any other Partnership Securities, the General Partner shall act in such capacity.

"Transfer Application" means an application and agreement for transfer of Units in the form set forth on the back of a Certificate or in a form substantially to the same effect in a separate instrument.

"Underwriter" means each Person named as an underwriter in Schedule I to the Underwriting Agreement who purchases Common Units pursuant thereto.

"Underwriting Agreement" means the Underwriting Agreement dated , 1998 among the Underwriters, the Partnership and certain other parties, providing for the purchase of Common Units by such Underwriters.

"Unit" means a Partnership Security that is designated as a "Unit" and shall include Common Units and Subordinated Units but shall not include (i) a General Partner Interest or (ii) Incentive Distribution Rights.

"Unitholders" means the holders of Common Units and Subordinated Units.

"Unit Majority" means, during the Subordination Period, at least a majority of the Outstanding Common Units (excluding Common Units owned by the General Partner and its affiliates) voting as a class and at least a majority of the Outstanding Subordinated Units voting as a class, and thereafter, at least a majority of the Outstanding Common Units.

"Unpaid MQD" has the meaning assigned to such term in Section 6.1(c)(i)(B).

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 5.5(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date).

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 5.5(d)).

"Unrecovered Capital" means at any time, with respect to a Unit, the Initial Unit Price less the sum of all distributions constituting Capital Surplus theretofore made in respect of an Initial Common Unit and any distributions of cash (or the Net Agreed Value of any distributions in kind) in connection with the dissolution and liquidation of the Partnership theretofore made in respect of an Initial Common Unit, adjusted as the General Partner determines to be appropriate to give effect to any distribution, subdivision or combination of such Units.

"U.S. GAAP" means United States Generally Accepted Accounting Principles consistently applied.

"Withdrawal Opinion of Counsel" has the meaning assigned to such term in Section 11.1(b).

"Working Capital Borrowings" means borrowings exclusively for working capital purposes made pursuant to a credit facility or other arrangement requiring all such borrowings thereunder to be reduced to a relatively small amount each year for an economically meaningful period of time.

Section 1.2 Construction.

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) the term "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

ARTICLE II

ORGANIZATION

Section 2.1 Formation.

The General Partner and the Organizational Limited Partner have previously formed the Partnership as a limited partnership pursuant to the provisions of the Delaware Act and hereby amend and restate the original Agreement of Limited Partnership of Plains All American Pipeline, L.P. in its entirety. This amendment and restatement shall become effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

Section 2.2 Name.

The name of the Partnership shall be "Plains All American Pipeline, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General Partner in its sole discretion, including the name of the General Partner. The words "Limited Partnership", "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner in its discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

Section 2.3 Registered Office; Registered Agent; Principal Office; Other Offices.

Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at 1013 Center Road, Wilmington, Delaware 19805-1297, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be Corporation Service Company. The principal office of the Partnership shall be located at 500 Dallas, Suite 700, Houston, Texas 77002 or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner shall be 500 Dallas, Suite 700, Houston, Texas 77002 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

Section 2.4 Purpose and Business.

The purpose and nature of the business to be conducted by the Partnership shall be to (a) serve as a partner of either or both of the Operating Partnerships and, in connection therewith, to exercise all the rights and powers conferred upon the Partnership as a partner of an Operating Partnership pursuant to the Operating Partnership Agreement for such Operating Partnership or otherwise, (b) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that the Operating Partnerships are permitted to engage in by the Operating Partnership Agreements and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity; provided, however, that the General Partner reasonably determines, as of the date of the acquisition or commencement of such activity, that such activity (i) generates "qualifying income" (as such term is defined pursuant to Section 7704 of the Code) or (ii) enhances the operations of an activity of the Operating Partnership or a Partnership

activity that generates qualifying income, and (d) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member. The General Partner has no obligation or duty to the Partnership, the Limited Partners, or the Assignees to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Partnership of any business.

Section 2.5 Powers.

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

Section 2.6 Power of Attorney.

(a) Each Limited Partner and each Assignee hereby constitutes and appoints the General Partner and, if a Liquidator shall have been selected pursuant to Section 12.3, the Liquidator (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as his true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Securities issued pursuant to Section 5.6; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by Section 13.3 or any other provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 2.7 Term.

The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the close of Partnership business on December 31, 2088 or until the earlier dissolution of the Partnership in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Act.

Section 2.8 Title to Partnership Assets.

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner or Assignee, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; provided, further, that, prior to the withdrawal or removal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

ARTICLE III

RIGHTS OF LIMITED PARTNERS

Section 3.1 Limitation of Liability.

The Limited Partners and the Assignees shall have no liability under this Agreement except as expressly provided in this Agreement or the Delaware Act.

Section 3.2 Management of Business.

No Limited Partner or Assignee, in its capacity as such, shall participate in the operation, management or control (within the meaning of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, member, general partner, agent or trustee of the General Partner or any of its Affiliates, or any officer, director, employee, member, general partner, agent or trustee of a Group Member, in its capacity as such, shall not be deemed to be participation in the control of the business of the Partnership by a limited partner of the Partnership (within the meaning of Section 17-303(a) of the Delaware Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 3.3 Outside Activities of the Limited Partners.

Subject to the provisions of Section 7.5 and the Omnibus Agreement, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

Section 3.4 Rights of Limited Partners.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand and at such Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year;

(iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the Net Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) The General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the Partnership Group, (B) could damage the Partnership Group or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

ARTICLE IV

CERTIFICATES; RECORD HOLDERS; TRANSFER OF PARTNERSHIP INTERESTS; REDEMPTION OF PARTNERSHIP INTERESTS

Section 4.1 Certificates.

Upon the Partnership's issuance of Common Units or Subordinated Units to any Person, the Partnership shall issue one or more Certificates in the name of such Person evidencing the number of such Units being so issued. In addition, (a) upon the General Partner's request, the Partnership shall issue to it one or more Certificates in the name of the General Partner evidencing its interests in the Partnership and (b) upon the request of any Person owning Incentive Distribution Rights or any other Partnership Securities other than Common Units or Subordinated Units, the Partnership shall issue to such Person one or more certificates evidencing such Incentive Distribution Rights or other Partnership Securities other than Common Units or Subordinated Units. Certificates shall be executed on behalf of the Partnership by the Chairman of the Board, President or any Executive Vice President or Vice President and the Secretary or any Assistant Secretary of the General Partner. No Common Unit Certificate shall be valid for any purpose until it has been countersigned by the Transfer Agent. Subject to the requirements of Section 6.7(b), the Partners holding Certificates evidencing Subordinated Units may exchange such Certificates for Certificates evidencing Common Units on or after the date on which such Subordinated Units are converted into Common Units pursuant to the terms of Section 5.8.

Section 4.2 Mutilated, Destroyed, Lost or Stolen Certificates.

(a) If any mutilated Certificate is surrendered to the Transfer Agent, the appropriate officers of the General Partner on behalf of the Partnership shall execute, and the Transfer Agent shall countersign and deliver in exchange therefor, a new Certificate evidencing the same number and type of Partnership Securities as the Certificate so surrendered.

(b) The appropriate officers of the General Partner on behalf of the Partnership shall execute and deliver, and the Transfer Agent shall countersign a new Certificate in place of any Certificate previously issued if the Record Holder of the Certificate:

(i) makes proof by affidavit, in form and substance satisfactory to the Partnership, that a previously issued Certificate has been lost, destroyed or stolen;

(ii) requests the issuance of a new Certificate before the Partnership has notice that the Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

(iii) if requested by the Partnership, delivers to the Partnership a bond, in form and substance satisfactory to the Partnership, with surety or sureties and with fixed or open penalty as the Partnership may reasonably direct, in its sole discretion, to indemnify the Partnership, the Partners, the General Partner and the Transfer Agent against any claim that may be made on account of the alleged loss, destruction or theft of the Certificate; and

(iv) satisfies any other reasonable requirements imposed by the Partnership.

If a Limited Partner or Assignee fails to notify the Partnership within a reasonable time after he has notice of the loss, destruction or theft of a Certificate, and a transfer of the Limited Partner Interests represented by the Certificate is registered before the Partnership, the General Partner or the Transfer Agent receives such notification, the Limited Partner or Assignee shall be precluded from making any claim against the Partnership, the General Partner or the Transfer Agent for such transfer or for a new Certificate.

(c) As a condition to the issuance of any new Certificate under this Section 4.2, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Transfer Agent) reasonably connected therewith.

Section 4.3 Record Holders.

The Partnership shall be entitled to recognize the Record Holder as the Partner or Assignee with respect to any Partnership Interest and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Partnership Interest on the part of any other Person, regardless of whether the Partnership shall have actual or other notice thereof, except as otherwise provided by law or any applicable rule, regulation, guideline or requirement of any National Securities Exchange on which such Partnership Interests are listed for trading. Without limiting the foregoing, when a Person (such as a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for another Person in acquiring and/or holding Partnership Interests, as between the Partnership on the one hand, and such other Persons on the other, such representative Person (a) shall be the Partner or Assignee (as the case may be) of record and beneficially, (b) must execute and deliver a Transfer Application and (c) shall be bound by this Agreement and shall have the rights and obligations of a Partner or Assignee (as the case may be) hereunder and as, and to the extent, provided for herein.

Section 4.4 Transfer Generally.

(a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction by which the General Partner assigns its General Partner Interest to another Person who becomes the General Partner, by which the holder of a Limited Partner Interest assigns such Limited Partner Interest to another Person who is or becomes a Limited Partner or an Assignee, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any stockholder of the General Partner of any or all of the issued and outstanding stock of the General Partner.

Section 4.5 Registration and Transfer of Limited Partner Interests.

(a) The Partnership shall keep or cause to be kept on behalf of the Partnership a register in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of Section 4.5(b), the Partnership will provide for the registration and transfer of Limited Partner Interests. The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Common Units and transfers of such Common Units as herein provided. The Partnership shall not recognize transfers of Certificates evidencing Limited Partner Interests unless such transfers are effected in the manner described in this Section 4.5. Upon surrender of a Certificate for registration of transfer of any Limited Partner Interests evidenced by a Certificate, and subject to the provisions of Section 4.5(b), the appropriate officers of the General Partner on behalf of the Partnership shall execute and deliver, and in the case of Common Units, the Transfer Agent shall countersign and deliver, in the name of the

holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Certificates evidencing the same aggregate number and type of Limited Partner Interests as was evidenced by the Certificate so surrendered.

(b) Except as otherwise provided in Section 4.9, the Partnership shall not recognize any transfer of Limited Partner Interests until the Certificates evidencing such Limited Partner Interests are surrendered for registration of transfer and such Certificates are accompanied by a Transfer Application duly executed by the transferee (or the transferee's attorney-in-fact duly authorized in writing). No charge shall be imposed by the Partnership for such transfer; provided, that as a condition to the issuance of any new Certificate under this Section 4.5, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed with respect thereto.

(c) Limited Partner Interests may be transferred only in the manner described in this Section 4.5. The transfer of any Limited Partner Interests and the admission of any new Limited Partner shall not constitute an amendment to this Agreement.

(d) Until admitted as a Substituted Limited Partner pursuant to Section 10.2, the Record Holder of a Limited Partner Interest shall be an Assignee in respect of such Limited Partner Interest. Limited Partners may include custodians, nominees or any other individual or entity in its own or any representative capacity.

(e) A transferee of a Limited Partner Interest who has completed and delivered a Transfer Application shall be deemed to have (i) requested admission as a Substituted Limited Partner, (ii) agreed to comply with and be bound by and to have executed this Agreement, (iii) represented and warranted that such transferee has the right, power and authority and, if an individual, the capacity to enter into this Agreement, (iv) granted the powers of attorney set forth in this Agreement and (v) given the consents and approvals and made the waivers contained in this Agreement.

(f) The General Partner and its Affiliates shall have the right at any time to transfer their Subordinated Units and Common Units (whether issued upon conversion of the Subordinated Units or otherwise) to one or more Persons.

Section 4.6 Transfer of the General Partner's General Partner Interest.

(a) Subject to Section 4.6(c) below, prior to December 31, 2008, the General Partner shall not transfer all or any part of its General Partner Interest to a Person unless such transfer (i) has been approved by the prior written consent or vote of the holders of at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates) or (ii) is of all, but not less than all, of its General Partner Interest to (A) an Affiliate of the General Partner or (B) another Person in connection with the merger or consolidation of the General Partner with or into another Person or the transfer by the General Partner of all or substantially all of its assets to another Person.

(b) Subject to Section 4.6(c) below, on or after December 31, 2008, the General Partner may transfer all or any of its General Partner Interest without Unitholder approval.

(c) Notwithstanding anything herein to the contrary, no transfer by the General Partner of all or any part of its General Partner Interest to another Person shall be permitted unless (i) the transferee agrees to assume the rights and duties of the General Partner under this Agreement and the Operating Partnership Agreements and to be bound by the provisions of this Agreement and the Operating Partnership Agreements, (ii) the Partnership receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any Limited Partner or of any limited partner of the Operating Partnerships or cause the Partnership or the Operating Partnerships to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed) and (iii) such transferee also agrees to purchase all (or the appropriate portion thereof, if applicable) of the partnership interest of the General Partner as the general partner or managing member of each other Group Member. In the case of a transfer pursuant to

and in compliance with this Section 4.6, the transferee or successor (as the case may be) shall, subject to compliance with the terms of Section 10.3, be admitted to the Partnership as a General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution.

Section 4.7 Transfer of Incentive Distribution Rights.

Prior to December 31, 2008, a holder of Incentive Distribution Rights may transfer any or all of the Incentive Distribution Rights held by such holder without any consent of the Unitholders (a) to an Affiliate or (b) to another Person in connection with (i) the merger or consolidation of such holder of Incentive Distribution Rights with or into such other Person or (ii) the transfer by such holder of all or substantially all of its assets to such other Person. Any other transfer of the Incentive Distribution Rights prior to December 31, 2008, shall require the prior approval of holders of at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates). On or after December 31, 2008, the General Partner or any other holder of Incentive Distribution Rights may transfer any or all of its Incentive Distribution Rights without Unitholder approval. Notwithstanding anything herein to the contrary, no transfer of Incentive Distribution Rights to another Person shall be permitted unless the transferee agrees to be bound by the provisions of this Agreement. The General Partner shall have the authority (but shall not be required) to adopt such reasonable restrictions on the transfer of Incentive Distribution Rights and requirements for registering the transfer of Incentive Distribution Rights as the General Partner, in its sole discretion, shall determine are necessary or appropriate.

Section 4.8 Restrictions on Transfers.

(a) Except as provided in Section 4.8(d) below, but notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interests shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership or either Operating Partnership under the laws of the jurisdiction of its formation, or (iii) cause the Partnership or either Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of the Partnership or either Operating Partnership becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions; provided, however, that any amendment that the General Partner believes, in the exercise of its reasonable discretion, could result in the delisting or suspension of trading of any class of Limited Partner Interests on the principal National Securities Exchange on which such class of Limited Partner Interests is then traded must be approved, prior to such amendment being effected, by the holders of at least a majority of the Outstanding Limited Partner Interests of such class.

(c) The transfer of a Subordinated Unit that has converted into a Common Unit shall be subject to the restrictions imposed by Section 6.7(b).

(d) Nothing contained in this Article IV, or elsewhere in this Agreement, shall preclude the settlement of any transactions involving Partnership Interests entered into through the facilities of any National Securities Exchange on which such Partnership Interests are listed for trading.

Section 4.9 Citizenship Certificates; Non-citizen Assignees.

(a) If any Group Member is or becomes subject to any federal, state or local law or regulation that, in the reasonable determination of the General Partner, creates a substantial risk of cancellation or forfeiture of any property in which the Group Member has an interest based on the nationality, citizenship or other related status of a Limited Partner or Assignee, the General Partner may request any Limited Partner or Assignee to furnish to the General Partner, within 30 days after receipt of such request, an executed Citizenship Certification or such other information concerning his nationality, citizenship or other related status (or, if the Limited Partner or

Assignee is a nominee holding for the account of another Person, the nationality, citizenship or other related status of such Person) as the General Partner may request. If a Limited Partner or Assignee fails to furnish to the General Partner within the aforementioned 30-day period such Citizenship Certification or other requested information or if upon receipt of such Citizenship Certification or other requested information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership Interests owned by such Limited Partner or Assignee shall be subject to redemption in accordance with the provisions of Section 4.10. In addition, the General Partner may require that the status of any such Limited Partner or Assignee be changed to that of a Non-citizen Assignee and, thereupon, the General Partner shall be substituted for such Non-citizen Assignee as the Limited Partner in respect of his Limited Partner Interests.

(b) The General Partner shall, in exercising voting rights in respect of Limited Partner Interests held by it on behalf of Non-citizen Assignees, distribute the votes in the same ratios as the votes of Partners (including without limitation the General Partner) in respect of Limited Partner Interests other than those of Non-citizen Assignees are cast, either for, against or abstaining as to the matter.

(c) Upon dissolution of the Partnership, a Non-citizen Assignee shall have no right to receive a distribution in kind pursuant to Section 12.4 but shall be entitled to the cash equivalent thereof, and the Partnership shall provide cash in exchange for an assignment of the Non-citizen Assignee's share of the distribution in kind. Such payment and assignment shall be treated for Partnership purposes as a purchase by the Partnership from the Non-citizen Assignee of his Limited Partner Interest (representing his right to receive his share of such distribution in kind).

(d) At any time after he can and does certify that he has become an Eligible Citizen, a Non-citizen Assignee may, upon application to the General Partner, request admission as a Substituted Limited Partner with respect to any Limited Partner Interests of such Non-citizen Assignee not redeemed pursuant to Section 4.10, and upon his admission pursuant to Section 10.2, the General Partner shall cease to be deemed to be the Limited Partner in respect of the Non-citizen Assignee's Limited Partner Interests.

Section 4.10 Redemption of Partnership Interests of Non-citizen Assignees.

(a) If at any time a Limited Partner or Assignee fails to furnish a Citizenship Certification or other information requested within the 30-day period specified in Section 4.9(a), or if upon receipt of such Citizenship Certification or other information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership may, unless the Limited Partner or Assignee establishes to the satisfaction of the General Partner that such Limited Partner or Assignee is an Eligible Citizen or has transferred his Partnership Interests to a Person who is an Eligible Citizen and who furnishes a Citizenship Certification to the General Partner prior to the date fixed for redemption as provided below, redeem the Partnership Interest of such Limited Partner or Assignee as follows:

(i) The General Partner shall, not later than the 30th day before the date fixed for redemption, give notice of redemption to the Limited Partner or Assignee, at his last address designated on the records of the Partnership or the Transfer Agent, by registered or certified mail, postage prepaid. The notice shall be deemed to have been given when so mailed. The notice shall specify the Redeemable Interests, the date fixed for redemption, the place of payment, that payment of the redemption price will be made upon surrender of the Certificate evidencing the Redeemable Interests and that on and after the date fixed for redemption no further allocations or distributions to which the Limited Partner or Assignee would otherwise be entitled in respect of the Redeemable Interests will accrue or be made.

(ii) The aggregate redemption price for Redeemable Interests shall be an amount equal to the Current Market Price (the date of determination of which shall be the date fixed for redemption) of Limited Partner Interests of the class to be so redeemed multiplied by the number of Limited Partner Interests of each such class included among the Redeemable Interests. The redemption price shall be paid, in the discretion of the General Partner, in cash or by delivery of a promissory note of the Partnership in the principal amount of the redemption price, bearing interest at the rate of 10% annually and payable in three equal annual installments of principal together with accrued interest, commencing one year after the redemption date.

(iii) Upon surrender by or on behalf of the Limited Partner or Assignee, at the place specified in the notice of redemption, of the Certificate evidencing the Redeemable Interests, duly endorsed in blank or accompanied by an assignment duly executed in blank, the Limited Partner or Assignee or his duly authorized representative shall be entitled to receive the payment therefor.

(iv) After the redemption date, Redeemable Interests shall no longer constitute issued and Outstanding Limited Partner Interests.

(b) The provisions of this Section 4.10 shall also be applicable to Limited Partner Interests held by a Limited Partner or Assignee as nominee of a Person determined to be other than an Eligible Citizen.

(c) Nothing in this Section 4.10 shall prevent the recipient of a notice of redemption from transferring his Limited Partner Interest before the redemption date if such transfer is otherwise permitted under this Agreement. Upon receipt of notice of such a transfer, the General Partner shall withdraw the notice of redemption, provided the transferee of such Limited Partner Interest certifies to the satisfaction of the General Partner in a Citizenship Certification delivered in connection with the Transfer Application that he is an Eligible Citizen. If the transferee fails to make such certification, such redemption shall be effected from the transferee on the original redemption date.

ARTICLE V

CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

Section 5.1 Organizational Contributions.

In connection with the formation of the Partnership under the Delaware Act, the General Partner made an initial Capital Contribution to the Partnership in the amount of $1,990.00, for an interest in the Partnership and has been admitted as the General Partner of the Partnership, and the Organizational Limited Partner made an initial Capital Contribution to the Partnership in the amount of $990.00 for an interest in the Partnership and has been admitted as a Limited Partner of the Partnership. As of the Closing Date, the interest of the Organizational Limited Partner shall be redeemed as provided in the Contribution and Conveyance Agreement; the initial Capital Contributions of each Partner shall thereupon be refunded; and the Organizational Limited Partner shall cease to be a Limited Partner of the Partnership. Ninety-nine percent of any interest or other profit that may have resulted from the investment or other use of such initial Capital Contributions shall be allocated and distributed to the Organizational Limited Partner, and the balance thereof shall be allocated and distributed to the General Partner.

Section 5.2 Contributions by the General Partner and its Affiliates.

(a) On the Closing Date and pursuant to the Contribution and Conveyance Agreement, the General Partner shall contribute to the Partnership, as a Capital Contribution, all but 1.0101% of its general partner interest in the Operating Partnership in exchange for (i) the continuation of its General Partner Interest, subject to all of the rights, privileges and duties of the General Partner under this Agreement, (ii) 6,817,391 Common Units, (iii) 9,800,000 Subordinated Units and (iv) the Incentive Distribution Rights.

(b) Upon the issuance of any additional Limited Partner Interests by the Partnership (other than the issuance of the Common Units issued in the Initial Offering or pursuant to the Over-Allotment Option), the General Partner shall be required to make additional Capital Contributions equal to 1/99th of any amount contributed to the Partnership by the Limited Partners in exchange for such Limited Partner Interests. Except as set forth in the immediately preceding sentence and Article XII, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

Section 5.3 Contributions by Initial Limited Partners and Reimbursement of the General Partner.

(a) On the Closing Date and pursuant to the Underwriting Agreement, each Underwriter shall contribute to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit, multiplied by the number of Common Units specified in the Underwriting Agreement to be purchased by such Underwriter at the Closing

Date. In exchange for such Capital Contributions by the Underwriters, the Partnership shall issue Common Units to each Underwriter on whose behalf such Capital Contribution is made in an amount equal to the quotient obtained by dividing (i) the cash contribution to the Partnership by or on behalf of such Underwriter by (ii) the Issue Price per Initial Common Unit.

(b) Upon the exercise of the Over-Allotment Option, each Underwriter shall contribute to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit, multiplied by the number of Common Units specified in the Underwriting Agreement to be purchased by such Underwriter at the Option Closing Date. In exchange for such Capital Contributions by the Underwriters, the Partnership shall issue Common Units to each Underwriter on whose behalf such Capital Contribution is made in an amount equal to the quotient obtained by dividing (i) the cash contributions to the Partnership by or on behalf of such Underwriter by (ii) the Issue Price per Initial Common Unit.

Notwithstanding anything else herein contained, but subject to Section 17-607 of the Delaware Act, all proceeds, net of underwriting discounts, received by the Partnership from the issuance of Common Units upon the exercise of the Over-allotment Option will be distributed to the General Partner in redemption of Common Units equal in number to the Common Units issued upon the exercise of the Over-allotment Option.

(c) No Limited Partner Interests will be issued or issuable as of or at the Closing Date other than (i) the Common Units issuable pursuant to subparagraph (a) hereof in aggregate number equal to 12,782,609, (ii) the "Additional Units" as such term is used in the Underwriting Agreement in an aggregate number up to 1,917,391 issuable upon exercise of the Over-Allotment Option pursuant to subparagraph (b) hereof, (ii) the 9,800,000 Subordinated Units issuable to the General Partner pursuant to Section 5.2 hereof, and (iii) the Incentive Distribution Rights.

Section 5.4 Interest and Withdrawal.

No interest shall be paid by the Partnership on Capital Contributions. No Partner or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners and Assignees agree within the meaning of Section 17-502(b) of the Delaware Act.

Section 5.5 Capital Accounts.

(a) The Partnership shall maintain for each Partner (or a beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion) owning a Partnership Interest a separate Capital Account with respect to such Partnership Interest in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1, and decreased by (x) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1.

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

(i) Solely for purposes of this Section 5.5, the Partnership shall be treated as owning directly its proportionate share (as determined by the General Partner based upon the provisions of the Operating Partnership Agreements) of all property owned by the Operating Partnerships or any other Subsidiary that is classified as a partnership for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 6.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment in the Capital Accounts shall be treated as an item of gain or loss.

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

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.5(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(vi) If the Partnership's adjusted basis in a depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 6.1. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(c) (i) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(ii) Immediately prior to the transfer of a Subordinated Unit or of a Subordinated Unit that has converted into a Common Unit pursuant to Section 5.8 by a holder thereof (other than a transfer to an Affiliate unless the General Partner elects to have this subparagraph 5.5(c)(ii) apply), the Capital Account maintained for such Person with respect to its Subordinated Units or converted Subordinated Units will (A) first, be allocated to the Subordinated Units or converted Subordinated Units to be transferred in an amount equal to the product of (x) the number of such Subordinated Units or converted Subordinated Units to be transferred and (y) the Per Unit Capital Amount for a Common Unit, and (B) second, any remaining balance in such Capital Account will be retained by the transferor, regardless of whether it has retained any

Subordinated Units or converted Subordinated Units. Following any such allocation, the transferor's Capital Account, if any, maintained with respect to the retained Subordinated Units or converted Subordinated Units, if any, will have a balance equal to the amount allocated under clause (B) hereinabove, and the transferee's Capital Account established with respect to the transferred Subordinated Units or converted Subordinated Units will have a balance equal to the amount allocated under clause (A) hereinabove.

(d) (i) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property or the conversion of the General Partner's Combined Interest to Common Units pursuant to Section 11.3(b), the Capital Account of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall (A) in the case of an actual distribution which is not made pursuant to Section 12.4 or in the case of a deemed contribution and/or distribution occurring as a result of a termination of the Partnership pursuant to Section 708 of the Code, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

Section 5.6 Issuances of Additional Partnership Securities.

(a) Subject to Section 5.7, the Partnership may issue additional Partnership Securities and options, rights, warrants and appreciation rights relating to the Partnership Securities for any Partnership purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion, all without the approval of any Limited Partners.

(b) Each additional Partnership Security authorized to be issued by the Partnership pursuant to Section 5.6(a) may be issued in one or more classes, or one or more series of any such classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of Partnership Securities), as shall be fixed by the General Partner in the exercise of its sole discretion, including (i) the right to share Partnership profits and losses or items thereof; (ii) the right to share in Partnership distributions; (iii) the rights upon dissolution and liquidation of the Partnership; (iv) whether, and the terms and conditions upon which, the Partnership may redeem the Partnership Security; (v) whether such Partnership Security is issued with the

privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange; (vi) the terms and conditions upon which each Partnership Security will be issued, evidenced by certificates and assigned or transferred; and (vii) the right, if any, of each such Partnership Security to vote on Partnership matters, including matters relating to the relative rights, preferences and privileges of such Partnership Security.

(c) The General Partner is hereby authorized and directed to take all actions that it deems necessary or appropriate in connection with (i) each issuance of Partnership Securities and options, rights, warrants and appreciation rights relating to Partnership Securities pursuant to this Section 5.6, (ii) the conversion of the General Partner Interest and Incentive Distribution Rights into Units pursuant to the terms of this Agreement, (iii) the admission of Additional Limited Partners and (iv) all additional issuances of Partnership Securities. The General Partner is further authorized and directed to specify the relative rights, powers and duties of the holders of the Units or other Partnership Securities being so issued. The General Partner shall do all things necessary to comply with the Delaware Act and is authorized and directed to do all things it deems to be necessary or advisable in connection with any future issuance of Partnership Securities or in connection with the conversion of the General Partner Interest and Incentive Distribution Rights into Units pursuant to the terms of this Agreement, including compliance with any statute, rule, regulation or guideline of any federal, state or other governmental agency or any National Securities Exchange on which the Units or other Partnership Securities are listed for trading.

Section 5.7 Limitations on Issuance of Additional Partnership Securities.

The issuance of Partnership Securities pursuant to Section 5.6 shall be subject to the following restrictions and limitations:

(a) During the Subordination Period, the Partnership shall not issue (and shall not issue any options, rights, warrants or appreciation rights relating to) an aggregate of more than 9,800,000 additional Parity Units without the prior approval of the holders of a Unit Majority. In applying this limitation, there shall be excluded Common Units and other Parity Units issued (A) in connection with the exercise of the Over-Allotment Option, (B) in accordance with Sections 5.7(b) and 5.7(c), (C) upon conversion of Subordinated Units pursuant to Section 5.8, (D) upon conversion of the General Partner Interest and Incentive Distribution Rights pursuant to Section 11.3(b), (D) pursuant to the employee benefit plans of the General Partner, the Partnership or any other Group Member and (E) in the event of a combination or subdivision of Common Units.

(b) The Partnership may also issue an unlimited number of Parity Units, prior to the end of the Subordination Period and without the prior approval of the Unitholders, if such issuance occurs (i) in connection with an Acquisition or a Capital Improvement or (ii) within 365 days of, and the net proceeds from such issuance are used to repay debt incurred in connection with, an Acquisition or a Capital Improvement, in each case where such Acquisition or Capital Improvement involves assets that, if acquired by the Partnership as of the date that is one year prior to the first day of the Quarter in which such Acquisition is to be consummated or such Capital Improvement is to be completed, would have resulted, on a pro forma basis, in an increase in:

(A) the amount of Adjusted Operating Surplus generated by the Partnership on a per-Unit basis (for all Outstanding Units) with respect to each of the four most recently completed Quarters (on a pro forma basis as described below) as compared to

(B) the actual amount of Adjusted Operating Surplus generated by the Partnership on a per-Unit basis (for all Outstanding Units) (excluding Adjusted Operating Surplus attributable to the Acquisition or Capital Improvement) with respect to each of such four most recently completed Quarters.

If the issuance of Parity Units with respect to an Acquisition or Capital Improvement occurs within the first four full Quarters after the Closing Date, then Adjusted Operating Surplus as used in clauses (A) (subject to the succeeding sentence) and (B) above shall be calculated (i) for each Quarter, if any, that commenced after the Closing Date for which actual results of operations are available, based on the actual Adjusted Operating Surplus of the Partnership generated with respect to such Quarter, and (ii) for each other Quarter, on a pro forma basis consistent with the procedures, as applicable, set forth in Appendix D to the Registration Statement. Furthermore,

the amount in clause (A) shall be determined on a pro forma basis assuming that (1) all of the Parity Units to be issued in connection with or within 365 days of such Acquisition or Capital Improvement had been issued and outstanding, (2) all indebtedness for borrowed money to be incurred or assumed in connection with such Acquisition or Capital Improvement (other than any such indebtedness that is to be repaid with the proceeds of such issuance of Parity Units) had been incurred or assumed, in each case as of the commencement of such four-Quarter period, (3) the personnel expenses that would have been incurred by the Partnership in the operation of the acquired assets are the personnel expenses for employees to be retained by the Partnership in the operation of the acquired assets, and (4) the non-personnel costs and expenses are computed on the same basis as those incurred by the Partnership in the operation of the Partnership's business at similarly situated Partnership facilities.

(c) The Partnership may also issue an unlimited number of Parity Units, prior to the end of the Subordination Period and without the approval of the Unitholders, if the proceeds from such issuance are used exclusively to repay up to $40 million of indebtedness of a Group Member where the aggregate amount of distributions that would have been paid with respect to such newly issued Units or Partnership Securities, plus the related distributions on the General Partner Interest in the Partnership and the Operating Partnership in respect of the four-Quarter period ending prior to the first day of the Quarter in which the issuance is to be consummated (assuming such additional Units or Partnership Securities had been Outstanding throughout such period and that distributions equal to the distributions that were actually paid on the Outstanding Units during the period were paid on such additional Units or Partnership Securities) did not exceed the interest costs actually incurred during such period on the indebtedness that is to be repaid (or, if such indebtedness was not outstanding throughout the entire period, would have been incurred had such indebtedness been outstanding for the entire period). In the event that the Partnership is required to pay a prepayment penalty in connection with the repayment of such indebtedness, for purposes of the foregoing test the number of Parity Units issued to repay such indebtedness shall be deemed increased by the number of Parity Units that would need to be issued to pay such penalty.

(d) During the Subordination Period, the Partnership shall not issue (and shall not issue any options, rights, warrants or appreciation rights relating to) additional Partnership Securities having rights to distributions or in liquidation ranking prior or senior to the Common Units, without the prior approval of the holders of a Unit Majority.

(e) No fractional Units shall be issued by the Partnership.

Section 5.8 Conversion of Subordinated Units.

(a) A total of 2,450,000 of the Outstanding Subordinated Units will convert into Common Units on a one-for-one basis on the first day after the Record Date for distribution in respect of any Quarter ending on or after December 31, 2001, in respect of which:

(i) distributions under Section 6.4 in respect of all Outstanding Common Units and Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Outstanding Common Units and Subordinated Units during such periods;

(ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were Outstanding during such periods on a fully-diluted basis (i.e. taking into account for purposes of such determination all Outstanding Common Units, all Outstanding Subordinated Units, all Common Units and Subordinated Units issuable upon exercise of employee options that have, as of the date of determination, already vested or are scheduled to vest prior to the end of the Quarter immediately following the Quarter with respect to which such determination is made, and all Common Units and Subordinated Units that have, as of the date of determination, been earned by but not yet issued to management of the Partnership in respect of incentive compensation), plus the related distribution on the General Partner Interest in the Partnership and the Operating Partnerships, during such periods; and

(iii) the Cumulative Common Unit Arrearage on all of the Common Units is zero.

(b) An additional 2,450,000 of the Outstanding Subordinated Units will convert into Common Units on a one-for-one basis on the first day after the Record Date for distribution in respect of any Quarter ending on or after December 31, 2002, in respect of which:

(i) distributions under Section 6.4 in respect of all Outstanding Common Units and Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Outstanding Common Units and Subordinated Units during such periods;

(ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were Outstanding during such periods on a fully-diluted basis (i.e. taking into account for purposes of such determination all Outstanding Common Units, all Outstanding Subordinated Units, all Common Units and Subordinated Units issuable upon exercise of employee options that have, as of the date of determination, already vested or are scheduled to vest prior to the end of the Quarter immediately following the Quarter with respect to which such determination is made, and all Common Units and Subordinated Units that have, as of the date of determination, been earned by but not yet issued to management of the Partnership in respect of incentive compensation), plus the related distribution on the General Partner Interest in the Partnership and the Operating Partnerships, during such periods; and

(iii) the Cumulative Common Unit Arrearage on all of the Common Units is zero;

provided, however, that the conversion of Subordinated Units pursuant to this Section 5.8(b) may not occur until at least one year following the conversion of Subordinated Units pursuant to Section 5.8(a).

(c) In the event that less than all of the Outstanding Subordinated Units shall convert into Common Units pursuant to Section 5.8(a) or 5.8(b) at a time when there shall be more than one holder of Subordinated Units, then, unless all of the holders of Subordinated Units shall agree to a different allocation, the Subordinated Units that are to be converted into Common Units shall be allocated among the holders of Subordinated Units pro rata based on the number of Subordinated Units held by each such holder.

(d) Any Subordinated Units that are not converted into Common Units pursuant to Sections 5.8(a) and (b) shall convert into Common Units on a one-for-one basis on the first day following the Record Date for distributions in respect of the final Quarter of the Subordination Period.

(e) Notwithstanding any other provision of this Agreement, all the then Outstanding Subordinated Units will automatically convert into Common Units on a one-for-one basis as set forth in, and pursuant to the terms of, Section 11.4.

(f) A Subordinated Unit that has converted into a Common Unit shall be subject to the provisions of Section 6.7(b).

Section 5.9 Limited Preemptive Right.

Except as provided in this Section 5.9 and in Section 5.2, no Person shall have any preemptive, preferential or other similar right with respect to the issuance of any Partnership Security, whether unissued, held in the treasury or hereafter created. The General Partner shall have the right, which it may from time to time assign in whole or in part to any of its Affiliates, to purchase Partnership Securities from the Partnership whenever, and on the same terms that, the Partnership issues Partnership Securities to Persons other than the General Partner and its Affiliates, to the extent necessary to maintain the Percentage Interests of the General Partner and its Affiliates equal to that which existed immediately prior to the issuance of such Partnership Securities.

Section 5.10 Splits and Combination.

(a) Subject to Sections 5.10(d), 6.6 and 6.9 (dealing with adjustments of distribution levels), the Partnership may make a Pro Rata distribution of Partnership Securities to all Record Holders or may effect a subdivision or combination of Partnership Securities so long as, after any such event, each Partner shall have the same Percentage Interest in the Partnership as before such event, and any amounts calculated on a per Unit basis (including any Common Unit Arrearage or Cumulative Common Unit Arrearage) or stated as a number of Units (including the number of Subordinated Units that may convert prior to the end of the Subordination Period and the number of additional Parity Units that may be issued pursuant to Section 5.7 without a Unitholder vote) are proportionately adjusted retroactive to the beginning of the Partnership.

(b) Whenever such a distribution, subdivision or combination of Partnership Securities is declared, the General Partner shall select a Record Date as of which the distribution, subdivision or combination shall be effective and shall send notice thereof at least 20 days prior to such Record Date to each Record Holder as of a date not less than 10 days prior to the date of such notice. The General Partner also may cause a firm of independent public accountants selected by it to calculate the number of Partnership Securities to be held by each Record Holder after giving effect to such distribution, subdivision or combination. The General Partner shall be entitled to rely on any certificate provided by such firm as conclusive evidence of the accuracy of such calculation.

(c) Promptly following any such distribution, subdivision or combination, the Partnership may issue Certificates to the Record Holders of Partnership Securities as of the applicable Record Date representing the new number of Partnership Securities held by such Record Holders, or the General Partner may adopt such other procedures as it may deem appropriate to reflect such changes. If any such combination results in a smaller total number of Partnership Securities Outstanding, the Partnership shall require, as a condition to the delivery to a Record Holder of such new Certificate, the surrender of any Certificate held by such Record Holder immediately prior to such Record Date.

(d) The Partnership shall not issue fractional Units upon any distribution, subdivision or combination of Units. If a distribution, subdivision or combination of Units would result in the issuance of fractional Units but for the provisions of Section 5.7(e) and this Section 5.10(d), each fractional Unit shall be rounded to the nearest whole Unit (and a 0.5 Unit shall be rounded to the next higher Unit).

Section 5.11 Fully Paid and Non-Assessable Nature of Limited Partner Interests.

All Limited Partner Interests issued pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Limited Partner Interests in the Partnership, except as such non-assessability may be affected by Section 17-607 of the Delaware Act.

ARTICLE VI

ALLOCATIONS AND DISTRIBUTIONS

Section 6.1 Allocations for Capital Account Purposes.

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 5.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

(a) Net Income. After giving effect to the special allocations set forth in Section 6.1(d), Net Income for each taxable year and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable year shall be allocated as follows:

(i) First, 100% to the General Partner in an amount equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(iii) for all previous taxable years until the aggregate Net Income

allocated to the General Partner pursuant to this Section 6.1(a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(iii) for all previous taxable years;

(ii) Second, 1% to the General Partner in an amount equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(ii) for all previous taxable years and 99% to the Unitholders, in accordance with their respective Percentage Interests, until the aggregate Net Income allocated to such Partners pursuant to this Section 6.1(a)(ii) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to such Partners pursuant to Section 6.1(b)(ii) for all previous taxable years; and

(iii) Third, the balance, if any, 100% to the General Partner and the Unitholders in accordance with their respective Percentage Interests.

(b) Net Losses. After giving effect to the special allocations set forth in Section 6.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated as follows:

(i) First, 1% to the General Partner and 99% to the Unitholders, in accordance with their respective Percentage Interests, until the aggregate Net Losses allocated pursuant to this Section 6.1(b)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Income allocated to such Partners pursuant to Section 6.1(a)(iii) for all previous taxable years, provided that the Net Losses shall not be allocated pursuant to this Section 6.1(b)(i) to the extent that such allocation would cause any Unitholder to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account);

(ii) Second, 1% to the General Partner and 99% to the Unitholders in accordance with their respective Percentage Interests; provided, that Net Losses shall not be allocated pursuant to this Section 6.1(b)(ii) to the extent that such allocation would cause any Unitholder to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account);

(iii) Third, the balance, if any, 100% to the General Partner.

(c) Net Termination Gains and Losses. After giving effect to the special allocations set forth in Section 6.1(d), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 6.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 6.1 and after all distributions of Available Cash provided under Sections 6.4 and 6.5 have been made; provided, however, that solely for purposes of this Section 6.1(c), Capital Accounts shall not be adjusted for distributions made pursuant to Section 12.4.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Gain shall be allocated among the Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

(A) First, to each Partner having a deficit balance in its Capital Account, in the proportion that such deficit balance bears to the total deficit balances in the Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Capital Account;

(B) Second, 99% to all Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) its Unrecovered Capital plus (2) the Minimum Quarterly Distribution for the Quarter during which the Liquidation Date occurs, reduced by any distribution pursuant to Section 6.4(a)(i) or (b)(i)

with respect to such Common Unit for such Quarter (the amount determined pursuant to this clause (2) is hereinafter defined as the "Unpaid MQD") plus (3) any then existing Cumulative Common Unit Arrearage;

(C) Third, if such Net Termination Gain is recognized (or is deemed to be recognized) prior to the expiration of the Subordination Period, 99% to all Unitholders holding Subordinated Units, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Subordinated Unit then Outstanding equals the sum of (1) its Unrecovered Capital, determined for the taxable year (or portion thereof) to which this allocation of gain relates, plus (2) the Minimum Quarterly Distribution for the Quarter during which the Liquidation Date occurs, reduced by any distribution pursuant to Section 6.4(a)(iii) with respect to such Subordinated Unit for such Quarter;

(D) Fourth, 85.8673% to all Unitholders, Pro Rata, 13.1327% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) its Unrecovered Capital, plus (2) the Unpaid MQD, plus (3) any then existing Cumulative Common Unit Arrearage, plus (4) the excess of (aa) the First Target Distribution less the Minimum Quarterly Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Operating Surplus that was distributed pursuant to Sections 6.4(a)(iv) and 6.4(b)(ii) (the sum of (1) plus (2) plus (3) plus (4) is hereinafter defined as the "First Liquidation Target Amount");

(E) Fifth, 75.7653% to all Unitholders, Pro Rata, 23.2347% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) the First Liquidation Target Amount, plus (2) the excess of (aa) the Second Target Distribution less the First Target Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Operating Surplus that was distributed pursuant to Sections 6.4(a)(v) and 6.4(b)(iii) (the sum of (1) plus (2) is hereinafter defined as the "Second Liquidation Target Amount");

(F) Finally, any remaining amount 50.5102% to all Unitholders, Pro Rata, 48.4898% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Loss shall be allocated among the Partners in the following manner:

(A) First, if such Net Termination Loss is recognized (or is deemed to be recognized) prior to the conversion of the last Outstanding Subordinated Unit, 99% to the Unitholders holding Subordinated Units, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Subordinated Unit then Outstanding has been reduced to zero;

(B) Second, 99% to all Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding has been reduced to zero; and

(C) Third, the balance, if any, 100% to the General Partner.

(d) Special Allocations. Notwithstanding any other provision of this Section 6.1, the following special allocations shall be made for such taxable period:

(i) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Section 6.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d) with respect to such taxable period (other than an allocation pursuant to Sections 6.1(d)(vi) and

6.1(d)(vii)). This Section 6.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Partner Nonrecourse Debt Minimum Gain. Notwithstanding the other provisions of this Section 6.1 (other than Section 6.1(d)(i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d), other than Section 6.1(d)(i) and other than an allocation pursuant to Sections 6.1(d)(vi) and 6.1(d)(vii), with respect to such taxable period. This Section 6.1(d)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) Priority Allocations.

(A) If the amount of cash or the Net Agreed Value of any property distributed (except cash or property distributed pursuant to Section 12.4) to any Unitholder with respect to its Units for a taxable year is greater (on a per Unit basis) than the amount of cash or the Net Agreed Value of property distributed to the other Unitholders with respect to their Units (on a per Unit basis), then (1) each Unitholder receiving such greater cash or property distribution shall be allocated gross income in an amount equal to the product of (aa) the amount by which the distribution (on a per Unit basis) to such Unitholder exceeds the distribution (on a per Unit basis) to the Unitholders receiving the smallest distribution and (bb) the number of Units owned by the Unitholder receiving the greater distribution; and (2) the General Partner shall be allocated gross income in an aggregate amount equal to 1/99th of the sum of the amounts allocated in clause (1) above.

(B) After the application of Section 6.1(d)(iii)(A), all or any portion of the remaining items of Partnership gross income or gain for the taxable period, if any, shall be allocated 100% to the holders of Incentive Distribution Rights, Pro Rata, until the aggregate amount of such items allocated to the holders of Incentive Distribution Rights pursuant to this paragraph 6.1(d)(iii)(B) for the current taxable year and all previous taxable years is equal to the cumulative amount of all Incentive Distributions made to the holders of Incentive Distribution Rights from the Closing Date to a date 45 days after the end of the current taxable year.

(iv) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury 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 Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 6.1(d)(i) or (ii).

(v) Gross Income Allocations. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 6.1(d)(v) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 6.1 have been tentatively made as if this Section 6.1(d)(v) were not in this Agreement.

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

(vii) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

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

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

(x) Economic Uniformity. At the election of the General Partner with respect to any taxable period ending upon, or after, the termination of the Subordination Period, all or a portion of the remaining items of Partnership gross income or gain for such taxable period, after taking into account allocations pursuant to Section 6.1(d)(iii), shall be allocated 100% to each Partner holding Subordinated Units that are Outstanding as of the termination of the Subordination Period ("Final Subordinated Units") in the proportion of the number of Final Subordinated Units held by such Partner to the total number of Final Subordinated Units then Outstanding, until each such Partner has been allocated an amount of gross income or gain which increases the Capital Account maintained with respect to such Final Subordinated Units to an amount equal to the product of (A) the number of Final Subordinated Units held by such Partner and (B) the Per Unit Capital Amount for a Common Unit. The purpose of this allocation is to establish uniformity between the Capital Accounts underlying Final Subordinated Units and the Capital Accounts underlying Common Units held by Persons other than the General Partner and its Affiliates immediately prior to the conversion of such Final Subordinated Units into Common Units. This allocation method for establishing such economic uniformity will only be available to the General Partner if the method for allocating the Capital Account maintained with respect to the Subordinated Units between the transferred and retained Subordinated Units pursuant to Section 5.5(c)(ii) does not otherwise provide such economic uniformity to the Final Subordinated Units.

(xi) Curative Allocation.

(A) Notwithstanding any other provision of this Section 6.1, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 6.1. Notwithstanding the preceding sentence, Required Allocations relating to

(1) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain. Allocations pursuant to this Section 6.1(d)(xi)(A) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 6.1(d)(xi)(A) shall be deferred with respect to allocations pursuant to clauses (1) and (2) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 6.1(d)(xi)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations pursuant to Section 6.1(d)(xi)(A) among the Partners in a manner that is likely to minimize such economic distortions.

(xii) Corrective Allocations. In the event of any allocation of Additional Book Basis Derivative Items or any Book-Down Event or any recognition of a Net Termination Loss, the following rules shall apply:

(A) In the case of any allocation of Additional Book Basis Derivative Items (other than an allocation of Unrealized Gain or Unrealized Loss under Section 5.5(d) hereof), the General Partner shall allocate additional items of gross income and gain away from the holders of Incentive Distribution Rights to the Unitholders and the General Partner, or additional items of deduction and loss away from the Unitholders and the General Partner to the holders of Incentive Distribution Rights, to the extent that the Additional Book Basis Derivative Items allocated to the Unitholders or the General Partner exceed their Share of Additional Book Basis Derivative Items. For this purpose, the Unitholders and the General Partner shall be treated as being allocated Additional Book Basis Derivative Items to the extent that such Additional Book Basis Derivative Items have reduced the amount of income that would otherwise have been allocated to the Unitholders or the General Partner under the Partnership Agreement (e.g., Additional Book Basis Derivative Items taken into account in computing cost of goods sold would reduce the amount of book income otherwise available for allocation among the Partners). Any allocation made pursuant to this Section 6.1(d)(xii)(A) shall be made after all of the other Agreed Allocations have been made as if this Section 6.1(d)(xii) were not in this Agreement and, to the extent necessary, shall require the reallocation of items that have been allocated pursuant to such other Agreed Allocations.

(B) In the case of any negative adjustments to the Capital Accounts of the Partners resulting from a Book-Down Event or from the recognition of a Net Termination Loss, such negative adjustment (1) shall first be allocated, to the extent of the Aggregate Remaining Net Positive Adjustments, in such a manner, as reasonably determined by the General Partner, that to the extent possible the aggregate Capital Accounts of the Partners will equal the amount which would have been the Capital Account balance of the Partners if no prior Book-Up Events had occurred, and (2) any negative adjustment in excess of the Aggregate Remaining Net Positive Adjustments shall be allocated pursuant to Section 6.1(c) hereof.

(C) In making the allocations required under this Section 6.1(d)(xii), the General Partner, in its sole discretion, may apply whatever conventions or other methodology it deems reasonable to satisfy the purpose of this Section 6.1(d)(xii).

Section 6.2 Allocations for Tax Purposes.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 6.1.

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

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 5.5(d)(i) or 5.5(d)(ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 6.2(b)(i)(A); and (B) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(iii) The General Partner shall apply the principles of Treasury Regulation Section 1.704-3(d) to eliminate Book-Tax Disparities.

(c) For the proper administration of the Partnership and for the preservation of uniformity of the Limited Partner Interests (or any class or classes thereof), the General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of the Limited Partner Interests (or any class or classes thereof). The General Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 6.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Limited Partner Interests issued and Outstanding or the Partnership, and if such allocations are consistent with the principles of Section 704 of the Code.

(d) The General Partner in its discretion may determine to depreciate or amortize the portion of an adjustment under Section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation or amortization method and useful life applied to the Partnership's common basis of such property, despite any inconsistency of such approach with Proposed Treasury Regulation Section 1.168-2(n), Treasury Regulation Section 1.167(c)-l(a)(6) or the legislative history of Section 197 of the Code. If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt depreciation and amortization conventions under which all purchasers acquiring Limited Partner Interests in the same month would receive depreciation and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other reasonable depreciation and amortization conventions to preserve the uniformity of the intrinsic tax characteristics of any Limited Partner Interests that would not have a material adverse effect on the Limited Partners or the Record Holders of any class or classes of Limited Partner Interests.

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this

Section 6.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

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

(g) Each item of Partnership income, gain, loss and deduction attributable to a transferred Partnership Interest, shall for federal income tax purposes, be determined on an annual basis and prorated on a monthly basis and shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of each month; provided, however, that (i) such items for the period beginning on the Closing Date and ending on the last day of the month in which the Option Closing Date or the expiration of the Over-allotment Option occurs shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of the next succeeding month; and provided, further, that gain or loss on a sale or other disposition of any assets of the Partnership other than in the ordinary course of business shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of the month in which such gain or loss is recognized for federal income tax purposes. The General Partner may revise, alter or otherwise modify such methods of allocation as it determines necessary, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

(h) Allocations that would otherwise be made to a Limited Partner under the provisions of this Article VI shall instead be made to the beneficial owner of Limited Partner Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion.

Section 6.3 Requirement and Characterization of Distributions; Distributions to Record Holders.

(a) Within 45 days following the end of each Quarter commencing with the Quarter ending on December 31, 1998, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act, be distributed in accordance with this Article VI by the Partnership to the Partners as of the Record Date selected by the General Partner in its reasonable discretion. All amounts of Available Cash distributed by the Partnership on any date from any source shall be deemed to be Operating Surplus until the sum of all amounts of Available Cash theretofore distributed by the Partnership to the Partners pursuant to Section 6.4 equals the Operating Surplus from the Closing Date through the close of the immediately preceding Quarter. Any remaining amounts of Available Cash distributed by the Partnership on such date shall, except as otherwise provided in Section 6.5, be deemed to be "Capital Surplus." All distributions required to be made under this Agreement shall be made subject to Section 17-607 of the Delaware Act.

(b) Notwithstanding Section 6.3(a), in the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) The General Partner shall have the discretion to treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of Available Cash to such Partners.

(d) Each distribution in respect of a Partnership Interest shall be paid by the Partnership, directly or through the Transfer Agent or through any other Person or agent, only to the Record Holder of such Partnership Interest

as of the Record Date set for such distribution. Such payment shall constitute full payment and satisfaction of the Partnership's liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

Section 6.4 Distributions of Available Cash from Operating Surplus.

(a) During Subordination Period. Available Cash with respect to any Quarter within the Subordination Period that is deemed to be Operating Surplus pursuant to the provisions of Section 6.3 or 6.5 shall, subject to Section 17-607 of the Delaware Act, be distributed as follows, except as otherwise required by Section 5.6(b) in respect of additional Partnership Securities issued pursuant thereto:

(i) First, 99% to the Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(ii) Second, 99% to the Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Cumulative Common Unit Arrearage existing with respect to such Quarter;

(iii) Third, 99% to the Unitholders holding Subordinated Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Subordinated Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(iv) Fourth, 85.8673% to all Unitholders, Pro Rata, 13.1327% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the First Target Distribution over the Minimum Quarterly Distribution for such Quarter;

(v) Fifth, 75.7653% to all Unitholders, Pro Rata, 23.2347% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the Second Target Distribution over the First Target Distribution for such Quarter; and

(vi) Thereafter, 50.5102% to all Unitholders, Pro Rata, 48.4898% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner;

provided, however, if the Minimum Quarterly Distribution, the First Target Distribution and the Second Target Distribution have been reduced to zero pursuant to the second sentence of Section 6.6(a), the distribution of Available Cash that is deemed to be Operating Surplus with respect to any Quarter will be made solely in accordance with Section 6.4(a)(vi).

(b) After Subordination Period. Available Cash with respect to any Quarter after the Subordination Period that is deemed to be Operating Surplus pursuant to the provisions of Section 6.3 or 6.5, subject to Section 17-607 of the Delaware Act, shall be distributed as follows, except as otherwise required by Section 5.6(b) in respect of additional Partnership Securities issued pursuant thereto:

(i) First, 99% to all Unitholders, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(ii) Second, 85.8673% to all Unitholders, Pro Rata, and 13.1327% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the First Target Distribution over the Minimum Quarterly Distribution for such Quarter;

(iii) Third, 75.7653% to all Unitholders, Pro Rata, and 23.2347% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until there has been distributed in respect of

each Unit then Outstanding an amount equal to the excess of the Second Target Distribution over the First Target Distribution for such Quarter; and

(iv) Thereafter, 50.5102% to all Unitholders, Pro Rata, and 48.4898% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner;

provided, however, if the Minimum Quarterly Distribution, the First Target Distribution and the Second Target Distribution have been reduced to zero pursuant to the second sentence of Section 6.6(a), the distribution of Available Cash that is deemed to be Operating Surplus with respect to any Quarter will be made solely in accordance with Section 6.4(b)(iv).

Section 6.5 Distributions of Available Cash from Capital Surplus.

Available Cash that is deemed to be Capital Surplus pursuant to the provisions of Section 6.3(a) shall, subject to Section 17-607 of the Delaware Act, be distributed, unless the provisions of Section 6.3 require otherwise, 99% to all Unitholders, Pro Rata, and 1% to the General Partner until a hypothetical holder of a Common Unit acquired on the Closing Date has received with respect to such Common Unit, during the period since the Closing Date through such date, distributions of Available Cash that are deemed to be Capital Surplus in an aggregate amount equal to the Initial Unit Price. Available Cash that is deemed to be Capital Surplus shall then be distributed 99% to all Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Cumulative Common Unit Arrearage. Thereafter, all Available Cash shall be distributed as if it were Operating Surplus and shall be distributed in accordance with Section 6.4.

Section 6.6 Adjustment of Minimum Quarterly Distribution and Target Distribution Levels.

(a) The Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution, Common Unit Arrearages and Cumulative Common Unit Arrearages shall be proportionately adjusted in the event of any distribution, combination or subdivision (whether effected by a distribution payable in Units or otherwise) of Units or other Partnership Securities in accordance with Section 5.10. In the event of a distribution of Available Cash that is deemed to be from Capital Surplus, the then applicable Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution shall be adjusted proportionately downward to equal the product obtained by multiplying the otherwise applicable Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution, as the case may be, by a fraction of which the numerator is the Unrecovered Capital of the Common Units immediately after giving effect to such distribution and of which the denominator is the Unrecovered Capital of the Common Units immediately prior to giving effect to such distribution.

(b) The Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution shall also be subject to adjustment pursuant to Section 6.9.

Section 6.7 Special Provisions Relating to the Holders of Subordinated Units.

(a) Except with respect to the right to vote on or approve matters requiring the vote or approval of a percentage of the holders of Outstanding Common Units and the right to participate in allocations of income, gain, loss and deduction and distributions made with respect to Common Units, the holder of a Subordinated Unit shall have all of the rights and obligations of a Unitholder holding Common Units hereunder; provided, however, that immediately upon the conversion of Subordinated Units into Common Units pursuant to Section 5.8, the Unitholder holding a Subordinated Unit shall possess all of the rights and obligations of a Unitholder holding Common Units hereunder, including the right to vote as a Common Unitholder and the right to participate in allocations of income, gain, loss and deduction and distributions made with respect to Common Units; provided, however, that such converted Subordinated Units shall remain subject to the provisions of Sections 5.5(c)(ii), 6.1(d)(x) and 6.7(b).

(b) The Unitholder holding a Subordinated Unit which has converted into a Common Unit pursuant to Section 5.8 shall not be issued a Common Unit Certificate pursuant to Section 4.1, and shall not be permitted to transfer its converted Subordinated Units to a Person which is not an Affiliate of the holder until such time as the General Partner determines, based on advice of counsel, that a converted Subordinated Unit should have, as a substantive matter, like intrinsic economic and federal income tax characteristics, in all material respects, to the intrinsic economic and federal income tax characteristics of an Initial Common Unit. In connection with the condition imposed by this Section 6.7(b), the General Partner may take whatever reasonable steps are required to provide economic uniformity to the converted Subordinated Units in preparation for a transfer of such converted Subordinated Units, including the application of Sections 5.5(c)(ii) and 6.1(d)(x); provided, however, that no such steps may be taken that would have a material adverse effect on the Unitholders holding Common Units represented by Common Unit Certificates.

Section 6.8 Special Provisions Relating to the Holders of Incentive Distribution Rights.

Notwithstanding anything to the contrary set forth in this Agreement, the holders of the Incentive Distribution Rights (a) shall (i) possess the rights and obligations provided in this Agreement with respect to a Limited Partner pursuant to Articles III and VII and (ii) have a Capital Account as a Partner pursuant to Section 5.5 and all other provisions related thereto and (b) shall not (i) be entitled to vote on any matters requiring the approval or vote of the holders of Outstanding Units, (ii) be entitled to any distributions other than as provided in Sections 6.4(a)(iv), (v) and (vi), 6.4(b)(ii), (iii) and (iv), and 12.4 or (iii) be allocated items of income, gain, loss or deduction other than as specified in this Article VI.

Section 6.9 Entity-Level Taxation.

If legislation is enacted or the interpretation of existing language is modified by the relevant governmental authority which causes the Partnership or an Operating Partnership to be treated as an association taxable as a corporation or otherwise subjects the Partnership or an Operating Partnership to entity-level taxation for federal income tax purposes, the then applicable Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution shall be adjusted to equal the product obtained by multiplying (a) the amount thereof by (b) one minus the sum of (i) the highest marginal federal corporate (or other entity, as applicable) income tax rate of the Partnership or such Operating Partnership for the taxable year of the Partnership or such Operating Partnership in which such Quarter occurs (expressed as a percentage) plus (ii) the effective overall state and local income tax rate (expressed as a percentage) applicable to the Partnership or such Operating Partnership for the calendar year next preceding the calendar year in which such Quarter occurs (after taking into account the benefit of any deduction allowable for federal income tax purposes with respect to the payment of state and local income taxes), but only to the extent of the increase in such rates resulting from such legislation or interpretation. Such effective overall state and local income tax rate shall be determined for the taxable year next preceding the first taxable year during which the Partnership or such Operating Partnership is taxable for federal income tax purposes as an association taxable as a corporation or is otherwise subject to entity-level taxation by determining such rate as if the Partnership or such Operating Partnership had been subject to such state and local taxes during such preceding taxable year.

ARTICLE VII

MANAGEMENT AND OPERATION OF BUSINESS

Section 7.1 Management.

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner or Assignee shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into Partnership Securities, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group; subject to Section 7.6(a), the lending of funds to other Persons (including the Operating Partnerships); the repayment of obligations of the Partnership Group and the making of capital contributions to any member of the Partnership Group;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners as it deems necessary or appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, corporations or other relationships (including the acquisition of interests in, and the contributions of property to, the Operating Partnerships from time to time) subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation;

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(xii) the entering into of listing agreements with any National Securities Exchange and the delisting of some or all of the Limited Partner Interests from, or requesting that trading be suspended on, any such exchange (subject to any prior approval that may be required under Section 4.8);

(xiii) unless restricted or prohibited by Section 5.7, the purchase, sale or other acquisition or disposition of Partnership Securities, or the issuance of additional options, rights, warrants and appreciation rights relating to Partnership Securities; and

(xiv) the undertaking of any action in connection with the Partnership's participation in the Operating Partnership as a partner.

(b) Notwithstanding any other provision of this Agreement, the Operating Partnership Agreements, the Delaware Act or any applicable law, rule or regulation, each of the Partners and Assignees and each other Person who may acquire an interest in Partnership Securities hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Operating Partnership Agreements, the Underwriting Agreement, the Omnibus Agreement, the Contribution and Conveyance Agreement and the other agreements and other documents described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the Assignees or the other Persons who may acquire an interest in Partnership Securities; and (iii) agrees that the execution, delivery or performance by the General Partner, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

Section 7.2 Certificate of Limited Partnership.

The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner.

Section 7.3 Restrictions on General Partner's Authority.

(a) The General Partner may not, without written approval of the specific act by holders of all of the Outstanding Limited Partner Interests or by other written instrument executed and delivered by holders of all of the Outstanding Limited Partner Interests subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership

property, or assigning any rights in specific Partnership property, for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner; or (v) transferring its interest as general partner of the Partnership.

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination) or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Operating Partnerships, taken as a whole, without the approval of holders of a Unit Majority; provided however that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership or Operating Partnerships and shall not apply to any forced sale of any or all of the assets of the Partnership or Operating Partnerships pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of holders of a Unit Majority, the General Partner shall not, on behalf of the Partnership, (i) consent to any amendment to the Operating Partnership Agreement or, except as expressly permitted by Section 7.9(d), take any action permitted to be taken by a partner of an Operating Partnership, in either case, that would have a material adverse effect on the Partnership as a partner of an Operating Partnership or (ii) except as permitted under Sections 4.6, 11.1 and 11.2, elect or cause the Partnership to elect a successor general partner of the Partnership or an Operating Partnership.

Section 7.4 Reimbursement of the General Partner.

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement or in the Operating Partnership Agreements, the General Partner shall not be compensated for its services as general partner of any Group Member.

(b) The General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the General Partner to perform services for the Partnership or for the General Partner in the discharge of its duties to the Partnership), and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including expenses allocated to the General Partner by its Affiliates). The General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) Subject to Section 5.7, the General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit plans, employee programs and employee practices (including plans, programs and practices involving the issuance of Partnership Securities or options to purchase Partnership Securities), or cause the Partnership to issue Partnership Securities in connection with, or pursuant to, any employee benefit plan, employee program or employee practice maintained or sponsored by the General Partner or any of its Affiliates, in each case for the benefit of employees of the General Partner, any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. The Partnership agrees to issue and sell to the General Partner or any of its Affiliates any Partnership Securities that the General Partner or such Affiliate is obligated to provide to any employees pursuant to any such employee benefit plans, employee programs or employee practices. Expenses incurred by the General Partner in connection with any such plans, programs and practices (including the net cost to the General Partner or such Affiliate of Partnership Securities purchased by the General Partner or such Affiliate from the Partnership to fulfill options or awards under such plans, programs and practices) shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any employee benefit plans, employee programs or employee practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the

General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's General Partner Interest pursuant to Section 4.6.

Section 7.5 Outside Activities.

(a) After the Closing Date, the General Partner, for so long as it is the General Partner of the Partnership (i) agrees that its sole business will be to act as the general partner of the Partnership, each Operating Partnership, and any other partnership or limited liability company of which the Partnership or an Operating Partnership is, directly or indirectly, a partner and to undertake activities that are ancillary or related thereto (including being a limited partner in the Partnership), (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner of one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member and (iii) except to the extent permitted in the Omnibus Agreement, shall not, and shall cause its Affiliates not to, engage in any Restricted Business.

(b) Plains Resources Inc. has entered into the Omnibus Agreement with the Partnership and the Operating Partnerships, which agreement sets forth certain restrictions on the ability of Plains Resources Inc. and its Affiliates to engage in Restricted Businesses.

(c) Except as specifically restricted by Section 7.5(a) and the Omnibus Agreement, each Indemnitee (other than the General Partner) shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to any Group Member or any Partner or Assignee. Neither any Group Member, any Limited Partner nor any other Person shall have any rights by virtue of this Agreement, either Operating Partnership Agreement or the partnership relationship established hereby or thereby in any business ventures of any Indemnitee.

(d) Subject to the terms of Section 7.5(a), Section 7.5(b), Section 7.5(c) and the Omnibus Agreement, but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any type whatsoever of the General Partner for the Indemnitees (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership and (iii) except as set forth in the Omnibus Agreement, the General Partner and the Indemnities shall have no obligation to present business opportunities to the Partnership.

(e) The General Partner and any of its Affiliates may acquire Units or other Partnership Securities in addition to those acquired on the Closing Date and, except as otherwise provided in this Agreement, shall be entitled to exercise all rights of the General Partner or Limited Partner, as applicable, relating to such Units or Partnership Securities.

(f) The term "Affiliates" when used in Section 7.5(a) and Section 7.5(e) with respect to the General Partner shall not include any Group Member or any Subsidiary of the Group Member.

(g) Anything in this Agreement to the contrary notwithstanding, to the extent that provisions of Sections 7.7, 7.8, 7.9, 7.10 or other Sections of this Agreement purport or are interpreted to have the effect of restricting the fiduciary duties that might otherwise, as a result of Delaware or other applicable law, be owed by the General Partner to the Partnership and its Limited Partners, or to constitute a waiver or consent by the Limited Partners to any such restriction, such provisions shall be inapplicable and have no effect in determining whether the General Partner has complied with its fiduciary duties in connection with determinations made by it under this Section 7.5.

Section 7.6 Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partner.

(a) The General Partner or its Affiliates may lend to any Group Member, and any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the Group Member for such periods of time and in such amounts as the General Partner may determine; provided, however, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.6(a) and Section 7.6(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to the General Partner or any of its Affiliates (other than another Group Member).

(b) The Partnership may lend or contribute to any Group Member, and any Group Member may borrow from the Partnership, funds on terms and conditions established in the sole discretion of the General Partner; provided, however, that the Partnership may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership Group. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

(d) The Partnership Group may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.2 and 5.3, the Contribution and Conveyance Agreement and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership. With respect to any contribution of assets to the Partnership in exchange for Partnership Securities, the Conflicts Committee, in determining whether the appropriate number of Partnership Securities are being issued, may take into account, among other things, the fair market value of the assets, the liquidated and contingent liabilities assumed, the tax basis in the assets, the extent to which tax-only allocations to the transferor will protect the existing partners of the Partnership against a low tax basis, and such other factors as the Conflicts Committee deems relevant under the circumstances.

(f) The General Partner and its Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

(g) Without limitation of Sections 7.6(a) through 7.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

Section 7.7 Indemnification.

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 7.7 shall be available to the General Partner with respect to its obligations incurred pursuant to the Underwriting Agreement or the Contribution and Conveyance Agreement (other than obligations incurred by the General Partner on behalf of the Partnership or any Operating Partnership). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the holders of Outstanding Limited Partner Interests, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner, its Affiliates and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities or such Person's activities on behalf of the Partnership, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership

also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7(a); and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee 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.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.8 Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partners, the Assignees or any other Persons who have acquired interests in the Partnership Securities, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 7.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Partners, the General Partner and any other Indemnitee acting in connection with the Partnership's business or affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partner, and the Partnership's and General Partner's directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 Resolution of Conflicts of Interest.

(a) Unless otherwise expressly provided in this Agreement or an Operating Partnership Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, an Operating Partnership, any Partner or any Assignee, on the other, any

resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement, of any Operating Partnership Agreement, of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The General Partner shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution. Any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is (i) approved by Special Approval (as long as the material facts known to the General Partner or any of its Affiliates regarding any proposed transaction were disclosed to the Conflicts Committee at the time it gave its approval), (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). The General Partner may also adopt a resolution or course of action that has not received Special Approval. The General Partner (including the Conflicts Committee in connection with Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or principles; and (D) such additional factors as the General Partner (including the Conflicts Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner (including the Conflicts Committee) to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, any Operating Partnership, any Limited Partner or any Assignee, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, any Operating Partnership Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definitions of Available Cash or Operating Surplus shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions to the General Partner or its Affiliates (including in their capacities as Limited Partners) to exceed 1% of the total amount distributed to all partners or (B) hasten the expiration of the Subordination Period or the conversion of any Subordinated Units into Common Units.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

(d) The Unitholders hereby authorize the General Partner, on behalf of the Partnership as a partner of a Group Member, to approve of actions by the general partner of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

Section 7.10 Other Matters Concerning the General Partner.

(a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Act or any applicable law, rule or regulation shall be modified, waived or limited, to the extent permitted by law, as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement, so long as such action is reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership.

Section 7.11 Purchase or Sale of Partnership Securities.

The General Partner may cause the Partnership to purchase or otherwise acquire Partnership Securities; provided that, except as permitted pursuant to Section 4.10, the General Partner may not cause any Group Member to purchase Subordinated Units during the Subordination Period. As long as Partnership Securities are held by any Group Member, such Partnership Securities shall not be considered Outstanding for any purpose, except as otherwise provided herein. The General Partner or any Affiliate of the General Partner may also purchase or otherwise acquire and sell or otherwise dispose of Partnership Securities for its own account, subject to the provisions of Articles IV and X.

Section 7.12 Registration Rights of the General Partner and its Affiliates.

(a) If (i) the General Partner or any Affiliate of the General Partner (including for purposes of this Section 7.12, any Person that is an Affiliate of the General Partner at the date hereof notwithstanding that it may later cease to be an Affiliate of the General Partner) holds Partnership Securities that it desires to sell and (ii) Rule 144 of the Securities Act (or any successor rule or regulation to Rule 144) or another exemption from registration is not available to enable such holder of Partnership Securities (the "Holder") to dispose of the number of Partnership Securities it desires to sell at the time it desires to do so without registration under the Securities Act, then upon the request of the General Partner or any of its Affiliates, the Partnership shall file with the Commission as promptly as practicable after receiving such request, and use all reasonable efforts to cause to become effective and remain effective for a period of not less than six months following its effective date or such shorter period as shall terminate when all Partnership Securities covered by such registration statement have been sold, a registration statement under the Securities Act registering the offering and sale of the number of Partnership Securities specified by the Holder; provided, however, that the Partnership shall not be required to effect more than three registrations pursuant to this Section 7.12(a); and provided further, however, that if the Conflicts Committee determines in its good faith judgment that a postponement of the requested registration for

up to six months would be in the best interests of the Partnership and its Partners due to a pending transaction, investigation or other event, the filing of such registration statement or the effectiveness thereof may be deferred for up to six months, but not thereafter. In connection with any registration pursuant to the immediately preceding sentence, the Partnership shall promptly prepare and file (x) such documents as may be necessary to register or qualify the securities subject to such registration under the securities laws of such states as the Holder shall reasonably request; provided, however, that no such qualification shall be required in any jurisdiction where, as a result thereof, the Partnership would become subject to general service of process or to taxation or qualification to do business as a foreign corporation or partnership doing business in such jurisdiction solely as a result of such registration, and (y) such documents as may be necessary to apply for listing or to list the Partnership Securities subject to such registration on such National Securities Exchange as the Holder shall reasonably request, and do any and all other acts and things that may reasonably be necessary or advisable to enable the Holder to consummate a public sale of such Partnership Securities in such states. Except as set forth in Section 7.12(c), all costs and expenses of any such registration and offering (other than the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

(b) If the Partnership shall at any time propose to file a registration statement under the Securities Act for an offering of equity securities of the Partnership for cash (other than an offering relating solely to an employee benefit plan), the Partnership shall use all reasonable efforts to include such number or amount of securities held by the Holder in such registration statement as the Holder shall request. If the proposed offering pursuant to this Section 7.12(b) shall be an underwritten offering, then, in the event that the managing underwriter or managing underwriters of such offering advise the Partnership and the Holder in writing that in their opinion the inclusion of all or some of the Holder's Partnership Securities would adversely and materially affect the success of the offering, the Partnership shall include in such offering only that number or amount, if any, of securities held by the Holder which, in the opinion of the managing underwriter or managing underwriters, will not so adversely and materially affect the offering. Except as set forth in Section 7.12(c), all costs and expenses of any such registration and offering (other than the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

(c) If underwriters are engaged in connection with any registration referred to in this Section 7.12, the Partnership shall provide indemnification, representations, covenants, opinions and other assurance to the underwriters in form and substance reasonably satisfactory to such underwriters. Further, in addition to and not in limitation of the Partnership's obligation under Section 7.7, the Partnership shall, to the fullest extent permitted by law, indemnify and hold harmless the Holder, its officers, directors and each Person who controls the Holder (within the meaning of the Securities Act) and any agent thereof (collectively, "Indemnified Persons") against any losses, claims, demands, actions, causes of action, assessments, damages, liabilities (joint or several), costs and expenses (including interest, penalties and reasonable attorneys' fees and disbursements), resulting to, imposed upon, or incurred by the Indemnified Persons, directly or indirectly, under the Securities Act or otherwise (hereinafter referred to in this Section 7.12(c) as a "claim" and in the plural as "claims") based upon, arising out of or resulting from any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which any Partnership Securities were registered under the Securities Act or any state securities or Blue Sky laws, in any preliminary prospectus (if used prior to the effective date of such registration statement), or in any summary or final prospectus or in any amendment or supplement thereto (if used during the period the Partnership is required to keep the registration statement current), or arising out of, based upon or resulting from the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein not misleading; provided, however, that the Partnership shall not be liable to any Indemnified Person to the extent that any such claim arises out of, is based upon or results from an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, such preliminary, summary or final prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Partnership by or on behalf of such Indemnified Person specifically for use in the preparation thereof.

(d) The provisions of Sections 7.12(a) and 7.12(b) shall continue to be applicable with respect to the General Partner (and any of the General Partner's Affiliates) after it ceases to be a Partner of the Partnership, during a

period of two years subsequent to the effective date of such cessation and for so long thereafter as is required for the Holder to sell all of the Partnership Securities with respect to which it has requested during such two-year period inclusion in a registration statement otherwise filed or that a registration statement be filed; provided, however, that the Partnership shall not be required to file successive registration statements covering the same Partnership Securities for which registration was demanded during such two-year period. The provisions of Section 7.12(c) shall continue in effect thereafter.

(e) Any request to register Partnership Securities pursuant to this Section 7.12 shall (i) specify the Partnership Securities intended to be offered and sold by the Person making the request, (ii) express such Person's present intent to offer such shares for distribution, (iii) describe the nature or method of the proposed offer and sale of Partnership Securities, and (iv) contain the undertaking of such Person to provide all such information and materials and take all action as may be required in order to permit the Partnership to comply with all applicable requirements in connection with the registration of such Partnership Securities.

Section 7.13 Reliance by Third Parties.

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner and any officer of the General Partner authorized by the General Partner to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of the Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE VIII

BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 8.1 Records and Accounting.

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including the record of the Record Holders and Assignees of Units or other Partnership Securities, books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

Section 8.2 Fiscal Year.

The fiscal year of the Partnership shall be a fiscal year ending December 31.

Section 8.3 Reports.

(a) As soon as practicable, but in no event later than 120 days after the close of each fiscal year of the Partnership, the General Partner shall cause to be mailed or furnished to each Record Holder of a Unit as of a date selected by the General Partner in its discretion, an annual report containing financial statements of the Partnership for such fiscal year of the Partnership, presented in accordance with U.S. GAAP, including a balance sheet and statements of operations, Partnership equity and cash flows, such statements to be audited by a firm of independent public accountants selected by the General Partner.

(b) As soon as practicable, but in no event later than 90 days after the close of each Quarter except the last Quarter of each fiscal year, the General Partner shall cause to be mailed or furnished to each Record Holder of a Unit, as of a date selected by the General Partner in its discretion, a report containing unaudited financial statements of the Partnership and such other information as may be required by applicable law, regulation or rule of any National Securities Exchange on which the Units are listed for trading, or as the General Partner determines to be necessary or appropriate.

ARTICLE IX

TAX MATTERS

Section 9.1 Tax Returns and Information.

The Partnership shall timely file all returns of the Partnership that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by Record Holders for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

Section 9.2 Tax Elections.

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners. Notwithstanding any other provision herein contained, for the purposes of computing the adjustments under Section 743(b) of the Code, the General Partner shall be authorized (but not required) to adopt a convention whereby the price paid by a transferee of a Limited Partner Interest will be deemed to be the lowest quoted closing price of the Limited Partner Interests on any National Securities Exchange on which such Limited Partner Interests are traded during the calendar month in which such transfer is deemed to occur pursuant to Section 6.2(g) without regard to the actual price paid by such transferee.

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

Section 9.3 Tax Controversies.

Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and

judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

Section 9.4 Withholding.

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership and each Operating Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

ARTICLE X

ADMISSION OF PARTNERS

Section 10.1 Admission of Initial Limited Partners.

Upon the issuance by the Partnership of Common Units, Subordinated Units and Incentive Distribution Rights to the General Partner as described in Section 5.2, the General Partner shall be deemed to have been admitted to the Partnership as a Limited Partner in respect of the Common Units, Subordinated Units and Incentive Distribution Rights issued to it. Upon the issuance by the Partnership of Common Units to the Underwriters as described in Section 5.3 in connection with the Initial Offering and the execution by each Underwriter of a Transfer Application, the General Partner shall admit the Underwriters to the Partnership as Initial Limited Partners in respect of the Common Units purchased by them.

Section 10.2 Admission of Substituted Limited Partner.

By transfer of a Limited Partner Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Certificate representing a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee who does not execute and deliver a Transfer Application (a) the right to negotiate such Certificate to a purchaser or other transferee and (b) the right to transfer the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest (including any nominee holder or an agent acquiring such Limited Partner Interest for the account of another Person) who executes and delivers a Transfer Application shall, by virtue of such execution and delivery, be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Limited Partner Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall be an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee who is the Record Holder of such Limited Partner Interests. If no such written direction is received, such Limited Partner Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

Section 10.3 Admission of Successor General Partner.

A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner Interest pursuant to Section 4.6 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to Section 11.1 or 11.2 or the transfer of the General Partner Interest pursuant to Section 4.6, provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.6 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

Section 10.4 Admission of Additional Limited Partners.

(a) A Person (other than the General Partner, an Initial Limited Partner or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.6, and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.4, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

Section 10.5 Amendment of Agreement and Certificate of Limited Partnership.

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI

WITHDRAWAL OR REMOVAL OF PARTNERS

Section 11.1 Withdrawal of the General Partner.

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal"):

(i) The General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners (and it shall be deemed that the General Partner has withdrawn pursuant to this Section 11.1(a)(i) if the General Partner voluntarily withdraws as general partner of an Operating Partnership);

(ii) The General Partner transfers all of its rights as General Partner pursuant to Section 4.6;

(iii) The General Partner is removed pursuant to Section 11.2;

(iv) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a

petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(iv); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor-in-possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(v) a final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vi) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or a limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv), (v) or (vi)(A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, Eastern Standard Time, on December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by Unitholders holding at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its affiliates) and the General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or of a limited partner of an Operating Partnership or cause the Partnership or an Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Eastern Standard Time, on December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Unitholders, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii) or is removed pursuant to Section 11.2; or (iv) notwithstanding clause (i) of this sentence, at any time that the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners, such withdrawal to take effect on the date specified in the notice, if at the time such notice is given one Person and its Affiliates (other than the General Partner and its Affiliates) own beneficially or of record or control at least 50% of the Outstanding Units. The withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall also constitute the withdrawal of the General Partner as general partner or managing member, as the case may be, of the other Group Members. If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i), the holders of a Unit Majority, may, prior to the effective date of such withdrawal, elect a successor General Partner. The Person so elected as successor General Partner shall automatically become the successor general partner or managing member, as the case may be, of the other Group Members of which the General Partner is a general partner or a managing member. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Unitholders as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

Section 11.2 Removal of the General Partner.

The General Partner may be removed if such removal is approved by the Unitholders holding at least 66 2/3% of the Outstanding Units (including Units held by the General Partner and its Affiliates). Any such action by such holders for removal of the General Partner must also provide for the election of a successor General Partner by the Unitholders holding a Unit Majority (including Units held by the General Partner and its Affiliates). Such removal shall be effective immediately following the admission of a successor General Partner pursuant to Section 10.3. The removal of the General Partner shall also automatically constitute the removal of the General Partner as general partner or managing member, as the case may be, of the other Group Members of which the General Partner is a general partner or a managing member. If a Person is elected as a successor General Partner in accordance with the terms of this Section 11.2, such Person shall, upon admission pursuant to Section 10.3, automatically become a successor general partner or managing member, as the case may be, of the other Group Members of which the General Partner is a general partner or a managing member. The right of the holders of Outstanding Units to remove the General Partner shall not exist or be exercised unless the Partnership has received an opinion opining as to the matters covered by a Withdrawal Opinion of Counsel. Any successor General Partner elected in accordance with the terms of this Section 11.2 shall be subject to the provisions of Section 10.3.

Section 11.3 Interest of Departing Partner and Successor General Partner.

(a) In the event of (i) withdrawal of the General Partner under circumstances where such withdrawal does not violate this Agreement or (ii) removal of the General Partner by the holders of Outstanding Units under circumstances where Cause does not exist, if a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2, the Departing Partner shall have the option exercisable prior to the effective date of the departure of such Departing Partner to require its successor to purchase its General Partner Interest and its general partner interest (or equivalent interest) in the other Group Members and all of its Incentive Distribution Rights (collectively, the "Combined Interest") in exchange for an amount in cash equal to the fair market value of such Combined Interest, such amount to be determined and payable as of the effective date of its departure. If the General Partner is removed by the Unitholders under circumstances where Cause exists or if the General Partner withdraws under circumstances where such withdrawal violates this Agreement or an Operating Partnership Agreement, and if a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2, such successor shall have the option, exercisable prior to the effective date of the departure of such Departing Partner, to purchase the Combined Interest for such fair market value of such Combined Interest. In either event, the Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by the General Partner for the benefit of the Partnership or the other Group Members.

For purposes of this Section 11.3(a), the fair market value of the Combined Interest shall be determined by agreement between the Departing Partner and its successor or, failing agreement within 30 days after the effective date of such Departing Partner's departure, by an independent investment banking firm or other independent expert selected by the Departing Partner and its successor, which, in turn, may rely on other experts, and the determination of which shall be conclusive as to such matter. If such parties cannot agree upon one independent investment banking firm or other independent expert within 45 days after the effective date of such departure, then the Departing Partner shall designate an independent investment banking firm or other independent expert, the Departing Partner's successor shall designate an independent investment banking firm or other independent expert, and such firms or experts shall mutually select a third independent investment banking firm or independent expert, which third independent investment banking firm or other independent expert shall determine the fair market value of the Combined Interest. In making its determination, such third independent investment banking firm or other independent expert may consider the then current trading price of Units on any National Securities Exchange on which Units are then listed, the value of the Partnership's assets, the rights and obligations of the Departing Partner and other factors it may deem relevant.

(b) If the Combined Interest is not purchased in the manner set forth in Section 11.3(a), the Departing Partner (or its transferee) shall become a Limited Partner and its Combined Interest shall be converted into Common Units pursuant to a valuation made by an investment banking firm or other independent expert selected pursuant to Section 11.3(a), without reduction in such Partnership Interest (but subject to proportionate dilution by reason of the admission of its successor). Any successor General Partner shall indemnify the Departing Partner (or its transferee) as to all debts and liabilities of the Partnership arising on or after the date on which the Departing Partner (or its transferee) becomes a Limited Partner. For purposes of this Agreement, conversion of the Combined Interest to Common Units will be characterized as if the General Partner (or its transferee) contributed its Combined Interest to the Partnership in exchange for the newly issued Common Units.

(c) If a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2 and the option described in Section 11.3(a) is not exercised by the party entitled to do so, the successor General Partner shall, at the effective date of its admission to the Partnership, contribute to the Partnership cash in the amount equal to 1/99th of the Net Agreed Value of the Partnership's assets on such date. In such event, such successor General Partner shall, subject to the following sentence, be entitled to 1% of all Partnership allocations and distributions. The successor General Partner shall cause this Agreement to be amended to reflect that, from and after the date of such successor General Partner's admission, the successor General Partner's interest in all Partnership distributions and allocations shall be 1%.

Section 11.4 Termination of Subordination Period, Conversion of Subordinated Units and Extinguishment of Cumulative Common Unit Arrearages.

Notwithstanding any provision of this Agreement, if the General Partner is removed as general partner of the Partnership under circumstances where Cause does not exist and Units held by the General Partner and its Affiliates are not voted in favor of such removal, (i) the Subordination Period will end and all Outstanding Subordinated Units will immediately and automatically convert into Common Units on a one-for-one basis and (ii) all Cumulative Common Unit Arrearages on the Common Units will be extinguished.

Section 11.5 Withdrawal of Limited Partners.

No Limited Partner shall have any right to withdraw from the Partnership; provided, however, that when a transferee of a Limited Partner's Limited Partner Interest becomes a Record Holder of the Limited Partner Interest so transferred, such transferring Limited Partner shall cease to be a Limited Partner with respect to the Limited Partner Interest so transferred.

ARTICLE XII

DISSOLUTION AND LIQUIDATION

Section 12.1 Dissolution.

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Section 11.1 or 11.2, the Partnership shall not be dissolved and such successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

(a) the expiration of its term as provided in Section 2.7;

(b) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and an Opinion of Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.3;

(c) an election to dissolve the Partnership by the General Partner that is approved by the holders of a Unit Majority;

(d) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act; or

(e) the sale of all or substantially all of the assets and properties of the Partnership Group.

Section 12.2 Continuation of the Business of the Partnership After Dissolution.

Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.1 or 11.2, then within 90 days thereafter, or (b) dissolution of the Partnership upon an event constituting an Event of Withdrawal as defined in Section 11.1(a)(iv), (v) or (vi), then, to the maximum extent permitted by law, within 180 days thereafter, the holders of a Unit Majority may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as the successor general partner a Person approved by the holders of a Unit Majority. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the reconstituted Partnership shall continue until the end of the term set forth in Section 2.7 unless earlier dissolved in accordance with this Article XII;

(ii) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be treated in the manner provided in Section 11.3; and

(iii) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file a new partnership agreement and certificate of limited partnership, and the successor general partner may for this purpose exercise the powers of attorney granted the General Partner pursuant to Section 2.6; provided, that the right of the holders of a Unit Majority to approve a successor General Partner and to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of any Limited Partner and (y) neither the Partnership, the reconstituted limited partnership nor an Operating Partnership would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

Section 12.3 Liquidator.

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the General Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this

Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

Section 12.4 Liquidation.

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Act and the following:

(a) Disposition of Assets. The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) Discharge of Liabilities. Liabilities of the Partnership include amounts owed to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) Liquidation Distributions. All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with, and to the extent of, the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 12.4(c)) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(g)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

Section 12.5 Cancellation of Certificate of Limited Partnership.

Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 12.6 Return of Contributions.

The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners or Unitholders, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

Section 12.7 Waiver of Partition.

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

Section 12.8 Capital Account Restoration.

No Limited Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership. The General Partner shall be obligated to restore any negative balance in its Capital Account upon liquidation of its interest in the Partnership by the end of the taxable year of the Partnership during which such liquidation occurs, or, if later, within 90 days after the date of such liquidation.

ARTICLE XIII

AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE

Section 13.1 Amendment to be Adopted Solely by the General Partner.

Each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that the Partnership and the Operating Partnerships will not be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act) or (B) facilitate the trading of the Limited Partner Interests (including the division of any class or classes of Outstanding Limited Partner Interests into different classes to facilitate uniformity of tax consequences within such classes of Limited Partner Interests) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the Partnership and the Limited Partners, (iii) is necessary or advisable in connection with action taken by the General Partner pursuant to Section 5.10 or (iv) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) subject to the terms of Section 5.7, an amendment that, in the discretion of the General Partner, is necessary or advisable in connection with the authorization of issuance of any class or series of Partnership Securities pursuant to Section 5.6;

(h) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(i) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(j) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(k) a merger or conveyance pursuant to Section 14.3(d); or

(l) any other amendments substantially similar to the foregoing.

Section 13.2 Amendment Procedures.

Except as provided in Sections 13.1 and 13.3, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed only by or with the consent of the General Partner which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the holders of a Unit Majority, unless a greater or different percentage is required under this Agreement or by Delaware law. Each proposed amendment that requires the approval of the holders of a specified percentage of Outstanding Units shall be set forth in a writing that contains the text of the proposed amendment. If such an amendment is proposed, the General Partner shall seek the written approval of the requisite percentage of Outstanding Units or call a meeting of the Unitholders to consider and vote on such proposed amendment. The General Partner shall notify all Record Holders upon final adoption of any such proposed amendments.

Section 13.3 Amendment Requirements.

(a) Notwithstanding the provisions of Sections 13.1 and 13.2, no provision of this Agreement that establishes a percentage of Outstanding Units (including Units deemed owned by the General Partner) required to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of holders of Outstanding Units whose aggregate Outstanding Units constitute not less than the voting requirement sought to be reduced.

(b) Notwithstanding the provisions of Sections 13.1 and 13.2, no amendment to this Agreement may (i) enlarge the obligations of any Limited Partner without its consent, unless such shall be deemed to have occurred as a result of an amendment approved pursuant to Section 13.3(c), (ii) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to, the General Partner or any of its Affiliates without its consent, which consent may be given or withheld in its sole discretion, (iii) change Section 12.1(a) or 12.1(c), or (iv) change the term of the Partnership or, except as set forth in Section 12.1(c), give any Person the right to dissolve the Partnership.

(c) Except as provided in Section 14.3, and except as otherwise provided, and without limitation of the General Partner's authority to adopt amendments to this Agreement as contemplated in Section 13.1, any amendment that would have a material adverse effect on the rights or preferences of any class of Partnership Interests in relation to other classes of Partnership Interests must be approved by the holders of not less than a majority of the Outstanding Partnership Interests of the class affected.

(d) Notwithstanding any other provision of this Agreement, except for amendments pursuant to Section 13.1 and except as otherwise provided by Section 14.3(b), no amendments shall become effective without the approval of the holders of at least 90% of the Outstanding Common Units and Subordinated Units voting as a single class unless the Partnership obtains an Opinion of Counsel to the effect that such amendment will not affect the limited liability of any Limited Partner under applicable law.

(e) Except as provided in Section 13.1, this Section 13.3 shall only be amended with the approval of the holders of at least 90% of the Outstanding Units.

Section 13.4 Special Meetings.

All acts of Limited Partners to be taken pursuant to this Agreement shall be taken in the manner provided in this Article XIII. Special meetings of the Limited Partners may be called by the General Partner or by Limited Partners owning 20% or more of the Outstanding Limited Partner Interests of the class or classes for which a meeting is proposed. Limited Partners shall call a special meeting by delivering to the General Partner one or more requests in writing stating that the signing Limited Partners wish to call a special meeting and indicating the general or specific purposes for which the special meeting is to be called. Within 60 days after receipt of such a call from Limited Partners or within such greater time as may be reasonably necessary for the Partnership to comply with any statutes, rules, regulations, listing agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, the General Partner shall send a notice of the meeting to the Limited Partners either directly or indirectly through the Transfer Agent. A meeting shall be held at a time and place determined by the General Partner on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. Limited Partners shall not vote on matters that would cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability under the Delaware Act or the law of any other state in which the Partnership is qualified to do business.

Section 13.5 Notice of a Meeting.

Notice of a meeting called pursuant to Section 13.4 shall be given to the Record Holders of the class or classes of Limited Partner Interests for which a meeting is proposed in writing by mail or other means of written communication in accordance with Section 16.1. The notice shall be deemed to have been given at the time when deposited in the mail or sent by other means of written communication.

Section 13.6 Record Date.

For purposes of determining the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners or to give approvals without a meeting as provided in Section 13.11 the General Partner may set a Record Date, which shall not be less than 10 nor more than 60 days before (a) the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern) or (b) in the event that approvals are sought without a meeting, the date by which Limited Partners are requested in writing by the General Partner to give such approvals.

Section 13.7 Adjournment.

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting and a new Record Date need not be fixed, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless such adjournment shall be for more than 45 days. At the adjourned meeting, the Partnership may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 45 days or if a new Record Date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with this Article XIII.

Section 13.8 Waiver of Notice; Approval of Meeting; Approval of Minutes.

The transactions of any meeting of Limited Partners, however called and noticed, and whenever held, shall be as valid as if it had occurred at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, Limited Partners representing such quorum who were present in person or by proxy and entitled to vote, sign a written waiver of notice or an approval of the holding of the meeting or an approval of the minutes thereof. All waivers and approvals shall be filed with the Partnership records or made a part of the minutes of the meeting. Attendance of a Limited Partner at a meeting shall constitute a waiver of notice of the meeting, except when the Limited Partner does not approve, at the beginning of the meeting, of the transaction of any business because the meeting is not lawfully called or convened; and except that attendance at a meeting is not a waiver of any right to disapprove the consideration of matters required to be included in the notice of the meeting, but not so included, if the disapproval is expressly made at the meeting.

Section 13.9 Quorum.

The holders of a majority of the Outstanding Limited Partner Interests of the class or classes for which a meeting has been called (including Limited Partner Interests deemed owned by the General Partner) represented in person or by proxy shall constitute a quorum at a meeting of Limited Partners of such class or classes unless any such action by the Limited Partners requires approval by holders of a greater percentage of such Limited Partner Interests, in which case the quorum shall be such greater percentage. At any meeting of the Limited Partners duly called and held in accordance with this Agreement at which a quorum is present, the act of Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent a majority of the Outstanding Limited Partner Interests entitled to vote and be present in person or by proxy at such meeting shall be deemed to constitute the act of all Limited Partners, unless a greater or different percentage is required with respect to such action under the provisions of this Agreement, in which case the act of the Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent at least such greater or different percentage shall be required. The Limited Partners present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Limited Partners to leave less than a quorum, if any action taken (other than adjournment) is approved by the required percentage of Outstanding Limited Partner Interests specified in this Agreement (including Limited Partner Interests deemed owned by the General Partner). In the absence of a quorum any meeting of Limited Partners may be adjourned from time to time by the affirmative vote of holders of at least a majority of the Outstanding Limited Partner Interests entitled to vote at such meeting (including Limited Partner Interests deemed owned by the General Partner) represented either in person or by proxy, but no other business may be transacted, except as provided in Section 13.7.

Section 13.10 Conduct of a Meeting.

The General Partner shall have full power and authority concerning the manner of conducting any meeting of the Limited Partners or solicitation of approvals in writing, including the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of Section 13.4, the conduct of voting, the validity and effect of any proxies and the determination of any controversies, votes or challenges arising in connection with or during the meeting or voting. The General Partner shall designate a Person to serve as chairman of any meeting and shall further designate a Person to take the minutes of any meeting. All minutes shall be kept with the records of the Partnership maintained by the General Partner. The General Partner may make such other regulations consistent with applicable law and this Agreement as it may deem advisable concerning the conduct of any meeting of the Limited Partners or solicitation of approvals in writing, including regulations in regard to the appointment of proxies, the appointment and duties of inspectors of votes and approvals, the submission and examination of proxies and other evidence of the right to vote, and the revocation of approvals in writing.

Section 13.11 Action Without a Meeting.

If authorized by the General Partner, any action that may be taken at a meeting of the Limited Partners may be taken without a meeting if an approval in writing setting forth the action so taken is signed by Limited

Partners owning not less than the minimum percentage of the Outstanding Limited Partner Interests (including Limited Partner Interests deemed owned by the General Partner) that would be necessary to authorize or take such action at a meeting at which all the Limited Partners were present and voted (unless such provision conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern). Prompt notice of the taking of action without a meeting shall be given to the Limited Partners who have not approved in writing. The General Partner may specify that any written ballot submitted to Limited Partners for the purpose of taking any action without a meeting shall be returned to the Partnership within the time period, which shall be not less than 20 days, specified by the General Partner. If a ballot returned to the Partnership does not vote all of the Limited Partner Interests held by the Limited Partners the Partnership shall be deemed to have failed to receive a ballot for the Limited Partner Interests that were not voted. If approval of the taking of any action by the Limited Partners is solicited by any Person other than by or on behalf of the General Partner, the written approvals shall have no force and effect unless and until (a) they are deposited with the Partnership in care of the General Partner, (b) approvals sufficient to take the action proposed are dated as of a date not more than 90 days prior to the date sufficient approvals are deposited with the Partnership and (c) an Opinion of Counsel is delivered to the General Partner to the effect that the exercise of such right and the action proposed to be taken with respect to any particular matter (i) will not cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability, and (ii) is otherwise permissible under the state statutes then governing the rights, duties and liabilities of the Partnership and the Partners.

Section 13.12 Voting and Other Rights.

(a) Only those Record Holders of the Limited Partner Interests on the Record Date set pursuant to Section 13.6 (and also subject to the limitations contained in the definition of "Outstanding") shall be entitled to notice of, and to vote at, a meeting of Limited Partners or to act with respect to matters as to which the holders of the Outstanding Limited Partner Interests have the right to vote or to act. All references in this Agreement to votes of, or other acts that may be taken by, the Outstanding Limited Partner Interests shall be deemed to be references to the votes or acts of the Record Holders of such Outstanding Limited Partner Interests.

(b) With respect to Limited Partner Interests that are held for a Person's account by another Person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such Limited Partner Interests are registered, such other Person shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, and unless the arrangement between such Persons provides otherwise, vote such Limited Partner Interests in favor of, and at the direction of, the Person who is the beneficial owner, and the Partnership shall be entitled to assume it is so acting without further inquiry. The provisions of this Section 13.12(b) (as well as all other provisions of this Agreement) are subject to the provisions of Section 4.3.

ARTICLE XIV

MERGER

Section 14.1 Authority.

The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article XIV.

Section 14.2 Procedure for Merger or Consolidation.

Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "Surviving Business Entity");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partner interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

Section 14.3 Approval by Limited Partners of Merger or Consolidation.

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the holders of a Unit Majority unless the Merger Agreement contains any provision that, if contained in an amendment to this Agreement, the provisions of this Agreement or the Delaware Act would require for its approval the vote or consent of a greater percentage of the Outstanding Limited Partner Interests or of any class of Limited Partners, in which case such greater percentage vote or consent shall be required for approval of the Merger Agreement.

(c) Except as provided in Section 14.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Article XIV or in this Agreement, the General Partner is permitted, in its discretion, without Limited Partner approval, to merge the Partnership or any Group Member into, or convey all of the Partnership's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such Merger other than those it receives from the Partnership or other Group Member if (i) the General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner or any partner in the Operating Partnership or cause the Partnership or Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity and (iii) the governing instruments of the new entity provide the Limited Partners and the General Partner with the same rights and obligations as are herein contained.

Section 14.4 Certificate of Merger.

Upon the required approval by the General Partner and the Unitholders of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Act.

Section 14.5 Effect of Merger.

(a) At the effective time of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

ARTICLE XV

RIGHT TO ACQUIRE LIMITED PARTNER INTERESTS

Section 15.1 Right to Acquire Limited Partner Interests.

(a) Notwithstanding any other provision of this Agreement, if at any time not more than 20% of the total Limited Partner Interests of any class then Outstanding is held by Persons other than the General Partner and its Affiliates, the General Partner shall then have the right, which right it may assign and transfer in whole or in part to the Partnership or any Affiliate of the General Partner, exercisable in its sole discretion, to purchase all, but not less than all, of such Limited Partner Interests of such class then Outstanding held by Persons other than the General Partner and its Affiliates, at the greater of (x) the Current Market Price as of the date three days prior to the date that the notice described in Section 15 is mailed and (y) the highest price paid by the General Partner or any of its Affiliates for any such Limited Partner Interest of such class purchased during the 90-day period preceding the date that the notice described in Section 15.1(b) is mailed. As used in this Agreement, (i) "Current Market Price" as of any date of any class of Limited Partner Interests listed or admitted to trading on any National Securities Exchange means the average of the daily Closing Prices (as hereinafter defined) per limited partner interest of such class for the 20 consecutive Trading Days (as hereinafter defined) immediately prior to such date; (ii) "Closing Price" for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted for trading on the principal National Securities Exchange (other than the Nasdaq Stock Market) on which such Limited Partner Interests of such class are listed or admitted to trading or, if such Limited Partner Interests of such class are not listed or admitted to trading on any National Securities Exchange (other than the Nasdaq Stock Market), the last quoted price on such day or, if not so quoted, the average of the high bid and low asked prices on such day in the over-the-counter market, as reported by the Nasdaq Stock Market or such other system then in use, or, if on any such day such Limited Partner Interests of such class are not quoted by any such organization, the average of the closing bid and asked prices on such day as furnished by a professional market maker making a market in such Limited Partner Interests of such class selected by the General Partner, or if on any such day no market maker is making a market in such Limited Partner Interests of such class, the fair value of such Limited Partner Interests on such day as determined reasonably and in good faith by the General Partner; and (iii) "Trading Day" means a day on which the principal National Securities Exchange on which such Limited Partner Interests of any class are listed or admitted to trading is open for the transaction of business or, if Limited Partner Interests of a class are not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in New York City generally are open.

(b) If the General Partner, any Affiliate of the General Partner or the Partnership elects to exercise the right to purchase Limited Partner Interests granted pursuant to Section 15.1(a), the General Partner shall deliver to the Transfer Agent notice of such election to purchase (the "Notice of Election to Purchase") and shall cause the Transfer Agent to mail a copy of such Notice of Election to Purchase to the Record Holders of Limited Partner Interests of such class (as of a Record Date selected by the General Partner) at least 10, but not more than 60, days prior to the Purchase Date. Such Notice of Election to Purchase shall also be published for a period of at least three consecutive days in at least two daily newspapers of general circulation printed in the English language and published in the Borough of Manhattan, New York. The Notice of Election to Purchase shall specify the Purchase Date and the price (determined in accordance with Section 15.1(a)) at which Limited Partner Interests will be purchased and state that the General Partner, its Affiliate or the Partnership, as the case may be, elects to purchase such Limited Partner Interests, upon surrender of Certificates representing such Limited Partner Interests in exchange for payment, at such office or offices of the Transfer Agent as the Transfer Agent may specify, or as may be required by any National Securities Exchange on which such Limited Partner Interests are listed or admitted to trading. Any such Notice of Election to Purchase mailed to a Record Holder of Limited Partner Interests at his address as reflected in the records of the Transfer Agent shall be conclusively presumed to have been given regardless of whether the owner receives such notice. On or prior to the Purchase Date, the General Partner, its Affiliate or the Partnership, as the case may be, shall deposit with the Transfer Agent cash in

an amount sufficient to pay the aggregate purchase price of all of such Limited Partner Interests to be purchased in accordance with this Section 15.1. If the Notice of Election to Purchase shall have been duly given as aforesaid at least 10 days prior to the Purchase Date, and if on or prior to the Purchase Date the deposit described in the preceding sentence has been made for the benefit of the holders of Limited Partner Interests subject to purchase as provided herein, then from and after the Purchase Date, notwithstanding that any Certificate shall not have been surrendered for purchase, all rights of the holders of such Limited Partner Interests (including any rights pursuant to Articles IV, V, VI, and XII) shall thereupon cease, except the right to receive the purchase price (determined in accordance with Section 15.1(a)) for Limited Partner Interests therefor, without interest, upon surrender to the Transfer Agent of the Certificates representing such Limited Partner Interests, and such Limited Partner Interests shall thereupon be deemed to be transferred to the General Partner, its Affiliate or the Partnership, as the case may be, on the record books of the Transfer Agent and the Partnership, and the General Partner or any Affiliate of the General Partner, or the Partnership, as the case may be, shall be deemed to be the owner of all such Limited Partner Interests from and after the Purchase Date and shall have all rights as the owner of such Limited Partner Interests (including all rights as owner of such Limited Partner Interests pursuant to Articles IV, V, VI and XII).

(c) At any time from and after the Purchase Date, a holder of an Outstanding Limited Partner Interest subject to purchase as provided in this Section 15.1 may surrender his Certificate evidencing such Limited Partner Interest to the Transfer Agent in exchange for payment of the amount described in Section 15.1(a), therefor, without interest thereon.

ARTICLE XVI

GENERAL PROVISIONS

Section 16.1 Addresses and Notices.

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address described below. Any notice, payment or report to be given or made to a Partner or Assignee hereunder shall be deemed conclusively to have been given or made, and the obligation to give such notice or report or to make such payment shall be deemed conclusively to have been fully satisfied, upon sending of such notice, payment or report to the Record Holder of such Partnership Securities at his address as shown on the records of the Transfer Agent or as otherwise shown on the records of the Partnership, regardless of any claim of any Person who may have an interest in such Partnership Securities by reason of any assignment or otherwise. An affidavit or certificate of making of any notice, payment or report in accordance with the provisions of this Section 16.1 executed by the General Partner, the Transfer Agent or the mailing organization shall be prima facie evidence of the giving or making of such notice, payment or report. If any notice, payment or report addressed to a Record Holder at the address of such Record Holder appearing on the books and records of the Transfer Agent or the Partnership is returned by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver it, such notice, payment or report and any subsequent notices, payments and reports shall be deemed to have been duly given or made without further mailing (until such time as such Record Holder or another Person notifies the Transfer Agent or the Partnership of a change in his address) if they are available for the Partner or Assignee at the principal office of the Partnership for a period of one year from the date of the giving or making of such notice, payment or report to the other Partners and Assignees. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

Section 16.2 Further Action.

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 16.3 Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 16.4 Integration.

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

Section 16.5 Creditors.

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 16.6 Waiver.

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 16.7 Counterparts.

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto or, in the case of a Person acquiring a Unit, upon accepting the certificate evidencing such Unit or executing and delivering a Transfer Application as herein described, independently of the signature of any other party.

Section 16.8 Applicable Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Section 16.9 Invalidity of Provisions.

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 16.10 Consent of Partners.

Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

GENERAL PARTNER:

Plains All American Inc.

By: _________________________________
Name: _______________________________
Title: ______________________________

ORGANIZATIONAL LIMITED PARTNER:

Plains Resources Inc.

By: _________________________________
Name: _______________________________

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as Limited Partners of the Partnership, pursuant to powers of attorney now and hereafter executed in favor of, and granted and delivered to the General Partner.

By: _________________________________

EXHIBIT A TO THE AMENDED AND
RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF
PLAINS ALL AMERICAN PIPELINE, L.P.
CERTIFICATE EVIDENCING COMMON UNITS
REPRESENTING LIMITED PARTNER INTERESTS IN
PLAINS ALL AMERICAN PIPELINE, L.P.

No. Common Units

In accordance with Section 4.1 of the Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P., as amended, supplemented or restated from time to time (the "Partnership Agreement"), Plains All American Pipeline, L.P., a Delaware limited partnership (the "Partnership"), hereby certifies that (the "Holder") is the registered owner of Common Units representing limited partner interests in the Partnership (the "Common Units") transferable on the books of the Partnership, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed and accompanied by a properly executed application for transfer of the Common Units represented by this Certificate. The rights, preferences and limitations of the Common Units are set forth in, and this Certificate and the Common Units represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Partnership Agreement. Copies of the Partnership Agreement are on file at, and will be furnished without charge on delivery of written request to the Partnership at, the principal office of the Partnership located at 500 Dallas, Suite 700, Houston, Texas 77002. Capitalized terms used herein but not defined shall have the meanings given them in the Partnership Agreement.

The Holder, by accepting this Certificate, is deemed to have (i) requested admission as, and agreed to become, a Limited Partner and to have agreed to comply with and be bound by and to have executed the Partnership Agreement, (ii) represented and warranted that the Holder has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (iii) granted the powers of attorney provided for in the Partnership Agreement and (iv) made the waivers and given the consents and approvals contained in the Partnership Agreement.

This Certificate shall not be valid for any purpose unless it has been countersigned and registered by the Transfer Agent and Registrar.

Dated:

Countersigned and Registered by:

____

as Transfer Agent and Registrar

By: _________________________________
Authorized Signature

Plains All American Pipeline, L.P.

By: Plains All American Inc., its
General Partner

By: _________________________________

Name: _______________________________

By: _________________________________
Secretary

[Reverse of Certificate]

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as follows according to applicable laws or regulations:

TEN COM -- as tenants in common	UNIF GIFT/TRANSFERS MIN ACT
TEN ENT -- as tenants by the entireties	___________ Custodian ___________
JT TEN -- as joint tenants with right of survivorship and not as tenants in common	(Cust) (Minor) under Uniform Gifts/Transfers to Minors Act ______________________ (State)

Additional abbreviations, though not in the above list, may also be used.

ASSIGNMENT OF COMMON UNITS
IN
PLAINS ALL AMERICAN PIPELINE, L.P.
IMPORTANT NOTICE REGARDING INVESTOR RESPONSIBILITIES
DUE TO TAX SHELTER STATUS OF PLAINS ALL AMERICAN PIPELINE, L.P.

You have acquired an interest in Plains All American Pipeline, L.P., 500 Dallas, Suite 700, Houston, Texas 77002, whose taxpayer identification number is . The Internal Revenue Service has issued Plains All American Pipeline, L.P. the following tax shelter registration number: .

YOU MUST REPORT THIS REGISTRATION NUMBER TO THE INTERNAL REVENUE SERVICE IF YOU CLAIM ANY DEDUCTION, LOSS, CREDIT OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN PLAINS ALL AMERICAN PIPELINE, L.P.

You must report the registration number as well as the name and taxpayer identification number of Plains All American Pipeline, L.P. on Form 8271. FORM 8271 MUST BE ATTACHED TO THE RETURN ON WHICH YOU CLAIM THE DEDUCTION, LOSS, CREDIT OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN PLAINS ALL AMERICAN PIPELINE, L.P.

If you transfer your interest in Plains All American Pipeline, L.P. to another person, you are required by the Internal Revenue Service to keep a list containing (a) that person's name, address and taxpayer identification number, (b) the date on which you transferred the interest and (c) the name, address and tax shelter registration number of Plains All American Pipeline, L.P. If you do not want to keep such a list, you must (1) send the information specified above to the Partnership, which will keep the list for this tax shelter, and (2) give a copy of this notice to the person to whom you transfer your interest. Your failure to comply with any of the above-described responsibilities could result in the imposition of a penalty under Section 6707(b) or 6708(a) of the Internal Revenue Code of 1986, as amended, unless such failure is shown to be due to reasonable cause.

ISSUANCE OF A REGISTRATION NUMBER DOES NOT INDICATE THAT THIS INVESTMENT OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED OR APPROVED BY THE INTERNAL REVENUE SERVICE.

FOR VALUE RECEIVED, HEREBY ASSIGNS, CONVEYS, SELLS AND TRANSFERS UNTO

(Please print or typewrite name and address of Assignee)	(Please insert Social Security or other identifying number of Assignee)

Common Units representing limited partner interests evidenced by this Certificate, subject to the Partnership Agreement, and does hereby irrevocably constitute and appoint as its attorney-in-fact with full power of substitution to transfer the same on the books of Plains All American Pipeline, L.P.

Date:

NOTE: The signature to any endorsement hereon must correspond with the name as written upon the face of this Certificate in every particular, without alteration, enlargement or change.

SIGNATURE(S) MUST BE GUARANTEED BY A MEMBER FIRM OF THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. OR BY A COMMERCIAL BANK OR TRUST COMPANY

(Signature)

(Signature)

SIGNATURE(S) GUARANTEED

No transfer of the Common Units evidenced hereby will be registered on the books of the Partnership, unless the Certificate evidencing the Common Units to be transferred is surrendered for registration or transfer and an Application for Transfer of Common Units has been executed by a transferee either (a) on the form set forth below or (b) on a separate application that the Partnership will furnish on request without charge. A transferor of the Common Units shall have no duty to the transferee with respect to execution of the transfer application in order for such transferee to obtain registration of the transfer of the Common Units.

APPLICATION FOR TRANSFER OF COMMON UNITS

The undersigned ("Assignee") hereby applies for transfer to the name of the Assignee of the Common Units evidenced hereby.

The Assignee (a) requests admission as a Substituted Limited Partner and agrees to comply with and be bound by, and hereby executes, the Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (the "Partnership"), as amended, supplemented or restated to the date hereof (the "Partnership Agreement"), (b) represents and warrants that the Assignee has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appoints the General Partner of the Partnership and, if a Liquidator shall be appointed, the Liquidator of the Partnership as the Assignee's attorney-in-fact to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement and any amendment thereto and the Certificate of Limited Partnership of the Partnership and any amendment thereto, necessary or appropriate for the Assignee's admission as a Substituted Limited Partner and as a party to the Partnership Agreement, (d) gives the powers of attorney provided for in the Partnership Agreement, and (e) makes the waivers and gives the consents and approvals contained in the Partnership Agreement. Capitalized terms not defined herein have the meanings assigned to such terms in the Partnership Agreement.

Date: ______________________________

Social Security or other identifying number of Assignee

Signature of Assignee

Purchase Price including commissions, if any

Name and Address of Assignee

Type of Entity (check one):

[_] Individual [_] Partnership [_] Corporation
[_] Trust [_] Other (specify)

Nationality (check one):

[_] U.S. Citizen, Resident or Domestic Entity
[_] Foreign Corporation [_] Non-resident Alien

If the U.S. Citizen, Resident or Domestic Entity box is checked, the following certification must be completed.

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the "Code"), the Partnership must withhold tax with respect to certain transfers of property if a holder of an interest in the Partnership is a foreign person. To inform the Partnership that no withholding is required with respect to the undersigned interestholder's interest in it, the undersigned hereby certifies the following (or, if applicable, certifies the following on behalf of the interestholder).

Complete Either A or B:

A. Individual Interestholder

1. I am not a non-resident alien for purposes of U.S. income taxation.

2. My U.S. taxpayer identification number (Social Security Number) is ___________________________ .

3. My home address is _________________________ .

B. Partnership, Corporation or Other Interestholder

1. is not a foreign corporation, foreign partnership, foreign trust or foreign
(Name of Interestholder)
estate (as those terms are defined in the Code and Treasury Regulations).

2. The interestholder's U.S. employer identification number is ___________________________ .

3. The interestholder's office address and place of incorporation (if applicable) is __________________________ .

The interestholder agrees to notify the Partnership within sixty (60) days of the date the interestholder becomes a foreign person.

The interestholder understands that this certificate may be disclosed to the Internal Revenue Service by the Partnership and that any false statement contained herein could be punishable by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete and, if applicable, I further declare that I have authority to sign this document on behalf of

Name of Interestholder

Signature and Date

Title (if applicable)

Note: If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or, in the case of any other nominee holder, a person performing a similar function. If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee owner or an agent of any of the foregoing, the above certification as to any person for whom the Assignee will hold the Common Units shall be made to the best of the Assignee's knowledge.

No transfer of the Common Units evidenced hereby will be registered on the books of the Partnership, unless the Certificate evidencing the Common Units to be transferred is surrendered for registration or transfer and an Application for Transfer of Common Units has been executed by a transferee either (a) on the form set forth below or (b) on a separate application that the Partnership will furnish on request without charge. A transferor of the Common Units shall have no duty to the transferee with respect to execution of the transfer application in order for such transferee to obtain registration of the transfer of the Common Units.

APPLICATION FOR TRANSFER OF COMMON UNITS

The undersigned ("Assignee") hereby applies for transfer to the name of the Assignee of the Common Units evidenced hereby.

The Assignee (a) requests admission as an Additional Limited Partner and agrees to comply with and be bound by, and hereby executes, the Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (the "Partnership"), as amended, supplemented or restated to the date hereof (the "Partnership Agreement"), (b) represents and warrants that the Assignee has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appoints the General Partner and, if a Liquidator shall be appointed, the Liquidator of the Partnership as the Assignee's attorney-in-fact, to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement and any amendment thereto and the Certificate of Limited Partnership of the Partnership and any amendment thereto, necessary or appropriate for the Assignee's admission as a Additional Limited Partner and as a party to the Partnership Agreement, (d) gives the power of attorney provided for in the Partnership Agreement, and (e) makes the waivers and gives the consents and approvals contained in the Partnership Agreement. Capitalized terms not defined herein have the meanings assigned to such terms in the Partnership Agreement.

Date: ______________________________

____________________________________	By: __________________________________
Social Security or other identifying number of Assignee	Signature of Assignee
____________________________________	______________________________________
Purchase Price including commissions, if any	Name and Address of Assignee

Type of Entity (check one):

[_] Individual [_] Partnership [_] Corporation
[_] Trust [_] Other (specify)

Nationality (check one)

[_] U.S. Citizen, Resident or Domestic Entity
[_] Foreign Corporation [_] Non-resident Alien

If the U.S. Citizen, Resident or Domestic Entity box is checked, the following certification must be completed.

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the "Code"), the Partnership must withhold tax with respect to certain transfers of property if a holder of an interest in the Partnership is a foreign person. To inform the Partnership that no withholding is required with respect to the undersigned interestholder's interest in it, the undersigned hereby certifies the following (or, if applicable, certifies the following on behalf of the interestholder).

Complete Either A or B:

A. Individual Interestholder

1. I am not a non-resident alien for purposes of U.S. income taxation.

2. My U.S. taxpayer identification number (Social Security Number) is ________________________________

3. My home address is ____

B. Partnership, Corporation or Other Interestholder

1. ________________________ is not a foreign corporation, foreign partnership,
(Name of Interestholder)
foreign trust or foreign estate (as those terms are defined in the Code and Treasury Regulations).

2. The interestholder's U.S. employer identification number is

____________________________ .

3. The interestholder's office address and place of incorporation (if applicable) is _______________________________ .

The interestholder agrees to notify the Partnership within sixty (60) days of the date the interestholder becomes a foreign person.

The interestholder understands that this certificate may be disclosed to the Internal Revenue Service by the Partnership and that any false statement contained herein could be punishable by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete and, if applicable, I further declare that I have authority to sign this document on behalf of

____
Name of Interestholder

Dated: , 1998

____
Signature and Date

____
Title (if applicable)

Note: If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or, in the case of any other nominee holder, a person performing a similar function. If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee owner or an agent of any of the foregoing, the above certification as to any person for whom the signee will hold the Common Units shall be made to the best of the Assignee's knowledge.

GLOSSARY OF CERTAIN TERMS

Acquisition: Any transaction in which the Partnership acquires (through an asset acquisition, merger, stock acquisition or other form of investment) control over all or a portion of the assets, properties or business of another person for the purpose of increasing the operating capacity or revenues of the Partnership from the operating capacity or revenues of the Partnership existing immediately prior to such transaction.

Adjusted Operating Surplus: With respect to any period, Operating Surplus generated during such period (a) less (i) any net increase in Working Capital Borrowings during such period and (ii) any net reduction in cash reserves for Operating Expenditures during such period not relating to an Operating Expenditure made during such period, and (b) plus (i) any net decrease in Working Capital Borrowings during such period and (ii) any net increase in cash reserves for Operating Expenditures during such period required by any debt instrument for the repayment of principal, interest or premium. Adjusted Operating Surplus does not include that portion of Operating Surplus included in clause (a)(i) of the definition of Operating Surplus.

Available Cash: With respect to any quarter prior to liquidation:

(a) the sum of (i) all cash and cash equivalents of the Partnership on hand at the end of such quarter and (ii) all additional cash and cash equivalents of the Partnership on hand on the date of determination of Available Cash with respect to such quarter resulting from Working Capital Borrowings for working capital purposes made subsequent to the end of such quarter, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the business of the Partnership (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership) subsequent to such quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any member of the Partnership is a party or by which it is bound or its assets are subject, or (iii) provide funds for distributions under Section 6.4 or 6.5 of the Partnership Agreement in respect of any one or more of the next four quarters; provided, however, that the General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the Partnership is unable to distribute the Minimum Quarterly Distribution on all Common Units, plus any cumulative Common Unit Arrearage on all Common Units with respect to such quarter; and, provided further, that disbursements made by the Partnership or cash reserves established, increased or reduced after the end 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 within such quarter if the General Partner so determines. Notwithstanding the foregoing, "Available Cash" with respect to the quarter in which the liquidation of the Partnership occurs and any subsequent quarter shall equal zero.

Bank Credit Agreement: The $175 million Term Loan Facility and the $50 million Revolving Credit Facility entered into by the Operating Partnership.

Barrel: One barrel of crude oil equals 42 U.S. gallons.

Capital Account: The capital account maintained for a Partner pursuant to the Partnership Agreement. The Capital Account of a Partner in respect of a general partner interest, a Common Unit, a Subordinated Unit, an Incentive Distribution Right or any other Partnership Interest shall be the amount which such Capital Account would be if such general partner interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other Partnership Interest were the only interest in the Partnership held by a Partner from and after the date on which such general partner interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other Partnership Interest was first issued.

Capital Improvements: Additions or improvements to the capital assets owned by the Partnership or the acquisition of existing, or the construction of new, capital assets (including pipeline systems, terminalling and storage facilities and related assets), in each case made to increase the operating capacity or revenues of the Partnership existing immediately prior to such addition, improvement, acquisition or construction.

Capital Surplus: All Available Cash distributed by the Partnership from any source will be treated as distributed from Operating Surplus until the sum of all Available Cash distributed since the Closing Date equals the Operating Surplus as of the end of the quarter prior to such distribution. Any excess Available Cash will be deemed to be Capital Surplus.

Cause: Means a court of competent jurisdiction has entered a final, non-appealable judgment finding the General Partner liable for actual fraud, gross negligence or willful or wanton misconduct in its capacity as a general partner of the Partnership.

Closing Date: The first date on which Common Units are sold by the Partnership to the Underwriters pursuant to the provisions of the Underwriting Agreement.

Common Unit Arrearage: The amount by which the Minimum Quarterly Distribution in respect of a quarter during the Subordination Period exceeds the distribution of Available Cash from Operating Surplus actually made for such quarter on a Common Unit, cumulative for such quarter and all prior quarters during the Subordination Period.

Common Units: A Unit representing a fractional part of the Partnership Interests of all limited partners and assignees and having the rights and obligations specified with respect to Common Units in the Partnership Agreement.

Compensation Committee: A committee of the board of directors of the General Partner which will include two independent directors, which will determine the compensation of the officers of the General Partner and administer its employee benefit plans.

Conflicts Committee: A committee of the board of directors of the General Partner composed entirely of two or more directors who are neither officers or employees or security holders of the General Partner nor officers, directors or employees of any affiliate of the General Partner.

Contribution Agreement: The Contribution, Conveyance and Assumption Agreement to be dated the Closing Date among the General Partner, the Plains Midstream Subsidiaries, the Partnership, the Operating Partnership and certain other parties governing the Transactions pursuant to which, among other things, the assets, business and operations of the All American Pipeline and the SJV Gathering System and the Plains Midstream Subsidiaries will be transferred and the liabilities of the All American Pipeline and the SJV Gathering System and the Plains Midstream Subsidiaries will be assumed.

Counsel: Andrews & Kurth L.L.P., special counsel to the General Partner and the Partnership.

Current Market Price: With respect to any class of Units listed or admitted to trading on any national securities exchange as of any date, the average of the daily Closing Prices (as hereinafter defined) for the 20 consecutive Trading Days (as hereinafter defined) immediately prior to such date. "Closing Price" for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the principal national securities exchange (other than the Nasdaq Stock Market) on which the Units of such class are listed or admitted to trading or, if the Units of such class are not listed or admitted to trading on any national securities exchange (other than the Nasdaq Stock Market), the last quoted price on such day, or, if not so quoted, the

average of the high bid and low asked prices on such day in the over-the-counter market, as reported by the Nasdaq Stock Market or such other system then in use, or if on any such day the Units of such class are not quoted by any such organization, the average of the closing bid and asked prices on such day as furnished by a professional market maker making a market in the Units of such class selected by the General Partner, or if on any such day no market maker is making a market in the Units of such class, the fair value of such Units on such day as determined reasonably and in good faith by the General Partner. "Trading Day" means a day on which the principal national securities exchange on which Units of any class are listed or admitted to trading is open for the transaction of business or, if the Units of a class are not listed or admitted to trading on any national securities exchange, a day on which banking institutions in New York City generally are open.

Delaware Act: The Delaware Revised Uniform Limited Partnership Act, 6 Del C. (S)17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

Departing Partner: A former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to the Partnership Agreement.

Exchange Act: Securities Exchange Act of 1934, as amended.

General Partner: Plains All American Inc., a Delaware corporation, and its successors and permitted assigns as general partner of the Partnership.

Incentive Distribution Right: A non-voting limited partner Partnership Interest issued to the General Partner in connection with the transfer of substantially all of its general partner interest in the Operating Partnership to the Partnership pursuant to the Partnership Agreement, which Partnership Interest will confer upon the holder thereof only the rights and obligations specifically provided in the Partnership Agreement with respect to Incentive Distribution Rights (and no other rights otherwise available to or other obligations of holders of a Partnership Interest).

Incentive Distributions: The distributions of Available Cash from Operating Surplus initially made to the General Partner that are in excess of the General Partner's aggregate 2% general partner interest.

Initial Common Units: The Common Units sold in this offering.

Initial Unit Price: An amount per Unit equal to the initial public offering price of the Common Units as set forth on the outside front cover page of this Prospectus.

Interim Capital Transactions: The following transactions if they occur prior to liquidation: (a) borrowings, refinancings and refundings of indebtedness and sales of debt securities (other than for Working Capital Borrowings and other than for items purchased on open account in the ordinary course of business) by the Partnership; (b) sales of equity interests by the Partnership (other than the Common Units sold to the Underwriters pursuant to the exercise of their over-allotment option); and (c) sales or other voluntary or involuntary dispositions of any assets of the Partnership (other than (i) sales or other dispositions of inventory, accounts receivable and other assets in the ordinary course of business, and (ii) sales or other dispositions of assets as a part of normal retirements or replacements).

Letter of Credit Facility: The $175 million, secured letter of credit facility of the Operating Partnership with BankBoston, N.A, ING (U.S.) Capital Corporation and certain other lenders.

Long-Term Incentive Plan: The Plains All American Pipeline, L.P. 1998 Long-Term Incentive Plan.

Management Incentive Plan: The Plains All American Pipeline, L.P. Management Incentive Plan.

Minimum Quarterly Distribution: $0.45 per Unit with respect to each quarter or $1.80 per Unit on an annualized basis, subject to adjustment as described in "Cash Distribution Policy--Distributions from Capital Surplus" and "Cash Distribution Policy--Adjustment of Minimum Quarterly Distribution and Target Distribution Levels."

Non-citizen Assignee: A Limited Partner or assignee who (i) fails to furnish information about nationality, citizenship, residency or other related status within 30 days after a request by the General Partner for such information, or (ii) the General Partner determines after receipt of such information is not an eligible citizen.

Operating Expenditures: All Partnership Group expenditures, including, but not limited to, taxes, reimbursements of the General Partner, debt service payments and capital expenditures, subject to the following:

(a) Payments (including prepayments) of principal and premium on indebtedness shall not be an Operating Expenditure if the payment is (i) required in connection with the sale or other disposition of assets or (ii) made in connection with the refinancing or refunding of indebtedness with the proceeds from new indebtedness or from the sale of equity interests. For purposes of the foregoing, at the election and in the reasonable discretion of the General Partner, any payment of principal or premium shall be deemed to be refunded or refinanced by any indebtedness incurred or to be incurred by the Partnership Group within 180 days before or after such payment to the extent of the principal amount of such indebtedness.

(b) Operating Expenditures shall not include (i) capital expenditures made for Acquisitions or for Capital Improvements, (ii) payment of transaction expenses relating to Interim Capital Transactions or (iii) distributions to partners. Where capital expenditures are made in part for Acquisitions or Capital Improvements and in part for other purposes, the General Partner's good faith allocation between the amounts paid for each shall be conclusive.

Operating Partnership: Plains Marketing, L.P. and All American, L.P., each a Delaware limited partnership, and any successors thereto.

Operating Partnership Agreements: The Amended and Restated Operating Agreements of the Operating Partnerships, as they may be amended, supplemented or restated from time to time (the forms of which have been filed as an exhibit to the registration statement of which this Prospectus is a part).

Operating Surplus: As to any period prior to liquidation, on a cumulative basis and without duplication:

(a) the sum of (i) $25 million plus all cash and cash equivalents of the Partnership Group on hand as of the close of business on the Closing Date, (ii) all cash receipts of the Partnership Group for the period beginning on the Closing Date and ending with the last day of such period, other than cash receipts from Interim Capital Transactions and (iii) all cash receipts of the Partnership Group after the end of such period but on or before the date of determination of Operating Surplus with respect to such period resulting from Working Capital Borrowings, less

(b) the sum of (i) Operating Expenditures for the period beginning on the Closing Date and ending with the last day of such period and (ii) the amount of cash reserves that is necessary or advisable in the reasonable discretion of the General Partner to provide funds for future Operating Expenditures; provided however, that disbursements made (including contributions to a member of the Partnership Group or disbursements on behalf of a member of the Partnership Group) or cash reserves established, increased or reduced after the end of such period but on or before the date of determination of Available Cash with respect to such period shall be deemed to have been made, established, increased or reduced for purposes of determining Operating Surplus, within such period if the General Partner so determines. Notwithstanding the foregoing, "Operating Surplus" with respect to the quarter in which the liquidation occurs and any subsequent quarter shall equal zero.

Opinion of Counsel: A written opinion of counsel, acceptable to the General Partner in its reasonable discretion, to the effect that the taking of a particular action will not result in the loss of the limited liability of the limited partners of the Partnership or cause the Partnership to be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes.

Partnership Agreement: The Amended and Restated Agreement of Limited Partnership of the Partnership (the form of which is included in this Prospectus as Appendix A), as it may be amended, restated or

supplemented from time to time. Unless the context requires otherwise, references to the Partnership Agreement constitute references to the Partnership Agreement of the Partnership and to the Operating Partnership Agreements, collectively.

Partnership Group: The Partnership, the Operating Partnership and any subsidiary of either such entity, treated as a single consolidated entity.

Partnership Interest: An ownership interest in the Partnership, which shall include the general partner interests and limited partner interests.

Partnership Security: Means any class or series of equity interest in the Partnership (but excluding any options, rights, warrants and appreciation rights relating to any equity interest in the Partnership), including, without limitation, Common Units, Subordinated Units and Incentive Distribution Rights.

Plains Midstream Subsidiaries: Plains Marketing & Transportation Inc., a Delaware corporation, Plains Terminal & Transfer Corporation, a Delaware corporation, PLX Crude Lines Inc., a Delaware corporation, and PLX Ingleside Inc., a Delaware corporation, each a wholly owned subsidiary of Plains Resources prior to their merger into Plains Resources.

Qualifying Income Exception: An exception to Section 7704 of the Code which provides that publicly-traded partnerships will be taxed as partnerships and not corporations if 90% or more of the gross income for every taxable year consists of "qualifying income."

Registration Statement: The Registration Statement on Form S-1, as amended (No. 333-64107), filed by the Partnership with the Commission, relating to the Common Units.

Revolving Credit Facility: The $50 million Revolving Credit Facility, entered into by the Operating Partnership, which may be used for acquisitions, capital improvements and working capital purposes.

Securities Act: The Securities Act of 1933, as amended.

Subordinated Unit: A Unit representing a fractional part of the partnership interests of all limited partners and assignees and having the rights and obligations specified with respect to Subordinated Units in the Partnership Agreement.

Subordination Period: The Subordination Period will generally extend from the closing of this offering until the first to occur of: (a) the first day of any quarter beginning after December 31, 2003 in respect of which (i) distributions of Available Cash from Operating Surplus on each of the outstanding Common Units and the Subordinated Units with respect to each of the three consecutive, non-overlapping four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the outstanding Common Units and Subordinated Units during such periods, (ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were outstanding during such periods on a fully-diluted basis, plus the related distribution on the general partner interest in the Partnership and the general partner interest in the Operating Partnership, and (iii) there are no outstanding Common Unit Arrearages; and (b) the date on which the General Partner is removed as general partner of the Partnership upon the requisite vote by holders of Outstanding Units under circumstances where Cause does not exist and Units held by the General Partner and its Affiliates are not voted in favor of such removal.

Target Distribution Levels: The distribution levels at which the General Partner's Incentive Compensation Payments are determined as described in "Cash Distribution Policy--Incentive Distributions--Hypothetical Annualized Yield."

Term Loan Facility: The $175 million Term Loan Facility entered into by the Partnership.

Transactions: The transactions related to the formation of the Partnership, the entering into of the Term Loan Facility and the Revolving Credit Facility and the other transactions to occur in connection with this offering.

Transfer Agent: American Stock Transfer & Trust Company serving as registrar and transfer agent for the Common Units.

Transfer Application: An application for transfer of Units in the form set forth on the back of a certificate, substantially in the form included in this Prospectus as Appendix B, or in a form substantially to the same effect in a separate instrument.

Unitholders: Holders of the Common Units and the Subordinated Units, collectively.

Unit Majority: During the Subordination Period, at least a majority of the outstanding Common Units (excluding Common Units held by the General Partner and its affiliates), voting as a class, and at least a majority of the outstanding Subordinated Units, voting as a class and, thereafter, at least a majority of the outstanding Common Units.

Units: A Partnership Security that is designated as a "Unit", including the Common Units and the Subordinated Units, but not including the general partner interest or the right to receive Incentive Distributions.

Unrecovered Capital: At any time, the Initial Unit Price, less the sum of all distributions theretofore made in respect of an Initial Common Unit constituting Capital Surplus and any distributions of cash (or the net agreed value of any distributions in kind) in connection with the dissolution and liquidation of the Partnership theretofore made in respect of such Unit, adjusted as the General Partner determines to be appropriate to give effect to any distribution, subdivision or combination of such Units.

Working Capital Borrowings: Borrowings exclusively for working capital purposes made pursuant to a credit facility or other arrangement requiring all borrowings thereunder to be reduced to a relatively small amount each year for an economically meaningful period of time.

APPENDIX D

PRO FORMA AVAILABLE CASH FROM OPERATING SURPLUS

The following table shows the calculation of Pro Forma Available Cash from Operating Surplus and should be read in conjunction with "Cash Available for Distribution," the Plains Midstream Subsidiaries Combined Financial Statements, the Wingfoot Consolidated Financial Statements and the Partnership's Unaudited Pro Forma Consolidated Financial Statements.

	YEAR ENDED DECEMBER 31, 1997	TWELVE MONTHS ENDED SEPTEMBER 30, 1998
	(UNAUDITED) (IN THOUSANDS)	
Pro forma net loss	$(10,907)	$(18,662)
Add: Pro forma depreciation and amortization	10,516	10,696
Pro forma impairment of pipeline assets	64,173	64,173
Pro forma interest expense	14,383	14,424
Pro forma EBITDA(a)	78,165	70,631
Less: Pro forma interest expense	14,383	14,424
Pro forma maintenance capital expenditures(b)(c)	1,433	2,049
Pro forma Available Cash from Operating Surplus(d)(e)(f)	$ 62,349	$ 54,158

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(a) EBITDA is defined as earnings before interest expense, income taxes, depreciation and amortization.

(b) Amounts determined by combining actual amounts for Wingfoot and the Plains Midstream Subsidiaries maintenance capital expenditures.

(c) The Partnership estimates future maintenance capital expenditures to average approximately $2.0 million to $4.0 million per year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(d) The pro forma adjustments in the pro forma consolidated financial statements are based upon currently available information and certain estimates and assumptions. The pro forma consolidated financial statements do not purport to present the financial position or results of operations of the Partnership had the Transactions to be effected at the closing of this Offering actually been completed as of the date indicated. Furthermore, the pro forma consolidated financial statements are based on accrual accounting concepts whereas Available Cash and Operating Surplus are defined in the Partnership Agreement on a cash accounting basis. As a consequence, the amount of Pro Forma Cash Available from Operating Surplus shown above should only be viewed as a general indication of the amounts of Available Cash from Operating Surplus that may in fact have been generated by the Partnership had it been formed in earlier periods.

(e) The General Partner estimates that it will incur incremental general and administrative expenses associated with the operation of the Partnership as a separate public entity not included in the pro forma amounts above (e.g. costs of tax return preparation, audit fees, annual and quarterly reports to Unitholders, investor relations, and registrar and transfer agent fees) of approximately $0.9 million per year.

(f) The amount of Available Cash from Operating Surplus needed to distribute the Minimum Quarterly Distribution for four quarters on the Common Units and Subordinated Units to be outstanding immediately after this offering and on the combined 2% general partner interest is approximately $54.0 million ($35.3 million for the Common Units, $17.6 million for the Subordinated Units and $1.1 million for the combined general partner interest). The pro forma amounts reflected above would have been sufficient to cover the Minimum Quarterly Distribution during 1997 and the twelve months ended September 30, 1998 on all of the Common Units, the Subordinated Units and the related distribution on the general partner interest.

NO DEALER, SALESPERSON, OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE PARTNERSHIP OR ANY OF THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE TO WHICH IT RELATES OR AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, TO ANY PERSON IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

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UNTIL   , 1998 (25 CALENDAR DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN COMMON UNITS, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENT OR SUBSCRIPTIONS.

12,782,609 COMMON UNITS

PLAINS ALL AMERICAN
PIPELINE, L.P.

[LOGO OF PLAINS ALL AMERICAN APPEARS HERE]

REPRESENTING

LIMITED PARTNER INTERESTS

PROSPECTUS

, 1998

SALOMON SMITH BARNEY
PAINEWEBBER INCORPORATED
A.G. EDWARDS & SONS, INC.
DONALDSON, LUFKIN & JENRETTE
GOLDMAN, SACHS & CO.
DAIN RAUSCHER WESSELS
a division of Dain Rauscher Incorporated
ING BARING FURMAN SELZ LLC

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Set forth below are the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the Securities and Exchange Commission registration fee, the NASD filing fee and the NYSE filing fee, the amounts set forth below are estimates:

Securities and Exchange Commission registration fee	$ 92,151
NASD filing fee	30,500
NYSE listing fee	200,000
Printing and engraving expenses	625,000
Legal fees and expenses	1,550,000
Accounting fees and expenses	225,000
Transfer agent and registrar fees	4,000
Miscellaneous	273,349
TOTAL	$3,000,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The section of the Prospectus entitled "The Partnership Agreement--Indemnification" is incorporated herein by this reference. Reference is made to Section 7 of the Underwriting Agreement filed as Exhibit 1.1 to the Registration Statement. Subject to any terms, conditions or restrictions set forth in the Partnership Agreement, Section 17-108 of the Delaware Revised Uniform Limited Partnership Act empowers a Delaware limited partnership to indemnify and hold harmless any partner or other person from and against all claims and demands whatsoever.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

The Partnership issued to Plains Resources Inc. and Plains All American Inc. limited partner interests in the Partnership, respectively, in connection with the formation of the Partnership on September 17, 1998, in offerings exempt from registration under Section 4(2) of the Securities Act of 1933, as amended. There have been no other sales of unregistered securities of the Partnership within the past three years.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a. Exhibits:

- **1.1 --Form of Underwriting Agreement
- **3.1 --Form of Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (included as Appendix A to the Prospectus)
- **3.2 --Form of Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P.
- **3.3 --Form of Amended and Restated Agreement of Limited Partnership of All American, L.P.
- **3.4 --Certificate of Limited Partnership of Plains All American Pipeline, L.P.
- **3.5 --Form of Certificate of Limited Partnership of Plains Marketing, L.P.
- **3.6 --Form of Certificate of Limited Partnership of All American, L.P.
- **5.1 --Opinion of Andrews & Kurth L.L.P. as to the legality of the securities being registered
- **8.1 --Opinion of Andrews & Kurth L.L.P. relating to tax matters
- **10.1 --Form of Credit Agreement among All American, L.P., Plains All American Pipeline, L.P., Plains Marketing, L.P., ING (U.S.) Capital Corporation and certain other banks

Exhibit	Description
**10.2	--Form of Amended and Restated Credit Agreement among Plains Marketing, L.P., Plains All American Pipeline, L.P., All American, L.P., BankBoston, N.A. and certain other banks
**10.3	--Form of Contribution, Conveyance and Assumption Agreement among Plains All American Pipeline, L.P. and certain other parties
**10.4	--Form of Plains All American Inc. 1998 Long-Term Incentive Plan
**10.5	--Form of Plains All American Inc. Management Incentive Plan
**10.6	--Form of Employment Agreement between Plains Resources Inc. and Harry N. Pefanis
**10.7	--Form of Crude Oil Marketing Agreement between Plains Resources Inc., Plains Illinois Inc., Stocker Resources, L.P., Calumet Florida, Inc. and Plains Marketing, L.P.
**10.8	--Form of Omnibus Agreement among Plains Resources Inc., Plains All American Pipeline, L.P., Plains Marketing, L.P., All American, L.P. and Plains All American Inc.
*10.9	--Transportation Agreement dated July 30, 1993 between All American Pipeline Company and Exxon Company, U.S.A.
*10.10	--Transportation Agreement dated August 2, 1993, among All American Pipeline Company, Texaco Trading and Transportation Inc., Chevron U.S.A. and Sun Operating Limited Partnership
**10.11	--Form of Transaction Grant Agreement (Deferred Payment)
**10.12	--Form of Transaction Grant Agreement (Payment on Vesting)
**15.1	--Letter re unaudited interim financial information (relating to financial information of Plains Midstream Subsidiaries and to Pro Forma Consolidated Financial Statements of Plains All American Pipeline, L.P.)
**15.2	--Letter re unaudited interim financial information (relating to financial information of Wingfoot Ventures Seven, Inc.)
**21.1	--List of subsidiaries of the Partnership
**23.1	--Consent of PricewaterhouseCoopers LLP (relating to financial statements of Plains All American Inc., Plains Midstream Subsidiaries and Plains All American Pipeline, L.P.)
**23.2	--Consent of PricewaterhouseCoopers LLP (relating to financial statements of Wingfoot Ventures Seven, Inc.)
**23.3	--Consent of Andrews & Kurth L.L.P. (contained in Exhibits 5.1 and 8.1)
*24.1	--Powers of Attorney (included on the signature page)
**27.1	--Financial Data Schedule

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* Previously Filed.

** Filed herewith.

(b) Financial Statement Schedules

All financial statement schedules are omitted because the information is not required, is not material or is otherwise included in the financial statements or related notes thereto.

ITEM 17. UNDERTAKINGS

The undersigned Registrant hereby undertakes to provide at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a

claim for indemnification against such liabilities (other than the payment by the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on September 23, 1998.

Plains All American Pipeline, L.P.

By: Plains All American Inc.,
its general partner

By:

Name: Greg L. Armstrong
Title: Chairman of the Board and
Chief Executive Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED BELOW.

SIGNATURE	TITLE	DATE
----------------------------------- GREG L. ARMSTRONG	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	November , 1998
----------------------------------- HARRY N. PEFANIS	President, Chief Operating Officer and Director	November , 1998
----------------------------------- PHILLIP D. KRAMER	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	November , 1998
----------------------------------- CYNTHIA A. FEEBACK	Treasurer (Principal Accounting Officer)	November , 1998
* ----------------------------------- ROBERT V. SINNOTT	Director	November , 1998

*

MICHAEL R. PATTERSON, BY POWER OF ATTORNEY

INDEX TO EXHIBITS

Exhibits

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- **3.2 --Form of Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P.
- **3.3 --Form of Amended and Restated Agreement of Limited Partnership of All American, L.P.
- **3.4 --Certificate of Limited Partnership of Plains All American Pipeline, L.P.
- **3.5 --Form of Certificate of Limited Partnership of Plains Marketing, L.P.
- **3.6 --Form of Certificate of Limited Partnership of All American, L.P.
- **5.1 --Opinion of Andrews & Kurth L.L.P. as to the legality of the securities being registered
- **8.1 --Opinion of Andrews & Kurth L.L.P. relating to tax matters
- **10.1 --Form of Credit Agreement among All American, L.P., Plains All American Pipeline, L.P., Plains Marketing, L.P., ING (U.S.) Capital Corporation and certain other banks
- **10.2 --Form of Amended and Restated Credit Agreement among Plains Marketing, L.P., Plains All American Pipeline, L.P., All American, L.P., BankBoston, N.A. and certain other banks
- **10.3 --Form of Contribution, Conveyance and Assumption Agreement among Plains All American Pipeline, L.P. and certain other parties
- **10.4 --Form of Plains All American Inc. 1998 Long-Term Incentive Plan
- **10.5 --Form of Plains All American Inc. Management Incentive Plan
- **10.6 --Form of Employment Agreement between Plains Resources Inc. and Harry N. Pefanis
- **10.7 --Form of Crude Oil Marketing Agreement between Plains Resources Inc., Plains Illinois Inc., Stocker Resources, L.P., Calumet Florida, Inc. and Plains Marketing, L.P.
- **10.8 --Form of Omnibus Agreement between Plains Resources Inc., Plains All American Pipeline, L.P., Plains Marketing, L.P., All American, L.P. and Plains All American Inc.
- *10.9 --Transportation Agreement dated July 30, 1993 between All American Pipeline Company and Exxon Company, U.S.A.
- *10.10 --Transportation Agreement dated August 2, 1993, among All American Pipeline Company, Texaco Trading and Transportation Inc., Chevron U.S.A. and Sun Operating Limited Partnership
- **10.11 --Form of Transaction Grant Agreement (Deferred Payment)
- **10.12 --Form of Transaction Grant Agreement (Payment on Vesting)
- **15.1 --Letter re unaudited interim financial information (relating to financial information of Plains Midstream Subsidiaries and to Pro Forma Consolidated Financial Statements of Plains All American Pipeline, L.P.)
- **15.2 --Letter re unaudited interim financial information (relating to financial information of Wingfoot Ventures Seven, Inc.)
- **21.1 --List of subsidiaries of the Partnership
- **23.1 --Consent of PricewaterhouseCoopers LLP (relating to financial statements of Plains All American Inc., Plains Midstream Subsidiaries and Plains All American Pipeline, L.P.)
- **23.2 --Consent of PricewaterhouseCoopers LLP (relating to financial statements of Wingfoot Ventures Seven, Inc.)
- **23.3 --Consent of Andrews & Kurth L.L.P. (contained in Exhibits 5.1 and 8.1)
- *24.1 --Powers of Attorney (included on the signature page)
- **27.1 --Financial Data Schedule

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* Previously Filed.

** Filed herewith.

EXHIBIT 1.1

PLAINS ALL AMERICAN PIPELINE, L.P.

12,782,609 Common Units
REPRESENTING LIMITED PARTNER INTERESTS

UNDERWRITING AGREEMENT

November __, 1998

SALOMON SMITH BARNEY INC.
PAINEWEBBER INCORPORATED
A.G. EDWARDS & SONS, INC.
DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION
GOLDMAN, SACHS & CO.
DAIN RAUSCHER WESSELS, a division of
Dain Rauscher Incorporated
ING BARING FURMAN SELZ LLC

As Representatives of the Several Underwriters

c/o SALOMON SMITH BARNEY INC.
388 Greenwich Street
New York, New York 10013

Dear Sirs:

Plains All American Pipeline, L.P., a Delaware limited partnership (the "Partnership"), proposes to issue and sell (the "Offering") an aggregate of 12,782,609 common units (the "Firm Units") representing limited partner interests in the Partnership (the "Common Units") to the several underwriters named in Schedule I hereto (the "Underwriters"), upon the terms and conditions set forth in Section 2 hereof. The Partnership also proposes to sell to the Underwriters, upon the terms and conditions set forth in Section 2 hereof, up to an additional 1,917,391 Common Units (the "Additional Units"). The Firm Units and the Additional Units are hereinafter collectively referred to as the "Units."

It is understood and agreed to by all parties that the Partnership was formed to acquire, own and operate the midstream crude oil business and assets of Plains Resources Inc., a Delaware corporation ("Plains Resources"). Plains All American Inc., a Delaware corporation, will serve as the general partner (the "General Partner") of each of the Partnership and Plains Marketing, L.P., a Delaware limited partnership, and All American, L.P., a Delaware limited partnership ("All American Delaware") (Plains Marketing, L.P. and All American Delaware are collectively referred to herein as the "Operating Partnerships"). Plains Resources owns all of the issued and outstanding stock of the General Partner. Gathering LLC, a Delaware limited liability company ("Gathering LLC"), is a wholly owned subsidiary of Plains Marketing, L.P. and will own certain gathering and

storage assets previously owned by Celeron Gathering Corporation, a Delaware corporation. The Partnership, the General Partner, the Operating Partnerships and Gathering LLC are collectively referred to herein as the "Plains Parties."

Pursuant to a Plan of Merger dated _________, 1998 (the "Midstream Merger Agreement") by and among Plains Marketing & Transportation Inc., Plains Terminal & Transfer Corporation, PLX Crude Lines Inc. and PLX Ingleside Inc., each a Delaware corporation (collectively, the "Plains Midstream Subsidiaries"), and Plains Resources, the Plains Midstream Subsidiaries were merged with and into Plains Resources, with Plains Resources being the surviving entity.

Pursuant to a Plan of Merger dated _________, 1998 (the "CT&T Merger Agreement"), by and between the General Partner and Celeron Trading & Transportation Company, a Delaware corporation, Celeron Trading & Transportation Company was merged with and into the General Partner, with the General Partner being the surviving entity.

On the Closing Date (as defined in Section 4), All American Pipeline Company, a Texas corporation, will convert into All American, L.P., a Texas limited partnership ("All American Texas"), and All American Texas will convert into All American Delaware.

Prior to or concurrently with the execution hereof, the Operating Partnerships will enter into a $225 million bank credit agreement (the "Bank Credit Agreement") and a $175 million, secured letter of credit facility (the "Letter of Credit Facility"). The Bank Credit Agreement will include a $175 million term facility (the "Term Loan Facility") and a $50 million revolving credit facility (the "Revolving Credit Facility"). The Partnership may borrow up to $50 million under the Revolving Credit Facility for acquisitions, capital improvements and working capital purposes.

It is further understood and agreed by all parties that the following transactions will occur on the Closing Date: (i) the Partnership will assume certain indebtedness (the "Acquisition Indebtedness") of the General Partner incurred to acquire the All American Pipeline and the SJV Gathering System (as defined in the Registration Statement); (ii) Plains Resources will convey certain of the assets acquired by Plains Resources pursuant to the Midstream Merger Agreement (the "Midstream Assets") to Plains Marketing, L.P. in exchange for [general partner interests in All American Delaware and] limited partner interests in Plains Marketing, L.P. and the assumption of certain indebtedness assumed by Plains Resources pursuant to the Midstream Merger Agreement (the "Midstream Merger Indebtedness"); (iii) the General Partner will contribute certain of the assets acquired by the General Partner pursuant to the CT&T Merger Agreement (the "CT&T Assets") to Plains Marketing, L.P. in exchange for [general partner interests in All American Delaware and] general partner and limited partner interests in Plains Marketing, L.P.; (iv) Plains Resources will contribute its limited partner interest in Plains Marketing, L.P. to the Partnership in exchange for _____ Common Units and ______ units representing subordinated limited partner interests (the "Subordinated Units"); (v) the General Partner will contribute its limited partner interest in Plains Marketing, L.P. to the Partnership in exchange for a 1% general partner interest in the Partnership, ______ Common Units, ______ Subordinated Units and the Incentive Distribution Rights (as

defined in the Agreement of Limited Partnership of the Partnership (as the same may be amended or restated at or prior to the Closing Date, the "Partnership Agreement") between the General Partner and Plains Resources, as organizational limited partner (in such capacity, the "Organizational Limited Partner")); (vi) the public offering of the Firm Units contemplated hereby will be consummated; (vii) the closing under the Bank Credit Agreement will occur; (viii) the Partnership will distribute $174.9 million to the General Partner which the General Partner will use to repay certain of the Acquisition Indebtedness and distribute or loan the balance to Plains Resources; (ix) the Partnership will contribute $87.1 million to Plains Marketing, L.P. which Plains Operating, L.P. will use to (A) purchase from Plains Resources the remaining Midstream Merger Assets, (B) repay the Midstream Merger Indebtedness and (C) pay the expenses of the Offering; and (x) the repayment by Plains Resources of [certain existing indebtedness].

The transactions described above in clauses (i) through (x) are collectively referred to as the "Transactions." In connection with the consummation of the Transactions, the Partnership, the Operating Partnerships, the General Partner, Plains Resources and Gathering LLC will enter into various bills of sale, conveyances, deeds and other assignments (collectively, the "Conveyance Agreements").

The Partnership, the Operating Partnerships, All American Pipeline Company, the General Partner and Plains Resources (the "Plains Entities") wish to confirm as follows their agreement with you (the "Representatives") and the several other Underwriters on whose behalf you are acting, in connection with the several purchases of the Units by the Underwriters.

1. Registration Statement and Prospectus. The Partnership has prepared and filed with the Securities and Exchange Commission (the "Commission") in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Act"), a registration statement on Form S-1 under the Act (Commission File No. 333-64107) (the "registration statement"), including a prospectus subject to completion relating to the Units. The term "Registration Statement" as used in this Agreement means the registration statement (including all financial schedules and exhibits), as amended at the time it becomes effective, or, if the registration statement became effective prior to the execution of this Agreement, as supplemented or amended prior to the execution of this Agreement. If it is contemplated, at the time this Agreement is executed, that a post-effective amendment to the registration statement will be filed and must be declared effective before the offering of the Units may commence, the term "Registration Statement" as used in this Agreement means the registration statement as amended by said post-effective amendment. If it is contemplated, at the time this Agreement is executed, that a registration statement or a post-effective amendment will be filed pursuant to Rule 462(b) or Rule 462(d) under the Act before the offering of the Units may commence, the term "Registration Statement" as used in this Agreement includes such registration statement. The term "Prospectus" as used in this Agreement means the prospectus in the form included in the Registration Statement, or, if the prospectus included in the Registration Statement omits information in reliance on Rule 430A under the Act and such information is included in a prospectus filed with the Commission pursuant to Rule 424(b) under the Act, the term "Prospectus" as used in this Agreement

means the prospectus in the form included in the Registration Statement as supplemented by the addition of the Rule 430A information contained in the prospectus filed with the Commission pursuant to Rule 424(b). The term "Prepricing Prospectus" as used in this Agreement means the preliminary prospectus dated __________, 1998, relating to the Common Units as such preliminary prospectus shall have been amended from time to time prior to the date of the Prospectus.

2. Agreements to Sell and Purchase. The Partnership hereby agrees, subject to all the terms and conditions set forth herein, to issue and sell to each Underwriter and, upon the basis of the representations, warranties and agreements of the Plains Entities herein contained and subject to all the terms and conditions set forth herein, each Underwriter agrees, severally and not jointly, to purchase from the Partnership, at a purchase price of $_____ per Unit (the "purchase price per Unit"), the number of Firm Units set forth opposite the name of such Underwriter in Schedule I hereto (or such number of Firm Units increased as set forth in Section 10 hereof).

The Partnership also agrees, subject to all the terms and conditions set forth herein, to sell to the Underwriters, and, upon the basis of the representations, warranties and agreements of the Plains Entities herein contained and subject to all the terms and conditions set forth herein, the Underwriters shall have the right to purchase from the Partnership, at the purchase price per Unit, pursuant to an option (the "over-allotment option") which may be exercised at any time and from time to time prior to 7:00 p.m., New York City time, on the 30th day after the date of the Prospectus (or, if such 30th day shall be a Saturday or Sunday or a holiday, on the next business day thereafter when the Nasdaq National Market is open for trading), up to an aggregate of 1,917,391 Additional Units. Such option is granted solely for the purpose of covering over-allotments in the sale of Firm Units. Upon any exercise of the over-allotment option, each Underwriter, severally and not jointly, agrees to purchase from the Partnership the number of Additional Units (subject to such adjustments as you may determine in order to avoid fractional Units) which bears the same proportion to the number of Additional Units to be purchased by the Underwriters as the number of Firm Units set forth opposite the name of such Underwriter in Schedule I hereto (or such number of Firm Units increased as set forth in Section 10 hereof) bears to the aggregate number of Firm Units.

3. Terms of Public Offering. The Partnership has been advised by you that the Underwriters propose to make a public offering of their respective portions of the Units as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable and initially to offer the Units upon the terms set forth in the Prospectus.

4. Delivery of the Units and Payment Therefor. Delivery to the Underwriters of and payment for the Firm Units shall be made at the office of Salomon Smith Barney Inc., 388 Greenwich Street, New York, New York 10013, at 10:00 a.m., New York City time, on ____________, 1998 (the "Closing Date"). The place of closing for the Firm Units and the Closing Date may be varied by agreement between you and the Partnership.

Delivery to the Underwriters of and payment for any Additional Units to be purchased by the Underwriters shall be made at the aforementioned office of Salomon Smith Barney Inc. at such time

on such date (the "Option Closing Date"), which may be the same as the Closing Date but shall in no event be earlier than the Closing Date nor earlier than two nor later than ten business days after the giving of the notice hereinafter referred to, as shall be specified in a written notice from you on behalf of the Underwriters to the Partnership of the Underwriters' determination to purchase a number, specified in such notice, of Additional Units. The place of closing for any Additional Units and the Option Closing Date for such Units may be varied by agreement between you and the Partnership.

Certificates for the Firm Units and for any Additional Units to be purchased hereunder shall be registered in such names and in such denominations as you shall request prior to 5:00 p.m., New York City time, on the third business day preceding the Closing Date or any Option Closing Date, as the case may be. Such certificates shall be made available to you in New York City for inspection and packaging not later than 11:30 a.m., New York City time, on the business day next preceding the Closing Date or the Option Closing Date, as the case may be. The certificates evidencing the Firm Units and any Additional Units to be purchased hereunder shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, against payment of the purchase price therefor in immediately available funds.

5. Agreements of the Plains Entities. Each of the Plains Entities, jointly and severally, agrees with the several Underwriters as follows:

(a) If, at the time this Agreement is executed and delivered, it is necessary for the Registration Statement or a post-effective amendment thereto to be declared effective before the offering of the Units may commence, the Partnership and the General Partner will endeavor to cause the Registration Statement or such post-effective amendment to become effective as soon as possible and will advise you promptly and, if requested by you, will confirm such advice in writing when the Registration Statement or such post-effective amendment has become effective.

(b) The Partnership will advise you promptly and, if requested by you, will confirm such advice in writing: (i) of any request by the Commission for amendment of or a supplement to the Registration Statement, any Prepricing Prospectus or the Prospectus or for additional information; (ii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the suspension of qualification of the Units for offering or sale in any jurisdiction or the initiation of any proceeding for such purpose; and (iii) within the period of time referred to in paragraph (f) below, of any change in the condition (financial or other), business, prospects, properties, net worth or results of operations of the Plains Entities, taken as a whole, or of the happening of any event which makes any statement of a material fact made in the Registration Statement or the Prospectus (as then amended or supplemented) untrue or which requires the making of any additions to or changes in the Registration Statement or the Prospectus (as then amended or supplemented) in order to state a material fact required by the Act or the regulations thereunder to be stated therein or necessary in order to make the statements therein not misleading, or of the necessity to amend or supplement the Prospectus (as then amended or supplemented) to comply with the Act or any other applicable law. If at any time the Commission

shall issue any stop order suspending the effectiveness of the Registration Statement, the Partnership and the General Partner will make every reasonable effort to obtain the withdrawal of such order at the earliest possible time.

(c) The Partnership will furnish to you, without charge, (i) two EDGAR versions of the registration statement as originally filed with the Commission and of each amendment thereto, including financial statements and all exhibits to the registration statement, (ii) two manually signed copies of the registration statement corresponding to the EDGAR version filed with the Commission and of each amendment thereto, including financial statements and all exhibits to the registration statement, and (iii) such number of conformed copies of the registration statement as originally filed and of each amendment thereto, but without exhibits, as you or your counsel may reasonably request.

(d) The Partnership will not (i) file any amendment to the Registration Statement or make any amendment or supplement to the Prospectus of which you shall not previously have been advised or to which you or your counsel shall reasonably object in writing after being so advised or (ii) so long as, in the opinion of counsel for the Underwriters, a Prospectus is required to be delivered in connection with sales by any Underwriter or dealer, file any information, documents or reports pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), without delivering a copy of such information, documents or reports to you, as Representatives of the Underwriters, prior to or concurrently with such filing.

(e) Prior to the execution and delivery of this Agreement, the Partnership has delivered to you, without charge, in such quantities as you have reasonably requested, copies of each form of the Prepricing Prospectus. The Partnership consents to the use, in accordance with the provisions of the Act and with the securities or Blue Sky laws of the jurisdictions in which the Units are offered by the several Underwriters and by dealers, prior to the date of the Prospectus, of each Prepricing Prospectus so furnished by the Partnership.

(f) As soon after the execution and delivery of this Agreement as possible and thereafter from time to time for such period as in the opinion of counsel for the Underwriters a prospectus is required by the Act to be delivered in connection with sales by any Underwriter or dealer, the Partnership will expeditiously deliver to each Underwriter and each dealer, without charge, as many copies of the Prospectus (and of any amendment or supplement thereto) as you may reasonably request. At any time after nine months after the time of issuance of the Prospectus, upon request, but at your expense, the Partnership will deliver as many copies of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act as you may reasonably request, provided that a prospectus is required by the Act to be delivered in connection with sales of Units by any Underwriter or dealer. The Partnership consents to the use of the Prospectus (and of any amendment or supplement thereto) in accordance with the provisions of the Act and with the securities or Blue Sky laws of the jurisdictions in which the Units are offered by the several Underwriters and by all dealers to whom Units may be sold, both in connection with the offering and sale of the Units and for such period of time thereafter as the Prospectus is required by the Act to be delivered in connection with sales by any Underwriter or dealer. If during such period of time any

event shall occur that in the judgment of the Partnership or in the opinion of counsel for the Underwriters is required to be set forth in the Prospectus (as then amended or supplemented) or should be set forth therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary to supplement or amend the Prospectus to comply with the Act or any other law, the Partnership will forthwith prepare and, subject to the provisions of paragraph (d) above, file with the Commission an appropriate supplement or amendment thereto, and will expeditiously furnish to the Underwriters and dealers a reasonable number of copies thereof; provided that, if any such event necessitating a supplement or amendment to the Prospectus occurs at any time after nine months after the time of issuance of the Prospectus, such supplement or amendment shall be prepared at your expense. In the event that the Partnership and you, as Representatives of the several Underwriters, agree that the Prospectus should be amended or supplemented, the Partnership, if requested by you, will promptly issue a press release announcing or disclosing the matters to be covered by the proposed amendment or supplement.

(g) The Partnership and the General Partner will cooperate with you and with counsel for the Underwriters in connection with the registration or qualification of the Units for offering and sale by the several Underwriters and by dealers under the securities or Blue Sky laws of such jurisdictions as you may designate and will file such consents to service of process or other documents necessary or appropriate in order to effect such registration or qualification; provided that in no event shall any Plains Party be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to service of process in suits, other than those arising out of the offering or sale of the Units, in any jurisdiction where it is not now so subject.

(h) The Partnership will make generally available to its security holders a consolidated earnings statement, which need not be audited, covering a twelve-month period commencing after the effective date of the Registration Statement and ending not later than 15 months thereafter, as soon as practicable after the end of such period, which consolidated earnings statement shall satisfy the provisions of Section 11(a) of the Act.

(i) During the period of two years hereafter, the Partnership will furnish to you (i) as soon as publicly available, a copy of each report of the Partnership mailed to unitholders or filed with the Commission or the principal national securities exchange or automated quotation system upon which the Units may be listed, and (ii) from time to time such other information concerning the Partnership as you may reasonably request.

(j) If this Agreement shall terminate or shall be terminated after execution pursuant to any provisions hereof (otherwise than pursuant to the second paragraph of Section 10 hereof or by notice given by you terminating this Agreement pursuant to Section 10 or Section 11 hereof) or if this Agreement shall be terminated by the Underwriters because of any failure or refusal on the part of any of the Plains Entities to comply with the terms or fulfill any of the conditions of this Agreement, the Plains Entities, jointly and severally, agree to reimburse the Representatives for

all reasonable out-of-pocket expenses (including reasonable fees and expenses of counsel for the Underwriters) incurred by you in connection herewith.

(k) The Partnership will apply the net proceeds from the sale of the Units and the Operating Partnerships will apply any amount drawn under the Bank Credit Agreement and all amounts contributed to it by the Partnership from the sale of the Units in accordance with the description set forth under the caption "Use of Proceeds" in the Prospectus.

(l) If Rule 430A of the Act is employed, the Partnership will timely file the Prospectus pursuant to Rule 424(b) under the Act and will advise you of the time and manner of such filing.

(m) Except as provided in this Agreement, the Plains Entities will not (i) offer, sell, contract to sell or otherwise dispose of any Common Units or Subordinated Units, any securities that are convertible into, or exercisable or exchangeable for, or that represent the right to receive, Common Units or Subordinated Units or any securities that are senior to or pari passu with Common Units, or (ii) grant any options or warrants to purchase Common Units or Subordinated Units (other than the grant of options to purchase Common Units pursuant to the Plains All American Pipeline, L.P. 1998 Long-Term Incentive Plan), for a period of 180 days after the date of the Prospectus without the prior written consent of Salomon Smith Barney Inc., except for the issuance and transfer of Common Units and Subordinated Units to occur upon the closing of the Offering described in the Prospectus and the issuance of Common Units pursuant to Section 5.7(b) of the Partnership Agreement.

(n) Except as stated in this Agreement and in the Prepricing Prospectus and Prospectus, the Plains Entities have not taken, and will not take, directly or indirectly, any action designed to or that might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Units to facilitate the sale or resale of the Units.

(o) Each of the Plains Parties will take such steps as shall be necessary to ensure that none of them shall become an "investment company" within the meaning of such term under the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission thereunder.

(p) The Partnership shall timely complete all required filings and otherwise fully comply in a timely manner with all provisions of the Exchange Act, including the rules and regulations thereunder, in connection with the registration of the Units thereunder.

(q) Each of the Plains Parties will cause to be accomplished or obtained as soon as practicable all consents, recordings and filings necessary to perfect, preserve and protect the title of the Operating Partnerships and Gathering LLC to the properties and assets owned by each of them as a result of the Transactions.

6. Representations and Warranties of the Plains Entities. The Plains Entities, jointly and severally, represent and warrant to each Underwriter that:

(a) Any Prepricing Prospectus, at the date of filing thereof with the Commission, complied in all material respects with the requirements of the Act and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Commission has not issued any order preventing or suspending the use of any Prepricing Prospectus. The Registration Statement in the form in which it became or becomes effective and also in such form as it may be when any post-effective amendment thereto shall become effective and the Prospectus and any supplement or amendment thereto when filed with the Commission under Rule 424(b) under the Act complied or will comply in all material respects with the provisions of the Act and did not or will not at any such times contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Each of the statements made by the Partnership in such documents within the coverage of Rule 175(b) of the rules and regulations under the Act, including (but not limited to) any statements with respect to future available cash or future cash distributions of the Partnership or the anticipated ratio of taxable income to distributions was made or will be made with a reasonable basis and in good faith. Notwithstanding the foregoing, no representation or warranty is made as to statements in or omissions from the Registration Statement, the Prospectus or any Prepricing Prospectus made in reliance upon and in conformity with information furnished to the Partnership in writing by or on behalf of any Underwriter through you expressly for use therein.

(b) The Partnership has been duly formed and is validly existing in good standing as a limited partnership under the Delaware Revised Uniform Limited Partnership Act (the "Delaware LP Act") with full partnership power and authority to own or lease its properties to be owned or leased at the Closing Date, to assume the liabilities being assumed by it pursuant to the Conveyance Agreements and to conduct its business to be conducted at the Closing Date, in each case in all material respects as described in the Registration Statement and the Prospectus. The Partnership is, or at the Closing Date will be, duly registered or qualified as a foreign limited partnership for the transaction of business under the laws of each jurisdiction in which the character of the business conducted by it or the nature or location of the properties owned or leased by it makes such registration or qualification necessary, except where the failure so to register or qualify would not (i) have a material adverse effect on the condition (financial or other), business, prospects, properties, net worth or results of operations of the Partnership and the Operating Partnerships, taken as a whole, or (ii) subject the limited partners of the Partnership to any material liability or disability.

(c) Each Operating Partnership has been duly formed and is validly existing in good standing as a limited partnership under the Delaware LP Act with full partnership power and authority to own or lease its properties to be owned or leased at the Closing Date, to assume the liabilities being assumed by it pursuant to the Conveyance Agreements and to conduct its business

to be conducted at the Closing Date, in each case in all material respects as described in the Registration Statement and the Prospectus. Each Operating Partnership is, or at the Closing Date will be, duly registered or qualified as a foreign limited partnership for the transaction of business under the laws of each jurisdiction in which the character of the business conducted by it or the nature or location of the properties owned or leased by it makes such registration or qualification necessary, except where the failure so to register or qualify would not (i) have a material adverse effect on the condition (financial or other), business, prospects, properties, net worth or results of operations of the Partnership and the Operating Partnerships, taken as a whole, or (ii) subject the limited partners of the Partnership to any material liability or disability.

(d) The General Partner has been duly formed and is a corporation is validly existing in good standing under the laws of the State of Delaware with full corporate power and authority to own or lease its properties to be owned or leased at the Closing Date, to assume the liabilities being assumed by it pursuant to the CT&T Merger Agreement and the Conveyance Agreements, to conduct its business to be conducted at the Closing Date and to act as general partner of the Partnership and the Operating Partnerships, in each case in all material respects as described in the Registration Statement and the Prospectus. The General Partner is duly registered or qualified as a foreign corporation for the transaction of business under the laws of each jurisdiction in which the character of the business conducted by it or the nature or location of the properties owned or leased by it makes such registration or qualification necessary, except where the failure so to register or qualify would not (i) have a material adverse effect on the condition (financial or other), business, prospects, properties, net worth or results of operations of the Plains Parties, taken as a whole, or (ii) subject the limited partners of the Partnership to any material liability or disability.

(e) Plains Resources has been duly formed and is a corporation validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority to own or lease its properties to be owned or leased at the Closing Date, to conduct its business to be conducted at the Closing Date, to assume the liabilities being assumed by it pursuant to the Midstream Merger Agreement and the Conveyance Agreements and to conduct its business to be conducted at the Closing Date, in each case in all material respects as described in the Registration Statement and the Prospectus. Plains Resources is duly registered or qualified as a foreign corporation for the transaction of business under the laws of each jurisdiction in which the character of the business conducted by it or the nature or location of the properties owned or leased by it makes such registration or qualification necessary, except where the failure so to register or qualify would not (i) have a material adverse effect on the condition (financial or other), business, prospects, properties, net worth or results of operations of the Partnership or the Operating Partnerships, taken as a whole, or (ii) subject the limited partners of the Partnership to any material liability or disability.

(f) Gathering LLC has been duly formed and is validly existing and in good standing as a limited liability company under the Delaware Limited Liability Company Act (the "Delaware LLC Act") with full limited liability company power and authority to own or lease its properties to be owned or leased at the Closing Date, to assume the liabilities being assumed by it pursuant to the Conveyance Agreements and to conduct its business to be conducted at the Closing

Date, in each case in all material respects as described in the Registration Statement and the Prospectus. Gathering LLC is, or at the Closing Date will be, duly registered or qualified as a foreign limited liability company for the transaction of business under the laws of each jurisdiction in which the character of the business conducted by it or the nature or location of the properties owned or leased by it makes such registration or qualification necessary, except where the failure so to register or qualify would not (i) have a material adverse effect on the condition (financial or other), business, prospect, properties, net worth or results of operations of the Partnership and the Operating Partnerships, taken as a whole or (ii) subject the limited partners of the Partnership to any material liability or disability.

(f) At the Closing Date and the Option Closing Date, after giving effect to the Transactions, the General Partner will be the sole general partner of the Partnership with a 1% general partner interest in the Partnership; such general partner interest will be duly authorized and validly issued in accordance with the Partnership Agreement; the General Partner will own all of the Incentive Distribution Rights; such Incentive Distribution Rights will be duly authorized and validly issued in accordance with the Partnership Agreement and are fully paid (to the extent required under the Partnership Agreement) and nonassessable (except as such nonassessability may be affected by matters described in the Prospectus under the caption "The Partnership Agreement--Limited Liability"); and the General Partner will own such general partner interest and Incentive Distribution Rights free and clear of all liens, encumbrances, security interests, equities, charges or claims.

(g) At the Closing Date, after giving effect to the Transactions, the General Partner will own limited partner interests in the Partnership represented by ________ Common Units and ________ Subordinated Units; Plains Resources will own limited partner interests in the Partnership represented by ________ Common Units and ________ Subordinated Units; all of such Common Units and such Subordinated Units and the limited partner interests represented thereby will be duly authorized and validly issued in accordance with the Partnership Agreement, and will be fully paid (to the extent required under the Partnership Agreement) and nonassessable (except as such nonassessability may be affected by matters described in the Prospectus under the caption "The Partnership Agreement--Limited Liability"); and the General Partner and Plains Resources will hold their respective limited partner interests represented by their Common Units and Subordinated Units free and clear of all liens, encumbrances, security interests, equities, charges or claims.

(h) At the Closing Date, there will be issued to the Underwriters the Firm Units (assuming no purchase by the Underwriters of Additional Units); at the Closing Date or the Option Closing Date, as the case may be, the Firm Units or the Additional Units, as the case may be, and the limited partner interests represented thereby will be duly authorized by the Partnership Agreement and, when issued and delivered to the Underwriters against payment therefor in accordance with the terms hereof, will be validly issued, fully paid (to the extent required under the Partnership Agreement) and nonassessable (except as such nonassessability may be affected by matters described in the Prospectus under the caption "The Partnership Agreement--Limited Liability"); and other than the Common Units and the Subordinated Units owned by the General Partner and Plains Resources as set forth above and the Incentive Distribution Rights issued to the

General Partner, the Units will be the only limited partner interests of the Partnership issued and outstanding at the Closing Date or the Option Closing Date.

(i) At the Closing Date and the Option Closing Date, after giving effect to the Transactions, the General Partner will own a 1.0101% general partner interest in Plains Marketing, L.P. and the Partnership will own a 98.9899% limited partner interest in Plains Marketing, L.P.; the General Partner will own a 1.0101% general partner interest in All American Delaware and Plains Marketing, L.P. will own a 98.9899% limited partner interest in All American Delaware; such interests will have been duly authorized and validly issued in accordance with the Partnership Agreements of each of Plains Marketing, L.P. and All American Delaware (as the same may be amended and restated at or prior to the Closing Date, the "Operating Partnership Agreements" and together with the Partnership Agreement, the "Partnership Agreements") and will be fully paid (to the extent required under the Operating Partnership Agreements) and nonassessable (except as such nonassessability may be affected by matters described in the Prospectus under the caption "The Partnership Agreement--Limited Liability"); and the General Partner, the Partnership and Plains Marketing, L.P. will own such interests free and clear of all liens, encumbrances, security interests, equities, charges or claims except as provided in the Bank Credit Agreement.

(j) At the Closing Date, Plains Resources will own 100% of the issued and outstanding capital stock of the General Partner; such capital stock will have been duly authorized and validly issued and will be fully paid and nonassessable; and Plains Resources will own such capital stock free and clear of all liens, encumbrances, security interest, equities, charges or claims.

(k) At the Closing Date, the General Partner will own 100% of the issued and outstanding capital stock of All American Pipeline Company; such capital stock will have been duly authorized and validly issued and will be fully paid and nonassessable; and the General Partner will own such capital stock free and clear of all liens, encumbrances, security interests, equities, charges or claims.

(l) At the Closing Date, after give affect to the Transactions, Plains Marketing, L.P. will own a 100% member interest in Gathering LLC; such member interest will have been duly authorized and validly issued in accordance with the [Operating Agreement] of Gathering LLC (as the same may be amended and restated at or prior to the Closing Date, the "Gathering LLC Agreement" and together with the Partnership Agreements, the "Organization Agreements") and will be fully paid (to the extent required under the Gathering LLC Agreement) and nonassessable (except as such assessability may be affected by Section 18-607 of the Delaware LLC Act); and Plains Marketing, L.P. will own such member interest free and clear of all liens, encumbrances, security interest, equities, charges or claims.

(m) None of the General Partner, the Partnership or the Operating Partnerships has any subsidiaries (other than the Partnership and the Operating Partnerships themselves and Gathering LLC) which, individually or considered as a whole, would be deemed to be a significant subsidiary (as such term is defined in Section 1-02d of Regulation S-X of the Act).

(n) Except as described in the Prospectus, there are no preemptive rights or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of, any limited partner interests in the Partnership or the Operating Partnerships pursuant to either the Partnership Agreement or the Operating Partnership Agreements, respectively, or any agreement or other instrument to which the Partnership or either Operating Partnership is a party or by which any one of them may be bound. Neither the filing of the Registration Statement nor the offering or sale of the Units as contemplated by this Agreement gives rise to any rights for or relating to the registration of any Units or other securities of the Partnership or the Operating Partnerships. Except as described in the Prospectus, there are no outstanding options or warrants to purchase any Common Units or Subordinated Units or other partnership interests in the Partnership or the Operating Partnerships. The Units, when issued and delivered against payment therefor as provided herein, the Common Units and the Subordinated Units to be issued to the General Partner and Plains Resources (the "Sponsor Units"), when issued and delivered in accordance with the terms of the Partnership Agreement, and the Incentive Distribution Rights to be issued to the General Partner, when issued and delivered in accordance with the terms of the Partnership Agreement, will conform in all material respects to the description thereof contained in the Prospectus. The Partnership has all requisite power and authority to issue, sell and deliver (i) the Units, in accordance with and upon the terms and conditions set forth in this Agreement, the Partnership Agreement and the Registration Statement and Prospectus and (ii) the Sponsor Units and Incentive Distribution Rights, in accordance with the terms and conditions set forth in the Partnership Agreement. At the Closing Date and the Option Closing Date, all corporate and partnership action, as the case may be, required to be taken by the Plains Entities or any of their shareholders or partners for the authorization, issuance, sale and delivery of the Units, the Sponsor Units and Incentive Distribution Rights, the execution and delivery of the Operative Agreements (as defined in Section 6(p)) and the consummation of the transactions (including the Transactions) contemplated by this Agreement and the Operative Agreements, shall have been validly taken.

(o) The execution and delivery of, and the performance by each of the Plains Entities of their respective obligations under, this Agreement have been duly and validly authorized by each of the Plains Entities, and this Agreement has been duly executed and delivered by each of the Plains Entities, and constitutes the valid and legally binding agreement of each of the Plains Entities, enforceable against each of the Plains Entities in accordance with its terms, provided that the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and except as rights to indemnity and contribution hereunder may be limited by federal or state securities laws.

(p) At or before the Closing Date, the Partnership Agreement will have been duly authorized, executed and delivered by the General Partner and will be a valid and legally binding agreement of the General Partner and the Organizational Limited Partner, enforceable against the General Partner and the Organizational Limited Partner in accordance with its terms; at or before the Closing Date, each Operating Partnership Agreement will have been duly authorized, executed and delivered by each of the General Partner and the Partnership and will be a valid and legally binding agreement of the General Partner and the Partnership, enforceable against each of them in accordance with its terms; at or before the Closing Date, a marketing agreement (the "Marketing Agreement") will have been duly authorized, executed and

delivered by each of the Partnership and Plains Resources and will be a valid and legally binding agreement of each of them enforceable against each of them in accordance with its terms; at or before the Closing Date, each of the Midstream Merger Agreement, the CT&T Merger Agreement and the Conveyance Agreements will have been duly authorized, executed and delivered by the parties thereto and will be a valid and legally binding agreement of the parties thereto enforceable against such parties in accordance with its terms; at or before the Closing Date, an omnibus agreement (the "Omnibus Agreement") will have been duly authorized, executed and delivered by each of the Partnership, the Operating Partnerships, the General Partner and Plains Resources and will be a valid and legally binding agreement of each of them enforceable against each of them in accordance with its terms; at or before the Closing Date, each of the Bank Credit Agreement and the Letter of Credit Facility will have been duly authorized, executed and delivered by each Operating Partnership and will be a valid and legally binding agreement of each Operating Partnership enforceable against each Operating Partnership in accordance with its terms; provided that, with respect to each agreement described in this Section 6(p), the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and provided, further, that the indemnity, contribution and exoneration provisions contained in any of such agreements may be limited by applicable laws and public policy. The Organization Agreements, the Marketing Agreement, the Midstream Merger Agreement, the CT&T Merger Agreement, the Conveyance Agreements, the Omnibus Agreement and the Bank Credit Agreement are herein collectively referred to as the "Operative Agreements."

(q) The merger of the Plains Midstream Subsidiaries into Plains Resources pursuant to the Midstream Merger Agreement became effective under the Delaware General Corporation Law ("DGCL") on __________ ____, 1998 and had the effects set forth in Section 259 of the DGCL, including but not limited to, vesting in Plains Resources the Midstream Assets.

(r) The merger of Celeron Trading and Transportation Company into the General Partner pursuant to the CT&T Merger Agreement became effective under the DGCL on _________ __, 1998 and had the effects set forth in Section 259 of the DGCL, including but not limited to, vesting in the General Partner the CT&T Assets.

(s) The conversion of Plains All American Pipeline Company into All American Texas became effective under the Texas Business Corporation Act (the "TBCA") and the Texas Revised Limited Partnership Act (the "TRLPA") on ______ __, 1998 and is legally sufficient under the TBCA and the TRLPA to vest in All American Texas all assets of the Plains All American Pipeline Company. The conversion of All American Texas into All American Delaware became effective under the TRLPA and the Delaware LP Act on ___________ ___, 1998 and is legally

sufficient under the TRLPA and the Delaware LP Act to vest in All American Delaware all assets of All American Texas.

(t) None of the offering, issuance and sale by the Partnership of the Units, the execution, delivery and performance of this Agreement or the Operative Agreements by the Plains Entities which are parties thereto, or the consummation of the transactions contemplated hereby and thereby (including the Transactions) (i) conflicts or will conflict with or constitutes or will constitute a violation of the agreement of limited partnership, limited liability company operating agreement, certificate or articles of incorporation or bylaws or other organizational documents of any of the Plains Entities, (ii) conflicts or will conflict with or constitutes or will constitute a breach or violation of, or a default under (or an event which, with notice or lapse of time or both, would constitute such an event), any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which any of the Plains Entities is a party or by which any of them or any of their respective properties may be bound, (iii) violates or will violate any statute, law or regulation or any order, judgment, decree or injunction of any court or governmental agency or body directed to any of the Plains Entities or any of their properties in a proceeding to which any of them or their property is a party or (iv) will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of any of the Plains Entities, in the case of clauses (ii), (iii) or (iv), which conflicts, breaches, violations or defaults would have a material adverse effect upon the condition (financial or other), business, prospects, properties, net worth or results of operations of the Plains Parties, taken as a whole.

(u) No permit, consent, approval, certificate, authorization or order of any court, governmental agency or body is required in connection with the execution and delivery of, or the consummation by the Plains Entities of the transactions contemplated by, this Agreement or the Operative Agreements (including the Transactions), except (i) for such permits, consents, approvals and similar authorizations required under the Securities Act, the Exchange Act and state securities or "Blue Sky" laws, (ii) for such permits, consents, approvals, certificates and similar authorizations which have been, or prior to the Closing Date will be, obtained and (iii) for such permits, consents, approvals, certificates and similar authorizations which, if not obtained, would not, individually or in the aggregate, have a material adverse effect upon the condition (financial or other), business, prospects, properties, net worth or results of operations of the Plains Parties, taken as a whole.

(v) None of the Plains Entities is in (i) violation of its agreement of limited partnership, limited liability operating agreement, certificate or articles of incorporation or bylaws or other organizational documents, or of any law, statute, ordinance, administrative or governmental rule or regulation applicable to it or of any decree of any court or governmental agency or body having jurisdiction over it or (ii) breach, default (or an event which, with notice or lapse of time or both, would constitute such an event) or violation in the performance of any obligation, agreement or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any agreement, indenture, lease or other instrument to which it is a party or by which it or any of its properties may be bound, which breach, default or violation would, if continued, have a material adverse effect on the condition (financial or other), business, prospects, properties, net worth or

results of operations of the Plains Parties, taken as a whole, or could materially impair the ability of any of the Plains Entities to perform its obligations under this Agreement or the Operative Agreements. To the knowledge of the Plains Entities, no third party to any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which any of the Plains Entities is a party or by which any of them is bound or to which any of their properties are subject, is in default under any such agreement, which breach, default or violation would, if continued, have a material adverse effect on the condition (financial or other), business, prospects, properties, net worth or results of operations of the Plains Parties, taken as a whole.

(w) The accountants, PricewaterhouseCoopers LLP, who have certified or shall certify the audited financial statements included in the Registration Statement, any Prepricing Prospectus and the Prospectus (or any amendment or supplement thereto), are independent public accountants with respect to the Plains Entities as required by the Act and the applicable published rules and regulations thereunder.

(x) At September 30, 1998, the Partnership would have had, on the consolidated pro forma basis indicated in the Prospectus (and any amendment or supplement thereto), a capitalization as set forth therein. The financial statements (including the related notes and supporting schedules) included in the Registration Statement, the Prepricing Prospectus dated _________, 1998 and the Prospectus (and any amendment or supplement thereto) present fairly in all material respects the financial position, results of operations and cash flows of the entities purported to be shown thereby on the basis stated therein at the respective dates or for the respective periods which have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except to the extent disclosed therein. The selected historical and pro forma information set forth in the Registration Statement, the Prepricing Prospectus dated ___________, 1998 and the Prospectus (and any amendment or supplement thereto) under the caption "Selected Historical and Pro Forma Financial and Operating Data" is accurately presented in all material respects and prepared on a basis consistent with the audited and unaudited historical consolidated financial statements and pro forma financial statements from which it has been derived. The pro forma financial statements of the Partnership included in the Registration Statement, the Prepricing Prospectus dated ___________, 1998 and the Prospectus (and any amendment or supplement thereto) have been prepared in all material respects in accordance with the applicable accounting requirements of Article 11 of Regulation S-X of the Commission; the assumptions used in the preparation of such pro forma financial statements are, in the opinion of the management of the Plains Entities, reasonable; and the pro forma adjustments reflected in such pro forma financial statements have been properly applied to the historical amounts in compilation of such pro forma financial statements.

(y) Except as disclosed in the Registration Statement, the Prepricing Prospectus dated ___________, 1998 and the Prospectus (or any amendment or supplement thereto), subsequent to the respective dates as of which such information is given in the Registration Statement, the Prepricing Prospectus dated October___________, 1998 and the Prospectus (or any amendment or supplement thereto), (i) none of the Plains Entities has incurred any liability or obligation, indirect,

direct or contingent, or entered into any transactions, not in the ordinary course of business, that, singly or in the aggregate, is material to the Plains Parties, taken as a whole, (ii) there has not been any change in the capitalization, or material increase in the short-term debt or long-term debt, of the Plains Entities and (iii) there has not been any material adverse change, or any development involving or which may reasonably be expected to involve, singly or in the aggregate, a prospective material adverse change in the condition (financial or other), business, prospects, properties, net worth or results of operations of the Plains Parties, taken as a whole.

(z) There are no legal or governmental proceedings pending or, to the knowledge of the Plains Entities, threatened, against any of the Plains Entities, or to which any of the Plains Entities is a party, or to which any of their respective properties is subject, that are required to be described in the Registration Statement or the Prospectus but are not described as required, and there are no agreements, contracts, indentures, leases or other instruments that are required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement that are not described or filed as required by the Act.

(aa) Plains Resources, the General Partner, the Operating Partnerships and Gathering LLC have, and upon consummation of the Transactions on the Closing Date, the Operating Partnerships and Gathering LLC will have, good and marketable title in fee simple to all real property and good title to all personal property described in the Prospectus to be owned by the Operating Partnerships and Gathering LLC, free and clear of all liens, claims, security interests or other encumbrances except (i) as described in the Prospectus and (ii) such as do not materially interfere with the use of such properties taken as a whole as they have been used in the past and are proposed to be used in the future as described in the Prospectus; and all real property and buildings held under lease by Plains Resources, the General Partner, the Operating Partnerships and Gathering LLC are held by Plains Resources, the General Partner, the Operating Partnerships and Gathering LLC, and upon consummation of the Transactions on the Closing Date, will be held by the Operating Partnerships and Gathering LLC, under valid and subsisting and enforceable leases with such exceptions as do not materially interfere with the use of such properties taken as a whole as they have been used in the past and are proposed to be used in the future as described in the Prospectus. The Conveyance Agreements will be, as of the Closing Date, legally sufficient to transfer or convey to the Operating Partnerships and Gathering LLC all properties not already held by them that are, individually or in the aggregate, required to enable the Operating Partnerships and Gathering LLC to conduct their operations (in all material respects as contemplated by the Prospectus), subject to the conditions, reservations and limitations contained in the Conveyance Agreements and those set forth in the Prospectus. The Operating Partnerships will, upon execution and delivery of the Conveyance Agreements, succeed in all material respects to the business, assets, properties, liabilities and operations reflected by the pro forma financial statements of the Partnership, except as disclosed in the Prospectus.

(bb) The Partnership has not distributed and, prior to the later to occur of (i) the Closing Date and (ii) completion of the distribution of the Units, will not distribute, any prospectus (as defined under the Act) in connection with the offering and sale of the Units other than the

Registration Statement, any Prepricing Prospectus, the Prospectus or other materials, if any, permitted by the Act, including Rule 134 of the general rules and regulations thereunder.

(cc) Each of the Plains Parties has, or at the Closing Date will have, such permits, consents, licenses, franchises, certificates and authorizations of governmental or regulatory authorities ("permits") as are necessary to own its properties and to conduct its business in the manner described in the Prospectus, subject to such qualifications as may be set forth in the Prospectus and except for such permits which, if not obtained, would not have, individually or in the aggregate, a material adverse effect upon the ability of the Plains Parties considered as a whole to conduct their businesses in all material respects as currently conducted and as contemplated by the Prospectus to be conducted; each of the Plains Parties has, or at the Closing Date will have, fulfilled and performed all its material obligations with respect to such permits and no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any impairment of the rights of the holder of any such permit, except for such revocations, terminations and impairments that would not have a material adverse effect upon the ability of the Plains Parties considered as a whole to conduct their businesses in all material respects as currently conducted and as contemplated by the Prospectus to be conducted, subject in each case to such qualification as may be set forth in the Prospectus; and, except as described in the Prospectus, none of such permits contains any restriction that is materially burdensome to the Plains Parties considered as a whole.

(dd) Each of the Plains Parties has, or at the Closing Date will have, such consents, easements, rights-of-way or licenses from any person ("rights-of-way") as are necessary to conduct its business in the manner described in the Prospectus, subject to such qualifications as may be set forth in the Prospectus and except for such rights-of-way which, if not obtained, would not have, individually or in the aggregate, a material adverse effect upon the ability of the Plains Parties considered as a whole to conduct their businesses in all material respects as currently conducted and as contemplated by the Prospectus to be conducted; each of the Plains Parties has, or at the Closing Date will have, fulfilled and performed all its material obligations with respect to such rights-of-way and no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any impairment of the rights of the holder of any such rights-of-way, except for such revocations, terminations and impairments that would not have a material adverse effect upon the ability of the Plains Parties considered as a whole to conduct their businesses in all material respects as currently conducted and as contemplated by the Prospectus to be conducted, subject in each case to such qualification as may be set forth in the Prospectus; and, except as described in the Prospectus, none of such rights-of-way contains any restriction that is materially burdensome to the Plains Parties considered as a whole.

(ee) Each of the Plains Parties (i) makes and keeps books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets and (ii) maintains systems of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization; (B) transactions are recorded as necessary to permit preparation of financial statements

in conformity with generally accepted accounting principles and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management's general or specific authorization; and (D) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(ff) To the knowledge of the Plains Entities, none of the Plains Entities nor any employee or agent of any of the Plains Entities has made any payment of funds of a Plains Entity or received or retained any funds in either case in violation of any law, rule or regulation, which payment, receipt or retention of funds is of a character required to be disclosed in the Prospectus.

(gg) Each of the Plains Entities has filed (or has obtained extensions with respect to) all material tax returns required to be filed through the date hereof, which returns are complete and correct in all material respects, and has timely paid all taxes shown to be due pursuant to such returns, other than those (i) which, if not paid, would not have a material adverse effect on the condition (financial or other), business, prospects, properties, net worth or results of operations of the Plains Entities, taken as a whole, or (ii) which are being contested in good faith.

(hh) The Plains Entities own or possess, and at the Closing Date the Plains Parties will own or possess, all patents, trademarks, trademark registrations, service marks, service mark registrations, trade names, copyrights, licenses, inventions, trade secrets and rights owned by them or necessary for the conduct of their respective businesses, and the Plains Entities are not aware of any claim to the contrary or any challenge by any other person to the rights of the Plains Entities with respect to the foregoing.

(ii) None of the Plains Parties is now, and after sale of the Units to be sold by the Partnership hereunder and application of the net proceeds from such sale as described in the Prospectus under the caption "Use of Proceeds" will be, (i) an "investment company" or a company "controlled by" an "investment company" within the meaning of the Investment Company Act of 1940, as amended, (ii) a "public utility company," "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" thereof, under the Public Utility Holding Company Act of 1935, as amended, (iii) a "gas utility," "public utility" or "utility" within the meaning of Article 6050 of the Revised Civil Statutes of Texas or (iv) a "public utility" or "utility" within the meaning of the Public Utility Regulatory Act of Texas or under the applicable laws of any state in which any such Plains Party does business.

(jj) None of the Plains Entities has sustained since the date of the latest audited financial statements included in the Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity whether or not covered by insurance, or from any labor dispute or court or governmental action, investigation, order or decree, otherwise than as set forth or contemplated in the Prospectus.

(kk) None of the Plains Entities has violated any environmental, safety, health or similar law or regulation applicable to its business relating to the protection of human health and

safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), or lacks any permits, licenses or other approvals required of them under applicable Environmental Laws to own, lease or operate their properties and conduct their business as described in the Prospectus or is violating any terms and conditions of any such permit, license or approval, which in each case would have a material adverse effect on the condition (financial or other), business, prospects, properties, net worth or results of operations of the Plains Parties, taken as a whole.

(ll) Except as described in or contemplated by the Prospectus, no material labor dispute with the employees of any of the Plains Entities exists or, to the knowledge of any of the Plains Entities, is imminent.

(mm) The Plains Entities maintain insurance covering their properties, operations, personnel and businesses against such losses and risks as are reasonably adequate to protect them and their businesses in a manner consistent with other businesses similarly situated. None of the Plains Entities has received notice from any insurer or agent of such insurer that substantial capital improvements or other expenditures will have to be made in order to continue such insurance, and all such insurance is outstanding and duly in force on the date hereof and will be outstanding and duly in force on the Closing Date.

(nn) Except as described in the Prospectus, there is (i) no action, suit or proceeding before or by any court, arbitrator or governmental agency, body or official, domestic or foreign, now pending or, to the knowledge of the Plains Entities, threatened, to which any of the Plains Entities, or any of their respective subsidiaries, is or may be a party or to which the business or property of any of the Plains Entities, or any of their respective subsidiaries, is or may be subject, (ii) no statute, rule, regulation or order that has been enacted, adopted or issued by any governmental agency or that has been proposed by any governmental body and (iii) no injunction, restraining order or order of any nature issued by a federal or state court or foreign court of competent jurisdiction to which any of the Plains Entities, or any of their respective subsidiaries, is or may be subject, that, in the case of clauses (i), (ii) and (iii) above, is reasonably expected to (A) singly or in the aggregate have a material adverse effect on the condition (financial or other), business, prospects, properties, net worth or results of operations of the Plains Parties, taken as a whole, (B) prevent or result in the suspension of the offering and issuance of the Units or the Notes or (C) in any manner draw into question the validity of this Agreement or any Operative Agreement.

(oo) The sale and issuance of the Sponsor Units to each of the General Partner and Plains Resources pursuant to the Partnership Agreement and the sale and issuance of the Incentive Distribution Rights to the General Partner pursuant to the Partnership Agreement are exempt from the registration requirements of the Act and the securities laws of any state having jurisdiction with respect thereto, and none of the Plains Entities has taken or will take any action that would cause the loss of such exemption.

(pp) The Units have been approved for listing on the New York Stock Exchange ("NYSE"), subject only to official notice of issuance.

7. Indemnification and Contribution. (a) Each of the Plains Entities, jointly and severally, agrees to indemnify and hold harmless each of you and each other Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Prepricing Prospectus or in the Registration Statement or the Prospectus or in any amendment or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses arise out of or are based upon any untrue statement or omission or alleged untrue statement or omission which has been made therein or omitted therefrom in reliance upon and in conformity with the information furnished in writing to the Partnership or the General Partner by or on behalf of any Underwriter through you expressly for use in connection therewith; provided, however, that the indemnification contained in this paragraph (a) with respect to any Prepricing Prospectus shall not inure to the benefit of any Underwriter (or to the benefit of any person controlling such Underwriter) on account of any such loss, claim, damage, liability or expense arising from the sale of the Units by such Underwriter to any person if a copy of the Prospectus shall not have been delivered or sent to such person within the time required by the Act and the regulations thereunder, and the untrue statement or alleged untrue statement or omission or alleged omission of a material fact contained in such Prepricing Prospectus was corrected in the Prospectus, provided that the Partnership has delivered the Prospectus to the several Underwriters in requisite quantity and on a timely basis to permit such delivery or sending. The foregoing indemnity agreement shall be in addition to any liability which any Plains Entity may otherwise have.

(b) If any action, suit or proceeding shall be brought against any Underwriter or any person controlling any Underwriter in respect of which indemnity may be sought against a Plains Entity, such Underwriter or such controlling person shall promptly notify the Plains Entities in writing, and the Partnership shall assume the defense thereof, including the employment of counsel and payment of all reasonable fees and expenses. The failure to notify the indemnifying party shall not relieve it from liability which it may have to an indemnified party unless the indemnifying party is foreclosed by reason of such delay from asserting a defense otherwise available to it. Such Underwriter or any such controlling person shall have the right to employ separate counsel in any such action, suit or proceeding and to participate in (but not control) the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Underwriter or such controlling person unless (i) a Plains Entity has agreed in writing to pay such fees and expenses, (ii) the Plains Entities have failed to assume the defense and employ counsel or (iii) the named parties to any such action, suit or proceeding (including any impleaded parties) include both such Underwriter or such controlling person and a Plains Entity, and such Underwriter or such controlling person shall have been advised by its counsel that representation of such indemnified party and such Plains Entity by

the same counsel would be inappropriate under applicable standards of professional conduct (whether or not such representation by the same counsel has been proposed) due to actual or potential differing interests between them (in which case the Plains Entities shall not have the right to assume the defense of such action, suit or proceeding on behalf of such Underwriter or such controlling person). It is understood, however, that the Plains Entities shall, in connection with any one such action, suit or proceeding or separate but substantially similar or related actions, suits or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of only one separate firm of attorneys (in addition to any local counsel) at any time for all such Underwriters and controlling persons not having actual or potential differing interests with you or among themselves, which firm shall be designated in writing by Salomon Smith Barney Inc., and that all such fees and expenses shall be reimbursed as they are incurred. None of the Plains Entities shall be liable for any settlement of any such action, suit or proceeding effected without its written consent, but if settled with such written consent, or if there be a final judgment for the plaintiff in any such action, suit or proceeding, the Plains Entities agree, jointly and severally, to indemnify and hold harmless any Underwriter, to the extent provided in the preceding paragraph, and any such controlling person from and against any loss, claim, damage, liability or expense by reason of such settlement or judgment.

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Plains Entities, their respective directors and officers who sign the Registration Statement, and any person who controls the Plains Entities within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, to the same extent as the foregoing indemnity from the Plains Entities to each Underwriter, but only with respect to information furnished in writing by or on behalf of such Underwriter through you expressly for use in the Registration Statement, the Prospectus or any Prepricing Prospectus, or any amendment or supplement thereto. If any action, suit or proceeding shall be brought against a Plains Entity, any of such directors and officers or any such controlling person based on the Registration Statement, the Prospectus or any Prepricing Prospectus, or any amendment or supplement thereto, and in respect of which indemnity may be sought against any Underwriter pursuant to this paragraph (c), such Underwriter shall have the rights and duties given to the Plains Entities by paragraph (b) above (except that if a Plains Entity shall have assumed the defense thereof such Underwriter shall not be required to do so, but may employ separate counsel therein and participate in (but not control) the defense thereof, but the fees and expenses of such counsel shall be at such Underwriter's expense), and the Plains Entities, any of such directors and officers and any such controlling person shall have the rights and duties given to the Underwriters by paragraph (b) above. The foregoing indemnity agreement shall be in addition to any liability which the Underwriters may otherwise have.

(d) If the indemnification provided for in this Section 7 is unavailable to an indemnified party under paragraph (a) or (c) hereof in respect of any losses, claims, damages, liabilities or expenses referred to therein, then an indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the Plains Entities on the one hand and the Underwriters

on the other hand from the offering of the Units, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Plains Entities on the one hand and the Underwriters on the other in connection with the statements or omissions that resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Plains Entities on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Plains Entities bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault of the Plains Entities on the one hand, and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Plains Entities or any other affiliate of the Plains Entities on the one hand, or by the Underwriters on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The Plains Entities and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by a pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities and expenses referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating any claim or defending any such action, suit or proceeding. Notwithstanding the provisions of this Section 7, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price of the Units underwritten by it and distributed to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 7 are several in proportion to the respective numbers of Firm Units set forth opposite their names in Schedule I hereto (or such numbers of Firm Units increased as set forth in Section 10 hereof) and not joint.

(f) No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

(g) Any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification or contribution under this Section 7 shall be paid by the

indemnifying party to the indemnified party as such losses, claims, damages, liabilities or expenses are incurred. The indemnity and contribution agreements contained in this Section 7 and the representations and warranties of the Plains Entities set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Plains Entities or any of their respective directors or officers or any person controlling the Plains Entities, (ii) acceptance of any Units and payment therefor in accordance with the terms of this Agreement, and (iii) any termination of this Agreement. A successor to any Underwriter or any person controlling any Underwriter, or to the Plains Entities or any of their respective directors or officers or any person controlling a Plains Entity shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 7.

8. Conditions of Underwriters' Obligations. The several obligations of the Underwriters to purchase the Firm Units hereunder are subject to the following conditions:

(a) If, at the time this Agreement is executed and delivered, it is necessary for the registration statement or a post-effective amendment thereto to be declared effective before the offering of the Units may commence, the registration statement or such post-effective amendment shall have become effective not later than 5:30 p.m., New York City time, on the date hereof, or at such later date and time as shall be consented to in writing by you, and all filings, if any, required by Rules 424 and 430A under the Act shall be or have been timely made, as the case may be; no stop order suspending the effectiveness of the registration statement shall have been issued and no proceeding for that purpose shall have been instituted or, to the knowledge of the Plains Entities or any Underwriter, threatened by the Commission and any request of the Commission for additional information (to be included in the Registration Statement or the Prospectus or otherwise) shall have been complied with to your reasonable satisfaction.

(b) Subsequent to the effective date of this Agreement, there shall not have occurred (i) any change, or any development involving a prospective change, in or affecting the condition (financial or other), business, prospects, properties, net worth or results of operations of any of the Plains Entities not contemplated by the Prospectus, which in your opinion, as Representatives of the several Underwriters, would materially adversely affect the market for the Units, or (ii) any event or development relating to or involving any of the Plains Entities or any executive officer or director of any of such entities which makes any statement made in the Prospectus untrue or which, in the opinion of the Partnership and its counsel or the Underwriters and their counsel, requires the making of any addition to or change in the Prospectus in order to state a material fact required by the Act or any other law to be stated therein or necessary in order to make the statements therein not misleading, if amending or supplementing the Prospectus to reflect such event or development would, in your opinion, as Representatives of the several Underwriters, materially adversely affect the market for the Units.

(c) You shall have received on the Closing Date, an opinion of Andrews & Kurth L.L.P., special counsel for the Plains Entities, dated the Closing Date and addressed to you, as Representatives of the several Underwriters, to the effect that:

(i) The Partnership has been duly formed and is validly existing in good standing as a limited partnership under the Delaware LP Act with all necessary partnership power and authority to own or lease its properties, assume the liabilities being assumed by it pursuant to the Conveyance Agreements and conduct its business, in each case in all material respects as described in the Registration Statement and the Prospectus.

(ii) The Partnership is duly registered or qualified as a foreign limited partnership for the transaction of business under the laws of the States set forth on Exhibit A to this opinion; and, to such counsel's knowledge, such jurisdictions are the only jurisdictions in which the character of the business conducted by the Partnership or the nature or location of the properties owned or leased by it make such registration or qualification necessary (except where the failure to so register or so qualify would not (A) have a material adverse effect on the condition (financial or other), business or results of operations of the Partnership and the Operating Partnerships, taken as a whole, or (B) subject the limited partners of the Partnership to any material liability or disability).

(iii) Each Operating Partnership has been duly formed and is validly existing in good standing as a limited partnership under the Delaware LP Act with all necessary partnership power and authority to own or lease its properties, assume the liabilities being assumed by it pursuant to the Conveyance Agreements and conduct its business, in each case in all material respects as described in the Registration Statement and the Prospectus.

(iv) Each Operating Partnership is duly registered or qualified as a foreign partnership for the transaction of business under the laws of the States set forth on Exhibit A to this opinion; and, to such counsel's knowledge, such jurisdictions are the only jurisdictions in which the character of the business conducted by each Operating Partnership or the nature or location of the properties owned or leased by it make such registration or qualification necessary (except where the failure to so register or so qualify would not (A) have a material adverse effect on the condition (financial or other), business or results of operations of the Partnership and the Operating Partnerships, taken as a whole, or (B) subject the limited partners of the Partnership to any material liability or disability).

(v) The General Partner has been duly formed and is a corporation validly existing in good standing under the laws of the State of Delaware, with all necessary corporate power and authority to own or lease its properties, assume the liabilities being assumed by it pursuant to the CT&T Merger Agreement and the Conveyance Agreements, conduct its business and act as general partner of the Partnership and the Operating

Partnerships, in each case in all material respects as described in the Registration Statement and the Prospectus.

(vi) The General Partner is duly registered or qualified as a foreign corporation for the transaction of business under the laws of the States set forth on Exhibit A to this opinion; and to such counsel's knowledge, such jurisdictions are the only jurisdictions in which the character of the business conducted by the General Partner or the nature or location of the properties owned or leased by it make such registration or qualification necessary (except where the failure to so register or so qualify would not (A) have a material adverse effect on the condition (financial or other), business or results of operations of the Plains Parties, taken as a whole, or (B) subject the limited partners of the Partnership to any material liability or disability).

(vii) Plains Resources has been duly formed and is a corporation validly existing in good standing under the laws of the State of Delaware, with all necessary corporate power and authority to own or lease its properties, assume the liabilities being assumed by it pursuant to the Midstream Merger Agreement, and conduct its business, in each case and all material respects as described in the Registration Statement and the Prospectus.

(viii) Plains Resources is duly registered or qualified as a foreign corporation for the transaction of business under the laws of the States set forth on Exhibit A to this opinion; and to such counsel's knowledge, such jurisdictions are the only jurisdictions in which the character of the business conducted by Plains Resources or the nature or location of the properties owned or leased by it make such registrational qualification necessary (except for the failure to so register or so qualify would not (A) have a material adverse effect on the condition (financial or other), business or results of operations of the Plains Parties, taken as a whole, or (B) subject the limited partners of the Partnership to any material liability or disability.

(ix) Gathering LLC has been duly formed and is validly existing in good standing as a limited liability company under the Delaware LLC Act, with all necessary limited liability company power and authority to own or lease its properties, assume the liabilities being assumed by it pursuant to the Conveyance Agreements and conduct its business, in each case in all material respect as described in the Registration Statement and the Prospectus.

(x) Gathering LLC is duly registered or qualified as a foreign limited liability company for the transaction of business under the laws of the States set forth on Exhibit A to this opinion; and to such counsel's knowledge, such jurisdictions are the only jurisdictions in which the character of the business conducted by Gathering LLC or the nature or location of the properties owned or leased by it makes such registration or qualification necessary (except where the failure to so register or so qualify would not

(A) have a material adverse effect on the condition (financial or other), business or results of operations of the Plains Parties, taken as a whole, or (B) subject the limited partners of the Partnership to any material liability or disability).

(xi) The General Partner is the sole general partner of the Partnership, with a 1% general partner interest in the Partnership; such general partner interest has been duly authorized and validly issued in accordance with the Partnership Agreement; the General Partner owns all of the Incentive Distribution Rights; such Incentive Distribution Rights have been duly authorized and validly issued in accordance with the Partnership Agreement and are fully paid (to the extent required under the Partnership Agreement) and nonassessable (except as such nonassessability may be affected by matters described in the Prospectus under the caption "The Partnership Agreement--Limited Liability"); and the General Partner owns such general partner interest and Incentive Distribution Rights free and clear of all liens, encumbrances, security interests, charges or claims (A) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware naming the General Partner as debtor is on file in the office of the Secretary of State of the State of Delaware or (B) otherwise known to such counsel, without independent investigation, other than those created by or arising under the DGCL.

(xii) The _______ Common Units and the ________ Subordinated Units issued to the General Partner and the ________ Common Units and the ________ Subordinated Units issued to Plains Resources pursuant to the Partnership Agreement and the limited partner interests represented thereby have been duly authorized and validly issued in accordance with the Partnership Agreement and are fully paid (to the extent required under the Partnership Agreement) and nonassessable (except as such nonassessability may be affected by matters described in the Prospectus under "The Partnership Agreement--Limited Liability"); after giving effect to the Transactions, the General Partner will own ________ Common Units and _________ Subordinated Units and Plains Resources will own ______ Common Units and __________ Subordinated Units and the General Partner and Plains Resources will own such Common Units and such Subordinated Units free and clear of all liens, encumbrances, security interests, charges or claims (A) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware, naming any such owner as debtor is on file in the office of the Secretary of State of the State of Delaware or (B) otherwise known to such counsel, without independent investigation, other than those created by or arising under the DGCL.

(xiii) The 12,782,609 Common Units to be issued and sold to the Underwriters by the Partnership pursuant to this Agreement and the limited partner interests represented thereby have been duly authorized by the Partnership Agreement and, when issued and delivered against payment therefor as provided in this Agreement, will be validly issued, fully paid (to the extent required under the Partnership Agreement) and nonassessable (except as such nonassessability may be affected by matters described in the Prospectus under the caption "The Partnership Agreement--Limited Liability"); other than the Common

Units and the Subordinated Units that will be owned by the General Partner and Plains Resources and the Incentive Distribution Rights that will be owned by the General Partner, the Units will be the only limited partner interests of the Partnership issued and outstanding at the Closing Date.

(xiv) The General Partner owns a 1.0101% general partner interest in Plains Marketing, L.P. and the Partnership owns a 98.9899% limited partner interest in Plains Marketing, L.P.; the General Partner owns a 1.0101% general partner interest in All American Delaware and Plains Operating, L.P. owns a 98.9899% limited partner interest in All American Delaware; such interests have been duly authorized and validly issued in accordance with the Operating Partnership Agreements and are fully paid (to the extent required under the Operating Partnership Agreements) and nonassessable (except as such nonassessability may be affected by matters described in the Prospectus under the caption "The Partnership Agreement--Limited Liability"); and the General Partner, the Partnership and Plains Marketing, L.P. own such interests free and clear of all liens, encumbrances, security interests, charges or claims (A) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware naming any such owner as debtor is on file in the office of the Secretary of State of the State of Delaware or (B) otherwise known to such counsel, without independent investigation, other than those created by or arising under the DGCL or the Delaware LP Act, as applicable.

(xv)Plains Resources owns 100% of the issued and outstanding capital stock of the General Partner; such capital stock has been duly authorized and validly issued and is fully paid and nonassessable; and such capital stock is owned free and clear of all liens, encumbrances, security interests, charges or claims (A) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware, naming Plains Resources as debtor is on file in the office of the Secretary of State of the State of Delaware or (B) otherwise known to such counsel, without independent investigation, other than those created by or arising under the DGCL.

(xvi) The General Partner owns 100% of the issued and outstanding capital stock of All American Pipeline Company; such capital stock has been duly authorized and validly issued and is fully paid and nonassessable; and such capital stock is owned free and clear of all liens, encumbrances, security interests, charges or claims (A) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware, naming the General Partner as debtor is on file in the office of the Secretary of State of the State of Delaware or (B) otherwise known to such counsel, without independent investigation, other than those created by or arising under the DGCL.

(xvii) Plains Marketing, L.P. owns a 100% member interest in Gathering LLC; such member interest has been duly authorized and validly issued in accordance with the Gathering LLC Agreement and is fully paid (to the extent required under the Gathering LLC Agreement) and nonassessable (except as such nonassessability may be affected by

Section 18-607 of the Delaware LLC Act); Plains Marketing, L.P. owns such member interest free and clear of all liens, encumbrances, security interests, charges or claims (A) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware naming Plains Marketing, L.P. as debtor is on file in the office of the Secretary of State of the State of Delaware or (B) otherwise known to such counsel, without independent investigation, other than those created by or arising under the Delaware LLC Act.

(xviii) None of the General Partner, the Partnership or the Operating Partnerships has any subsidiaries (other than the Partnership and the Operating Partnerships themselves and Gathering LLC) which, individually or considered as a whole, would be deemed to be a significant subsidiary (as such term is defined in Section 1-02d of Regulation S-X of the Act).

(xix) Except as described in the Prospectus, there are no preemptive rights or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of, any limited partner interests in the Partnership or the Operating Partnerships pursuant to the Partnership Agreement, the Operating Partnership Agreements or any other agreement or instrument known to such counsel to which the Partnership or either Operating Partnership is a party or by which any one of them may be bound. To such counsel's knowledge, neither the filing of the Registration Statement nor the offering or sale of the Units as contemplated by this Agreement gives rise to any rights for or relating to the registration of any Units or other securities of the Partnership or the Operating Partnerships. To such counsel's knowledge, except as described in the Prospectus, there are no outstanding options or warrants to purchase any Common Units or Subordinated Units or other partnership interests in the Partnership or the Operating Partnerships. The Partnership has all requisite power and authority to issue, sell and deliver (A) the Units, in accordance with and upon the terms and conditions set forth in this Agreement, the Partnership Agreement and the Registration Statement and Prospectus, and (B) the Common Units, the Subordinated Units and Incentive Distribution Rights, in accordance with the terms and conditions set forth in the Partnership Agreement.

(xx) This Agreement has been duly authorized and validly executed and delivered by each of the Plains Entities.

(xxi) Each of the Operative Agreements to which any of the Plains Entities is a party have been duly authorized and validly executed and delivered by each of the Plains Entities parties thereto and constitutes a valid and binding obligation of each of the Plains Entities parties thereto, enforceable against each such party in accordance with its respective terms, subject to (A) applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar laws from time to time in effect affecting creditors' rights and remedies generally and general principles of equity (regardless of whether such principles are considered in a proceeding at law or in equity) and (B) public policy,

applicable law relating to fiduciary duties and an implied covenant of good faith and fair dealing.

(xxii) None of the offering, issuance and sale by the Partnership of the Units, the execution, delivery and performance of this Agreement or the Operative Agreements by the Plains Entities party thereto, or the consummation of the transactions contemplated hereby and thereby (including the Transactions) (A) constitutes or will constitute a violation of the Organizational Agreements or the certificate or articles of incorporation or bylaws or other organizational documents of any of the Plains Entities, (B) constitutes or will constitute a breach or violation of, or a default under (or an event which, with notice or lapse of time or both, would constitute such an event), any Operative Agreement, any bond, debenture, note or any other evidence of indebtedness, any indenture or any other material agreement or instrument known to such counsel to which a Plains Entity is a party or by which any one of them may be bound, (C) results or will result in any violation of the Delaware LP Act, the Delaware LLC Act, the DGCL, the laws of the State of Texas or federal law, or (D) results or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of any of the Plains Entities which in the case of clauses (B), (C) or (D) would reasonably be expected to have a material adverse effect on the financial condition, business or results of operations of the Plains Parties, taken as a whole.

(xxiii) No permit, consent, approval, certificate, authorization or order of any federal, Delaware or Texas court, governmental agency or body is required in connection with the execution and delivery of, or the consummation by the Plains Entities of the transactions contemplated by, this Agreement or the Operative Agreements (including the Transactions), except (A) for such permits, consents, approvals, certificates and similar authorizations required under the Securities Act and the Exchange Act, (B) for such permits consents, approvals, certificates and similar authorizations required under state securities or "Blue Sky" laws, as to which such counsel need not express any opinion and (C) as described in the Prospectus.

(xxiv) The merger of the Plains Midstream Subsidiaries into Plains Resources pursuant to the Midstream Merger Agreement became effective under the DGCL on __________ ____, 1998 and had the effects set forth in Section 259 of the DGCL, including but not limited to, vesting in Plains Resources the Midstream Assets.

(xxv) The merger of Celeron Trading and Transportation Company into the General Partner pursuant to the CT&T Merger Agreement became effective under the DGCL on _________ __, 1998 and had the effects set forth in Section 259 of the DGCL, including but not limited to, vesting in the General Partner the CT&T Assets.

(xxvi) The conversion of Plains All American Pipeline Company into All American Texas became effective under the TBCA and the TRLPA on _________ ___, 1998

and is legally sufficient under the TBCA and the TRLPA to vest in All American Texas all assets of the Plains All American Pipeline Company. The conversion of All American Texas into All American Delaware became effective under the TRLPA and the Delaware LP Act on ___________ ___, 1998 and is legally sufficient under the TRLPA and the Delaware LP Act to vest in All American Delaware all assets of All American Texas.

(xxvii) The execution, delivery and performance of the Conveyance Agreements relating to the transfer of property in the State of Texas did not or will not violate any statute of the State of Texas or any rule, regulation or, to the knowledge of such counsel, any order of any agency of the State of Texas having jurisdiction over any of the Plains Entities or any of their respective properties, except for any such violations which, individually or in the aggregate, would not have a material adverse effect upon the Unitholders or the operations conducted in the State of Texas by the Plains Parties taken as a whole.

(xxviii) Each of the Conveyance Agreements relating to the transfer of property in the State of Texas, is a valid and legally binding agreement of the parties thereto under the laws of the State of Texas enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general application relating to or affecting creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); each of the Conveyance Agreements is in a form legally sufficient as between the parties thereto to convey to the transferee thereunder all of the right, title and interest of the transferor stated therein in and to the properties located in the State of Texas, as described in the Conveyance Agreements, subject to the conditions, reservations and limitations contained in the Conveyance Agreements, except motor vehicles or other property requiring conveyance of certificated title as to which the Conveyance Agreements are legally sufficient to compel delivery of such certificated title.

(xxix) Each of the deeds and assignments (including, without limitation, the form of the exhibits and schedules thereto) is in a form legally sufficient for recordation in the appropriate public offices of the State of Texas, to the extent such recordation is required, and, upon proper recordation of any of such deeds and assignments in the State of Texas, will constitute notice to all third parties under the recordation statutes of the State of Texas concerning record title to the assets transferred thereby; recordation in the office of the County Clerk for each county in which either Operating Partnership or Gathering LLC owns property is the appropriate public office in the State of Texas for the recordation of deeds and assignments of interests in real property located in such county.

(xxx) To the knowledge of such counsel, each of the Plains Entities which is subject to regulation as an interstate common carrier pipeline is conducting business consistent with its common carrier classification in all material respects and is in material

compliance with all applicable federal statutes, rules and regulations pertaining thereto, including but not limited to, all tariff and rate requirements.

(xxxi) To the knowledge of such counsel, each of the Plains Entities which is subject to regulation by the State of Texas as a common carrier pipeline is conducting its business consistent with its common carrier classification in all material respects and is in material compliance with all applicable Texas statutes, rules and regulations pertaining thereto, including but not limited to, all safety and environmental requirements. As a result of the conveyance of interstate common carrier pipeline assets included in the assets transferred to the Operating Partnerships and Gathering LLC pursuant to the Conveyance Agreements, the Operating Partnerships and Gathering LLC are entitled to exercise the power of eminent domain to secure rights-of-way necessary to operate such pipeline assets in the State of Texas.

(xxxii) The statements in the Registration Statement and Prospectus under the captions "The Transactions," "Cash Distribution Policy," "Management's Discussion and Analysis of Financial Condition and Results of Operations--The Partnership--Capital Resources Liquidity and Financial Condition," "Business--Regulation," "Business--Environmental Regulation," "Certain Relationships and Related Transactions," "Conflicts of Interest and Fiduciary Responsibilities," "Description of the Common Units" and "The Partnership Agreement," insofar as they constitute descriptions of the Operative Agreements or refer to statements of law or legal conclusions, are accurate and complete in all material respects, and the Units, the Common Units, the Subordinated Units and Incentive Distribution Rights conform in all material respects to the descriptions thereof contained in the Registration Statement and Prospectus under the captions "Prospectus Summary--The Offering," "Cash Distribution Policy," "Description of the Common Units" and "The Partnership Agreement".

(xxxiii) The opinion of Andrews & Kurth L.L.P. that is filed as Exhibit 8.1 to the Registration Statement is confirmed and the Underwriters may rely upon such opinion as if it were addressed to them.

(xxxiv) The Registration Statement was declared effective under the Act on _______________, 1998; to the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or threatened by the Commission; and any required filing of the Prospectus pursuant to Rule 424(b) has been made in the manner and within the time period required by such Rule.

(xxxv) The Registration Statement and the Prospectus (except for the financial statements and the notes and the schedules thereto and the other financial, statistical and accounting data included in the Registration Statement or the Prospectus, as to which

such counsel need not express any opinion) comply as to form in all material respects with the requirements of the Act and the rules and regulations promulgated thereunder.

(xxxvi) To the knowledge of such counsel, (A) there is no legal or governmental proceeding pending or threatened to which any of the Plains Entities is a party or to which any of their respective properties is subject that is required to be disclosed in the Prospectus and is not so disclosed and (B) there are no agreements, contracts or other documents to which any of the Plains Entities is a party that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(xxxvii) None of the Plains Parties is an "investment company" or a company "controlled by" an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

(xxxviii) Upon delivery to the Underwriters of certificates evidencing the Units issued in the name of the Underwriters and payment by the Underwriters of the purchase price for the Units, the Underwriters will acquire the Units free of any adverse claim (as such term is defined in Section 8-302 of the New York Uniform Commercial Code), assuming that the Underwriters are acting in good faith and without notice of any adverse claim.

(xxxix) The Common Units have been approved for listing on the NYSE, subject only to official notice of issuance.

(xl) The offer, sale and issuance of the Sponsor Units to each of the General Partner and Plains Resources pursuant to the Partnership Agreement and the offer, sale and issuance of Incentive Distribution Rights to the General Partner pursuant to the Partnership Agreement are exempt from the registration requirements of the Act and the securities laws of any state having jurisdiction with respect thereto.

In addition, such counsel shall state that they have participated in conferences with officers and other representatives of the Plains Entities and the independent public accountants of the Partnership and your representatives, at which the contents of the Registration Statement and the Prospectus and related matters were discussed, and although such counsel has not independently verified, is not passing on, and is not assuming any responsibility for the accuracy, completeness or fairness of the statements contained in, the Registration Statement and the Prospectus (except to the extent specified in the foregoing opinion), no facts have come to such counsel's attention that lead such counsel to believe that the Registration Statement (other than (i) the financial statements included therein, including the notes and schedules thereto and the auditors' reports thereon and (ii) the other historical, pro forma and projected financial information and the statistical and accounting information included therein, as to which such counsel need not comment), as of its effective date contained an untrue statement of a material fact or omitted to state a material fact

required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus (other than (i) the financial statements included therein, including the notes and schedules thereto and the auditors' reports thereon, and (ii) the other historical, pro forma and projected financial information and the statistical and accounting information included therein, as to which such counsel need not comment), as of its issue date and the Closing Date contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering such opinion, such counsel may (A) rely in respect of matters of fact upon certificates of officers and employees of the Plains Entities and upon information obtained from public officials, (B) assume that all documents submitted to them as originals are authentic, that all copies submitted to them conform to the originals thereof, and that the signatures on all documents examined by them are genuine, (C) state that their opinion is limited to federal laws, the Delaware LP Act, the Delaware LLC Act, the DGCL and the laws of the States of New York and Texas, (D) with respect to the opinions expressed in paragraphs (ii), (iv), (vi), (viii) and (x) above as to the due qualification or registration as a foreign limited partnership, corporation or limited liability company, as the case may be, of each of the Plains Entities, state that such opinions are based upon the opinions of DeConcini McDonald Yetwin & Lacy, P.C., Goodin, MacBride, Squeri, Scholtz & Ritchie, LLP, Hinkle, Cox, Eaton, Coffield & Hensley, L.L.P. and Michael J. Blaschke provided pursuant to (e) below and upon certificates of foreign qualification or registration provided by the Secretary of State of the States of Arizona, California, Colorado, Florida, Illinois, Kansas, Louisiana, Mississippi, New Mexico, Oklahoma and Texas (each of which shall be dated as of a date not more than fourteen days prior to the Closing Date and shall be provided to you), (E) state that they express no opinion with respect to the title of any of the Plains Entities to any of their respective real or personal property, (F) state that they express no opinion with respect to state or local taxes or tax statutes to which any of the limited partners of the Partnership or any of the Plains Parties may be subject and (G) with respect to the opinions expressed in paragraph (xx) above as to a breach, violation or default under the agreements and indentures set forth in Exhibit B to this opinion state that such opinions are based upon the opinion of Fulbright & Jaworski LLP.

(d) You shall have received on the Closing Date an opinion of Michael R. Patterson, general counsel for Plains Resources, dated the Closing Date and addressed to you, as Representatives of the several Underwriters, to the effect that:

(i) To the knowledge of such counsel, none of the Plains Entities is in (A) breach or violation of the provisions of its agreement of limited partnership, limited liability company operating agreement, certificate or articles of incorporation or bylaws or other organizational documents or (B) default (and no event has occurred which, with notice or lapse of time or both, would constitute such a default) or violation in the performance of any obligation, agreement or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any agreement, indenture, lease or other instrument to which it is a party or by which it or any of its properties may be bound, which breach, default or

violation would, if continued, have a material adverse effect on the financial condition, business or results of operations of the Plains Parties, taken as a whole, or could materially impair the ability of any of the Plains Entities to perform their obligations under this Agreement or the Operative Agreements.

(ii) To the knowledge of such counsel, each of the Plains Entities has such permits, consents, licenses, franchises and authorizations ("permits") issued by the appropriate Texas or federal governmental or regulatory authorities as are necessary to own or lease its properties and to conduct its business in the manner described in the Prospectus, subject to such qualifications as may be set forth in the Prospectus, and except for such permits which, if not obtained would not reasonably be expected to have, individually or in the aggregate, a material adverse effect upon the operations conducted in the State of Texas by the Plains Parties, taken as a whole; and, to the knowledge of such counsel, none of the Plains Entities has received any notice of proceedings relating to the revocation or modification of any such permits which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a material adverse effect upon the operations conducted in the State of Texas by the Plains Parties, taken as a whole.

In addition, such counsel shall state that he has participated in conferences with officers and other representatives of the Plains Entities and the independent public accountants of the Partnership and your representatives, at which the contents of the Registration Statement and the Prospectus and related matters were discussed, and although such counsel has not independently verified, is not passing on, and is not assuming any responsibility for the accuracy, completeness or fairness of the statements contained in, the Registration Statement and the Prospectus, no facts have come to such counsel's attention that lead such counsel to believe that the Registration Statement (other than (i) the financial statements included therein, including the notes and schedules thereto and the auditors' reports thereon and (ii) the other historical, pro forma and projected financial information and the statistical and accounting information included therein, as to which such counsel need not comment), as of its effective date contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus (other than (i) the financial statements included therein, including the notes and schedules thereto and the auditors' reports thereon, and (ii) the other historical, pro forma and projected financial information and the statistical and accounting information included therein, as to which such counsel need not comment), as of its issue date and the Closing Date contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering such opinion, such counsel may (A) rely in respect of matters of fact upon certificates of officers and employees of the Plains Entities and upon information obtained from public officials, (B) assume that all documents submitted to him as originals are authentic, that all

copies submitted to him conform to the originals thereof, and that the signatures on all documents examined by them are genuine, (C) state that such opinions are limited to federal laws and the laws of the State of Delaware and the State of Texas and (D) state that he expresses no opinion with respect to state or local taxes or tax statutes.

(e) You shall have received on the Closing Date, an opinion of each of (i) DeConcini McDonald Yetwin & Lacy, P.C., with respect to the State of Arizona, (ii) Goodin, MacBride, Squeri, Scholtz & Ritchie, LLP, with respect to the State of California, (iii) Hinkle, Cox, Eaton, Coffield & Hensley, L.L.P., with respect to the State of New Mexico and (iv) Michael J. Blaschke, with respect to the State of Oklahoma, each of which is acting as special local counsel for the Plains Entities, dated the Closing Date and addressed to you, as Representatives of the several Underwriters, to the effect that:

(i) Each of the Plains Parties has been duly qualified or registered as a foreign corporation, a foreign limited liability company or a foreign limited partnership, as the case may be, for the transaction of business under the laws of [insert applicable state].

(ii) Each Operating Partnership has all requisite power and authority as a limited partnership under the laws of the State of [insert applicable state] to own or lease its properties and to conduct its business in the State of [insert applicable state]; and upon the consummation of the Transactions (assuming that the Partnership will not be liable under the laws of the State of Delaware for the liabilities of the Operating Partnerships and that the Unitholders will not be liable under the laws of the State of Delaware for liabilities of the Partnership or the Operating Partnerships), the Partnership will not be liable under the laws of the State of [insert applicable state] for the liabilities of the Operating Partnerships, and the Unitholders will not be liable under the laws of the State of [insert applicable state] for the liabilities of the Partnership or the Operating Partnerships, except in each case to the same extent as under the laws of the State of Delaware.

(iii) Assuming that the merger of the Plains Midstream Subsidiaries into Plains Resources is legally sufficient under applicable Delaware law to vest in Plains Resources the Midstream Assets, then such merger is legally sufficient, under the law of the State of [insert applicable state], to so vest in Plains Resources the Midstream Assets located in the State of [insert applicable state].

(iv) Assuming that the conversion of Plains All American Pipeline Company into All American Texas is legally sufficient under the TBCA and the TRLPA to vest in All American Texas all assets of Plains All American Pipeline Company and the conversion of All American Texas into All American Delaware is legally sufficient under the TRLPA and the Delaware LP Act to vest in All American Delaware all assets of All American Texas, then such conversion is legally sufficient, under the law of the State of [insert applicable state], to so vest in All American Delaware the assets of Plains All American Pipeline Company located in the State of [insert applicable state].

(v) The execution, delivery and performance of the Conveyance Agreements relating to the transfer of property in the State of [insert applicable state] did not or will not violate any statute of the State of [insert applicable state] or any rule, regulation or, to the knowledge of such counsel, any order of any agency of the State of [insert applicable state] having jurisdiction over any of the Plains Entities or any of their respective properties, except for any such violations which, individually or in the aggregate, would not have a material adverse effect upon the Unitholders or the operations conducted in the State of [insert applicable state] by the Plains Parties taken as a whole.

(vi) Each of the Conveyance Agreements relating to the transfer of property in the State of [insert applicable state], assuming the due authorization, execution and delivery thereof by the parties thereto, to the extent it is a valid and legally binding agreement under the applicable law as stated therein and that such law applies thereto, is a valid and legally binding agreement of the parties thereto under the laws of the State of [insert applicable state], enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general application relating to or affecting creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); each of the Conveyance Agreements is in a form legally sufficient as between the parties thereto to convey to the transferee thereunder all of the right, title and interest of the transferor stated therein in and to the properties located in the State of [insert applicable state], as described in the Conveyance Agreements, subject to the conditions, reservations and limitations contained in the Conveyance Agreements, except motor vehicles or other property requiring conveyance of certificated title as to which the Conveyance Agreements are legally sufficient to compel delivery of such certificated title.

(vii) Each of the deeds and assignments (including, without limitation, the form of the exhibits and schedules thereto) is in a form legally sufficient for recordation in the appropriate public offices of the State of [insert applicable state], to the extent such recordation is required, and, upon proper recordation of any of such deeds and assignments in the State of [insert applicable state], will constitute notice to all third parties under the recordation statutes of the State of [insert applicable state] concerning record title to the assets transferred thereby; recordation in the office of the County Clerk for each county in which either of the Operating Partnerships or Gathering LLC owns property is the appropriate public office in the State of [insert applicable state] for the recordation of deeds and assignments of interests in real property located in such county.

(viii) No permit, consent, approval, authorization, order, registration, filing or qualification of or with any court, governmental agency or body of the State of [insert applicable state] having jurisdiction over the Plains Entities or any of their respective properties is required for the offering, issuance and sale by the Partnership of the Units, the execution, delivery and performance of this Agreement or the Operative Agreements by the Plains Entities party thereto (including the mortgaging of assets pursuant to the Bank Credit

Agreement) or the conveyance of properties located in the State of [insert applicable state] purported to be conveyed to either of the Operating Partnerships or Gathering LLC pursuant to the Conveyance Agreements or the consummation of the transactions (including the Transactions) contemplated by this Agreement and the Operative Agreements, except (A) as may be required under state securities or "Blue Sky" laws, as to which such counsel need not express any opinion, (B) for such permits, consents, approvals and similar authorizations which have been obtained, and (C) for such permits, consents, approvals and similar authorizations which, if not obtained, would not, individually or in the aggregate, have a material adverse effect upon the condition (financial or other), business, prospects, properties, net worth or results of operations conducted in the State of [insert applicable state] by the Plains Parties, taken as a whole.

(ix) To the knowledge of such counsel, each of the Plains Entities has such permits, consents, licenses, franchises and authorizations ("permits") issued by the appropriate [insert applicable state] governmental or regulatory authorities as are necessary to own or lease its properties and to conduct its business in the manner described in the Prospectus, subject to such qualifications as may be set forth in the Prospectus, and except for such permits which, if not obtained would not reasonably be expected to have, individually or in the aggregate, a material adverse effect upon the operations conducted in the State of [insert applicable state] by the Plains Parties, taken as a whole; and, to the knowledge of such counsel, none of the Plains Entities has received any notice of proceedings relating to the revocation or modification of any such permits which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a material adverse effect upon the operations conducted in the State of [insert applicable state] by the Plains Parties, taken as a whole.

(x) [As to Arizona, California and New Mexico only] To the knowledge of such counsel, each of the Plains Entities which is subject to regulation by the State of [insert applicable state] as a common carrier pipeline is conducting its business consistent with its common carrier classification in all material respects and is in material compliance with all applicable [insert applicable state] statutes, rules and regulations pertaining thereto, including but not limited to, all safety and environmental requirements. As a result of the conveyance of interstate common carrier pipeline assets included in the assets transferred to the Operating Partnerships and Gathering LLC pursuant to the Conveyance Agreements, the Operating Partnerships and Gathering LLC are entitled to exercise the power of eminent domain to secure rights-of-way necessary to operate such pipeline assets in the State of [insert applicable state].

(xi) [As to Oklahoma only] To the knowledge of such counsel, each of the Plains Entities which is subject to regulation by the State of Oklahoma as a common carrier is conducting its business consistent with its common carrier classification in all material respects and is in material compliance with all applicable Oklahoma statutes, rules

and regulations pertaining thereto, including but not limited to, all safety and environmental requirements.

In rendering such opinion, such counsel may (A) rely in respect of matters of fact upon certificates of officers and employees of the Plains Entities and upon information obtained from public officials, (B) assume that all documents submitted to them as originals are authentic, that all copies submitted to them conform to the originals thereof, and that the signatures on all documents examined by them are genuine, (C) state that such opinions are limited to federal laws and the laws of the State of [insert applicable state], (D) state that they express no opinion with respect to the title of any of the real or personal property purported to be transferred by the Conveyance Agreements, and (E) state that they express no opinion with respect to state or local taxes or tax statutes to which any of the limited partners of the Partnership or any of the Plains Entities may be subject.

In rendering such opinion, such counsel shall state that (A) Andrews & Kurth L.L.P. is hereby authorized to rely upon such opinion letter in connection with the Transactions as if such opinion letter were addressed and delivered to them on the date hereof and (B) subject to the foregoing, such opinion letter may be relied upon only by the Underwriters and its counsel in connection with the Transactions and no other use or distribution of this opinion letter may be made without such counsel's prior written consent.

(f) You shall have received on the Closing Date an opinion of Baker & Botts, L.L.P., counsel for the Underwriters, dated the Closing Date and addressed to you, as Representatives of the several Underwriters, with respect to the issuance and sale of the Units, the Registration Statement and the Prospectus (together with any supplement or amendment thereto) and other related matters as the Representatives may reasonably require.

(g) You shall have received letters addressed to you, as Representatives of the several Underwriters, and dated the date hereof and the Closing Date from PriceWaterhouseCoopers LLP, independent certified public accountants, substantially in the forms heretofore approved by you.

(h) (i) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or taken or, to the knowledge of the Partnership and the General Partner, shall be threatened by the Commission at or prior to the Closing Date; (ii) there shall not have been any change in the partners' capital or shareholder's equity of the Partnership, the Operating Partnerships or the General Partner, as the case may be, nor any material increase in the short-term or the long-term debt of the Partnership, the Operating Partnerships or the General Partner (other than in the ordinary course of business) from that set forth or contemplated in the Registration Statement or the Prospectus (or any amendment or supplement thereto); (iii) there shall not have been, since the respective dates as of which information is given in the Registration Statement and the Prospectus (or any amendment or supplement thereto), except as may otherwise be stated in the Registration Statement and the Prospectus (or any amendment or supplement thereto), any material adverse change in or affecting the condition (financial or other), business, prospects, properties, net worth or results of operations

of the Plains Parties, taken as a whole; (iv) the Plains Parties shall not have any liabilities or obligations, direct or contingent (whether or not in the ordinary course of business), that are material to the Plains Parties taken as a whole other than those reflected in the Registration Statement or the Prospectus (or any amendment or supplement thereto); and (v) all the representations and warranties of the Plains Entities contained in this Agreement shall be true and correct on and as of the date hereof and on and as of the Closing Date as if made on and as of the Closing Date.

(i) The Plains Entities shall not have failed at or prior to the Closing Date to have performed or complied in all material respects with any of their agreements herein contained and required to be performed or complied with by them hereunder at or prior to the Closing Date.

(j) The NYSE shall have approved the Units for inclusion, subject only to official notice of issuance and evidence of satisfactory distribution.

(k) The Plains Entities shall have furnished or caused to be furnished to you such further certificates and documents as you shall have reasonably requested.

(l) Prior to or simultaneously with the sale of the Units on the Closing Date, (i) the conveyance of assets to the Operating Partnerships and Gathering LLC contemplated in the Conveyance Agreements shall have been consummated, (ii) each of the Bank Credit Agreement and the Letter of Credit Facility shall have been executed and delivered and become effective in substantially the form filed as an exhibit to the Registration Statement, (iii) the transactions contemplated by the Midstream Merger Agreement and the CT&T Merger Agreement shall have been consummated and (iv) the conversion of Plains All American Pipeline Company into All American, L.P., shall have been consummated.

(m) There shall have been furnished to you at the Closing Date a certificate reasonably satisfactory to you, signed on behalf of the Partnership by the General Partner by the President or the Executive Vice President and the Chief Financial Officer thereof to the effect that: (A) the representations and warranties of each of the Partnership, the General Partner, the Operating Partnerships and Gathering LLC contained in this Agreement are true and correct at and as of the Closing Date as though made at and as of the Closing Date; (B) each of the Partnership, the General Partner, the Operating Partnerships and Gathering LLC has in all material respects performed all obligations required to be performed by it pursuant to the terms of this Agreement at or prior to the Closing Date; (C) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been instituted or taken or, to the knowledge of any of the Partnership, the General Partner, the Operating Partnerships and Gathering LLC, threatened by the Commission, and all requests for additional information on the part of the Commission have been complied with or otherwise satisfied; (D) the Common Units have been duly approved for listing, subject to official notice of issuance, on the NYSE; and (E) no event contemplated by subsection (h) of this Section 8 in respect of the Partnership, the Operating Partnerships or the General Partner shall have occurred.

(n) There shall have been furnished to you at the Closing Date, a certificate reasonably satisfactory to you, signed on behalf of Plains Resources by the President or a Vice President thereof, respectively, to the effect that (A) the representations and warranties of Plains Resources contained in this Agreement are true and correct at and as of the Closing Date as though made at and as of the Closing Date and (B) Plains Resources has in all material respects performed all obligations required to be performed by it pursuant to the terms of this Agreement at or prior to the Closing Date;

(o) On or prior to the date hereof, the Partnership shall have furnished to you a letter substantially in the form of Exhibit C hereto from each officer and each director of the General Partner.

All such opinions, certificates, letters and other documents referred to in this Section 8 will be in compliance with the provisions hereof only if they are reasonably satisfactory in form and substance to you and your counsel. The Partnership shall furnish to the Representatives conformed copies of such opinions, certificates, letters and other documents in such number as they shall reasonably request.

The several obligations of the Underwriters to purchase Additional Units hereunder are subject to the satisfaction on and as of any Option Closing Date of the conditions set forth in this Section 8, except that, if any Option Closing Date is other than the Closing Date, the certificates, opinions and letters referred to in paragraphs (c) through (g), (k), (m) and (n) shall be dated the Option Closing Date in question and the opinions called for by paragraphs (c), (d) and (f), as applicable, shall be revised to reflect the sale of Additional Units.

9. Expenses. The Partnership agrees to pay the following costs and expenses and all other costs and expenses incident to the performance by it of its obligations hereunder: (i) the preparation, printing or reproduction, and filing with the Commission of the Registration Statement (including financial statements and exhibits thereto), each Prepricing Prospectus, the Prospectus, and each amendment or supplement to any of them; (ii) the printing (or reproduction) and delivery (including postage, air freight charges and charges for counting and packaging) of such copies of the Registration Statement, each Prepricing Prospectus, the Prospectus, and all amendments or supplements to any of them as may be reasonably requested for use in connection with the offering and sale of the Units; (iii) the preparation, printing, authentication, issuance and delivery of certificates for the Units, including any stamp taxes in connection with the original issuance and sale of the Units; (iv) the printing (or reproduction) and delivery of this Agreement, the preliminary and supplemental Blue Sky Memoranda, and all other agreements or documents printed (or reproduced) and delivered in connection with the offering of the Units; (v) the registration of the Common Units under the Exchange Act and the listing of the Common Units on the NYSE; (vi) the registration or qualification of the Units for offer and sale under the securities or Blue Sky laws of the several states as provided in Section 5(g) hereof (including the reasonable fees, expenses and disbursements of counsel for the Underwriters relating to the preparation, printing or reproduction, and delivery of the preliminary and supplemental Blue Sky Memoranda and such registration and qualification); (vii) the

filing fees and the reasonable fees and expenses of counsel for the Underwriters in connection with any filings required to be made with the National Association of Securities Dealers, Inc.; (viii) the transportation and other expenses incurred by or on behalf of officers and employees of the Partnership in connection with presentations to prospective purchasers of the Units; and (ix) the fees and expenses of the Partnership's accountants and the fees and expenses of counsel (including local and special counsel) for the Partnership.

It is understood, however, that except as otherwise provided in this Section 9 and Section 5(j) hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, transfer taxes on any resale of the Units by any Underwriter, any advertising expenses connected with any offers they may make and the transportation and other expenses incurred by the Underwriters on their own behalf in connection with presentations to prospective purchasers of the Units.

10. Effective Date of Agreement. This Agreement shall become effective: (i) upon the execution and delivery hereof by the parties hereto or (ii) if, at the time this Agreement is executed and delivered, it is necessary for the Registration Statement or a post-effective amendment thereto to be declared effective before the offering of the Units may commence, when notification of the effectiveness of the Registration Statement or such post-effective amendment has been released by the Commission. Until such time as this Agreement shall have become effective, it may be terminated by the Partnership by notifying you, or by you, as Representatives of the several Underwriters, by notifying the Partnership.

If any one or more of the Underwriters shall fail or refuse to purchase Units which it or they are obligated to purchase hereunder on the Closing Date, and the aggregate number of Units which such defaulting Underwriter or Underwriters are obligated but fail or refuse to purchase is not more than one-tenth of the aggregate number of the Units which the Underwriters are obligated to purchase on the Closing Date, each non-defaulting Underwriter shall be obligated, severally, in the proportion which the number of Firm Units set forth opposite its name in Schedule I hereto bears to the aggregate number of Firm Units set forth opposite the names of all non-defaulting Underwriters or in such other proportion as you may specify in accordance with Section 20 of the Master Agreement Among Underwriters of Salomon Smith Barney Inc., to purchase the Units which such defaulting Underwriter or Underwriters are obligated, but fail or refuse, to purchase. If any one or more of the Underwriters shall fail or refuse to purchase Units which it or they are obligated to purchase on the Closing Date and the aggregate number of Units with respect to which such default occurs is more than one-tenth of the aggregate number of Units which the Underwriters are obligated to purchase on the Closing Date and arrangements satisfactory to you and the Partnership for the purchase of such Units by one or more non-defaulting Underwriters or other party or parties approved by you and the Partnership are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any party hereto (other than the defaulting Underwriter). In any such case which does not result in termination of this Agreement, either you or the Partnership shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and the

Prospectus or any other documents or arrangements may be effected. If any one or more of the Underwriters shall fail or refuse to purchase Additional Units which it or they are obligated to purchase hereunder on the Option Closing Date, each non-defaulting Underwriter shall be obligated, severally, in the proportion which the number of Firm Units set forth opposite its name in Schedule I hereto bears to the aggregate number of Firm Units set forth opposite the names of all non-defaulting Underwriters or in such other proportion as you may specify in accordance with Section 20 of the Master Agreement Among Underwriters of Salomon Smith Barney Inc., to purchase the Additional Units which such defaulting Underwriter or Underwriters are obligated, but fail or refuse, to purchase. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any such default of any such Underwriter under this Agreement. The term "Underwriter" as used in this Agreement includes, for all purposes of this Agreement, any party not listed in Schedule I hereto who, with your approval and the approval of the Partnership, purchases Units which a defaulting Underwriter is obligated, but fails or refuses, to purchase.

Any notice under this Section 10 may be given by telegram, telecopy or telephone but shall be subsequently confirmed by letter.

11. Termination of Agreement. This Agreement shall be subject to termination in your absolute discretion, without liability on the part of any Underwriter to any Plains Entity, by notice to the Partnership, if prior to the Closing Date or any Option Closing Date (if different from the Closing Date and then only as to the Additional Units), as the case may be, (i) trading in securities generally on the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market shall have been suspended or materially limited, (ii) a general moratorium on commercial banking activities in New York or Texas shall have been declared by either federal or state authorities, or (iii) there shall have occurred any outbreak or escalation of hostilities or other international or domestic calamity, crisis or change in political, financial or economic conditions, the effect of which on the financial markets of the United States is such as to make it, in your judgment, impracticable or inadvisable to commence or continue the offering of the Units at the offering price to the public set forth on the cover page of the Prospectus or to enforce contracts for the resale of the Units by the Underwriters. Notice of such termination may be given to the Partnership by telegram, telecopy or telephone and shall be subsequently confirmed by letter.

12. Information Furnished by the Underwriters. The statements set forth in the last paragraph on the cover page, the stabilization legend on the inside cover page, and the statements in the first, fifth, seventh and ninth paragraphs and the third sentence of the seventh paragraph under the caption "Underwriting" in any Prepricing Prospectus and in the Prospectus, constitute the only information furnished by or on behalf of the Underwriters through you as such information is referred to in Sections 6(a) and 7 hereof.

13. Miscellaneous. Except as otherwise provided in Sections 5, 7, 10 and 11 hereof, notice given pursuant to any provision of this Agreement shall be in writing and shall be delivered (i) if to any of the Plains Entities, at the office of the Partnership at 500 Dallas, Suite 700, Houston, Texas 77002, Attention: Michael R. Patterson, or (ii) if to you, as Representatives of the

several Underwriters, care of Salomon Smith Barney Inc., 388 Greenwich Street, New York, New York 10013, Attention: Manager, Investment Banking Division.

This Agreement has been and is made solely for the benefit of the several Underwriters, the Plains Entities, their directors and officers, and the other controlling persons referred to in Section 7 hereof and their respective successors and assigns, to the extent provided herein, and no other person shall acquire or have any right under or by virtue of this Agreement. Neither the term "successor" nor the term "successors and assigns" as used in this Agreement shall include a purchaser from any Underwriter of any of the Units in his status as such purchaser.

14. Applicable Law; Counterparts. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York.

This Agreement may be signed in various counterparts which together constitute one and the same instrument. If signed in counterparts, this Agreement shall not become effective unless at least one counterpart hereof shall have been executed and delivered on behalf of each party hereto.

Please confirm that the foregoing correctly sets forth the agreement among the Partnership, the Operating Partnerships, All American Pipeline Company, the General Partner and Plains Resources and the several Underwriters.

Very truly yours,

PLAINS ALL AMERICAN PIPELINE, L.P.

By: PLAINS ALL AMERICAN INC.
its General Partner

By:

Name:
Title:

PLAINS MARKETING, L.P.

By: PLAINS ALL AMERICAN INC.
its General Partner

By:

Name:
Title:

ALL AMERICAN, L.P.

By: PLAINS ALL AMERICAN INC.
its General Partner

By:

Name:
Title:

ALL AMERICAN PIPELINE COMPANY

By:

Name:
Title:

PLAINS ALL AMERICAN INC.

By:

Name:
Title:

PLAINS RESOURCES INC.

By:

Name:
Title:

Confirmed as of the date first above mentioned on behalf of themselves and the other several Underwriters named in Schedule I hereto.

SALOMON SMITH BARNEY INC.
PAINEWEBBER INCORPORATED
A.G. EDWARDS & SONS, INC.
DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION
GOLDMAN, SACHS & CO.
DAIN RAUSCHER WESSELS, a division of
Dain Rauscher Incorporated
ING BARING FURMAN SELZ LLC

As Representatives of the Several Underwriters

By: SALOMON SMITH BARNEY INC.

By:

Managing Director

SCHEDULE I

Plains All American Pipeline, L.P.

Underwriter	Number of Firm Units to be Purchased
Salomon Smith Barney Inc.	
PaineWebber Incorporated	
A.G. Edwards & Sons, Inc.	
Donaldson, Lufkin & Jenrette Securities Corporation	
Goldman, Sachs & Co.	
Dain Rauscher Wessels, a division of Dain Rauscher Incorporated	
ING Baring Furman Selz LLC	
Total	12,782,609

EXHIBIT A

Entity	Jurisdiction in which registered or qualified
Partnership	
Plains Marketing, L.P.	Arizona, California, Colorado, Florida, Illinois, Kansas, Louisiana, Mississippi, New Mexico, Oklahoma, Texas
All American, L.P.	Arizona, California, New Mexico, Texas
General Partner	Arizona, California, Colorado, Florida, Illinois, Kansas, Louisiana, Mississippi, New Mexico, Oklahoma, Texas
Plains Resources	California, Colorado, Florida, Kansas, Louisiana, Mississippi, New Mexico, Oklahoma, Texas
Gathering LLC	California, Oklahoma, Texas

EXHIBIT B

(i) The indenture dated as of March 15, 1996, among Plains Resources, the subsidiary guarantors named therein and Texas Commerce Bank National Association, as Trustee for Plains Resources's 10 1/4% Senior Subordinated Notes due 2006, Series A and Series B

(ii) The indenture dated as of July 21, 1997 among Plains Resources, the subsidiary guarantors named therein and Texas Commerce Bank National Association, as Trustee for Plains Resources's 10 1/4% Senior Subordinated Notes due 2006, Series C and Series D.

(iii) The First Supplemental Indenture dated as of July 15, 1998, between Plains Resources and Chase Bank of Texas, National Association (formerly known as Texas Commerce Bank National Association), as Trustee.

(iv) The Fourth Amended and Restated Credit Agreement dated as of May 22, 1998, among Plains Resources and ING (U.S.) Capital Corporation, et al.

(v) The Credit Agreement dated as of July 30, 1998, between the General Partner and ING (U.S.) Capital Corporation, et al.

(vi) The Credit Agreement dated as of July 30, 1998, between Plains Marketing & Transportation Inc. and BankBoston, N.A., et al.

EXHIBIT C

[Letterhead of officer, director or holder of Common Units or Subordinated Units]

Plains All American Pipeline, L.P.
Public Offering of Common Units

Salomon Smith Barney Inc.
PaineWebber Incorporated
A.G. Edwards & Sons, Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Goldman, Sachs & Co.
Dain Rauscher Wessels, a Division of
Dain Rauscher Incorporated
ING Baring Furman Selz LLC
c/o Salomon Smith Barney, Inc.
388 Greenwich Street
New York, New York 10013

Dear Sirs:

This letter is being delivered to you in connection with the proposed Underwriting Agreement (the "Underwriting Agreement") among Plains All American Pipeline, L.P., a Delaware limited partnership (the "Partnership"), Plains Marketing, L.P., All American, L.P, Plains All American Inc., Plains Resources Inc., Salomon Smith Barney Inc., PaineWebber Incorporated, A.G. Edwards & Sons, Inc., Donaldson, Lufkin & Jenrette Securities Corporation, Goldman, Sachs & Co., Dain Rauscher Wessels, a divisions of Dain Rauscher Incorporated and ING Baring Furman Selz LLC as representatives of t[Bhe underwriters, relating to an underwritten public offering of common units representing limited partner interests (the "Common Units") of the Partnership.

To induce you to enter into the Underwriting Agreement, the undersigned agrees that it will not offer, sell, contract to sell or otherwise dispose of any Common Units or Subordinated Units (as defined in the Underwriting Agreement), any securities that are convertible into, or exercisable or exchangeable for, or that represent the right to receive, Common Units or Subordinated Units or any securities that are senior to or pari passu with Common Units for a period of 180 days after the date of the Prospectus (as defined in the Underwriting Agreement) without the prior written consent of Salomon Smith Barney Inc.

If for any reason the Underwriting Agreement is terminated before the Closing Date (as defined in the Underwriting Agreement), the agreement set forth above shall likewise be terminated.

Yours very truly,

[Signature of officer, director or common Unitholder]

[Name and address of officer, director or common Unitholder]

EXHIBIT 3.2

Draft of November 1, 1998

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

PLAINS MARKETING, L.P.

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AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
PLAINS MARKETING, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP of PLAINS MARKETING, L.P., dated as of _______________________________, is entered into by and between Plains All American, Inc., a Delaware corporation, as the General Partner, and Plains All American Pipeline, L.P., a Delaware limited partnership, as the Organizational Limited Partner, together with any other Persons who hereafter become Partners in the Partnership or parties hereto as provided herein.

R E C I T A L S:

WHEREAS, Plains All American, Inc. and Plains All American Pipeline, L.P. formed the Partnership pursuant to the Agreement of Limited Partnership of Plains Marketing, L.P. dated as of _________________, 1998 (the "Prior Agreement"); and

WHEREAS, the Partners of the Partnership now desire to amend the Prior Agreement to reflect additional contributions by the Partners and certain other matters.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby amend the Prior Agreement and, as so amended, restate it in its entirety as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement. Capitalized terms used herein but not otherwise defined shall have the meaning assigned to such term in the MLP Agreement.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.4 and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-

2(g) and 1.704-2(i)(5)) and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such fiscal year, are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such fiscal year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(d)(i) or 6.1(d)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The "Adjusted Capital Account" of a Partner in respect of a General Partner Interest or any other specified interest in the Partnership shall be the amount which such Adjusted Capital Account would be if such General Partner Interest or other interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such general partner interest or other interest was first issued.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii). Once an Adjusted Property is deemed contributed to a new partnership in exchange for an interest in the new partnership, followed by a deemed liquidation of the Partnership for federal income tax purposes upon a termination of the Partnership pursuant to Treasury Regulation Section 1.708-(b)(1)(iv), such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is subsequently adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreed Allocation" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 6.1, including, without limitation, a Curative Allocation (if appropriate to the context in which the term "Agreed Allocation" is used).

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. The General Partner shall, in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a

single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"Agreement" means this Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P., as it may be amended, supplemented or restated from time to time. The Agreement shall constitute a "limited partnership agreement" as such term is defined in the Delaware Act.

"Assets" means the assets being conveyed to the Partnership on the Closing Date pursuant to Section 5.2(a) and the Contribution and Conveyance Agreement.

"Assignee" means a Person to whom one or more Partnership Interests have been transferred in a manner permitted under this Agreement, but who has not been admitted as a Substituted Partner.

"Associate" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"Assumed Liabilities" means the liabilities that the Partnership is either assuming or taking subject to in connection with the conveyance of the Assets pursuant to Section 5.2(a) and the Contribution and Conveyance Agreement.

"Available Cash" means, with respect to any Quarter ending prior to the Liquidation Date,

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Partnership Group on hand on the date of determination of Available Cash with respect to such Quarter resulting from Working Capital Borrowings made subsequent to the end of such Quarter, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the business of the Partnership Group (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership Group) subsequent to such Quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any Group Member is a party or by

which it is bound or its assets are subject or (iii) provide funds for distributions under Section 6.4 or 6.5 of the MLP Agreement in respect of any one or more of the next four Quarters; provided, however, that the General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the MLP is unable to distribute the Minimum Quarterly Distribution on all Common Units, plus any Cumulative Common Unit Arrearage on all Common Units, with respect to such Quarter; and provided further that disbursements made by a Group Member or cash reserves established, increased or reduced after the end 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, within such Quarter if the General Partner so determines.

Notwithstanding the foregoing, "Available Cash" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 5.5 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the states of New York and Texas shall not be regarded as a Business Day.

"Capital Account" means the capital account maintained for a Partner pursuant to Section 5.5. The "Capital Account" of a Partner in respect of a General Partner Interest or any other specified interest in the Partnership shall be the amount which such Capital Account would be if such General Partner Interest or other specified interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest or other specified interest in the Partnership was first issued.

"Capital Contribution" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner contributes to the Partnership pursuant to this Agreement or the Contribution and Conveyance Agreement.

"Carrying Value" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and

cost recovery deductions charged to the Partners' and Assignees' Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 5.5(d)(i) and 5.5(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

"Closing Date" means the first date on which Common Units are sold by the MLP to the Underwriters pursuant to the provisions of the Underwriting Agreement.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of successor law.

"Commission" means the United States Securities and Exchange Commission.

"Common Unit" has the meaning assigned to such term in the MLP Agreement.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership (or deemed contributed to a new Partnership on termination of the Partnership pursuant to Section 708 of the Code. Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 5.5(d), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"Contribution and Conveyance Agreement" means that certain Contribution, Conveyance and Assumption Agreement, dated as of the Closing Date, among the General Partner, the Plains Midstream Subsidiaries, the MLP, the Partnership and certain other parties, together with the additional conveyance documents and instruments contemplated or referenced thereunder.

"Curative Allocation" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 6.1(d)(ix).

"Delaware Act" means the Delaware Revised Uniform Limited Partnership Act, 6 Del. C. (S)17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"Departing Partner" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1 or 11.2.

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation Section 1.752-2(a).

"Event of Withdrawal" has the meaning assigned to such term in Section 11.1(a).

"General Partner" means Plains All American, Inc. and its successors and permitted assigns as general partner of the Partnership.

"Group" means a Person that with or through any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent given to such Person in response to a proxy or consent solicitation made to 10 or more Persons) or disposing of any MLP Securities with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, MLP Securities.

"Group Member" means a member of the Partnership Group.

"Indemnitee" means (a) any General Partner, any Departing Partner and any Person who is or was an Affiliate of the General Partner or any Departing Partner, (b) any Person who is or was a director, officer, employee, agent or trustee of a Group Member, (c) any Person who is or was an officer, member, partner, director, employee, agent or trustee of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner, or any Affiliate of any such Person and (d) any Person who is or was serving at the request of the General Partner or any Departing Partner or any such Affiliate as a director, officer, employee, member, partner, agent, fiduciary or trustee of another Person; provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

"Initial Offering" means the initial offering and sale of Common Units to the public, as described in the Registration Statement.

"Liquidation Date" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the Partners have the right

to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"Liquidator" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Act.

"Limited Partner" means any Person that is admitted to the Partnership as a limited partner pursuant to the terms and conditions of this Agreement; but the term Limited Partner shall not include any Person from and after the time such Person withdraws as a Limited Partner from the Partnership.

"Merger Agreement" has the meaning assigned to such term in Section 14.1.

"Minimum Quarterly Distribution" has the meaning assigned to such term in the MLP Agreement.

"MLP" means Plains All American Pipeline, L.P.

"MLP Agreement" means the Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P., as it may be amended, supplemented or restated from time to time.

"MLP Security" has the meaning assigned to the term "Partnership Security" in the MLP Agreement.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner or Assignee by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.5(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner or Assignee upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable year, the excess, if any, of the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included

in the calculation of Net Income shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d).

"Net Loss" means, for any taxable year, the excess, if any, of the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d).

"Net Termination Gain" means, for any taxable year, the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Net Termination Loss" means, for any taxable year, the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Sections 6.2(b)(i)(A), 6.2(b)(ii)(A) and 6.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

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

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"OLP Subsidiary" means a Subsidiary of the OLP.

"Omnibus Agreement" means that Omnibus Agreement, dated as of the Closing Date, among Plains Resources, Inc., the General Partner, the MLP, the Partnership and All American, L.P.

"Opinion of Counsel" means a written opinion of counsel (which may be regular counsel to the Partnership or the General Partner or any of its Affiliates) acceptable to the General Partner in its reasonable discretion.

"Partner Nonrecourse Debt" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

"Partnership" means Plains Marketing, L.P., a Delaware limited partnership, and any successors thereto.

"Partnership Group" means the Partnership and all OLP Subsidiaries, treated as a single consolidated entity.

"Partnership Interest" means an ownership interest of a Partner in the Partnership.

"Partnership Minimum Gain" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(d).

"Percentage Interest" means, (a) as to the General Partner, an aggregate 1.0101% and (b) as to the MLP, 98.9899%.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Prior Agreement" is defined in the Recitals.

"Pro Rata" means, when modifying Partners and Assignees, apportioned among all Partners and Assignees in accordance with their relative Percentage Interests.

"Quarter" means, unless the context requires otherwise, a fiscal quarter of the Partnership.

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

"Registration Statement" means the Registration Statement on Form S-1 (Registration No. 333-64107) as it has been or as it may be amended or supplemented from time to time, filed by the MLP with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"Required Allocations" means (a) any limitation imposed on any allocation of Net Losses or Net Termination Losses under Section 6.1(b) or 6.1(c)(ii) and (b) any allocation of an item of income, gain, loss or deduction pursuant to Section 6.1(d)(i), 6.1(d)(ii), 6.1(d)(iv), 6.1(d)(vii) or 6.1(d)(ix).

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 6.2(b)(i)(A) or 6.2(b)(ii)(A), respectively, to eliminate Book-Tax Disparities.

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"Special Approval" has the meaning assigned to such term in the MLP Agreement.

"Subsidiary" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"Surviving Business Entity" has the meaning assigned to such term in Section 14.2(b).

"Transfer" has the meaning assigned to such term in Section 4.4(a).

"Underwriter" means each Person named as an underwriter in Schedule I to the Underwriting Agreement who purchases Common Units pursuant thereto.

"Underwriting Agreement" means the Underwriting Agreement dated _______________, 1998 among the Underwriters, the MLP and certain other parties, providing for the purchase of Common Units by such Underwriters.

"Unit" has the meaning assigned to such term in the MLP Agreement.

"Unit Majority" has the meaning assigned to such term in the MLP Agreement.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 5.5(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date).

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 5.5(d)).

"U.S. GAAP" means United States Generally Accepted Accounting Principles consistently applied.

"Working Capital Borrowings" means borrowings exclusively for working capital purposes made pursuant to a credit facility or other arrangement requiring all such borrowings thereunder to be reduced to a relatively small amount each year for an economically meaningful period of time.

Section 1.2 Construction.

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

ARTICLE II
ORGANIZATION

Section 2.1 Formation.

The Partnership was previously formed as a limited partnership pursuant to the provisions of the Delaware Act. The Partners hereby amend and restate the Prior Agreement in its entirety. This amendment and restatement shall become effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

Section 2.2 Name.

The name of the Partnership shall be "Plains Marketing, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General Partner in its sole discretion, including the name of the General Partner. The words "Limited Partnership," "L.P." or "Ltd." shall be included in the Partnership's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner in its discretion may change the name of the Partnership at any time and from time to time and shall notify the other Partner(s) of such change in the next regular communication to the Partners.

Section 2.3 Registered Office; Registered Agent; Principal Office; Other Offices.

Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at 1013 Center Road, Wilmington, Delaware 19805-1297, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be Corporation Service Company. The principal office of the Partnership shall be located at 500 Dallas, Suite 700, Houston, Texas 77002 or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner shall be 500 Dallas, Suite

700, Houston, Texas 77002 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

Section 2.4 Purpose and Business.

The purpose and nature of the business to be conducted by the Partnership shall be to (a) acquire, manage, operate and sell the Assets and any similar assets or properties now or hereafter acquired by the Partnership, (b) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that the Partnership is permitted to engage in, any type of business or activity engaged in by the General Partner prior to the Closing Date and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity; provided, however, that the General Partner reasonably determines, as of the date of the acquisition or commencement of such activity, that such activity (i) generates "qualifying income" (as such term is defined pursuant to Section 7704 of the Code) or (ii) enhances the operations of an activity of the Partnership that generates qualifying income, and (d) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member, the MLP or any Subsidiary of the MLP. The General Partner has no obligation or duty to the Partnership, the Limited Partners, or the Assignees to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Partnership of any business.

Section 2.5 Powers.

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

Section 2.6 Power of Attorney.

(a) Each Partner and each Assignee hereby constitutes and appoints the General Partner and, if a Liquidator shall have been selected pursuant to Section 12.3, the Liquidator, severally (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Interests issued pursuant hereto; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by any provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or

Assignee's successors and assigns. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 2.7 Term.

The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the close of Partnership business on December 31, 2088 or until the earlier dissolution of the Partnership in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Act.

Section 2.8 Title to Partnership Assets.

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner or Assignee, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; provided, further, that, prior to the withdrawal or removal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

ARTICLE III
RIGHTS OF LIMITED PARTNERS

Section 3.1 Limitation of Liability.

The Limited Partners and the Assignees shall have no liability under this Agreement except as expressly provided in this Agreement or in the Delaware Act.

Section 3.2 Management of Business.

No Limited Partner or Assignee, in its capacity as such, shall participate in the operation, management or control (within the meaning of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, member, general partner, agent or trustee of the General Partner or any of its Affiliates, or any officers, director, employee, member, general partner, agent or trustee of a Group Member, in its capacity as such, shall not be deemed to be participation in the control of the business of the Partnership by a limited partner of the Partnership (within the meaning of Section 17-303(a) of the Delaware Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 3.3 Outside Activities of the Limited Partners.

Subject to the provisions of Section 7.5, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

Section 3.4 Rights of Limited Partners.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand and at such Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year;

(iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the Net Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) The General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the MLP or the Partnership Group, (B) could damage the MLP or the Partnership Group or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

ARTICLE IV
TRANSFERS OF PARTNERSHIP INTERESTS

Section 4.1 Transfer Generally.

(a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction by which a Partner assigns its Partnership Interest to another Person who becomes a Partner or an Assignee, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any shareholder of the General Partner of any or all of the issued and outstanding capital stock of the General Partner.

Section 4.2 Transfer of General Partner's Partnership Interest.

If the General Partner transfers its interest as the general partner of the MLP to any Person in accordance with the provisions of the MLP Agreement, the General Partner shall contemporaneously therewith transfer all, but not less than all, of its General Partner Interest herein to such Person, and the Limited Partners hereby expressly consent to such transfer. Except as set forth in the immediately preceding sentence and in Section 5.2, a General Partner may not transfer all or any part of its Partnership Interest as the General Partner; provided, however, that this provision shall not preclude or limit a General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in its Partnership Interest as the General Partner and shall not prevent any forced sale of any or all of its Partnership Interest as the General Partner pursuant to the foreclosure of, or other realization upon, any such encumbrance.

Section 4.3 Transfer of a Limited Partner's Partnership Interest.

A Limited Partner may transfer all, but not less than all, of its Partnership Interest as a Limited Partner in connection with the merger, consolidation or other combination of such Limited Partner with or into any other Person or the transfer by such Limited Partner of all or substantially all of its assets to another Person, and following any such transfer such Person may become a Substituted Limited Partner pursuant to Article X. Except as set forth in the immediately preceding sentence and in Section 5.2, or in connection with any pledge of (or any related foreclosure on) a Partnership Interest as a Limited Partner solely for the purpose of securing, directly or indirectly, indebtedness of the Partnership or the MLP, and except for the transfers contemplated by Sections 5.2 and 10.1, a Limited Partner may not transfer all or any part of its Partnership Interest or withdraw from the Partnership.

Section 4.4 Restrictions on Transfers.

(a) Notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interest shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership or the MLP under the laws of the jurisdiction of its formation or (iii) cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid

a significant risk of the Partnership or the MLP becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions.

ARTICLE V
CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

Section 5.1 Initial Contributions.

In connection with the formation of the Partnership, the General Partner made an initial Capital Contribution to the Partnership in the amount of $50.00 in exchange for an interest in the Partnership and was admitted as General Partner, and the MLP made an initial Capital Contribution to the Partnership in the amount of $50.00 in exchange for an interest in the Partnership and was admitted as a Limited Partner.

Section 5.2 Contributions Pursuant to the Contribution and Conveyance Agreement.

(a) Pursuant to the Contribution and Conveyance Agreement, the General Partner has contributed to the capital of the Partnership certain of the Assets acquired by it from certain of the Plains Midstream Subsidiaries in exchange for addtional Partnership Interests. Immediately following such contribution, the General Partner transferred all but a 1.0101% Partnership Interest to the MLP in exchange for certain interests therein as more particularly described in the Registration Statement.

(b) Pursuant to the Contribution and Conveyance Agreement, the Partnership assumed certain indebtedness relating to the Assets.

(c) Pursuant to the Contribution and Conveyance Agreement, the MLP has contributed to the Partnership all of the net proceeds from the sale of Common Units offered pursuant to the Registration Statement and all of the limited partner interest in All American, L.P. in exchange for a Partnership Interest as a Limited Partner.

(d) Following the foregoing transactions, the General Partner holds a 1.0101% Partnership Interest as General Partner and the MLP holds a 98.9899% Partnership Interest as a Limited Partner.

Section 5.3 Additional Capital Contributions.

With the consent of the General Partner, any Limited Partner may, but shall not be obligated to, make additional Capital Contributions to the Partnership. Contemporaneously with the making of any Capital Contributions by a Limited Partner, in addition to those provided in Sections 5.1 and

5.2, the General Partner shall be obligated to make an additional Capital Contribution to the Partnership in an amount equal to [1.0101 divided by 98.9899] of the Net Agreed Value of the additional Capital Contribution then made by such Limited Partner. Except as set forth in the immediately preceding sentence and in Article XII, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

Section 5.4 Interest and Withdrawal.

No interest shall be paid by the Partnership on Capital Contributions. No Partner or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners or Assignees agree within the meaning of Section 17-502(b) of the Delaware Act.

Section 5.5 Capital Accounts.

(a) The Partnership shall maintain for each Partner (or a beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion) owning a Partnership Interest a separate Capital Account with respect to such Partnership Interest in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1, and decreased by (x) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1.

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

(i) Solely for purposes of this Section 5.5, the Partnership shall be treated as owning directly its proportionate share (as determined by the General Partner) of all property owned by any OLP Subsidiary that is classified as a partnership for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 6.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment in the Capital Accounts shall be treated as an item of gain or loss.

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

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.5(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost

recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(vi) If the Partnership's adjusted basis in a depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 6.1. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(c) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(d) (i) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property or the conversion of the General Partner's Partnership Interest to Common Units as provided in Section 11.3(a) (or upon the occurrence of any other event listed in such regulation), the Capital Accounts of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the

Partners, at such time, pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall (A) in the case of an actual distribution which is not made pursuant to Section 12.4 or in the case of a deemed contribution and/or distribution occurring as a result of a termination of the Partnership pursuant to Section 708 of the Code, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

Section 5.6 Loans from Partners.

Loans by a Partner to the Partnership shall not constitute Capital Contributions. If any Partner shall advance funds to the Partnership in excess of the amounts required hereunder to be contributed by it to the capital of the Partnership, the making of such excess advances shall not result in any increase in the amount of the Capital Account of such Partner. The amount of any such excess advances shall be a debt obligation of the Partnership to such Partner and shall be payable or collectible only out of the Partnership assets in accordance with the terms and conditions upon which such advances are made.

Section 5.7 Limited Preemptive Rights.

Except as provided in Section 5.3, no Person shall have preemptive, preferential or other similar rights with respect to (a) additional Capital Contributions; (b) issuance or sale of any class or series of Partnership Interests, whether unissued, held in the treasury or hereafter created; (c) issuance of any obligations, evidences of indebtedness or other securities of the Partnership convertible into or exchangeable for, or carrying or accompanied by any rights to receive, purchase or subscribe to, any such Partnership Interests; (d) issuance of any right of subscription to or right to receive, or any warrant or option for the purchase of, any such Partnership Interests; or (e) issuance or sale of any other securities that may be issued or sold by the Partnership.

Section 5.8 Fully Paid and Non-Assessable Nature of Partnership Interests.

All Partnership Interests issued to Limited Partners pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Partnership Interests, except as such non-assessability may be affected by Section 17-607 of the Delaware Act.

ARTICLE VI
ALLOCATIONS AND DISTRIBUTIONS

Section 6.1 Allocations for Capital Account Purposes.

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 5.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

(a) Net Income. After giving effect to the special allocations set forth in Section 6.1(d), Net Income for each taxable year and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable year shall be allocated among the Partners as follows:

(i) First, 100% to the General Partner, until the aggregate Net Income allocated to the General Partner pursuant to this Section 6.1(a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(ii) for all previous taxable years;

(ii) Second, 1.0101% to the General Partner and 98.9899% to the Limited Partners in accordance with their respective Percentage Interests.

(b) Net Losses. After giving effect to the special allocations set forth in Section 6.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated among the Partners as follows:

(i) First, 1.0101% to the General Partner and 98.9899% to the Limited Partners, in accordance with their respective Percentage Interests; provided, however, that Net Losses shall not be allocated to a Limited Partner pursuant to this Section 6.1(b)(i) to the extent that such allocation would cause a Limited Partner to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in such Limited Partners's Adjusted Capital Account);

(ii) Second, the balance, if any, 100% to the General Partner.

(c) Net Termination Gains and Losses. After giving effect to the special allocations set forth in Section 6.1(d), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 6.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 6.1 and after all distributions

of Available Cash provided under Section 6.4 have been made with respect to the taxable period ending on or before the Liquidation Date; provided, however, that solely for purposes of this Section 6.1(c), Capital Accounts shall not be adjusted for distributions made pursuant to Section 12.4.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Gain shall be allocated among the Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

(A) First, to each Partner having a deficit balance in its Capital Account, in the proportion that such deficit balance bears to the total deficit balances in the Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Capital Account; and

(B) Second, 1.0101% to the General Partner and 98.9899% to the Limited Partners, in accordance with their respective Percentage Interests.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Loss shall be allocated among the Partners in the following manner:

(A) First, to the General Partner and the Limited Partners in proportion to, and to the extent of, the positive balances in their respective Capital Accounts; and

(B) Second, the balance, if any, 100% to the General Partner.

(d) Special Allocations. Notwithstanding any other provision of this Section 6.1, the following special allocations shall be made for such taxable period:

(i) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Section 6.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d) with respect to such taxable period (other than an allocation pursuant to Sections 6.1(d)(v) and 6.1(d)(vi)). This Section 6.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Partner Nonrecourse Debt Minimum Gain. Notwithstanding the other provisions of this Section 6.1 (other than Section 6.1(d)(i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d), other than Section 6.1(d)(i) and other than an allocation pursuant to Sections 6.1(d)(v) and 6.1(d)(vi), with respect to such taxable period. This Section 6.1(d)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury 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 Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 6.1(d)(i) or (ii).

(iv) Gross Income Allocations. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 6.1(d)(iv) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 6.1 have been tentatively made as if this Section 6.1(d)(iv) were not in this Agreement.

(v) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Partners in accordance with their respective Percentage Interests. If the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner

is authorized, upon notice to the other Partners, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vi) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

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

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

(ix) Curative Allocation.

(A) Notwithstanding any other provision of this Section 6.1, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 6.1. Notwithstanding the preceding sentence, Required Allocations relating to (1) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain. Allocations pursuant to this Section 6.1(d)(ix)(A) shall only be made with

respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 6.1(d)(ix)(A) shall be deferred with respect to allocations pursuant to clauses (1) and (2) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 6.1(d)(ix)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations pursuant to Section 6.1(d)(ix)(A) among the Partners in a manner that is likely to minimize such economic distortions.

Section 6.2 Allocations for Tax Purposes.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 6.1.

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

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 5.5(d)(i) or 5.5(d)(ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 6.2(b)(i)(A); and (B) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(iii) The General Partner shall apply the principles of Treasury Regulation Section 1.704-3(d) to eliminate Book-Tax Disparities.

(c) For the proper administration of the Partnership and for the preservation of uniformity of the Units or other limited partner interests of the MLP (or any class or classes thereof), the General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of the Units or other limited partner interests of the MLP (or any class or classes thereof). The General Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 6.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Units or other limited partner interests of the MLP issued and outstanding or the Partnership and if such allocations are consistent with the principles of Section 704 of the Code.

(d) The General Partner in its discretion may determine to depreciate or amortize the portion of an adjustment under Section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation or amortization method and useful life applied to the Partnership's common basis of such property, despite any inconsistency of such approach with Proposed Treasury Regulation Section 1.168-2(n), Treasury Regulation Section 1.167(c)-l(a)(6) or the legislative history of Section 197 of the Code. If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt depreciation and amortization conventions under which all purchasers acquiring Limited Partner Interests of the MLP in the same month would receive depreciation and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other reasonable depreciation and amortization conventions to preserve the uniformity of the intrinsic tax characteristics of any Limited Partner Interests of the MLP that would not have a material adverse effect on the Partners or the holders of any class or classes of Limited Partner Interests of the MLP.

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 6.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

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

(g) The General Partner may adopt such methods of allocation of income, gain, loss or deduction between a transferor and a transferee of a Partnership Interest as it determines necessary, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

(h) Allocations that would otherwise be made to a Partner under the provisions of this Article VI shall instead be made to the beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion.

Section 6.3 Distributions.

(a) Within 45 days following the end of each Quarter commencing with the Quarter ending on December 31, 1998, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act, be distributed in accordance with this Article VI by the Partnership to the Partners in accordance with their respective Percentage Interests. The immediately preceding sentence shall not require any distribution of cash if and to the extent such distribution would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject. All distributions required to be made under this Agreement shall be made subject to Section 17-607 of the Delaware Act.

(b) In the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) The General Partner shall have the discretion to treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of Available Cash to such Partners.

ARTICLE VII
MANAGEMENT AND OPERATION OF BUSINESS

Section 7.1 Management.

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into a Partnership Interest, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group, subject to Section 7.6, the lending of funds to other Persons (including the MLP, the General Partner and its Affiliates), the repayment of obligations of the MLP or any member of the Partnership Group and the making of capital contributions to any member of the Partnership Group;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest

in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners as it deems necessary or appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, corporations or other relationships subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation; and

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law.

(b) Notwithstanding any other provision of this Agreement, the MLP Agreement, the Delaware Act or any applicable law, rule or regulation, each of the Partners and each other Person who may acquire an interest in the Partnership hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Partnership Agreement, the MLP Agreement, the Underwriting Agreement, the Omnibus Agreement, the Contribution and Conveyance Agreement and the other agreements and documents described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the other Persons who may acquire an interest in the Partnership; and (iii) agrees that the execution, delivery or performance by the General Partner, the MLP, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of

any duty that the General Partner may owe the Partnership or the Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

Section 7.2 Certificate of Limited Partnership.

The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership or other entity in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner or Assignee.

Section 7.3 Restrictions on General Partner's Authority.

(a) The General Partner may not, without written approval of the specific act by the Limited Partners or by other written instrument executed and delivered by the Limited Partners subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership property, or assigning any rights in specific Partnership property, for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner or (v) transferring its General Partner Interest.

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Partnership, without the approval of the Limited Partners; provided however that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership and shall not apply to any forced sale of any or all of the assets of the Partnership pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of at least a Unit Majority, the General Partner shall not, on behalf of the MLP, (i) consent to any amendment to this Agreement or, except as expressly permitted

by Section 7.9(d) of the MLP Agreement, take any action permitted to be taken by a Partner, in either case, that would have a material adverse effect on the MLP as a Partner or (ii) except as permitted under Sections 4.6, 11.1 and 11.2 of the MLP Agreement, elect or cause the MLP to elect a successor general partner of the Partnership.

Section 7.4 Reimbursement of the General Partner.

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement or in the MLP Agreement, the General Partner shall not be compensated for its services as General Partner, general partner of the MLP or as general partner of any Group Member.

(b) The General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the General Partner to perform services for the Partnership or for the General Partner in the discharge of its duties to the Partnership), and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including expenses allocated to the General Partner by its Affiliates). The General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) Subject to Section 5.7, the General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit plans, employee programs and employee practices, or cause the Partnership to issue Partnership securities, in connection with, pursuant to any employee benefit plan, employee program or employee practice maintained or sponsored by the General Partner or any of its Affiliates, in each case for the benefit of employees of the General Partner any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. Expenses incurred by the General Partner in connection with any such plans, programs and practices shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any employee benefit plans, employee programs or employee practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's General Partner Interest pursuant to Section 4.2.

Section 7.5 Outside Activities.

(a) After the Closing Date, the General Partner, for so long as it is the General Partner of the Partnership, (i) agrees that its sole business will be to act as the general partner of the Partnership, the general partner of the MLP, and a general partner of any other partnership of which the Partnership or the MLP is, directly or indirectly, a partner and to undertake activities that are ancillary or related thereto (including being a limited partner in the MLP), (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner of the Partnership, the MLP or as general partner or one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in the MLP or any Group Member and (iii) except to the extent permitted in the Omnibus Agreement, shall not, and shall cause its Affiliates not to, engage in any Restricted Activity.

(b) The Omnibus Agreement, to which the Partnership is a party, sets forth certain restrictions on the ability of Plains Resources, Inc. to engage in Restricted Activities.

(c) Except as specifically restricted by Section 7.5(a) and the Omnibus Agreement, each Indemnitee (other than the General Partner) shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by the MLP or any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of the MLP or any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to the MLP or any Group Member or any Partner or Assignee. Neither the MLP nor any Group Member, any Limited Partner, nor any other Person shall have any rights by virtue of this Agreement, the MLP Agreement or the relationship established hereby or thereby in any business ventures of any Indemnitee.

(d) Subject to the terms of the Omnibus Agreement, Section 7.5(a), (b) and (c) but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any type whatsoever of the General Partner for the Indemnitees (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership and (iii) except as set forth in the Omnibus Agreement, the General Partner and the Indemnities shall have no obligation to present business opportunities to the Partnership.

(e) The General Partner and any of its Affiliates may acquire Common Units or other MLP Securities in addition to those acquired on the Closing Date and, except as otherwise

provided in this Agreement, shall be entitled to exercise all rights relating to such Common Units or MLP Securities.

(f) The term "Affiliates" when used in Section 7.5(a) and Section 7.5(e) with respect to the General Partner shall not include any Group Member or any Subsidiary of the MLP or any Group Member.

(g) Anything in this Agreement to the contrary notwithstanding, to the extent that provisions of Sections 7.7, 7.8, 7.9, 7.10 or other Sections of this Agreement purport or are interpreted to have the effect of restricting the fiduciary duties that might otherwise, as a result of Delaware or other applicable law, be owed by the General Partner to the Partnership and its Limited Partners, or to constitute a waiver or consent by the Limited Partners to any such restriction, such provisions shall be inapplicable and have no effect in determining whether the General Partner has complied with its fiduciary duties in connection with determinations made by it under this Section 7.5.

Section 7.6 Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partner.

(a) The General Partner or its Affiliates may lend to the MLP or any Group Member, and the MLP or any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the MLP or the Group Member for such periods of time and in such amounts as the General Partner may determine; provided, however, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.6(a) and Section 7.6(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to the General Partner or any of its Affiliates (other than the MLP, a Subsidiary of the MLP or a Subsidiary of another Group Member).

(b) The Partnership may lend or contribute to any Group Member, and any Group Member may borrow from the Partnership, funds on terms and conditions established in the sole discretion of the General Partner; provided, however, that the Partnership may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership Group. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

(d) The Partnership Group may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.2 and 5.3, the Contribution and Conveyance Agreement and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership.

(f) The General Partner and its Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

(g) Without limitation of Sections 7.6(a) through 7.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

Section 7.7 Indemnification.

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the

Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 7.7 shall be available to the General Partner with respect to its obligations incurred pursuant to the Underwriting Agreement or the Contribution and Conveyance Agreement (other than obligations incurred by the General Partner on behalf of the MLP or the Partnership). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner, its Affiliates and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities or such Person's activities on behalf of the Partnership, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7(a); and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

(f) In no event may an Indemnitee subject the [Limited] Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee 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.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.8 Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partners, the Assignees or any other Persons who have acquired interests in the Units or other Partnership Securities of the MLP, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 7.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Limited Partners, the General Partner and any other Indemnitee acting in connection with the Partnership's business or affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partner, and the Partnership's and General Partner's directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 Resolution of Conflicts of Interest.

(a) Unless otherwise expressly provided in this Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, the MLP, any Partner or any Assignee, on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement of the MLP Agreement, of any agreement contemplated herein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The General Partner shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution. Any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is (i) approved by Special Approval (as long as the material facts known to the General Partner or any of its Affiliates regarding any proposed transaction were disclosed to the Conflicts Committee at the time it gave its approval), (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). The General Partner may also adopt a resolution or course of action that has not received Special Approval. The General Partner (including the Conflicts Committee in connection with Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or

principles; and (D) such additional factors as the General Partner (including the Conflicts Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner (including the Conflicts Committee) to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, any Limited Partner or any Assignee, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the MLP Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definition of Available Cash shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions to the General Partner or its Affiliates to exceed 1% of the total amount distributed to all members or (B) hasten the expiration of the Subordination Period or the conversion of any Subordinated Units into Common Units.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

(d) The MLP hereby authorizes the General Partner, on behalf of the Partnership as a partner or member of a Group Member, to approve of actions by the general partner of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

Section 7.10 Other Matters Concerning the General Partner.

(a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Limited Liability Partnership Act or any applicable law, rule or regulation shall be modified, waived or limited, to the extent permitted by law, as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement, so long as such action is reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership.

Section 7.11 Reliance by Third Parties.

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner and any officer of the General Partner authorized by the General Partner to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of the Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any

and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE VIII
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 8.1 Records and Accounting.

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

Section 8.2 Fiscal Year.

The fiscal year of the Partnership shall be a fiscal year ending December 31.

ARTICLE IX
TAX MATTERS

Section 9.1 Tax Returns and Information.

The Partnership shall timely file all returns of the Partnership that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by the Partners for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

Section 9.2 Tax Elections.

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners.

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

Section 9.3 Tax Controversies.

Subject to the provisions hereof, the General Partner is designated as the "tax matters partner" (as defined in the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

Section 9.4 Withholding.

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

ARTICLE X
ADMISSION OF PARTNERS

Section 10.1 Admission of Partners.

Upon the consummation of the transfers and conveyances described in Section 5.2, the General Partner shall be the sole general partner of the Partnership and the MLP shall be the sole limited partner of the Partnership.

Section 10.2 Admission of Substituted Limited Partner.

By transfer of a Partnership Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee (a) the right to negotiate such Limited Partner Interest to a purchaser or other transferee and (b) the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest shall be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall remain an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Partner with respect thereto and shall, in exercising the voting rights in respect of such Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee. If no such written direction is received, such Partnership Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

Section 10.3 Admission of Additional Limited Partners.

(a) A Person (other than the General Partner, the MLP or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.6, and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.3, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

Section 10.4 Admission of Successor or Transferee General Partner.

A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's Partnership Interest pursuant to Section 4.2 who is proposed to be admitted as a successor General Partner shall, subject to compliance with the terms of Section 11.3, if applicable, be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to Section 11.1 or 11.2 or the transfer of the General Partner's Partnership Interest pursuant to Section 4.2, provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.2 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

Section 10.5 Amendment of Agreement and Certificate of Limited Partnership.

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI
WITHDRAWAL OR REMOVAL OF PARTNERS

Section 11.1 Withdrawal of the General Partner.

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal");

(i) The General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners;

(ii) The General Partner transfers all of its rights as General Partner pursuant to Section 4.2;

(iii) The General Partner is removed pursuant to Section 11.2;

(iv) The General Partner withdraws from, or is removed as the General Partner of, the MLP;

(v) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(v); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor in possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(vi) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vii) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv)(with respect to withdrawal), (v), (vi) or (vii)(A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, Eastern Standard Time, on December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by the other Partners and the General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Partner or of the limited partners of the MLP or cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Eastern Standard Time, on

December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Limited Partners, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii), (iii) or (iv). If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i) hereof or Section 11.1(a)(i) of the MLP Agreement, the Limited Partners or the MLP, as the case may be, may, prior to the effective date of such withdrawal, elect a successor General Partner; provided, however, that such successor shall be the same person, if any, that is elected by the limited partners of the MLP pursuant to Section 11.1 of the MLP Agreement as the successor to the general partner of the MLP. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the other Partners or the limited partners of the MLP, as the case may be, as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

Section 11.2 Removal of the General Partner.

The General Partner shall be removed if the General Partner is removed as the general partner of the MLP pursuant to Section 11.2 of the MLP Agreement. Such removal shall be effective concurrently with the effectiveness of the removal of the General Partner as the general partner of the MLP pursuant to the terms of the MLP Agreement. If a successor general partner for the MLP is elected in connection with the removal of the General Partner, such successor general partner for the MLP shall, upon admission pursuant to Article X, automatically become the successor General Partner of the Partnership. The admission of any such successor General Partner to the Partnership shall be subject to the provisions of Section 10.3.

Section 11.3 Interest of Departing Partner.

(a) The Partnership Interest of the Departing Partner departing as a result of withdrawal or removal pursuant to Section 11.1 or 11.2 shall (unless it is otherwise required to be converted into Common Units pursuant to Section 11.3(b) of the MLP Agreement) be purchased by the successor to the Departing Partner for cash in the manner specified in the MLP Agreement. Such purchase (or conversion into Common Units, as applicable) shall be a condition to the admission to the Partnership of the successor as the General Partner. Any successor General Partner shall indemnify the Departing Partner as to all debts and liabilities of the Partnership arising on or after the effective date of the withdrawal or removal of the Departing Partner.

(b) The Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by such Departing Partner for the benefit of the Partnership.

Section 11.4 Withdrawal of a Limited Partner.

Without the prior written consent of the General Partner, which may be granted or withheld in its sole discretion, and except as provided in Section 10.1, no Limited Partner shall have the right to withdraw from the Partnership.

ARTICLE XII
DISSOLUTION AND LIQUIDATION

Section 12.1 Dissolution.

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Section 11.1 or 11.2, the Partnership shall not be dissolved and such successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

(a) the expiration of its term as provided in Section 2.7;

(b) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and an Opinion of Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.3;

(c) an election to dissolve the Partnership by the General Partner that is approved by all of the Limited Partners;

(d) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act;

(e) the sale of all or substantially all of the assets and properties of the Partnership Group; or

(f) the dissolution of the MLP.

Section 12.2 Continuation of the Business of the Partnership After Dissolution.

Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.1 or 11.2, then within 90 days thereafter, or (b) dissolution of the Partnership upon an event constituting an Event

of Withdrawal as defined in Section 11.1(a)(iv), (v) or (vi) of the MLP Agreement, then, to the maximum extent permitted by law, within 180 days thereafter, all of the Limited Partners may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as a general partner a Person approved by a majority in interest of the Limited Partners. In addition, upon dissolution of the Partnership pursuant to Section 12.1(f), if the MLP is reconstituted pursuant to Section 12.2 of the MLP Agreement, the reconstituted MLP may, within 180 days after such event of dissolution, acting alone, regardless of whether there are any other Limited Partners, elect to reconstitute the Partnership in accordance with the immediately preceding sentence. Upon any such election by the Limited Partners or the MLP, as the case may be, all Partners shall be bound thereby and shall be deemed to have approved same. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(a) the reconstituted Partnership shall continue until the end of the term set forth in Section 2.7 unless earlier dissolved in accordance with this Article XII;

(b) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be purchased by the successor General Partner or converted into Common Units of the MLP as provided in the MLP Agreement; and

(c) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file, a new partnership agreement and certificate of limited partnership, and the successor General Partner may for this purpose exercise the power of attorney granted the General Partner pursuant to Section 2.6; provided, that the right of the MLP to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of the Limited Partners or any limited partner of the MLP and (y) neither the Partnership, the reconstituted limited partnership, the MLP nor any Group Member would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

Section 12.3 Liquidator.

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the General Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by a majority of the Limited Partners. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by a majority in interest of the Limited Partners. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to

all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by at least a majority in interest of the Limited Partners. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

Section 12.4 Liquidation.

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Act and the following:

(a) Disposition of Assets. The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) Discharge of Liabilities. Liabilities of the Partnership include amounts owed to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) Liquidation Distributions. All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with, and to the extent of, the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by

reason of distributions pursuant to this Section 12.4(c)) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(g)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

Section 12.5 Cancellation of Certificate of Limited Partnership.

Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership, as well as all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware, shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 12.6 Return of Contributions.

The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

Section 12.7 Waiver of Partition.

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

Section 12.8 Capital Account Restoration.

No Limited Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership. The General Partner shall be obligated to restore any negative balance in its Capital Account upon liquidation of its interest in the Partnership by the end of the taxable year of the Partnership during which such liquidation occurs, or, if later, within 90 days after the date of such liquidation.

ARTICLE XIII
AMENDMENT OF PARTNERSHIP AGREEMENT

Section 13.1 Amendment to be Adopted Solely by the General Partner.

Each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership in which the Partners have limited liability under the laws of any state or to ensure that neither the Partnership nor the MLP will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act) or (B) facilitate the trading of limited partner interests of the MLP (including the division of any class or classes of outstanding limited partner interests of the MLP into different classes to facilitate uniformity of tax consequences within such classes of limited partner interests of the MLP) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which such limited partner interests are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the MLP and the limited partners of the MLP, (iii) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement or (iv) is required to conform the provisions of this Agreement with the provisions of the MLP Agreement as the provisions of the MLP Agreement may be amended, supplemented or restated from time to time;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(h) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(i) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(j) a merger or conveyance pursuant to Section 14.3(d); or

(k) any other amendments substantially similar to the foregoing.

Section 13.2 Amendment Procedures.

Except with respect to amendments of he type described in Section 13.1, all amendments to this Agreement shall be made in accordance with the following requirements: Amendments to this Agreement may be proposed only by or with the consent of the General Partner which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the Limited Partner.

ARTICLE XIV
MERGER

Section 14.1 Authority.

The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article XIV.

Section 14.2 Procedure for Merger or Consolidation.

Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its

discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "Surviving Business Entity");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partner interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

Section 14.3 Approval by Limited Partners of Merger or Consolidation.

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of the Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the Limited Partners.

(c) Except as provided in Section 14.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Article XIV or in this Agreement, the General Partner is permitted, in its discretion, without Limited Partner approval, to merge the Partnership or any Group Member into, or convey all of the Partnership's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such Merger other than those it receives from the Partnership or other Group Member if (i) the General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner or any limited partner in the MLP or cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity and (iii) the governing instruments of the new entity provide the Limited Partners and the General Partner with the same rights and obligations as are herein contained.

Section 14.4 Certificate of Merger.

Upon the required approval by the General Partner and the Limited Partners of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Limited Liability Partnership Act.

Section 14.5 Effect of Merger.

(a) At the effective time of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any

of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

ARTICLE XV
GENERAL PROVISIONS

Section 15.1 Addresses and Notices.

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner at the address described below. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

Section 15.2 Further Action.

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.3 Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.4 Integration.

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

Section 15.5 Creditors.

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 15.6 Waiver.

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 15.7 Counterparts.

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto, independently of the signature of any other party.

Section 15.8 Applicable Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Section 15.9 Invalidity of Provisions.

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.10 Consent of Partners.

Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

GENERAL PARTNER:

PLAINS ALL AMERICAN, INC.

By: ------------------------------

Name:
Its:

LIMITED PARTNER:

PLAINS ALL AMERICAN PIPELINE, L.P.

By: ------------------------------

Name:
Its:

EXHIBIT 3.3

Draft of November 1, 1998

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

ALL AMERICAN, L.P.

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AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

ALL AMERICAN, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP of ALL AMERICAN, L.P., dated as of _______________________________, is entered into by and between Plains All American, Inc., a Delaware corporation, as the General Partner, and Plains All American Pipeline, L.P., a Delaware limited partnership, as the Organizational Limited Partner, together with any other Persons who hereafter become Partners in the Partnership or parties hereto as provided herein.

R E C I T A L S:

WHEREAS, Plains All American, Inc. and Plains All American Pipeline, L.P. formed the Partnership pursuant to the Agreement of Limited Partnership of All American, L.P. dated as of _________________, 1998 (the "Prior Agreement"); and

WHEREAS, the Partners of the Partnership now desire to amend the Prior Agreement to reflect additional contributions by the Partners and certain other matters.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby amend the Prior Agreement and, as so amended, restate it in its entirety as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement. Capitalized terms used herein but not otherwise defined shall have the meaning assigned to such term in the MLP Agreement.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.4 and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)) and (b) decreased by (i) the amount of all losses and deductions that,

as of the end of such fiscal year, are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such fiscal year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(d)(i) or 6.1(d)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The "Adjusted Capital Account" of a Partner in respect of a General Partner Interest or any other specified interest in the Partnership shall be the amount which such Adjusted Capital Account would be if such General Partner Interest or other interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such general partner interest or other interest was first issued.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii). Once an Adjusted Property is deemed contributed to a new partnership in exchange for an interest in the new partnership, followed by a deemed liquidation of the Partnership for federal income tax purposes upon a termination of the Partnership pursuant to Treasury Regulation Section 1.708-(b)(1)(iv), such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is subsequently adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreed Allocation" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 6.1, including, without limitation, a Curative Allocation (if appropriate to the context in which the term "Agreed Allocation" is used).

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. The General Partner shall, in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a

single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"Agreement" means this Amended and Restated Agreement of Limited Partnership of All American, L.P., as it may be amended, supplemented or restated from time to time. The Agreement shall constitute a "limited partnership agreement" as such term is defined in the Delaware Act.

"Assets" means the assets being conveyed to the Partnership on the Closing Date pursuant to Section 5.2(a) and the Contribution and Conveyance Agreement.

"Assignee" means a Person to whom one or more Partnership Interests have been transferred in a manner permitted under this Agreement, but who has not been admitted as a Substituted Partner.

"Associate" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"Assumed Liabilities" means the liabilities that the Partnership is either assuming or taking subject to in connection with the conveyance of the Assets pursuant to Section 5.2(a) and the Contribution and Conveyance Agreement.

"Available Cash" means, with respect to any Quarter ending prior to the Liquidation Date,

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Partnership Group on hand on the date of determination of Available Cash with respect to such Quarter resulting from Working Capital Borrowings made subsequent to the end of such Quarter, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the business of the Partnership Group (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership Group) subsequent to such Quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any Group Member is a party or by

which it is bound or its assets are subject or (iii) provide funds for distributions under Section 6.4 or 6.5 of the MLP Agreement in respect of any one or more of the next four Quarters; provided, however, that the General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the MLP is unable to distribute the Minimum Quarterly Distribution on all Common Units, plus any Cumulative Common Unit Arrearage on all Common Units, with respect to such Quarter; and provided further that disbursements made by a Group Member or cash reserves established, increased or reduced after the end 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, within such Quarter if the General Partner so determines.

Notwithstanding the foregoing, "Available Cash" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 5.5 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the states of New York and Texas shall not be regarded as a Business Day.

"Capital Account" means the capital account maintained for a Partner pursuant to Section 5.5. The "Capital Account" of a Partner in respect of a General Partner Interest or any other specified interest in the Partnership shall be the amount which such Capital Account would be if such General Partner Interest or other specified interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest or other specified interest in the Partnership was first issued.

"Capital Contribution" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner contributes to the Partnership pursuant to this Agreement or the Contribution and Conveyance Agreement.

"Carrying Value" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and

cost recovery deductions charged to the Partners' and Assignees' Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 5.5(d)(i) and 5.5(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

"Closing Date" means the first date on which Common Units are sold by the MLP to the Underwriters pursuant to the provisions of the Underwriting Agreement.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of successor law.

"Commission" means the United States Securities and Exchange Commission.

"Common Unit" has the meaning assigned to such term in the MLP Agreement.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership (or deemed contributed to a new Partnership on termination of the Partnership pursuant to Section 708 of the Code. Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 5.5(d), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"Contribution and Conveyance Agreement" means that certain Contribution, Conveyance and Assumption Agreement, dated as of the Closing Date, among the General Partner, the Plains Midstream Subsidiaries, the MLP, the Partnership and certain other parties, together with the additional conveyance documents and instruments contemplated or referenced thereunder.

"Curative Allocation" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 6.1(d)(ix).

"Delaware Act" means the Delaware Revised Uniform Limited Partnership Act, 6 Del. C. (S)17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"Departing Partner" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1 or 11.2.

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation Section 1.752-2(a).

"Event of Withdrawal" has the meaning assigned to such term in Section 11.1(a).

"General Partner" means Plains All American, Inc. and its successors and permitted assigns as general partner of the Partnership.

"Group" means a Person that with or through any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent given to such Person in response to a proxy or consent solicitation made to 10 or more Persons) or disposing of any MLP Securities with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, MLP Securities.

"Group Member" means a member of the Partnership Group.

"Indemnitee" means (a) any General Partner, any Departing Partner and any Person who is or was an Affiliate of the General Partner or any Departing Partner, (b) any Person who is or was a director, officer, employee, agent or trustee of a Group Member, (c) any Person who is or was an officer, member, partner, director, employee, agent or trustee of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner, or any Affiliate of any such Person and (d) any Person who is or was serving at the request of the General Partner or any Departing Partner or any such Affiliate as a director, officer, employee, member, partner, agent, fiduciary or trustee of another Person; provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

"Initial Offering" means the initial offering and sale of Common Units to the public, as described in the Registration Statement.

"Liquidation Date" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the Partners have the right

to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"Liquidator" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Act.

"Limited Partner" means any Person that is admitted to the Partnership as a limited partner pursuant to the terms and conditions of this Agreement; but the term Limited Partner shall not include any Person from and after the time such Person withdraws as a Limited Partner from the Partnership.

"Merger Agreement" has the meaning assigned to such term in Section 14.1.

"Minimum Quarterly Distribution" has the meaning assigned to such term in the MLP Agreement.

"MLP" means Plains All American Pipeline, L.P.

"MLP Agreement" means the Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P., as it may be amended, supplemented or restated from time to time.

"MLP Security" has the meaning assigned to the term "Partnership Security" in the MLP Agreement.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner or Assignee by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.5(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner or Assignee upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable year, the excess, if any, of the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included

in the calculation of Net Income shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d).

"Net Loss" means, for any taxable year, the excess, if any, of the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d).

"Net Termination Gain" means, for any taxable year, the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Net Termination Loss" means, for any taxable year, the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Sections 6.2(b)(i)(A), 6.2(b)(ii)(A) and 6.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

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

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"OLP Subsidiary" means a Subsidiary of the OLP.

"Omnibus Agreement" means that Omnibus Agreement, dated as of the Closing Date, among Plains Resources, Inc., the General Partner, the MLP, the Partnership and All American, L.P.

"Opinion of Counsel" means a written opinion of counsel (which may be regular counsel to the Partnership or the General Partner or any of its Affiliates) acceptable to the General Partner in its reasonable discretion.

"Partner Nonrecourse Debt" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

"Partnership" means All American, L.P., a Delaware limited partnership, and any successors thereto.

"Partnership Group" means the Partnership and all OLP Subsidiaries, treated as a single consolidated entity.

"Partnership Interest" means an ownership interest of a Partner in the Partnership.

"Partnership Minimum Gain" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(d).

"Percentage Interest" means, (a) as to the General Partner, an aggregate 1.0101% and (b) as to the MLP, 98.9899%.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Prior Agreement" is defined in the Recitals.

"Pro Rata" means, when modifying Partners and Assignees, apportioned among all Partners and Assignees in accordance with their relative Percentage Interests.

"Quarter" means, unless the context requires otherwise, a fiscal quarter of the Partnership.

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

"Registration Statement" means the Registration Statement on Form S-1 (Registration No. 333-64107) as it has been or as it may be amended or supplemented from time to time, filed by the MLP with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"Required Allocations" means (a) any limitation imposed on any allocation of Net Losses or Net Termination Losses under Section 6.1(b) or 6.1(c)(ii) and (b) any allocation of an item of income, gain, loss or deduction pursuant to Section 6.1(d)(i), 6.1(d)(ii), 6.1(d)(iv), 6.1(d)(vii) or 6.1(d)(ix).

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 6.2(b)(i)(A) or 6.2(b)(ii)(A), respectively, to eliminate Book-Tax Disparities.

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"Special Approval" has the meaning assigned to such term in the MLP Agreement.

"Subsidiary" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"Surviving Business Entity" has the meaning assigned to such term in Section 14.2(b).

"Transfer" has the meaning assigned to such term in Section 4.4(a).

"Underwriter" means each Person named as an underwriter in Schedule I to the Underwriting Agreement who purchases Common Units pursuant thereto.

"Underwriting Agreement" means the Underwriting Agreement dated _______________, 1998 among the Underwriters, the MLP and certain other parties, providing for the purchase of Common Units by such Underwriters.

"Unit" has the meaning assigned to such term in the MLP Agreement.

"Unit Majority" has the meaning assigned to such term in the MLP Agreement.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 5.5(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date).

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 5.5(d)).

"U.S. GAAP" means United States Generally Accepted Accounting Principles consistently applied.

"Working Capital Borrowings" means borrowings exclusively for working capital purposes made pursuant to a credit facility or other arrangement requiring all such borrowings thereunder to be reduced to a relatively small amount each year for an economically meaningful period of time.

Section 1.2 Construction.

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

ARTICLE II
ORGANIZATION

Section 2.1 Formation.

The Partnership was previously formed as a limited partnership pursuant to the provisions of the Delaware Act. The Partners hereby amend and restate the Prior Agreement in its entirety. This amendment and restatement shall become effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

Section 2.2 Name.

The name of the Partnership shall be "All American, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General Partner in its sole discretion, including the name of the General Partner. The words "Limited Partnership," "L.P." or "Ltd." shall be included in the Partnership's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner in its discretion may change the name of the Partnership at any time and from time to time and shall notify the other Partner(s) of such change in the next regular communication to the Partners.

Section 2.3 Registered Office; Registered Agent; Principal Office; Other Offices.

Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at 1013 Center Road, Wilmington, Delaware 19805-1297, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be Corporation Service Company. The principal office of the Partnership shall be located at 500 Dallas, Suite 700, Houston, Texas 77002 or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner shall be 500 Dallas, Suite

700, Houston, Texas 77002 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

Section 2.4 Purpose and Business.

The purpose and nature of the business to be conducted by the Partnership shall be to (a) acquire, manage, operate and sell the Assets and any similar assets or properties now or hereafter acquired by the Partnership, (b) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that the Partnership is permitted to engage in, any type of business or activity engaged in by the General Partner prior to the Closing Date and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity; provided, however, that the General Partner reasonably determines, as of the date of the acquisition or commencement of such activity, that such activity (i) generates "qualifying income" (as such term is defined pursuant to Section 7704 of the Code) or (ii) enhances the operations of an activity of the Partnership that generates qualifying income, and (d) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member, the MLP or any Subsidiary of the MLP. The General Partner has no obligation or duty to the Partnership, the Limited Partners, or the Assignees to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Partnership of any business.

Section 2.5 Powers.

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

Section 2.6 Power of Attorney.

(a) Each Partner and each Assignee hereby constitutes and appoints the General Partner and, if a Liquidator shall have been selected pursuant to Section 12.3, the Liquidator, severally (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Interests issued pursuant hereto; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by any provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or

Assignee's successors and assigns. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 2.7 Term.

The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the close of Partnership business on December 31, 2088 or until the earlier dissolution of the Partnership in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Act.

Section 2.8 Title to Partnership Assets.

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner or Assignee, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; provided, further, that, prior to the withdrawal or removal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

ARTICLE III

RIGHTS OF LIMITED PARTNERS

Section 3.1 Limitation of Liability.

The Limited Partners and the Assignees shall have no liability under this Agreement except as expressly provided in this Agreement or in the Delaware Act.

Section 3.2 Management of Business.

No Limited Partner or Assignee, in its capacity as such, shall participate in the operation, management or control (within the meaning of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, member, general partner, agent or trustee of the General Partner or any of its Affiliates, or any officers, director, employee, member, general partner, agent or trustee of a Group Member, in its capacity as such, shall not be deemed to be participation in the control of the business of the Partnership by a limited partner of the Partnership (within the meaning of Section 17-303(a) of the Delaware Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 3.3 Outside Activities of the Limited Partners.

Subject to the provisions of Section 7.5, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

Section 3.4 Rights of Limited Partners.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand and at such Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year;

(iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the Net Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) The General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the MLP or the Partnership Group, (B) could damage the MLP or the Partnership Group or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

ARTICLE IV
TRANSFERS OF PARTNERSHIP INTERESTS

Section 4.1 Transfer Generally.

(a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction by which a Partner assigns its Partnership Interest to another Person who becomes a Partner or an Assignee, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any shareholder of the General Partner of any or all of the issued and outstanding capital stock of the General Partner.

Section 4.2 Transfer of General Partner's Partnership Interest.

If the General Partner transfers its interest as the general partner of the MLP to any Person in accordance with the provisions of the MLP Agreement, the General Partner shall contemporaneously therewith transfer all, but not less than all, of its General Partner Interest herein to such Person, and the Limited Partners hereby expressly consent to such transfer. Except as set forth in the immediately preceding sentence and in Section 5.2, a General Partner may not transfer all or any part of its Partnership Interest as the General Partner; provided, however, that this provision shall not preclude or limit a General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in its Partnership Interest as the General Partner and shall not prevent any forced sale of any or all of its Partnership Interest as the General Partner pursuant to the foreclosure of, or other realization upon, any such encumbrance.

Section 4.3 Transfer of a Limited Partner's Partnership Interest.

A Limited Partner may transfer all, but not less than all, of its Partnership Interest as a Limited Partner in connection with the merger, consolidation or other combination of such Limited Partner with or into any other Person or the transfer by such Limited Partner of all or substantially all of its assets to another Person, and following any such transfer such Person may become a Substituted Limited Partner pursuant to Article X. Except as set forth in the immediately preceding sentence and in Section 5.2, or in connection with any pledge of (or any related foreclosure on) a Partnership Interest as a Limited Partner solely for the purpose of securing, directly or indirectly, indebtedness of the Partnership or the MLP, and except for the transfers contemplated by Sections 5.2 and 10.1, a Limited Partner may not transfer all or any part of its Partnership Interest or withdraw from the Partnership.

Section 4.4 Restrictions on Transfers.

(a) Notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interest shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership or the MLP under the laws of the jurisdiction of its formation or (iii) cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid

a significant risk of the Partnership or the MLP becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions.

ARTICLE V
CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

Section 5.1 Initial Contributions.

In connection with the formation of the Partnership, the General Partner made an initial Capital Contribution to the Partnership in the amount of $50.00 in exchange for an interest in the Partnership and was admitted as General Partner, and the MLP made an initial Capital Contribution to the Partnership in the amount of $50.00 in exchange for an interest in the Partnership and was admitted as a Limited Partner.

Section 5.2 Contributions Pursuant to the Contribution and Conveyance Agreement.

(a) Pursuant to the Contribution and Conveyance Agreement, the General Partner has contributed to the capital of the Partnership certain of the Assets acquired by it from certain of the Plains Midstream Subsidiaries in exchange for addtional Partnership Interests. Immediately following such contribution, the General Partner transferred all but a 1.0101% Partnership Interest to the MLP in exchange for certain interests therein as more particularly described in the Registration Statement.

(b) Pursuant to the Contribution and Conveyance Agreement, the Partnership assumed certain indebtedness relating to the Assets.

(c) Pursuant to the Contribution and Conveyance Agreement, the MLP has contributed to the Partnership all of the net proceeds from the sale of Common Units offered pursuant to the Registration Statement and all of the limited partner interest in All American, L.P. in exchange for a Partnership Interest as a Limited Partner.

(d) Following the foregoing transactions, the General Partner holds a 1.0101% Partnership Interest as General Partner and the MLP holds a 98.9899% Partnership Interest as a Limited Partner.

Section 5.3 Additional Capital Contributions.

With the consent of the General Partner, any Limited Partner may, but shall not be obligated to, make additional Capital Contributions to the Partnership. Contemporaneously with the making of any Capital Contributions by a Limited Partner, in addition to those provided in Sections 5.1 and

5.2, the General Partner shall be obligated to make an additional Capital Contribution to the Partnership in an amount equal to [1.0101 / 98.9899] of the Net Agreed Value of the additional Capital Contribution then made by such Limited Partner. Except as set forth in the immediately preceding sentence and in Article XII, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

Section 5.4 Interest and Withdrawal.

No interest shall be paid by the Partnership on Capital Contributions. No Partner or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners or Assignees agree within the meaning of Section 17-502(b) of the Delaware Act.

Section 5.5 Capital Accounts.

(a) The Partnership shall maintain for each Partner (or a beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion) owning a Partnership Interest a separate Capital Account with respect to such Partnership Interest in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1, and decreased by (x) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1.

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

(i) Solely for purposes of this Section 5.5, the Partnership shall be treated as owning directly its proportionate share (as determined by the General Partner) of all property owned by any OLP Subsidiary that is classified as a partnership for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 6.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment in the Capital Accounts shall be treated as an item of gain or loss.

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

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.5(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost

recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(vi) If the Partnership's adjusted basis in a depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 6.1. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(c) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(d) (iv) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property or the conversion of the General Partner's Partnership Interest to Common Units as provided in Section 11.3(a) (or upon the occurrence of any other event listed in such regulation), the Capital Accounts of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the

Partners, at such time, pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall (A) in the case of an actual distribution which is not made pursuant to Section 12.4 or in the case of a deemed contribution and/or distribution occurring as a result of a termination of the Partnership pursuant to Section 708 of the Code, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

Section 5.6 Loans from Partners.

Loans by a Partner to the Partnership shall not constitute Capital Contributions. If any Partner shall advance funds to the Partnership in excess of the amounts required hereunder to be contributed by it to the capital of the Partnership, the making of such excess advances shall not result in any increase in the amount of the Capital Account of such Partner. The amount of any such excess advances shall be a debt obligation of the Partnership to such Partner and shall be payable or collectible only out of the Partnership assets in accordance with the terms and conditions upon which such advances are made.

Section 5.7 Limited Preemptive Rights.

Except as provided in Section 5.3, no Person shall have preemptive, preferential or other similar rights with respect to (a) additional Capital Contributions; (b) issuance or sale of any class or series of Partnership Interests, whether unissued, held in the treasury or hereafter created; (c) issuance of any obligations, evidences of indebtedness or other securities of the Partnership convertible into or exchangeable for, or carrying or accompanied by any rights to receive, purchase or subscribe to, any such Partnership Interests; (d) issuance of any right of subscription to or right to receive, or any warrant or option for the purchase of, any such Partnership Interests; or (e) issuance or sale of any other securities that may be issued or sold by the Partnership.

Section 5.8 Fully Paid and Non-Assessable Nature of Partnership Interests.

All Partnership Interests issued to Limited Partners pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Partnership Interests, except as such non-assessability may be affected by Section 17-607 of the Delaware Act.

ARTICLE VI
ALLOCATIONS AND DISTRIBUTIONS

Section 6.1 Allocations for Capital Account Purposes.

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 5.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

(a) Net Income. After giving effect to the special allocations set forth in Section 6.1(d), Net Income for each taxable year and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable year shall be allocated among the Partners as follows:

(i) First, 100% to the General Partner, until the aggregate Net Income allocated to the General Partner pursuant to this Section 6.1(a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(ii) for all previous taxable years;

(ii) Second, 1.0101% to the General Partner and 98.9899% to the Limited Partners in accordance with their respective Percentage Interests..

(b) Net Losses. After giving effect to the special allocations set forth in Section 6.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated among the Partners as follows:

(i) First, 1.0101% to the General Partner and 98.9899% to the Limited Partners, in accordance with their respective Percentage Interests; provided, however, that Net Losses shall not be allocated to a Limited Partner pursuant to this Section 6.1(b)(i) to the extent that such allocation would cause a Limited Partner to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in such Limited Partners's Adjusted Capital Account);

(ii) Second, the balance, if any, 100% to the General Partner.

(c) Net Termination Gains and Losses. After giving effect to the special allocations set forth in Section 6.1(d), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 6.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 6.1 and after all distributions

of Available Cash provided under Section 6.4 have been made with respect to the taxable period ending on or before the Liquidation Date; provided, however, that solely for purposes of this Section 6.1(c), Capital Accounts shall not be adjusted for distributions made pursuant to Section 12.4.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Gain shall be allocated among the Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

(A) First, to each Partner having a deficit balance in its Capital Account, in the proportion that such deficit balance bears to the total deficit balances in the Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Capital Account; and

(B) Second, 1.0101% to the General Partner and 98.9899% to the Limited Partners, in accordance with their respective Percentage Interests.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Loss shall be allocated among the Partners in the following manner:

(A) First, to the General Partner and the Limited Partners in proportion to, and to the extent of, the positive balances in their respective Capital Accounts; and

(B) Second, the balance, if any, 100% to the General Partner.

(d) Special Allocations. Notwithstanding any other provision of this Section 6.1, the following special allocations shall be made for such taxable period:

(i) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Section 6.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d) with respect to such taxable period (other than an allocation pursuant to Sections 6.1(d)(v) and 6.1(d)(vi)). This Section 6.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Partner Nonrecourse Debt Minimum Gain. Notwithstanding the other provisions of this Section 6.1 (other than Section 6.1(d)(i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d), other than Section 6.1(d)(i) and other than an allocation pursuant to Sections 6.1(d)(v) and 6.1(d)(vi), with respect to such taxable period. This Section 6.1(d)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury 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 Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 6.1(d)(i) or (ii).

(iv) Gross Income Allocations. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 6.1(d)(iv) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 6.1 have been tentatively made as if this Section 6.1(d)(iv) were not in this Agreement.

(v) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Partners in accordance with their respective Percentage Interests. If the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner

is authorized, upon notice to the other Partners, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vi) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

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

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

(ix) Curative Allocation.

(A) Notwithstanding any other provision of this Section 6.1, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 6.1. Notwithstanding the preceding sentence, Required Allocations relating to (1) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain. Allocations pursuant to this Section 6.1(d)(ix)(A) shall only be made with

respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 6.1(d)(ix)(A) shall be deferred with respect to allocations pursuant to clauses (1) and (2) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 6.1(d)(ix)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations pursuant to Section 6.1(d)(ix)(A) among the Partners in a manner that is likely to minimize such economic distortions.

Section 6.2 Allocations for Tax Purposes.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 6.1.

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

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 5.5(d)(i) or 5.5(d)(ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 6.2(b)(i)(A); and (B) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(iii) The General Partner shall apply the principles of Treasury Regulation Section 1.704-3(d) to eliminate Book-Tax Disparities.

(c) For the proper administration of the Partnership and for the preservation of uniformity of the Units or other limited partner interests of the MLP (or any class or classes thereof), the General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of the Units or other limited partner interests of the MLP (or any class or classes thereof). The General Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 6.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Units or other limited partner interests of the MLP issued and outstanding or the Partnership and if such allocations are consistent with the principles of Section 704 of the Code.

(d) The General Partner in its discretion may determine to depreciate or amortize the portion of an adjustment under Section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation or amortization method and useful life applied to the Partnership's common basis of such property, despite any inconsistency of such approach with Proposed Treasury Regulation Section 1.168-2(n), Treasury Regulation Section 1.167(c)-l(a)(6) or the legislative history of Section 197 of the Code. If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt depreciation and amortization conventions under which all purchasers acquiring Limited Partner Interests of the MLP in the same month would receive depreciation and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other reasonable depreciation and amortization conventions to preserve the uniformity of the intrinsic tax characteristics of any Limited Partner Interests of the MLP that would not have a material adverse effect on the Partners or the holders of any class or classes of Limited Partner Interests of the MLP.

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 6.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

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

(g) The General Partner may adopt such methods of allocation of income, gain, loss or deduction between a transferor and a transferee of a Partnership Interest as it determines necessary, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

(h) Allocations that would otherwise be made to a Partner under the provisions of this Article VI shall instead be made to the beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion.

Section 6.3 Distributions.

(a) Within 45 days following the end of each Quarter commencing with the Quarter ending on December 31, 1998, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act, be distributed in accordance with this Article VI by the Partnership to the Partners in accordance with their respective Percentage Interests. The immediately preceding sentence shall not require any distribution of cash if and to the extent such distribution would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject. All distributions required to be made under this Agreement shall be made subject to Section 17-607 of the Delaware Act.

(b) In the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) The General Partner shall have the discretion to treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of Available Cash to such Partners.

ARTICLE VII
MANAGEMENT AND OPERATION OF BUSINESS

Section 7.1 Management.

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into a Partnership Interest, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group, subject to Section 7.6, the lending of funds to other Persons (including the MLP, the General Partner and its Affiliates), the repayment of obligations of the MLP or any member of the Partnership Group and the making of capital contributions to any member of the Partnership Group;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest

in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners as it deems necessary or appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, corporations or other relationships subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation; and

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law.

(b) Notwithstanding any other provision of this Agreement, the MLP Agreement, the Delaware Act or any applicable law, rule or regulation, each of the Partners and each other Person who may acquire an interest in the Partnership hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Partnership Agreement, the MLP Agreement, the Underwriting Agreement, the Omnibus Agreement, the Contribution and Conveyance Agreement and the other agreements and documents described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the other Persons who may acquire an interest in the Partnership; and (iii) agrees that the execution, delivery or performance by the General Partner, the MLP, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of

any duty that the General Partner may owe the Partnership or the Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

Section 7.2 Certificate of Limited Partnership.

The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership or other entity in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner or Assignee.

Section 7.3 Restrictions on General Partner's Authority.

(a) The General Partner may not, without written approval of the specific act by the Limited Partners or by other written instrument executed and delivered by the Limited Partners subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership property, or assigning any rights in specific Partnership property, for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner or (v) transferring its General Partner Interest.

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Partnership, without the approval of the Limited Partners; provided however that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership and shall not apply to any forced sale of any or all of the assets of the Partnership pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of at least a Unit Majority, the General Partner shall not, on behalf of the MLP, (i) consent to any amendment to this Agreement or, except as expressly permitted

by Section 7.9(d) of the MLP Agreement, take any action permitted to be taken by a Partner, in either case, that would have a material adverse effect on the MLP as a Partner or (ii) except as permitted under Sections 4.6, 11.1 and 11.2 of the MLP Agreement, elect or cause the MLP to elect a successor general partner of the Partnership.

Section 7.4 Reimbursement of the General Partner.

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement or in the MLP Agreement, the General Partner shall not be compensated for its services as General Partner, general partner of the MLP or as general partner of any Group Member.

(b) The General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the General Partner to perform services for the Partnership or for the General Partner in the discharge of its duties to the Partnership), and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including expenses allocated to the General Partner by its Affiliates). The General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) Subject to Section 5.7, the General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit plans, employee programs and employee practices, or cause the Partnership to issue Partnership securities, in connection with, pursuant to any employee benefit plan, employee program or employee practice maintained or sponsored by the General Partner or any of its Affiliates, in each case for the benefit of employees of the General Partner any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. Expenses incurred by the General Partner in connection with any such plans, programs and practices shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any employee benefit plans, employee programs or employee practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's General Partner Interest pursuant to Section 4.2.

Section 7.5 Outside Activities.

(a) After the Closing Date, the General Partner, for so long as it is the General Partner of the Partnership, (i) agrees that its sole business will be to act as the general partner of the Partnership, the general partner of the MLP, and a general partner of any other partnership of which the Partnership or the MLP is, directly or indirectly, a partner and to undertake activities that are ancillary or related thereto (including being a limited partner in the MLP), (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner of the Partnership, the MLP or as general partner or one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in the MLP or any Group Member and (iii) except to the extent permitted in the Omnibus Agreement, shall not, and shall cause its Affiliates not to, engage in any Restricted Activity.

(b) The Omnibus Agreement, to which the Partnership is a party, sets forth certain restrictions on the ability of Plains Resources, Inc. to engage in Restricted Activities.

(c) Except as specifically restricted by Section 7.5(a) and the Omnibus Agreement, each Indemnitee (other than the General Partner) shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by the MLP or any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of the MLP or any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to the MLP or any Group Member or any Partner or Assignee. Neither the MLP nor any Group Member, any Limited Partner, nor any other Person shall have any rights by virtue of this Agreement, the MLP Agreement or the relationship established hereby or thereby in any business ventures of any Indemnitee.

(d) Subject to the terms of the Omnibus Agreement, Section 7.5(a), (b) and (c) but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any type whatsoever of the General Partner for the Indemnitees (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership and (iii) except as set forth in the Omnibus Agreement, the General Partner and the Indemnities shall have no obligation to present business opportunities to the Partnership.

(e) The General Partner and any of its Affiliates may acquire Common Units or other MLP Securities in addition to those acquired on the Closing Date and, except as otherwise

provided in this Agreement, shall be entitled to exercise all rights relating to such Common Units or MLP Securities.

(f) The term "Affiliates" when used in Section 7.5(a) and Section 7.5(e) with respect to the General Partner shall not include any Group Member or any Subsidiary of the MLP or any Group Member.

(g) Anything in this Agreement to the contrary notwithstanding, to the extent that provisions of Sections 7.7, 7.8, 7.9, 7.10 or other Sections of this Agreement purport or are interpreted to have the effect of restricting the fiduciary duties that might otherwise, as a result of Delaware or other applicable law, be owed by the General Partner to the Partnership and its Limited Partners, or to constitute a waiver or consent by the Limited Partners to any such restriction, such provisions shall be inapplicable and have no effect in determining whether the General Partner has complied with its fiduciary duties in connection with determinations made by it under this Section 7.5.

Section 7.6 Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partner.

(a) The General Partner or its Affiliates may lend to the MLP or any Group Member, and the MLP or any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the MLP or the Group Member for such periods of time and in such amounts as the General Partner may determine; provided, however, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.6(a) and Section 7.6(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to the General Partner or any of its Affiliates (other than the MLP, a Subsidiary of the MLP or a Subsidiary of another Group Member).

(b) The Partnership may lend or contribute to any Group Member, and any Group Member may borrow from the Partnership, funds on terms and conditions established in the sole discretion of the General Partner; provided, however, that the Partnership may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership Group. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

(d) The Partnership Group may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.2 and 5.3, the Contribution and Conveyance Agreement and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership.

(f) The General Partner and its Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

(g) Without limitation of Sections 7.6(a) through 7.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

Section 7.7 Indemnification.

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the

Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 7.7 shall be available to the General Partner with respect to its obligations incurred pursuant to the Underwriting Agreement or the Contribution and Conveyance Agreement (other than obligations incurred by the General Partner on behalf of the MLP or the Partnership). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner, its Affiliates and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities or such Person's activities on behalf of the Partnership, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7(a); and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

(f) In no event may an Indemnitee subject the [Limited] Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee 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.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.8 Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partners, the Assignees or any other Persons who have acquired interests in the Units or other Partnership Securities of the MLP, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 7.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Limited Partners, the General Partner and any other Indemnitee acting in connection with the Partnership's business or affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partner, and the Partnership's and General Partner's directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 Resolution of Conflicts of Interest.

(a) Unless otherwise expressly provided in this Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, the MLP, any Partner or any Assignee, on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement of the MLP Agreement, of any agreement contemplated herein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The General Partner shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution. Any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is (i) approved by Special Approval (as long as the material facts known to the General Partner or any of its Affiliates regarding any proposed transaction were disclosed to the Conflicts Committee at the time it gave its approval), (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). The General Partner may also adopt a resolution or course of action that has not received Special Approval. The General Partner (including the Conflicts Committee in connection with Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or

principles; and (D) such additional factors as the General Partner (including the Conflicts Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner (including the Conflicts Committee) to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, any Limited Partner or any Assignee, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the MLP Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definition of Available Cash shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions to the General Partner or its Affiliates to exceed 1% of the total amount distributed to all members or (B) hasten the expiration of the Subordination Period or the conversion of any Subordinated Units into Common Units.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

(d) The MLP hereby authorizes the General Partner, on behalf of the Partnership as a partner or member of a Group Member, to approve of actions by the general partner of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

Section 7.10 Other Matters Concerning the General Partner.

(a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Limited Liability Partnership Act or any applicable law, rule or regulation shall be modified, waived or limited, to the extent permitted by law, as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement, so long as such action is reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership.

Section 7.11 Reliance by Third Parties.

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner and any officer of the General Partner authorized by the General Partner to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of the Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any

and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE VIII
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 8.1 Records and Accounting.

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

Section 8.2 Fiscal Year.

The fiscal year of the Partnership shall be a fiscal year ending December 31.

ARTICLE IX
TAX MATTERS

Section 9.1 Tax Returns and Information.

The Partnership shall timely file all returns of the Partnership that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by the Partners for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

Section 9.2 Tax Elections.

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners.

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

Section 9.3 Tax Controversies.

Subject to the provisions hereof, the General Partner is designated as the "tax matters partner" (as defined in the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

Section 9.4 Withholding.

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

ARTICLE X
ADMISSION OF PARTNERS

Section 10.1 Admission of Partners.

Upon the consummation of the transfers and conveyances described in Section 5.2, the General Partner shall be the sole general partner of the Partnership and the MLP shall be the sole limited partner of the Partnership.

Section 10.2 Admission of Substituted Limited Partner.

By transfer of a Partnership Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee (a) the right to negotiate such Limited Partner Interest to a purchaser or other transferee and (b) the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest shall be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall remain an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Partner with respect thereto and shall, in exercising the voting rights in respect of such Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee. If no such written direction is received, such Partnership Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

Section 10.3 Admission of Additional Limited Partners.

(a) A Person (other than the General Partner, the MLP or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.6, and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.3, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

Section 10.4 Admission of Successor or Transferee General Partner.

A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's Partnership Interest pursuant to Section 4.2 who is proposed to be admitted as a successor General Partner shall, subject to compliance with the terms of Section 11.3, if applicable, be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to Section 11.1 or 11.2 or the transfer of the General Partner's Partnership Interest pursuant to Section 4.2, provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.2 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

Section 10.5 Amendment of Agreement and Certificate of Limited Partnership.

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI
WITHDRAWAL OR REMOVAL OF PARTNERS

Section 11.1 Withdrawal of the General Partner.

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal");

(i) The General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners;

(ii) The General Partner transfers all of its rights as General Partner pursuant to Section 4.2;

(iii) The General Partner is removed pursuant to Section 11.2;

(iv) The General Partner withdraws from, or is removed as the General Partner of, the MLP;

(v) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(v); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor in possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(vi) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vii) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv)(with respect to withdrawal), (v), (vi) or (vii)(A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, Eastern Standard Time, on December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by the other Partners and the General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Partner or of the limited partners of the MLP or cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Eastern Standard Time, on

December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Limited Partners, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii), (iii) or (iv). If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i) hereof or Section 11.1(a)(i) of the MLP Agreement, the Limited Partners or the MLP, as the case may be, may, prior to the effective date of such withdrawal, elect a successor General Partner; provided, however, that such successor shall be the same person, if any, that is elected by the limited partners of the MLP pursuant to Section 11.1 of the MLP Agreement as the successor to the general partner of the MLP. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the other Partners or the limited partners of the MLP, as the case may be, as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

Section 11.2 Removal of the General Partner.

The General Partner shall be removed if the General Partner is removed as the general partner of the MLP pursuant to Section 11.2 of the MLP Agreement. Such removal shall be effective concurrently with the effectiveness of the removal of the General Partner as the general partner of the MLP pursuant to the terms of the MLP Agreement. If a successor general partner for the MLP is elected in connection with the removal of the General Partner, such successor general partner for the MLP shall, upon admission pursuant to Article X, automatically become the successor General Partner of the Partnership. The admission of any such successor General Partner to the Partnership shall be subject to the provisions of Section 10.3.

Section 11.3 Interest of Departing Partner.

(a) The Partnership Interest of the Departing Partner departing as a result of withdrawal or removal pursuant to Section 11.1 or 11.2 shall (unless it is otherwise required to be converted into Common Units pursuant to Section 11.3(b) of the MLP Agreement) be purchased by the successor to the Departing Partner for cash in the manner specified in the MLP Agreement. Such purchase (or conversion into Common Units, as applicable) shall be a condition to the admission to the Partnership of the successor as the General Partner. Any successor General Partner shall indemnify the Departing Partner as to all debts and liabilities of the Partnership arising on or after the effective date of the withdrawal or removal of the Departing Partner.

(b) The Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by such Departing Partner for the benefit of the Partnership.

Section 11.4 Withdrawal of a Limited Partner.

Without the prior written consent of the General Partner, which may be granted or withheld in its sole discretion, and except as provided in Section 10.1, no Limited Partner shall have the right to withdraw from the Partnership.

ARTICLE XII
DISSOLUTION AND LIQUIDATION

Section 12.1 Dissolution.

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Section 11.1 or 11.2, the Partnership shall not be dissolved and such successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

(a) the expiration of its term as provided in Section 2.7;

(b) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and an Opinion of Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.3;

(c) an election to dissolve the Partnership by the General Partner that is approved by all of the Limited Partners;

(d) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act;

(e) the sale of all or substantially all of the assets and properties of the Partnership Group; or

(f) the dissolution of the MLP.

Section 12.2 Continuation of the Business of the Partnership After Dissolution.

Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.1 or 11.2, then within 90 days thereafter, or (b) dissolution of the Partnership upon an event constituting an Event

of Withdrawal as defined in Section 11.1(a)(iv), (v) or (vi) of the MLP Agreement, then, to the maximum extent permitted by law, within 180 days thereafter, all of the Limited Partners may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as a general partner a Person approved by a majority in interest of the Limited Partners. In addition, upon dissolution of the Partnership pursuant to Section 12.1(f), if the MLP is reconstituted pursuant to Section 12.2 of the MLP Agreement, the reconstituted MLP may, within 180 days after such event of dissolution, acting alone, regardless of whether there are any other Limited Partners, elect to reconstitute the Partnership in accordance with the immediately preceding sentence. Upon any such election by the Limited Partners or the MLP, as the case may be, all Partners shall be bound thereby and shall be deemed to have approved same. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(a) the reconstituted Partnership shall continue until the end of the term set forth in Section 2.7 unless earlier dissolved in accordance with this Article XII;

(b) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be purchased by the successor General Partner or converted into Common Units of the MLP as provided in the MLP Agreement; and

(c) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file, a new partnership agreement and certificate of limited partnership, and the successor General Partner may for this purpose exercise the power of attorney granted the General Partner pursuant to Section 2.6; provided, that the right of the MLP to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of the Limited Partners or any limited partner of the MLP and (y) neither the Partnership, the reconstituted limited partnership, the MLP nor any Group Member would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

Section 12.3 Liquidator.

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the General Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by a majority of the Limited Partners. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by a majority in interest of the Limited Partners. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to

all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by at least a majority in interest of the Limited Partners. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

Section 12.4 Liquidation.

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Act and the following:

(a) Disposition of Assets. The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) Discharge of Liabilities. Liabilities of the Partnership include amounts owed to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) Liquidation Distributions. All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with, and to the extent of, the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by

reason of distributions pursuant to this Section 12.4(c)) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(g)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

Section 12.5 Cancellation of Certificate of Limited Partnership.

Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership, as well as all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware, shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 12.6 Return of Contributions.

The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

Section 12.7 Waiver of Partition.

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

Section 12.8 Capital Account Restoration.

No Limited Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership. The General Partner shall be obligated to restore any negative balance in its Capital Account upon liquidation of its interest in the Partnership by the end of the taxable year of the Partnership during which such liquidation occurs, or, if later, within 90 days after the date of such liquidation.

ARTICLE XIII
AMENDMENT OF PARTNERSHIP AGREEMENT

Section 13.1 Amendment to be Adopted Solely by the General Partner.

Each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership in which the Partners have limited liability under the laws of any state or to ensure that neither the Partnership nor the MLP will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act) or (B) facilitate the trading of limited partner interests of the MLP (including the division of any class or classes of outstanding limited partner interests of the MLP into different classes to facilitate uniformity of tax consequences within such classes of limited partner interests of the MLP) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which such limited partner interests are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the MLP and the limited partners of the MLP, (iii) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement or (iv) is required to conform the provisions of this Agreement with the provisions of the MLP Agreement as the provisions of the MLP Agreement may be amended, supplemented or restated from time to time;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(h) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(i) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(j) a merger or conveyance pursuant to Section 14.3(d); or

(k) any other amendments substantially similar to the foregoing.

Section 13.2 Amendment Procedures.

Except with respect to amendments of he type described in Section 13.1, all amendments to this Agreement shall be made in accordance with the following requirements: Amendments to this Agreement may be proposed only by or with the consent of the General Partner which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the Limited Partner.

ARTICLE XIV
MERGER

Section 14.1 Authority.

The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article XIV.

Section 14.2 Procedure for Merger or Consolidation.

Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its

discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "Surviving Business Entity");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partner interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

Section 14.3 Approval by Limited Partners of Merger or Consolidation.

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of the Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the Limited Partners.

(c) Except as provided in Section 14.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Article XIV or in this Agreement, the General Partner is permitted, in its discretion, without Limited Partner approval, to merge the Partnership or any Group Member into, or convey all of the Partnership's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such Merger other than those it receives from the Partnership or other Group Member if (i) the General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner or any limited partner in the MLP or cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity and (iii) the governing instruments of the new entity provide the Limited Partners and the General Partner with the same rights and obligations as are herein contained.

Section 14.4 Certificate of Merger.

Upon the required approval by the General Partner and the Limited Partners of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Limited Liability Partnership Act.

Section 14.5 Effect of Merger.

(a) At the effective time of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any

of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

ARTICLE XV
GENERAL PROVISIONS

Section 15.1 Addresses and Notices.

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner at the address described below. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

Section 15.2 Further Action.

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.3 Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.4 Integration.

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

Section 15.5 Creditors.

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 15.6 Waiver.

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 15.7 Counterparts.

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto, independently of the signature of any other party.

Section 15.8 Applicable Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Section 15.9 Invalidity of Provisions.

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.10 Consent of Partners.

Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

[Rest of page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

GENERAL PARTNER:

PLAINS ALL AMERICAN, INC.

By: ------------------------------------

Name: ----------------------------------

Its: -----------------------------------

LIMITED PARTNER:

PLAINS ALL AMERICAN PIPELINE, L.P.

By: ------------------------------------

Name: ----------------------------------

Its: -----------------------------------

EXHIBIT 3.4

CERTIFICATE OF LIMITED PARTNERSHIP

OF

PLAINS ALL AMERICAN PIPELINE, L.P.

The undersigned represents that it has formed a limited partnership pursuant to the Delaware Revised Uniform Limited Partnership Act (the "Act") and that the undersigned has executed this Certificate in compliance with the requirements of the Act. The undersigned further states:

1. The name of the limited partnership is PLAINS ALL AMERICAN PIPELINE, L.P. (the "Partnership").

2. The address of the registered office of the Partnership in the State of Delaware and the name and address of the registered agent of the Partnership required to be maintained by Section 17-104 of the Act at such address are as follows:

Name and Address of Registered Agent	Address of Registered Office
Corporation Service Company 1013 Centre Road Wilmington, Delaware 19805-1297	1013 Centre Road Wilmington, Delaware 19805-1297

3. The name and business address of the General Partner is as follows:

General Partner	Address
Plains All American, Inc.	500 Dallas, Suite 700 Houston, Texas 77002

WHEREFORE, the undersigned has executed this Certificate as of the 16th day of September, 1998.

PLAINS ALL AMERICAN, INC.,
as General Partner

By: /s/ Michael R. Patterson
Name: Michael R. Patterson
Title: Vice President

EXHIBIT 3.5

CERTIFICATE OF LIMITED PARTNERSHIP

OF

PLAINS MARKETING, L.P.

The undersigned represents that it has formed a limited partnership pursuant to the Delaware Revised Uniform Limited Partnership Act (the "Act") and that the undersigned has executed this Certificate in compliance with the requirements of the Act. The undersigned further states:

1. The name of the limited partnership is PLAINS MARKETING, L.P. (the "Partnership").

2. The address of the registered office of the Partnership in the State of Delaware and the name and address of the registered agent of the Partnership required to be maintained by Section 17-104 of the Act at such address are as follows:

Name and Address of Registered Agent	Address of Registered Office
Corporation Service Company 1013 Centre Road Wilmington, Delaware 19805-1297	1013 Centre Road Wilmington, DE 19805-1297

3. The name and business address of the General Partner is as follows:

General Partner	Address
Plains All American Inc.	500 Dallas, Suite 700 Houston, Texas 77002

WHEREFORE, the undersigned has executed this Certificate as of the th day of October, 1998.

PLAINS ALL AMERICAN INC.
as General Partner

By: ______________________
Name: Michael R. Patterson
Title: Vice President

EXHIBIT 3.6

CERTIFICATE OF LIMITED PARTNERSHIP
OF
ALL AMERICAN, L.P.

1. The name of the limited partnership is All American, L.P.

2. The address of the registered office and the name and address of the registered agent for service of process is as follows:

   Michael R. Patterson
   500 Dallas, Suite 700
   Houston, Texas 77002

3. The address of the principal office in the United States where records of the limited partnership are to be kept or made available is as follows:

   500 Dallas, Suite 700
   Houston, Texas 77002

4. The name, mailing address and the street address of the business of the sole general partner is as follows:

   Plains All American Inc.
   500 Dallas, Suite 700
   Houston, Texas 77002

5. The limited partnership is to be formed as of the time of the filing of this Certificate of Limited Partnership with the Secretary of State of Texas.

6. This limited partnership is being organized pursuant to a plan of conversion. The name, address, prior form of organization, date of incorporation and the jurisdiction of incorporation of the converting entity are as follows:

Name and Address	Prior Form of Organization	Date of Incorporation	Jurisdiction of Incorporation
All American Pipeline Company 500 Dallas, Suite 700 Houston, Texas 77002	Corporation	6/22/83	Texas

EXHIBIT 5.1

November 3, 1998

Plains All American Pipeline, L.P.
500 Dallas
Suite 700
Houston, Texas 77002

Gentlemen:

We have acted as counsel to Plains All American Pipeline, L.P., a Delaware limited partnership (the "Partnership"), and Plains All American Inc., a Delaware corporation and the general partner of the Partnership, in connection with the registration under the Securities Act of 1933, as amended (the "Act"), of the offering and sale of up to an aggregate of 14,700,000 common units representing limited partner interests in the Partnership (the "Common Units").

As the basis for the opinion hereinafter expressed, we have examined such statutes, regulations, corporate records and documents, certificates of corporate and public officials, and other instruments as we have deemed necessary or advisable for the purposes of this opinion. In such examination we have assumed the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies.

Based on the foregoing and on such legal considerations as we deem relevant, we are of the opinion that:

1. The Partnership has been duly formed and is validly existing as a limited partnership under the Delaware Revised Uniform Limited Partnership Act.

2. The Common Units will, when issued and paid for as described in the Partnership's Registration Statement on Form S-1 (File No. 333-64107) relating to the Common Units, as amended (the "Registration Statement"), be duly authorized, validly issued, fully paid and nonassessable, except as such nonassessability may be affected by the matters described in the prospectus included in the Registration Statement (the "Prospectus") under the caption "The Partnership Agreement--Limited Liability."

We hereby consent to the use of this opinion as an exhibit to the Registration Statement and to the reference to us under the caption "Validity of the Common Units" in the Prospectus.

Very truly yours,

/s/ Andrews & Kurth L.L.P.

1198/1213/2727

EXHIBIT 8.1

November 3, 1998

Plains All American Pipeline, L.P.
500 Dallas
Suite 700
Houston, Texas 77002

RE: REGISTRATION STATEMENT ON FORM S-1

Ladies and Gentlemen:

We have acted as special counsel in connection with the Registration Statement on Form S-1, Registration No.: 333-64107 (the "Registration Statement") of Plains All American Pipeline, L.P. (the "Partnership"), relating to the registration of the offering and sale (the "Offering") of 12,782,609 common units (14,700,000 common units if the underwriters' overallotment option is exercised in full) representing limited partner interests in the Partnership (the "Common Units"). In connection therewith, we have participated in the preparation of the discussion set forth under the caption "Tax Considerations" (the "Discussion") in the Registration Statement. Capitalized terms used and not otherwise defined herein are used as defined in the Registration Statement.

The Discussion, subject to the qualifications stated therein, constitutes our opinion as to the material United States federal income tax consequences for purchasers of Common Units pursuant to the Offering.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name in the Discussion. The issuance of such consent does not concede that we are an "expert" for the purposes of the Securities Act of 1933.

Very truly yours,

/s/ ANDREWS & KURTH L.L.P.

Andrews & Kurth L.L.P.

1117/1216

EXHIBIT 10.1

===

CREDIT AGREEMENT

ALL AMERICAN, L.P.,

as Borrower,

PLAINS MARKETING, L.P.

as Guarantor,

and

PLAINS ALL AMERICAN PIPELINE, L.P.,

as Guarantor,

ING (U.S.) CAPITAL CORPORATION,

as Administrative Agent,

ING BARING FURMAN SELZ LLC,

as Syndication Agent,

BANCBOSTON ROBERTSON STEPHENS INC.,

as Documentation Agent,

and CERTAIN FINANCIAL INSTITUTIONS,

as Lenders

$50,000,000 Revolving Credit Facility

$175,000,000 Term Loan

November ____, 1998

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT is made as of November ____, 1998, by and among ALL AMERICAN, L.P., a Delaware limited partnership ("All American" or "Borrower"), PLAINS MARKETING, L.P., a Delaware limited partnership ("Operating"), PLAINS ALL AMERICAN PIPELINE, L.P. ("Plains MLP"), a Delaware limited partnership, ING (U.S.) CAPITAL CORPORATION, as administrative agent (in such capacity, "Administrative Agent"), ING BARING FURMAN SELZ LLC, as syndication agent (in such capacity, "Syndication Agent") and BANCBOSTON ROBERTSON STEPHENS INC., as documentation agent (in such capacity, "Documentation Agent") and the Lenders referred to below. In consideration of the mutual covenants and agreements contained herein the parties hereto agree as follows:

ARTICLE I - Definitions and References

Section 1.1. Defined Terms. As used in this Agreement, each of the following terms has the meaning given to such term in this Section 1.1 or in the sections and subsections referred to below:

"Adjusted Eurodollar Rate" means, with respect to each particular Eurodollar Loan and the related Interest Period, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1% determined by Administrative Agent to be equal to the quotient obtained by dividing (i) the rate reported, on the date two Business Days prior to the first day of such Interest Period, on Dow Jones Market Service (formerly Telerate Access Service) Page 3750 (British Bankers Association Settlement Rate) as the London Interbank Offered Rate for dollar deposits having a term comparable to such Interest Period and in an amount of $1,000,000 or more (or, if such Page shall cease to be publicly available or if the information contained on such Page, in Administrative Agent's sole judgment, shall cease to accurately reflect such London Interbank Offered Rate, as reported by any publicly available source of similar market data selected by Administrative Agent that, in Administrative Agent's sole judgment, accurately reflects such London Interbank Offered Rate) by (ii) 1 minus the Reserve Requirement for such Eurodollar Loan for such Interest Period. The Adjusted Eurodollar Rate for any Eurodollar Loan shall change whenever the Reserve Requirement changes.

"Administrative Agent" means ING (U.S.) Capital Corporation, as Administrative Agent hereunder, and its successors in such capacity.

"Affiliate" means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with, such Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power

(a) to vote 5% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or

(b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Affiliate Agreements" means [that certain marketing agreement of even date herewith among Operating, Resources and certain Subsidiaries of Resources and that certain Omnibus Agreement of even date herewith between Plains MLP and Resources.]

"Agreement" means this Amended and Restated Credit Agreement.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of Base Rate Loans and such Lender's Eurodollar Lending Office in the case of Eurodollar Loans.

"Applicable Leverage Level" means the level set forth below that corresponds to the ratio of (i) Consolidated Indebtedness of Plains MLP and its Subsidiaries to (ii) the Consolidated EBITDA for the applicable period of four Fiscal Quarters (the "Leverage Ratio"):

Applicable Leverage Level	Leverage Ratio
Level I	greater than or equal to 4.0 to 1.0
Level II	greater than or equal to 3.0 to 1.0 but less than 4.0 to 1.0
Level III	greater than or equal to 2.0 to 1.0 but less than 3.0 to 1.0
Level IV	less than 2.0 to 1.0

The Leverage Ratio will be determined quarterly by Administrative Agent within two (2) Business Days after Administrative Agent's receipt of Plains MLP's Consolidated financial statements for the immediate preceding Fiscal Quarter based upon: (i) Consolidated Indebtedness as of the end of such Fiscal Quarter, and (ii) the Consolidated EBITDA for the four Fiscal Quarters ending with such Fiscal Quarter. The Applicable Leverage Level shall become effective upon such determination of the Leverage Ratio by Administrative Agent and shall remain effective until the next such determination by Administrative Agent of the Leverage Ratio. From the date hereof until the date the Administrative Agent has determined the Leverage Ratio based on the December 31, 1998 Fiscal Quarter, the Applicable Leverage Level shall be Level [II].

"Applicable Rating Level" means, for any day, the level set forth below that corresponds to the higher of the ratings publicly announced by Moody's or S&P, as applicable

on that day, to the Term Loans; provided that if ratings announced by Moody's and S&P differ by more than two (2) levels on such day, then the Applicable Rating Level shall be based upon the level which is one level lower than the higher.

Applicable Rating Level	Moody's	S&P
Level A	* Baa3	* BBB-
Level B	** Baa3	** BBB-

"*" means greater than or equal to and "**" means less than. If neither Moody's or S&P shall have in effect a rating for the Term Loans, then the Applicable Rating Level shall be deemed to be Level B. If the rating system of either rating agency shall change, or if a rating agency shall cease to be in the business of rating corporate debt obligations, Plains MLP and the Revolver Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency, but until such an agreement shall be reached, the Applicable Rating Level shall be based only upon the rating by the remaining rating agency.

"Available Cash" has the meaning given such term as of the date of this Agreement in the Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. dated as of _____________, 1998.

"Base Rate" means, for any day, the higher of (a) the Reference Rate and (b) the Federal Funds Rate plus one-half percent (0.5%) per annum. For purposes of this definition, "Reference Rate" means the arithmetic average of the rates of interest publicly announced by The Chase Manhattan Bank, Citibank, N.A. and Morgan Guaranty Trust Company of New York (or their respective successors) as their respective prime commercial lending rates (or, as to any such bank that does not announce such a rate, such bank's 'base' or other rate determined by Administrative Agent to be the equivalent rate announced by such bank), except that, if any such bank shall, for any period, cease to announce publicly its prime commercial lending (or equivalent) rate, Administrative Agent shall, during such period, determine the "Base Rate" based upon the prime commercial lending (or equivalent) rates announced publicly by the other such banks.

"Base Rate Loan" means a Loan which does not bear interest based upon the Adjusted Eurodollar Rate.

"Borrower" means All American, L.P., a Delaware limited partnership.

"Borrowing" means a borrowing of new Revolver Loans of a single Type pursuant to Section 2.2 or a Continuation or Conversion of all or a portion of an existing Loan (whether alone or as a combination with a new Loan) into a single Type (and, in the case of Eurodollar Loans, with the same Interest Period) pursuant to Section 2.3.

"Borrowing Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.2.

"Business Day" means a day, other than a Saturday or Sunday, on which commercial banks are open for business with the public in New York, New York. Any Business Day in any way relating to Eurodollar Loans (such as the day on which an Interest Period begins or ends) must also be a day on which, in the judgment of Administrative Agent, significant transactions in dollars are carried out in the London interbank eurocurrency market.

"Capital Lease" means a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Capital Lease Obligation" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"Cash Equivalents" means Investments in:

(a) marketable obligations, maturing within 12 months after acquisition thereof, issued or unconditionally guaranteed by the United States of America or an instrumentality or agency thereof and entitled to the full faith and credit of the United States of America;

(b) demand deposits and time deposits (including certificates of deposit) maturing within 12 months from the date of deposit thereof, (i) with any office of any Lender or (ii) with a domestic office of any national or state bank or trust company which is organized under the Laws of the United States of America or any state therein, which has capital, surplus and undivided profits of at least $500,000,000, and whose long term certificates of deposit are rated at least Aa3 by Moody's or AA- by S&P;

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in subsection (a) above entered into with (i) any Lender or (ii) any other commercial bank meeting the specifications of subsection (b) above;

(d) open market commercial paper, maturing within 270 days after acquisition thereof, which are rated at least P-1 by Moody's or A-1 by S&P; and

(e) money market or other mutual funds substantially all of whose assets comprise securities of the types described in subsections (a) through (d) above.

"Change of Control" means the occurrence of any of the following events: (i) an event or series of events by which any Person or other entity or group of Persons or other entities acting in concert as a partnership or other group (a "Group of Persons") shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases, merger, consolidation or otherwise, have become the beneficial owner (within the meaning of Rule

13d-3 under the Securities Exchange Act of 1934, as amended) of 40% or more of the combined voting power of the then outstanding voting stock of Resources, (ii) during any period of two consecutive years (A) the members of the board of directors of Resources (the "Board") as of January 1, 1998, (B) any director elected thereafter in any annual meeting of the stockholders of Resources upon the recommendation of the Board, and (C) any other member of the Board who will be recommended or elected to succeed those Persons described in subclauses (A) and (B) of this clause (ii) by a majority of such Persons who are then members of the Board, cease for any reason to constitute collectively a majority of the Board then in office, (iii) the direct or indirect sale, lease, exchange or other transfer of all or substantially all of the Consolidated assets of Resources and its Subsidiaries, to any Person or Group of Persons, or (iv) Resources, either directly or through a wholly owned Subsidiary of Resources, shall cease to be the legal and beneficial owner (as defined above) of more than 50% of the voting percent of the outstanding voting stock of General Partner, or General Partner shall cease to be the sole legal and beneficial owner (as defined above) of all of the general partnership interests (including all securities which are convertible into general partnership interests), of Plains MLP, All American, or Borrower, (v) any Person or Group of Persons other than Resources or any Subsidiary of Resources shall be the beneficial owner (as defined above) of 50% or more of the combined voting power of the then total partnership interests in Plains MLP, or (vi) Resources and its wholly owned Subsidiaries taken as a whole shall hold legal and beneficial ownership of issued and outstanding partnership interests of Plains MLP representing less than 5% of the total outstanding partnership interests of Plains MLP.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, together with all rules and regulations promulgated with respect thereto.

"Collateral" means all property of any kind which is subject to a Lien in favor of Lenders (or in favor of Administrative Agent for the benefit of Lenders) or which, under the terms of any Security Document, is purported to be subject to such a Lien, in each case granted or created to secure all or part of the Obligations.

"Consolidated" refers to the consolidation of any Person, in accordance with GAAP, with its properly consolidated subsidiaries. References herein to a Person's Consolidated financial statements, financial position, financial condition, liabilities, etc. refer to the consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly consolidated subsidiaries.

"Consolidated EBITDA" means, for any four-Fiscal Quarter period, the sum of (1) the Consolidated Net Income of Plains MLP and its Subsidiaries during such period, plus (2) all interest expense which was deducted in determining such Consolidated Net Income for such period, plus (3) all income taxes (including any franchise taxes to the extent based upon net income) which were deducted in determining such Consolidated Net Income, plus (4) all depreciation, amortization (including amortization of good will and debt issue costs) and other non-cash charges (including any provision for the reduction in the carrying value of assets recorded in accordance with GAAP) which were deducted in determining such Consolidated

Net Income, minus (5) all non-cash items of income which were included in determining such Consolidated Net Income. For the Fiscal Quarters preceding the date hereof, Consolidated EBITDA shall be mean the pro forma Consolidated EBITDA reflected on Schedule 5 for such Fiscal Quarter.

"Consolidated Indebtedness" means all Indebtedness of Plains MLP and, without duplication, all Indebtedness any of its Subsidiaries after eliminating (i) all intercompany items between Plains MLP and its Subsidiaries required to be eliminated in the course of the preparation of Consolidated financial statements in accordance with GAAP and (ii) any Liability related to any unrealized gains or losses from a mark to market of any Hedging Contracts.

"Consolidated Net Income" means, for any period, Plains MLP's and its Subsidiaries' gross revenues for such period, including any cash dividends or distributions actually received from any other Person during such period, minus Plains MLP's and its Subsidiaries' expenses and other proper charges against income (including taxes on income, to the extent imposed), determined on a Consolidated basis after eliminating earnings or losses attributable to outstanding minority interests and excluding the net earnings of any Person other than a Subsidiary in which Plains MLP or any of its Subsidiaries has an ownership interest. Consolidated Net Income shall not include any gain or loss from the sale of assets or any extraordinary gains or losses.

"Consolidated Net Worth" means the remainder of all Consolidated assets, as determined in accordance with GAAP, of Plains MLP and its Subsidiaries minus the sum of (a) Plains MLP's Consolidated liabilities, as determined in accordance with GAAP, and (b) all outstanding Minority Interests. The effect of any increase or decrease in net worth in any period as a result of any unrealized gains or losses from a mark to market of any Hedging Contracts not reflected in the determination of net income but reflected in the determination of comprehensive income shall be excluded in determining Consolidated Net Worth. "Minority Interests" means the book value of any equity interests in any of Plains MLP's Subsidiaries (exclusive of the [1.00%] general partnership interests held by the General Partner which equity interests are owned by Persons other than Plains MLP or one of its wholly owned Subsidiaries.

"Continuation/Conversion Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.3.

"Continue", "Continuation", and "Continued" shall refer to the continuation pursuant to Section 2.3 hereof of a Eurodollar Loan as a Eurodollar Loan from one Interest Period to the next Interest Period.

"Convert", "Conversion", and "Converted" shall refer to a conversion pursuant to Section 2.3 or Article III of one Type of Loan into another Type of Loan.

"Default" means any Event of Default and any default, event or condition which would, with the giving of any requisite notices and the passage of any requisite periods of time, constitute an Event of Default.

"Default Rate" means, at the time in question, (i) three and three-fourths percent (3.75%) per annum plus the Adjusted Eurodollar Rate then in effect for any Eurodollar Loan (up to the end of the applicable Interest Period) or (ii) two percent (2%) per annum plus the Base Rate for each Base Rate Loan; provided, however, the Default Rate shall never exceed the Highest Lawful Rate

"Default Rate Period" means (i) any period during which an Event of Default, other than pursuant to Section 8.1 (a) or (b), is continuing, provided that such period shall not begin until notice of the commencement of the Default Rate has been given to Borrower by Administrative Agent upon the instruction by Majority Lenders and (ii) any period during which any Event of Default pursuant to Section 8.1 (a) or (b) is continuing unless Borrower has been notified otherwise by Administrative Agent upon the instruction by Majority Lenders.

"Disclosure Schedule" means Schedule 2 hereto.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" in the Lender Schedule hereto, or such other office as such Lender may from time to time specify to Borrower and Administrative Agent; with respect to LC Issuer, the office, branch, or agency through which it issues Letters of Credit; and, with respect to Administrative Agent, the office, branch, or agency through which it administers this Agreement.

"Eligible Transferee" means a Person which either (a) is a Lender, or (b) is consented to as an Eligible Transferee by Administrative Agent and, so long as no Default or Event of Default is continuing, by Borrower, which consents in each case will not be unreasonably withheld (provided that no Person organized outside the United States may be an Eligible Transferee if Borrower would be required to pay withholding taxes on interest or principal owed to such Person).

"Environmental Laws" means any and all Laws relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, together with all rules and regulations promulgated with respect thereto.

"ERISA Affiliate" means each Restricted Person and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common

control that, together with such Restricted Person, are treated as a single employer under Section 414 of the Code.

"ERISA Plan" means any employee pension benefit plan subject to Title IV of ERISA maintained by any ERISA Affiliate with respect to which any Restricted Person has a fixed or contingent liability.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" on the Lender Schedule hereto (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to Borrower and Administrative Agent.

"Eurodollar Loan" means a Loan that bears interest at a rate based upon the Adjusted Eurodollar Rate.

"Event of Default" has the meaning given to such term in Section 8.1.

"Existing Agreement" means that certain Credit Agreement among General Partner, Administrative Agent, Documentation Agent, and Syndication Agent and other financial institutions dated as of July 30, 1998, as amended, restated or supplemented to the date hereof.

"Facility Usage" means, at the time in question, the aggregate amount of outstanding Revolver Loans and LC Obligations at such time.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of one percent) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate quoted to Administrative Agent on such day on such transactions as determined by Administrative Agent.

"Fiscal Quarter" means a three-month period ending on March 31, June 30, September 30 or December 31 of any year.

"Fiscal Year" means a twelve-month period ending on December 31 of any year.

"GAAP" means those generally accepted accounting principles and practices which are recognized as such by the Financial Accounting Standards Board (or any generally recognized successor) and which, in the case of Plains MLP and its Consolidated Subsidiaries, are applied for all periods after the date hereof in a manner consistent with the manner in which such principles and practices were applied to the audited Initial Financial Statements. If any change

in any accounting principle or practice is required by the Financial Accounting Standards Board (or any such successor) in order for such principle or practice to continue as a generally accepted accounting principle or practice, all reports and financial statements required hereunder with respect to Plains MLP or with respect to Plains MLP and its Consolidated Subsidiaries may be prepared in accordance with such change, but all calculations and determinations to be made hereunder may be made in accordance with such change only after notice of such change is given to each Lender and Majority Lenders agree to such change insofar as it affects the accounting of Plains MLP or of Plains MLP and its Consolidated Subsidiaries.

"General Partner" means Plains All American Inc., a Delaware corporation.

"Guarantors" means Plains MLP and all of its Subsidiaries (including Operating but excluding Borrower) and any other Person who has guaranteed some or all of the Obligations and who has been accepted by Administrative Agent as a Guarantor or any Subsidiary of Plains MLP which now or hereafter executes and delivers a guaranty to Administrative Agent pursuant to Section 6.17.

"Hazardous Materials" means any substances regulated under any Environmental Law, whether as pollutants, contaminants, or chemicals, or as industrial, toxic or hazardous substances or wastes, or otherwise.

"Hedging Contract" means (a) any agreement providing for options, swaps, floors, caps, collars, forward sales or forward purchases involving interest rates, commodities or commodity prices, equities, currencies, bonds, or indexes based on any of the foregoing, (b) any option, futures or forward contract traded on an exchange, and (c) any other derivative agreement or other similar agreement or arrangement. [Add provision excluding normal purchase, sale and exchange contracts by Operating.]

"Highest Lawful Rate" means, with respect to each Lender Party to whom Obligations are owed, the maximum nonusurious rate of interest that such Lender Party is permitted under applicable Law to contract for, take, charge, or receive with respect to such Obligations. All determinations herein of the Highest Lawful Rate, or of any interest rate determined by reference to the Highest Lawful Rate, shall be made separately for each Lender Party as appropriate to assure that the Loan Documents are not construed to obligate any Person to pay interest to any Lender Party at a rate in excess of the Highest Lawful Rate applicable to such Lender Party.

"Incentive and Option Plans" means the Plains All American Inc. 1998 Long-Term Incentive Plan as in effect on the date hereof and the Plains All American Inc. Management Incentive Plan as in effect on the date hereof.

"Indebtedness" of any Person means its Liabilities (without duplication) in any of the following categories:

(a) Liabilities for borrowed money,

(b) Liabilities constituting an obligation to pay the deferred purchase price of property or services,

(c) Liabilities evidenced by a bond, debenture, note or similar instrument,

(d) Liabilities (other than reserves for taxes and reserves for contingent obligations) which (i) would under GAAP be shown on such Person's balance sheet as a liability and (ii are payable more than one year from the date of creation or incurrence thereof,

(e) Liabilities arising under Hedging Contracts (on a net basis to the extent netting is provided for in the applicable Hedging Contract),

(f) Liabilities constituting principal under Capital Leases,

(g) Liabilities arising under conditional sales or other title retention agreements,

(h) Liabilities owing under direct or indirect guaranties of Liabilities of any other Person or otherwise constituting obligations to purchase or acquire or to otherwise protect or insure a creditor against loss in respect of Liabilities of any other Person (such as obligations under working capital maintenance agreements, agreements to keep-well, or agreements to purchase Liabilities, assets, goods, securities or services), but excluding endorsements in the ordinary course of business of negotiable instruments in the course of collection,

(i) Liabilities consisting of an obligation to purchase or redeem securities or other property, if such Liabilities arises out of or in connection with the sale or issuance of the same or similar securities or property (for example, repurchase agreements, mandatorily redeemable preferred stock and sale/leaseback agreements),

(j) Liabilities with respect to letters of credit or applications or reimbursement agreements therefor,

(k) Liabilities with respect to banker's acceptances, or

(l) Liabilities with respect to obligations to deliver goods or services in consideration of advance payments therefor;

provided, however, that the "Indebtedness" of any Person shall not include Liabilities that were incurred in the ordinary course of business by such Person on ordinary trade terms to vendors, suppliers, or other Persons providing goods and services for use by such Person in the ordinary course of its business, unless and until such Liabilities are outstanding more than 120 days after the date the respective goods are delivered or the respective services are rendered, other than Liabilities contested in good faith by appropriate proceedings, if required,

and for which adequate reserves are maintained on the books of such Person in accordance with GAAP.

"Initial Financial Statements" means the audited pro forma consolidated financial statements of Plains MLP as of September 30, 1998.

"Insurance Schedule" means Schedule 4 attached hereto.

"Interest Expense" means, with respect to any period, the sum (without duplication) of the following (in each case, eliminating all offsetting debits and credits between Plains MLP and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of Plains MLP and its Subsidiaries in accordance with GAAP): (a) all interest and commitment fees in respect of Indebtedness of Plains MLP or any of its Subsidiaries (including imputed interest on Capital Lease Obligations) which are accrued during such period and whether expensed in such period or capitalized; plus (b) all fees, expenses and charges in respect of letters of credit issued for the account of Plains MLP or any of its Subsidiaries, which are accrued during such period and whether expensed in such period or capitalized.

"Interest Payment Date" means (a) with respect to each Base Rate Loan, the last day of each March, June, September and December, and (b) with respect to each Eurodollar Loan, the last day of the Interest Period that is applicable thereto and, if such Interest Period is six, or twelve months in length, the dates specified by Administrative Agent which are approximately three, six, and nine months (as appropriate) after such Interest Period begins; provided that the last Business Day of each calendar month shall also be an Interest Payment Date for each such Loan so long as any Event of Default exists under Section 8.1 (a) or (b).

"Interest Period" means, with respect to each particular Eurodollar Loan in a Borrowing, the period specified in the Borrowing Notice or Continuation/Conversion Notice applicable thereto, beginning on and including the date specified in such Borrowing Notice or Continuation/Conversion Notice (which must be a Business Day), and ending one, two, three, six or twelve months (if twelve months is available for each Lender) thereafter, as Borrower may elect in such notice; provided that: (a) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day; (b) any Interest Period which begins on the last Business Day in a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day in a calendar month; and (c) notwithstanding the foregoing, no Interest Period may be selected for a Revolver Loan that would end after the Revolver Maturity Date and no Interest Period may be selected for a Term Loan that would end after the Term Maturity Date.

"Investment" means any investment made, directly or indirectly in any Person, whether by acquisition of shares of capital stock, indebtedness or other obligations or securities or by

loan, advance, capital contribution or otherwise, and whether made in cash, by the transfer of property or by any other means.

"Law" means any statute, law, regulation, ordinance, rule, treaty, judgment, order, decree, permit, concession, franchise, license, agreement or other governmental restriction of the United States or any state or political subdivision thereof or of any foreign country or any department, province or other political subdivision thereof.

"LC Application" means any application for a Letter of Credit hereafter made by Borrower to LC Issuer.

"LC Collateral" has the meaning given to such term in Section 2.13(a).

"LC Issuer" means BankBoston, N.A., in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity. Administrative Agent may, with the consent of Borrower and the Lender in question, appoint any Lender hereunder as an LC Issuer in place of or in addition to BankBoston, N.A.

"LC Obligations" means, at the time in question, the sum of all Matured LC Obligations plus the maximum amounts which LC Issuer might then or thereafter be called upon to advance under all Letters of Credit then outstanding.

"Lease Rentals" means, with respect to any period, the sum of the rental and other obligations required to be paid during such period by Plains MLP or any Subsidiary of Plains MLP as lessee under all leases of real or personal property (other than Capital Leases), excluding any amount required to be paid by the lessee (whether or not therein designated as rental or additional rental) on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges, provisions that, if at the date of determination, any such rental or other obligations are contingent or not otherwise definitely determinable by terms of the related lease, the amount of such obligations (i) shall be assumed to be equal to the amount of such obligations for the period of 12 consecutive calendar months immediately preceding the date of determination or (ii) if the related lease was not in effect during such preceding 12-month period, shall be the amount estimated by a senior financial officer of the General Partner on a reasonable basis and in good faith.

"Lender Parties" means Administrative Agent, Syndication Agent, Documentation Agent, LC Issuer, and all Lenders.

"Lender Schedule" means Schedule 1 hereto.

"Lenders" means each signatory hereto (other than Borrower and any Restricted Person that is a party hereto), including ING (U.S.) Capital Corporation in its capacity as a Lender hereunder rather than as Administrative Agent, and the successors of each such party as holder of a Note.

"Letter of Credit" means any letter of credit issued by LC Issuer hereunder at the application of Borrower.

"Letter of Credit Fee Rate" means, on any day, the rate per annum set forth below based on the Applicable Leverage Level on such date.

Applicable Leverage Level	Applicable Rating Level	
	Level A	Level B
Level I	1.50%	1.75%
Level II	1.25%	1.50%
Level III	1.00%	1.25%
Level IV	.75%	1.00%

"Liabilities" means, as to any Person, all indebtedness, liabilities and obligations of such Person, whether matured or unmatured, liquidated or unliquidated, primary or secondary, direct or indirect, absolute, fixed or contingent, and whether or not required to be considered pursuant to GAAP.

"Lien" means, with respect to any property or assets, any right or interest therein of a creditor to secure Liabilities owed to it or any other arrangement with such creditor which provides for the payment of such Liabilities out of such property or assets or which allows such creditor to have such Liabilities satisfied out of such property or assets prior to the general creditors of any owner thereof, including any lien, mortgage, security interest, pledge, deposit, production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, tax lien, mechanic's or materialman's lien, or any other charge or encumbrance for security purposes, whether arising by Law or agreement or otherwise, but excluding any right of offset which arises without agreement in the ordinary course of business. "Lien" also means any filed financing statement, any registration of a pledge (such as with an issuer of uncertificated securities), or any other arrangement or action which would serve to perfect a Lien described in the preceding sentence, regardless of whether such financing statement is filed, such registration is made, or such arrangement or action is undertaken before or after such Lien exists.

"Loans" means all Revolver Loans and Term Loans.

"Loan Documents" means this Agreement, the Notes, the Security Documents, the Letters of Credit, the LC Applications, the Hedging Contracts described in Section 2.14, and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets and commitment letters).

"Majority Lenders" means Lenders whose aggregate Percentage Shares equal or exceed sixty-six and two-thirds percent (66 2/3%).

"Material Adverse Change" means a material and adverse change, from the state of affairs presented in the Initial Financial Statements or as represented or warranted in any Loan Document, to (a) Plains MLP's Consolidated financial condition, (b) Plains MLP's Consolidated operations, properties or prospects, considered as a whole, (c) Borrower's ability to timely pay the Obligations, or (d) the enforceability of the material terms of any Loan Document.

"Matured LC Obligations" means all amounts paid by LC Issuer on drafts or demands for payment drawn or made under or purported to be under any Letter of Credit and all other amounts due and owing to LC Issuer under any LC Application for any Letter of Credit, to the extent the same have not been repaid to LC Issuer (with the proceeds of Loans or otherwise).

"Maximum Drawing Amount" means at the time in question the sum of the maximum amounts which LC Issuer might then or thereafter be called upon to advance under all Letters of Credit then outstanding.

"Moody's" means Moody's Investor Service, Inc., or its successor.

"Notes" means all Revolver Notes and all Term Notes.

"Obligations" means all Liabilities from time to time owing by any Restricted Person to any Lender Party under or pursuant to any of the Loan Documents, including all LC Obligations. "Obligation" means any part of the Obligations.

"Offering" means the public issuance of limited partnership interests of Plains MLP as described in the Prospectus dated _____, 1998.

"Offering Documents" means the documents listed on Schedule 6 hereto.

"Open Position" permitted to be under a Hedging Contract for a particular month means the aggregate volume of crude oil on which Restricted Persons have commodity price risk, which may include, without limitation, (i) the volume of crude oil owned for which Restricted Persons do not have an allocated contract for sale at a fixed price and (ii) the volume of crude oil under any contract for purchase for which Restricted Persons do not have an allocated contract for sale on the same pricing basis (i.e. at a fixed price for sale above the fixed price for purchase of such crude oil or at a margin above an index price for sale equivalent to the index price for purchase) [subject to further revision].

"Operating" means Plains Marketing, L.P., a Delaware limited partnership.

"Operating Credit Agreement" means that certain Credit Agreement of even date herewith among Operating, as Borrower, All American and Plains MLP as Guarantors, and the Agents and Lenders named therein.

"Percentage Share" means, with respect to any Lender, the percentage obtained by dividing (i) the sum of the unpaid principal balance of such Lender's Term Loans at the time in question plus such Lender's Revolver Commitment, by (ii) the sum of the aggregate unpaid principal balance of all Term Loans at such time plus the total Revolver Commitment.

"Permitted Acquisitions" means the acquisition of 100% of the capital stock or other equity interest in a Person (exclusive of general partnership interests held by General Partner or another wholly owned Subsidiary of Resources not in excess of a 1% economic interest and exclusive of director qualifying shares and other equity interests required to be held by an Affiliate to comply with a requirement of Law) or the acquisition of the business, assets or operations of a Person, provided that (i) prior to and after giving effect to such acquisition no Default or Event of Default shall have occurred and be continuing; (ii) all representations and warranties shall be true and correct as if restated immediately following the consummation of such acquisition; and (iii) substantially all of the business, assets and operations so acquired, or of the Person so acquired, consists of crude oil and/or gas marketing, gathering, transportation, storage and terminaling.

"Permitted Investments" means (a) Cash Equivalents, (b) Investments described in the Disclosure Schedule, (c) Investments by Plains MLP or any of its Subsidiaries in any wholly owned Subsidiary of Plains MLP which is a Guarantor and (d) Permitted Acquisitions.

"Permitted Lien" has the meaning given to such term in Section 7.2.

"Person" means an individual, corporation, partnership, limited liability company, association, joint stock company, trust or trustee thereof, estate or executor thereof, unincorporated organization or joint venture, Tribunal, or any other legally recognizable entity.

"Plains MLP" means Plains All American Pipeline, L.P., a Delaware limited partnership.

"Rating Agency" means either S&P or Moody's.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect.

"Reserve Requirement" means, at any time, the maximum rate at which reserves (including any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) by member banks of the Federal Reserve System against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (a) any category of liabilities which includes deposits by reference to which the Adjusted Eurodollar Rate is to be determined, or (b) any category of extensions of credit or other assets which include Eurodollar Loans.

"Resources" means Plains Resources Inc., a Delaware corporation.

"Restricted Person" means any of Plains MLP and each Subsidiary of Plains MLP, including but not limited to Borrower, Operating and each Subsidiary of Borrower and/or Operating.

"Revolver Commitment" means $50,000,000. Each Lender's Revolver Commitment shall be the amount set forth on the Lender Schedule.

"Revolver Commitment Period" means the period from and including the date hereof until the Revolver Maturity Date (or, if earlier, the day on which the obligation of Lenders to make Loans hereunder and the obligation of LC Issuer to issue Letters of Credit hereunder has terminated or the day on which the Revolver Notes first become due and payable in full).

"Revolver Eurodollar Rate Margin" means the percent per annum set forth below based on the Applicable Leverage Level in effect on such date.

Applicable Leverage Level	Applicable Rating Level	
	Level A	Level B
Level I	1.50%	1.75%
Level II	1.25%	1.50%
Level III	1.00%	1.25%
Level IV	.75%	1.00%

Changes in the applicable Revolver Eurodollar Rate Margin will occur automatically without prior notice as changes in the Applicable Leverage Level occur. Administrative Agent will give notice promptly to Borrower and the Revolver Lenders of changes in the Revolver Eurodollar Rate Margin.

"Revolver Lender" means each holder of a Revolver Note.

"Revolver Loan" has the meaning given such term in Section 2.1(a).

"Revolver Maturity Date" means November ____, 2000.

"Revolver Note" has the meaning given such term in Section 2.1(a).

"Revolver Percentage Share" means, with respect to any Revolver Lender, the Revolver Percentage Share set forth opposite such Revolver Lender's name on the Lender Schedule.

"S&P" means Standard & Poor's Ratings Group (a division of McGraw Hill, Inc.) or its successor.

"Security Documents" means the instruments listed in the Security Schedule and all other security agreements, deeds of trust, mortgages, chattel mortgages, pledges, guaranties, financing statements, continuation statements, extension agreements and other agreements or instruments now, heretofore, or hereafter delivered by any Restricted Person to Administrative Agent in connection with this Agreement or any transaction contemplated hereby to secure or guarantee the payment of any part of the Obligations or the performance of any Restricted Person's other duties and obligations under the Loan Documents.

"Security Schedule" means Schedule 3 hereto.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled or owned more than fifty percent by such Person.

"Term Lender" means each holder of a Term Note.

"Term Loan" has the meaning given such term in Section 2.1(b).

"Term Loan Base Rate Margin" means on each day during the applicable period set forth below the percent per annum set forth below based on the Applicable Leverage Level in effect on such date and for such period:

Applicable Leverage Level	Applicable Period		
	November __, 1998 to November __, 2002	November __, 2002 to November __, 2004	November __, 2004 to November __ 2005
Level I	.25%	.75%	1.00%
Level II	0	.50%	.75%
Level III	0	.25%	.50%
Level IV	0	0	.25%

Changes in the applicable Term Loan Base Rate Margin will occur automatically without prior notice as changes in the Applicable Leverage Level occur. Administrative Agent will give notice promptly to Borrower and the Term Lenders of changes in the Term Loan Base Rate Margin.

"Term Loan Eurodollar Rate Margin" means on each day during the applicable period set forth below, the percent per annum set forth below based on the Applicable Leverage Level in effect on such date and for such period:

Applicable Leverage Level	Applicable Period November __, 1998 to November __, 2002	November __, 2002 to November __, 2004	November __, 2004 to November __ 2005
Level I	2.00%	2.50%	2.75%
Level II	1.75%	2.25%	2.50%
Level III	1.50%	2.00%	2.25%
Level IV	1.25%	1.75%	2.00%

Changes in the applicable Term Loan Eurodollar Rate Margin will occur automatically without prior notice as changes in the Applicable Leverage Level occur. Administrative Agent will give notice promptly to Borrower and the Term Lenders of changes in the Term Loan Eurodollar Rate Margin.

"Term Loan Maturity Date" means November ____, 2005.

"Term Note" has the meaning given such term in Section 2.1(b).

"Termination Event" means (a) the occurrence with respect to any ERISA Plan of (i) a reportable event described in Sections 4043(c)(5) or (6) of ERISA or (ii) any other reportable event described in Section 4043(c) of ERISA other than a reportable event not subject to the provision for 30-day notice to the Pension Benefit Guaranty Corporation pursuant to a waiver by such corporation under Section 4043(a) of ERISA, or (b) the withdrawal of any ERISA Affiliate from an ERISA Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the filing of a notice of intent to terminate any ERISA Plan or the treatment of any ERISA Plan amendment as a termination under Section 4041 of ERISA, or (d) the institution of proceedings to terminate any ERISA Plan by the Pension Benefit Guaranty Corporation under Section 4042 of ERISA, or (e) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan.

"Tribunal" means any government, any arbitration panel, any court or any governmental department, commission, board, bureau, agency or instrumentality of the United States of America or any state, province, commonwealth, nation, territory, possession, county, parish, town, township, village or municipality, whether now or hereafter constituted or existing.

"Type" means, with respect to any Loans, the characterization of such Loans as either Base Rate Loans or Eurodollar Loans.

Section 1.2. Exhibits and Schedules; Additional Definitions. All Exhibits and Schedules attached to this Agreement are a part hereof for all purposes. Reference is hereby

made to the Security Schedule for the meaning of certain terms defined therein and used but not defined herein, which definitions are incorporated herein by reference.

Section 1.3. Amendment of Defined Instruments. Unless the context otherwise requires or unless otherwise provided herein the terms defined in this Agreement which refer to a particular agreement, instrument or document also refer to and include all renewals, extensions, modifications, amendments and restatements of such agreement, instrument or document, provided that nothing contained in this section shall be construed to authorize any such renewal, extension, modification, amendment or restatement.

Section 1.4. References and Titles. All references in this Agreement to Exhibits, Schedules, articles, sections, subsections and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections and other subdivisions of this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "this Agreement," "this instrument," "herein," "hereof," "hereby," "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The phrases "this section" and "this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not exclusive, and the word "including" (in its various forms) means "including without limitation." Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires.

Section 1.5. Calculations and Determinations. All calculations under the Loan Documents of interest chargeable with respect to Eurodollar Loans and of fees shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 360 days. All other calculations of interest made under the Loan Documents shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 365 or 366 days, as appropriate. Each determination by a Lender Party of amounts to be paid under Article III or any other matters which are to be determined hereunder by a Lender Party (such as any Eurodollar Rate, Adjusted Eurodollar Rate, Business Day, Interest Period, or Reserve Requirement) shall, in the absence of manifest error, be conclusive and binding. Unless otherwise expressly provided herein or unless Majority Lenders otherwise consent all financial statements and reports furnished to any Lender Party hereunder shall be prepared and all financial computations and determinations pursuant hereto shall be made in accordance with GAAP.

ARTICLE II - The Loans and Letters of Credit

Section 2.1. Commitments to Lend; Notes.

(a) Revolver Loans. Subject to the terms and conditions hereof, each Revolver Lender agrees to make loans to Borrower (herein called such Lender's "Revolver Loans") upon Borrower's request from time to time during the Revolver Commitment Period, provided that (a) subject to Sections 3.3, 3.4 and 3.6, all Revolver Lenders are requested to make Revolver Loans of the same Type in accordance with their respective Revolver Percentage Shares and as part of the same Borrowing, (b) after giving effect to such Revolver Loans, the Facility Usage does not exceed the Revolver Commitment determined as of the date on which the requested Revolver Loans are to be made and (c) after giving effect to such Revolver Loans the Revolver Loans by each Revolver Lender plus the existing LC Obligations of such Revolver Lender does not exceed such Lender's Revolver Commitment. The aggregate amount of all Revolver Loans in any Borrowing must be equal to $2,000,000 or any higher integral multiple of $250,000. The obligation of Borrower to repay to each Revolver Lender the aggregate amount of all Revolver Loans made by such Revolver Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Lender's "Revolver Note") made by Borrower payable to the order of such Revolver Lender in the form of Exhibit A-1 with appropriate insertions. The amount of principal owing on any Revolver Lender's Revolver Note at any given time shall be the aggregate amount of all Revolver Loans theretofore made by such Revolver Lender minus all payments of principal theretofore received by such Revolver Lender on such Revolver Note. Interest on each Revolver Note shall accrue and be due and payable as provided herein and therein. Each Revolver Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the Revolver Maturity Date. Subject to the terms and conditions of this Agreement, Borrower may borrow, repay, and reborrow under this Section 2.1(a). Borrower may have no more than seven Borrowings of Eurodollar Loans outstanding at any time.

(b) Term Loans. Subject to the terms and conditions hereof, each Term Lender agrees to make a single advance to Borrower (herein called such Lender's "Term Loan") upon Borrower's request on or before November ____, 1998, provided that (a) such Term Loan does not exceed such Term Lender's Term Loan amount set forth on the Lender Schedule and (b) the aggregate amount of all Term Loans does not exceed $175,000,000. Portions of each Lender's Term Loan may from time to time be designated as a Base Rate Loan or Eurodollar Loan as provided herein. The obligation of Borrower to repay to each Term Lender the amount of the Term Loan made by such Term Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Term Lender's "Term Note") made by Borrower payable to the order of such Term Lender in the form of Exhibit A-2 with appropriate insertions. The amount of principal owing on any Term Lender's Term Note at any given time shall be the amount of such Term Lender's Term Loan minus all payments of principal theretofore received by such Term Lender on such Term Note. Interest on each Term Note shall accrue and be due and payable as provided herein and therein. Each Term Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the Term Loan Maturity Date. No portion of any Term Loan which has been repaid may be reborrowed.

Section 2.2. Requests for Revolver Loans. Borrower must give to Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing of Revolver Loans to be funded by Revolver Lenders. Each such notice constitutes a "Borrowing Notice" hereunder and must:

(a) specify (i) the aggregate amount of any such Borrowing of new Base Rate Loans and the date on which such Base Rate Loans are to be advanced, or (ii) the aggregate amount of any such Borrowing of new Eurodollar Loans, the date on which such Eurodollar Loans are to be advanced (which shall be the first day of the Interest Period which is to apply thereto), and the length of the applicable Interest Period; and

(b) be received by Administrative Agent not later than 11:00 a.m., New York, New York time, on (i) the day on which any such Base Rate Loans are to be made, or (ii) the third Business Day preceding the day on which any such Eurodollar Loans are to be made.

(c) If any requested Borrowing of Revolver Loans is to be utilized by Borrower for working capital purposes ("Working Capital Borrowing"), Borrower shall specify in the Borrowing Notice that such Borrowing is a Working Capital Borrowing. In addition, any repayment of a Working Capital Borrowing shall be so identified to the Administrative Agent at the time of such repayment.

Each such written request or confirmation must be made in the form and substance of the "Borrowing Notice" attached hereto as Exhibit B, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Borrowing Notice, Administrative Agent shall give each Revolver Lender prompt notice of the terms thereof. If all conditions precedent to such new Revolver Loans have been met, each Revolver Lender will on the date requested promptly remit to Administrative Agent at Administrative Agent's office in New York, New York the amount of such Revolver Lender's new Revolver Loan in immediately available funds, and upon receipt of such funds, unless to its actual knowledge any conditions precedent to such Revolver Loans have been neither met nor waived as provided herein, Administrative Agent shall promptly make such Revolver Loans available to Borrower. Unless Administrative Agent shall have received prompt notice from a Revolver Lender that such Revolver Lender will not make available to Administrative Agent such Revolver Lender's new Revolver Loan, Administrative Agent may in its discretion assume that such Revolver Lender has made such Revolver Loan available to Administrative Agent in accordance with this section, and Administrative Agent may if it chooses, in reliance upon such assumption, make such Revolver Loan available to Borrower. If and to the extent such Revolver Lender shall not so make its new Revolver Loan available to Administrative Agent, such Lender and Borrower severally agree to pay or repay to Administrative Agent within three days after demand the amount of such Revolver Loan together with interest thereon, for each day from the date such amount was made available to Borrower until the date such amount is paid or repaid to Administrative Agent, with interest at (i) the Federal Funds Rate, if such Lender is making such payment and (ii) the interest rate applicable at the time to the other new Revolver Loans made on such date, if Borrower is making such repayment. If neither such Revolver Lender nor Borrower pays or repays to Administrative Agent such amount within such three-day period, Administrative Agent shall, be entitled to recover from Borrower, on demand in lieu of the interest provided for in the preceding sentence, interest thereon at the Default Rate, calculated from the date such amount was made available to Borrower. The failure of any Revolver Lender to make any new

Revolver Loan to be made by it hereunder shall not relieve any other Revolver Lender of its obligation hereunder, if any, to make its new Revolver Loan, but no Revolver Lender shall be responsible for the failure of any other Revolver Lender to make any new Revolver Loan to be made by such other Revolver Lender.

Section 2.3. Continuations and Conversions of Existing Loans. Borrower may make the following elections with respect to Revolver Loans or Term Loans already outstanding: to Convert, in whole or in part, Base Rate Loans to Eurodollar Loans, to Convert, in whole or in part, Eurodollar Loans to Base Rate Loans on the last day of the Interest Period applicable thereto, and to Continue, in whole or in part, Eurodollar Loans beyond the expiration of such Interest Period by designating a new Interest Period to take effect at the time of such expiration. In making such elections, Borrower may combine existing Loans made pursuant to separate Borrowings into one new Borrowing or divide existing Loans made pursuant to one Borrowing into separate new Borrowings, provided that (i) Borrower may have no more than seven Borrowings of Eurodollar Loans outstanding at any time and (ii) no combinations may be made between Borrowings constituting Revolver Loans on the one hand and Borrowings constituting Term Loans on the other hand. To make any such election, Borrower must give to Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any such Conversion or Continuation of existing Loans, with a separate notice given for each new Borrowing. Each such notice constitutes a "Continuation/Conversion Notice" hereunder and must:

(a) specify the existing Loans which are to be Continued or Converted;

(b) specify (i) the aggregate amount of any Borrowing of Base Rate Loans into which such existing Loans are to be Continued or Converted and the date on which such Continuation or Conversion is to occur, or (ii) the aggregate amount of any Borrowing of Eurodollar Loans into which such existing Loans are to be Continued or Converted, the date on which such Continuation or Conversion is to occur (which shall be the first day of the Interest Period which is to apply to such Eurodollar Loans), and the length of the applicable Interest Period; and

(c) be received by Administrative Agent not later than 11:00 a.m., New York, New York time, on (i) the day on which any such Continuation or Conversion to Base Rate Loans is to occur, or (ii) the third Business Day preceding the day on which any such Continuation or Conversion to Eurodollar Loans is to occur.

Each such written request or confirmation must be made in the form and substance of the "Continuation/Conversion Notice" attached hereto as Exhibit C, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Continuation/Conversion Notice, Administrative Agent shall give each Lender prompt notice of the terms thereof. Each Continuation/Conversion Notice shall be irrevocable and binding on Borrower. During the continuance of any Default, Borrower may not make any election to Convert existing Loans into Eurodollar Loans or Continue

existing Loans as Eurodollar Loans beyond the expiration of their respective and corresponding Interest Period then in effect. If (due to the existence of a Default or for any other reason) Borrower fails to timely and properly give any Continuation/Conversion Notice with respect to a Borrowing of existing Eurodollar Loans at least three days prior to the end of the Interest Period applicable thereto, such Eurodollar Loans, to the extent not prepaid at the end of such Interest Period, shall automatically be Converted into Base Rate Loans at the end of such Interest Period. No new funds shall be repaid by Borrower or advanced by any Lender in connection with any Continuation or Conversion of existing Loans pursuant to this section, and no such Continuation or Conversion shall be deemed to be a new advance of funds for any purpose; such Continuations and Conversions merely constitute a change in the interest rate applicable to already outstanding Loans.

Section 2.4. Use of Proceeds. Borrower shall use (i) all Term Loans to repay up to $175,000,000 of the unpaid principal balance of the term loans outstanding under the Existing Agreement as of the date hereof and (ii) all Revolver Loans to finance capital expenditures, to pay reimbursement obligations of Letters of Credit, to provide working capital for operations and for other general business purposes; provided, however, that no Revolver Loan shall be used to repay any Indebtedness under the Existing Agreement. Borrower shall use all Letters of Credit for its and its Subsidiaries' general corporate purposes. In no event shall the funds from any Loan or any Letter of Credit be used directly or indirectly by any Person for personal, family, household or agricultural purposes or for the purpose, whether immediate, incidental or ultimate, of purchasing, acquiring or carrying any "margin stock" (as such term is defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System) or to extend credit to others directly or indirectly for the purpose of purchasing or carrying any such margin stock. Borrower represents and warrants that Borrower is not engaged principally, or as one of Borrower's important activities, in the business of extending credit to others for the purpose of purchasing or carrying such margin stock.

Section 2.5. Interest Rates and Fees.

(a) Revolver Interest Rates. Each Revolver Loan shall bear interest as follows: (i) unless the Default Rate shall apply, (A) each Base Rate Loan shall bear interest on each day outstanding at the Base Rate in effect on such day, and (B) each Eurodollar Loan shall bear interest on each day during the related Interest Period at the related Adjusted Eurodollar Rate plus the Revolver Eurodollar Rate Margin in effect on such day, and (ii) during a Default Rate Period, all Revolver Loans shall bear interest on each day outstanding at the Default Rate. If an Event of Default based upon Section 8.1(a), Section 8.1(b) or, with respect to Borrower, based upon Section 8.1(i)(i), (i)(ii) or (i)(iii) exists and the Revolver Loans are not bearing interest at the Default Rate, the past due principal and past due interest shall bear interest on each day outstanding at the Default Rate. The interest rate shall change whenever the applicable Base Rate, the Adjusted Eurodollar Rate or the Revolver Eurodollar Rate Margin changes. In no event shall the interest rate on any Revolver Loan exceed the Highest Lawful Rate.

(b) Term Loan Interest Rates. Each Term Loan shall bear interest as follows: (i) unless the Default Rate shall apply, (A) each Base Rate Loan shall bear interest on each day outstanding at the Base Rate plus the Term Loan Base Rate Margin in effect on such day, and (B) each Eurodollar Loan shall bear interest on each day during the related Interest Period at the related Adjusted Eurodollar Rate plus the Term Loan Eurodollar Rate Margin in effect on such day and (ii) during a Default Rate Period, all Term Loans shall bear interest on each day outstanding at the Default Rate. If an Event of Default based upon Section 8.1(a) or Section 8.1(b) or, with respect to Borrower, based upon Section 8.1(i)(i), (i)(ii) or (i)(iii) exists and the Term Loans are not bearing interest at the Default Rate, the past due principal and past due interest shall bear interest on each day outstanding at the Default Rate. The interest rate shall change whenever the applicable Base Rate, Term Loan Base Rate Margin, Adjusted Eurodollar Rate, or Term Loan Eurodollar Rate Margin changes. In no event shall the interest rate on any Term Loan exceed the Highest Lawful Rate.

(c) Revolver Commitment Fees. In consideration of each Revolver Lender's commitment to make Revolver Loans, Borrower will pay to Administrative Agent for the account of each Revolver Lender a commitment fee determined on a daily basis by applying a rate of one-half of one percent (.50%) per annum to such Revolver Lender's Revolver Percentage Share of the unused portion of the Revolver Commitment on each day during the Revolver Commitment Period, determined for each such day by deducting from the amount of the Revolver Commitment at the end of such day the Facility Usage. This commitment fee shall be due and payable in arrears on the last day of each Fiscal Quarter and at the end of the Revolver Commitment Period. Borrower shall have the right from time to time to permanently reduce the Revolver Commitment, provided that (i) notice of such reduction is given not less than 2 Business Days prior to such reduction, (ii) the resulting Revolver Commitment is not less than the Facility Usage and (iii) each partial reduction shall be in an amount at least equal to $500,000 and in multiples of $100,000 in excess thereof.

(d) Administrative Agent's Fees. In addition to all other amounts due to Administrative Agent under the Loan Documents, Borrower will pay fees to Administrative Agent as described in a letter agreement dated _______________, 1998, between Administrative Agent and Borrower.

Section 2.6. Optional Prepayments.

(a) Revolver Loans. Borrower may, upon five Business Days' notice to Administrative Agent (and Administrative Agent will promptly give notice to the other Lenders) from time to time and without premium or penalty prepay the Revolver Loans, in whole or in part, so long as the aggregate amounts of all partial prepayments of principal on the Revolver Loans equals $1,000,000 or any higher integral multiple of $250,000, and so long as Borrower does not make any prepayments which would reduce the unpaid principal balance of the Revolver Loans to less than $100,000 without first either (i) terminating this Agreement or (ii) providing assurance satisfactory to Administrative Agent in its discretion that Revolver Lenders' legal rights under the Loan Documents are in no way affected by such

reduction. Upon receipt of any such notice, Administrative Agent shall give each Revolver Lender prompt notice of the terms thereof.

(b) Term Loans. Borrower may, upon five Business Days' notice to each Term Lender from time to time and without premium or penalty prepay the Term Loans, in whole or in part, so long as the aggregate of amounts of all partial prepayments of principal on the Term Loans equals $5,000,000 or any higher integral multiple of $1,000,000.

(c) Interest on Prepayment. Each prepayment of principal under Section 2.6(a) or 2.6(b) shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to Section 2.6(a) or 2.6(b) shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

Section 2.7. Mandatory Prepayments.

(a) Without limiting the requirements of Section 7.5 hereof regarding the consent of Majority Lenders to sales of property by Restricted Persons which are not permitted by Section 7.5, the proceeds of any sale of property (net of all reasonable costs and expenses, but excluding proceeds consisting of tangible property to be used in the business of Restricted Persons) by any Restricted Person (other than a sale of property permitted under Section 7.5 hereof) shall be placed in a collateral account under the control of Administrative Agent in a manner satisfactory to Administrative Agent immediately upon such Restricted Person's receipt of such proceeds and maintained therein for a period of ninety (90) days following the date of receipt thereof in cash (in this Section 2.7(a) referred to as the "Collateral Period"). If any consideration consists of an instrument or security, the Collateral Period shall, with respect to each amount of cash received in respect thereof, continue until ninety (90) days following such Restricted Person's receipt of such cash unless, pursuant to the following sentence, an approved investment included such cash; any cash in a collateral account may be invested in Cash Equivalents designated by Borrower. During each Collateral Period, Borrower may propose to invest such proceeds in other property subject to the approval of Majority Lenders, and shall thereafter invest such proceeds in such property so approved by Majority Lenders. At the end of each Collateral Period or, if an investment is so proposed and approved during such Collateral Period, within one hundred-eighty (180) days after such proposed investment has been so approved by Majority Lenders, any such proceeds which have not been so invested by Borrower shall be applied pro rata to the reduction of the outstanding principal balance of the Term Loans and the Revolver Loans at such time, and the Revolver Commitment shall be reduced by an amount equal to the prepayment applied to the Revolver Loans.

(b) If at any time the Facility Usage exceeds the Revolver Commitment (whether due to a reduction in the Revolver Commitment in accordance with this Agreement, or otherwise), Borrower shall immediately upon demand prepay the principal of the Revolver Loans in an amount at least equal to such excess. Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and

not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

Section 2.8. Letters of Credit. Subject to the terms and conditions hereof, Borrower may during the Revolver Commitment Period request LC Issuer to issue, amend, or extend the expiration date of, one or more Letters of Credit, provided that, after taking such Letter of Credit into account:

(a) the Facility Usage does not exceed the Revolver Commitment at such time;

(b) the aggregate amount of LC Obligations at such time does not exceed $10,000,000;

(c) the expiration date of such Letter of Credit is prior to the earlier of (i) one (1) year after the date of issuance of such Letter of Credit or (ii) the end of the Revolver Commitment Period;

(d) such Letter of Credit is to be used for general corporate purposes of Borrower or any of its Subsidiaries and is not directly or indirectly used to assure payment of or otherwise support any Indebtedness of any Person, except Indebtedness of a Restricted Person;

(e) the issuance of such Letter of Credit will be in compliance with all applicable governmental restrictions, policies, and guidelines and will not subject LC Issuer to any cost which is not reimbursable under Article III;

(f) the form and terms of such Letter of Credit are acceptable to LC Issuer in its sole and absolute discretion; and

(g) all other conditions in this Agreement to the issuance of such Letter of Credit have been satisfied.

LC Issuer will honor any such request if the foregoing conditions (a) through (g) (in the following Section 2.9 called the "LC Conditions") have been met as of the date of issuance, amendment, or extension of the expiration, of such Letter of Credit.

Section 2.9. Requesting Letters of Credit. Borrower must make written application for any Letter of Credit at least two Business Days before the date on which Borrower desires for LC Issuer to issue such Letter of Credit. By making any such written application, unless otherwise expressly stated therein, Borrower shall be deemed to have represented and warranted that the LC Conditions described in Section 2.8 will be met as of the date of issuance of such Letter of Credit. Each such written application for a Letter of Credit must be made in writing in the form and substance of Exhibit G, the terms and provisions of which are hereby incorporated herein by reference (or in such other form as may mutually be agreed

upon by LC Issuer and Borrower). If all LC Conditions for a Letter of Credit have been met as described in Section 2.8 on any Business Day before 11:00 a.m., New York, New York time, LC Issuer will issue such Letter of Credit on the same Business Day at LC Issuer's office in Boston, Massachusetts. If the LC Conditions are met as described in Section 2.8 on any Business Day on or after 11:00 a.m., New York, New York time, LC Issuer will issue such Letter of Credit on the next succeeding Business Day at LC Issuer's office in Boston, Massachusetts. If any provisions of any LC Application conflict with any provisions of this Agreement, the provisions of this Agreement shall govern and control.

Section 2.10. Reimbursement and Participations.

(a) Reimbursement by Borrower. Each Matured LC Obligation shall constitute a loan by LC Issuer to Borrower. Borrower promises to pay to LC Issuer, or to LC Issuer's order, on demand, the full amount of each Matured LC Obligation, together with interest thereon (i) at the Base Rate to and including the second Business Day after the Matured LC Obligation is incurred and (ii) at the Default Rate on each day thereafter.

(b) Letter of Credit Advances. If the beneficiary of any Letter of Credit makes a draft or other demand for payment thereunder then Borrower may, during the interval between the making thereof and the honoring thereof by LC Issuer, request Revolver Lenders to make Revolver Loans to Borrower in the amount of such draft or demand, which Revolver Loans shall be made concurrently with LC Issuer's payment of such draft or demand and shall be immediately used by LC Issuer to repay the amount of the resulting Matured LC Obligation. Such a request by Borrower shall be made in compliance with all of the provisions hereof, provided that for the purposes of the first sentence of Section 2.1(a), the amount of such Revolver Loans shall be considered, but the amount of the Matured LC Obligation to be concurrently paid by such Revolver Loans shall not be considered.

(c) Participation by Revolver Lenders. LC Issuer irrevocably agrees to grant and hereby grants to each Revolver Lender, and -- to induce LC Issuer to issue Letters of Credit hereunder -- each Revolver Lender irrevocably agrees to accept and purchase and hereby accepts and purchases from LC Issuer, on the terms and conditions hereinafter stated and for such Revolver Lender's own account and risk an undivided interest equal to such Revolver Lender's Revolver Percentage Share of LC Issuer's obligations and rights under each Letter of Credit issued hereunder and the amount of each Matured LC Obligation paid by LC Issuer thereunder. Each Revolver Lender unconditionally and irrevocably agrees with LC Issuer that, if a Matured LC Obligation is paid under any Letter of Credit for which LC Issuer is not reimbursed in full by Borrower in accordance with the terms of this Agreement and the related LC Application (including any reimbursement by means of concurrent Loans or by the application of LC Collateral), such Revolver Lender shall (in all circumstances and without set-off or counterclaim) pay to LC Issuer on demand, in immediately available funds at LC Issuer's address for notices hereunder, such Lender's Revolver Percentage Share of such Matured LC Obligation (or any portion thereof which has not been reimbursed by Borrower). Each Revolver Lender's obligation to pay LC Issuer pursuant to the terms of this subsection is irrevocable and unconditional. If any amount required to be paid by any Revolver Lender to

LC Issuer pursuant to this subsection is paid by such Revolver Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Revolver Lender, on demand, interest thereon calculated from such due date at the Federal Funds Rate. If any amount required to be paid by any Revolver Lender to LC Issuer pursuant to this subsection is not paid by such Revolver Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Revolver Lender, on demand, interest thereon calculated from such due date at the Base Rate.

(d) Distributions to Participants. Whenever LC Issuer has in accordance with this section received from any Revolver Lender payment of such Lender's Revolver Percentage Share of any Matured LC Obligation, if LC Issuer thereafter receives any payment of such Matured LC Obligation or any payment of interest thereon (whether directly from Borrower or by application of LC Collateral or otherwise, and excluding only interest for any period prior to LC Issuer's demand that such Revolver Lender make such payment of its Revolver Percentage Share), LC Issuer will distribute to such Lender its Revolver Percentage Share of the amounts so received by LC Issuer; provided, however, that if any such payment received by LC Issuer must thereafter be returned by LC Issuer, such Revolver Lender shall return to LC Issuer the portion thereof which LC Issuer has previously distributed to it.

(e) Calculations. A written advice setting forth in reasonable detail the amounts owing under this section, submitted by LC Issuer to Borrower or any Revolver Lender from time to time, shall be conclusive, absent manifest error, as to the amounts thereof.

Section 2.11. Letter of Credit Fees. In consideration of LC Issuer's issuance of any Letter of Credit, Borrower agrees to pay (i) to Administrative Agent for the account of each Revolver Lender in proportion to its Revolver Percentage Share, a letter of credit fee equal to the Letter of Credit Fee Rate applicable each day times the face amount of such Letter of Credit and (ii) to such LC Issuer for its own account, a letter of credit fronting fee at a rate equal to one-eighth percent (.125%) per annum times the face amount of such Letter of Credit. Each such fee will be calculated on the face amount of each Letter of Credit outstanding on each day at the above applicable rates and will be payable quarterly in arrears. In addition, Borrower will pay to LC Issuer a minimum administrative issuance fee of $100 for each Letter of Credit and such other fees and charges customarily charged by the LC Issuer in respect of any amendment or negotiation of any Letter of Credit in accordance with the LC Issuer's published schedule of such charges effective as of the date of such amendment or negotiation.

Section 2.12. No Duty to Inquire.

(a) Drafts and Demands. LC Issuer is authorized and instructed to accept and pay drafts and demands for payment under any Letter of Credit without requiring, and without responsibility for, any determination as to the existence of any event giving rise to said draft, either at the time of acceptance or payment or thereafter. LC Issuer is under no duty to determine the proper identity of anyone presenting such a draft or making such a demand (whether by tested telex or otherwise) as the officer, representative or agent of any beneficiary

under any Letter of Credit, and payment by LC Issuer to any such beneficiary when requested by any such purported officer, representative or agent is hereby authorized and approved. Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the subject matter of this section, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

(b) Extension of Maturity. If the maturity of any Letter of Credit is extended by its terms or by Law or governmental action, if any extension of the maturity or time for presentation of drafts or any other modification of the terms of any Letter of Credit is made at the request of Borrower, or if the amount of any Letter of Credit is increased at the request of Borrower, this Agreement shall be binding upon all Restricted Persons with respect to such Letter of Credit as so extended, increased or otherwise modified, with respect to drafts and property covered thereby, and with respect to any action taken by LC Issuer, LC Issuer's correspondents, or any Lender Party in accordance with such extension, increase or other modification.

(c) Transferees of Letters of Credit. If any Letter of Credit provides that it is transferable, LC Issuer shall have no duty to determine the proper identity of anyone appearing as transferee of such Letter of Credit, nor shall LC Issuer be charged with responsibility of any nature or character for the validity or correctness of any transfer or successive transfers, and payment by LC Issuer to any purported transferee or transferees as determined by LC Issuer is hereby authorized and approved, and Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the foregoing, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

Section 2.13. LC Collateral.

(a) LC Obligations in Excess of Revolver Commitment. If, after the making of all mandatory prepayments required under Section 2.7, the outstanding LC Obligations will exceed the Revolver Commitment, then in addition to prepayment of the entire principal balance of the Revolver Loans Borrower will immediately pay to LC Issuer an amount equal to such excess. LC Issuer will hold such amount as collateral security for the remaining LC

Obligations (all such amounts held as collateral security for LC Obligations being herein collectively called "LC Collateral") and the Revolver Loans, and such collateral may be applied from time to time to pay Matured LC Obligations. Neither this subsection nor the following subsection shall, however, limit or impair any rights which LC Issuer may have under any other document or agreement relating to any Letter of Credit, LC Collateral or LC Obligation, including any LC Application, or any rights which any Lender Party may have to otherwise apply any payments by Borrower and any LC Collateral under Section 3.1.

(b) Acceleration of LC Obligations. If the Obligations or any part thereof become immediately due and payable pursuant to Section 8.1 then, unless all Revolver Lenders otherwise specifically elect to the contrary (which election may thereafter be retracted by any Revolver Lender at any time), all LC Obligations shall become immediately due and payable without regard to whether or not actual drawings or payments on the Letters of Credit have occurred, and Borrower shall be obligated to pay to LC Issuer immediately an amount equal to the aggregate LC Obligations which are then outstanding to be held as LC Collateral.

(c) Investment of LC Collateral. Pending application thereof, all LC Collateral shall be invested by LC Issuer in such Cash Equivalents as LC Issuer may choose in its sole discretion. All interest on (and other proceeds of) such Investments shall be reinvested or applied to Matured LC Obligations or the Revolver Loans which are due and payable. When all Obligations have been satisfied in full, including all LC Obligations, all Letters of Credit have expired or been terminated, and all of Borrower's reimbursement obligations in connection therewith have been satisfied in full, LC Issuer shall release any remaining LC Collateral. Borrower hereby assigns and grants to LC Issuer for the benefit of Revolver Lenders a continuing security interest in all LC Collateral paid by it to LC Issuer, all Investments purchased with such LC Collateral, and all proceeds thereof to secure its Matured LC Obligations and its Obligations under this Agreement, each Note, and the other Loan Documents, and Borrower agrees that such LC Collateral, Investments and proceeds shall be subject to all of the terms and conditions of the Security Documents. Borrower further agrees that LC Issuer shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of New York with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest.

(d) Payment of LC Collateral. When Borrower is required to provide LC Collateral for any reason and fails to do so on the day when required, LC Issuer or Administrative Agent may without notice to Borrower or any other Restricted Person provide such LC Collateral (whether by application of proceeds of other Collateral, by transfers from other accounts maintained with LC Issuer, or otherwise) using any available funds of Borrower or any other Person also liable to make such payments, and LC Issuer or Administrative Agent will give notice thereof to Borrower promptly after such application or transfer. Any such amounts which are required to be provided as LC Collateral and which are not provided on the date required shall, for purposes of each Security Document, be considered past due Obligations owing hereunder, and LC Issuer is hereby authorized to exercise its respective rights under each Security Document to obtain such amounts.

Section 2.14. Hedging Contracts. All Hedging Contracts permitted hereunder entered into with any one or more Lenders or their Affiliates shall be deemed to be Obligations and be secured by all Collateral; subject, however, to the provisions of Section 3.9 hereof.

ARTICLE III - Payments to Lenders

Section 3.1. General Procedures. Borrower will make each payment which it owes under the Loan Documents to Administrative Agent for the account of the Lender Party to whom such payment is owed in lawful money of the United States of America, without set-off, deduction or counterclaim, and in immediately available funds. Each such payment must be received by Administrative Agent not later than noon, New York, New York time, on the date such payment becomes due and payable. Any payment received by Administrative Agent after such time will be deemed to have been made on the next following Business Day. Should any such payment become due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day, and, in the case of a payment of principal or past due interest, interest shall accrue and be payable thereon for the period of such extension as provided in the Loan Document under which such payment is due. Each payment under a Loan Document shall be due and payable at the place provided therein and, if no specific place of payment is provided, shall be due and payable at the place of payment of Administrative Agent's Note. When Administrative Agent collects or receives money on account of the Obligations, other than as provided in Section 3.9, Administrative Agent shall distribute all money so collected or received, and each Lender Party shall apply all such money so distributed, as follows:

(a) first, for the payment of all Obligations which are then due (and if such money is insufficient to pay all such Obligations, first to any reimbursements due Administrative Agent under Section 6.9 or 10.4 and then to the partial payment of all other Obligations then due in proportion to the amounts thereof, or as Lender Parties shall otherwise agree);

(b) then for the prepayment of amounts owing under the Loan Documents (other than principal on the Notes) if so specified by Borrower;

(c) then for the prepayment of principal on the Notes, together with accrued and unpaid interest on the principal so prepaid; and

(d) last, for the payment or prepayment of any other Obligations.

All payments applied to principal or interest on any Note shall be applied first to any interest then due and payable, then to principal then due and payable, and last to any prepayment of principal and interest in compliance with Sections 2.6 and 2.7. All distributions of amounts described in any of subsections (b), (c) or (d) above shall be made by Administrative Agent pro rata to each Lender Party then owed Obligations described in such subsection in proportion to all amounts owed to all Lender Parties which are described in such subsection; provided that

if any Lender then owes payments to LC Issuer for the purchase of a participation under Section 2.13(c) or to Administrative Agent under Section 9.4, any amounts otherwise distributable under this section to such Lender shall be deemed to belong to LC Issuer, or Administrative Agent, respectively, to the extent of such unpaid payments, and Administrative Agent shall apply such amounts to make such unpaid payments rather than distribute such amounts to such Lender.

Section 3.2. Capital Reimbursement. If either (a) the introduction or implementation of or the compliance with or any change in or in the interpretation of any Law, or (b) the introduction or implementation of or the compliance with any request, directive or guideline from any central bank or other governmental authority (whether or not having the force of Law) affects or would affect the amount of capital required or expected to be maintained by any Lender Party or any corporation controlling any Lender Party, then, within five Business Days after demand by such Lender Party, Borrower will pay to Administrative Agent for the benefit of such Lender Party, from time to time as specified by such Lender Party, such additional amount or amounts which such Lender Party shall determine to be appropriate to compensate such Lender Party or any corporation controlling such Lender Party in light of such circumstances, to the extent that such Lender Party reasonably determines that the amount of any such capital would be increased or the rate of return on any such capital would be reduced by or in whole or in part based on the existence of the face amount of such Lender Party's Loans, Letters of Credit, participations in Letters of Credit or commitments under this Agreement.

Section 3.3. Increased Cost of Eurodollar Loans or Letters of Credit. If any applicable Law (whether now in effect or hereinafter enacted or promulgated, including Regulation D) or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of Law):

(a) shall change the basis of taxation of payments to any Lender Party of any principal, interest, or other amounts attributable to any Eurodollar Loan or Letter of Credit or otherwise due under this Agreement in respect of any Eurodollar Loan or Letter of Credit (other than taxes imposed on, or measured by, the overall net income of such Lender Party or any Applicable Lending Office of such Lender Party by any jurisdiction in which such Lender Party or any such Applicable Lending Office is located); or

(b) shall change, impose, modify, apply or deem applicable any reserve, special deposit or similar requirements in respect of any Eurodollar Loan or any Letter of Credit (excluding those for which such Lender Party is fully compensated pursuant to adjustments made in the definition of Eurodollar Rate) or against assets of, deposits with or for the account of, or credit extended by, such Lender Party; or

(c) shall impose on any Lender Party or the interbank eurocurrency deposit market any other condition affecting any Eurodollar Loan or Letter of Credit, the result

of which is to increase the cost to any Lender Party of funding or maintaining any Eurodollar Loan or of issuing any Letter of Credit or to reduce the amount of any sum receivable by any Lender Party in respect of any Eurodollar Loan or Letter of Credit by an amount deemed by such Lender Party to be material,

then such Lender Party shall promptly notify Administrative Agent and Borrower in writing of the happening of such event and of the amount required to compensate such Lender Party for such event (on an after-tax basis, taking into account any taxes on such compensation), whereupon (i) Borrower shall, within five Business Days after demand therefor by such Lender Party, pay such amount to Administrative Agent for the account of such Lender Party and (ii) Borrower may elect, by giving to Administrative Agent and such Lender Party not less than three Business Days' notice, to Convert all (but not less than all) of any such Eurodollar Loans into Base Rate Loans.

Section 3.4. Notice; Change of Applicable Lending Office. A Lender Party shall notify Borrower of any event occurring after the date of this Agreement that will entitle such Lender Party to compensation under Section 3.2, 3.3, or 3.5 hereof as promptly as practicable, but in any event within 90 days, after such Lender Party obtains actual knowledge thereof; provided, that (i) if such Lender Party fails to give such notice within 90 days after it obtains actual knowledge of such an event, such Lender Party shall, with respect to compensation payable pursuant to Section 3.2, 3.3, or 3.5 in respect of any costs resulting from such event, only be entitled to payment under Section 3.2, 3.3, or 3.5 hereof for costs incurred from and after the date 90 days prior to the date that such Lender Party does give such notice and (ii) such Lender Party will designate a different Applicable Lending Office for the Loans affected by such event if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole opinion of such Lender Party, be disadvantageous to such Lender Party, except that such Lender Party shall have no obligation to designate an Applicable Lending Office located in the United States of America. Each Lender Party will furnish to Borrower a certificate setting forth the basis and amount of each request by such Lender Party for compensation under Section 3.2, 3.3, or 3.5 hereof.

Section 3.5. Availability. If (a) any change in applicable Laws, or in the interpretation or administration thereof of or in any jurisdiction whatsoever, domestic or foreign, shall make it unlawful or impracticable for any Lender Party to fund or maintain Eurodollar Loans or to issue or participate in Letters of Credit, or shall materially restrict the authority of any Lender Party to purchase or take offshore deposits of dollars (i.e., "eurodollars"), or (b) any Lender Party determines that matching deposits appropriate to fund or maintain any Eurodollar Loan are not available to it, or (c) any Lender Party determines that the formula for calculating the Eurodollar Rate does not fairly reflect the cost to such Lender Party of making or maintaining loans based on such rate, then, upon notice by such Lender Party to Borrower and Administrative Agent, Borrower's right to elect Eurodollar Loans from such Lender Party (or, if applicable, to obtain Letters of Credit) shall be suspended to the extent and for the duration of such illegality, impracticability or restriction and all Eurodollar Loans of such Lender Party which are then outstanding or are then the subject of any Borrowing Notice and which cannot lawfully or practicably be maintained or

funded shall immediately become or remain, or shall be funded as, Base Rate Loans of such Lender Party. Borrower agrees to indemnify each Lender Party and hold it harmless against all costs, expenses, claims, penalties, liabilities and damages which may result from any such change in Law, interpretation or administration. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.6. Funding Losses. In addition to its other obligations hereunder, Borrower will indemnify each Lender Party against, and reimburse each Lender Party on demand for, any loss or expense incurred or sustained by such Lender Party (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by a Lender Party to fund or maintain Eurodollar Loans), as a result of (a) any payment or prepayment (whether or not authorized or required hereunder) of all or a portion of a Eurodollar Loan on a day other than the day on which the applicable Interest Period ends, (b) any payment or prepayment, whether or not required hereunder, of a Loan made after the delivery, but before the effective date, of a Continuation/Conversion Notice, if such payment or prepayment prevents such Continuation/Conversion Notice from becoming fully effective, (c) the failure of any Loan to be made or of any Continuation/Conversion Notice to become effective due to any condition precedent not being satisfied or due to any other action or inaction of any Restricted Person, or (d) any Conversion (whether or not authorized or required hereunder) of all or any portion of any Eurodollar Loan into a Base Rate Loan or into a different Eurodollar Loan on a day other than the day on which the applicable Interest Period ends. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.7. Reimbursable Taxes. Borrower covenants and agrees that:

(a) Borrower will indemnify each Lender Party against and reimburse each Lender Party for all present and future income, stamp and other taxes, levies, costs and charges whatsoever imposed, assessed, levied or collected on or in respect of this Agreement or any Eurodollar Loans or Letters of Credit (whether or not legally or correctly imposed, assessed, levied or collected), excluding, however, any taxes imposed on or measured by the overall net income of Administrative Agent or such Lender Party or any Applicable Lending Office of such Lender Party by any jurisdiction in which such Lender Party or any such Applicable Lending Office is located (all such non-excluded taxes, levies, costs and charges being collectively called "Reimbursable Taxes" in this section). Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

(b) All payments on account of the principal of, and interest on, each Lender Party's Loans and Note, and all other amounts payable by Borrower to any Lender Party hereunder, shall be made in full without set-off or counterclaim and shall be made free and clear of and without deductions or withholdings of any nature by reason of any Reimbursable Taxes, all of which will be for the account of Borrower. In the event of Borrower being compelled by Law to make any such deduction or withholding from any payment to any Lender Party, Borrower shall pay on the due date

of such payment, by way of additional interest, such additional amounts as are needed to cause the amount receivable by such Lender Party after such deduction or withholding to equal the amount which would have been receivable in the absence of such deduction or withholding. If Borrower should make any deduction or withholding as aforesaid, Borrower shall within 60 days thereafter forward to such Lender Party an official receipt or other official document evidencing payment of such deduction or withholding.

(c) If Borrower is ever required to pay any Reimbursable Tax with respect to any Eurodollar Loan, Borrower may elect, by giving to Administrative Agent and such Lender Party not less than three Business Days' notice, to Convert all (but not less than all) of any such Eurodollar Loan into a Base Rate Loan, but such election shall not diminish Borrower's obligation to pay all Reimbursable Taxes.

(d) Notwithstanding the foregoing provisions of this section, Borrower shall be entitled, to the extent it is required to do so by Law, to deduct or withhold (and not to make any indemnification or reimbursement for) income or other similar taxes imposed by the United States of America (other than any portion thereof attributable to a change in federal income tax Laws effected after the date hereof) from interest, fees or other amounts payable hereunder for the account of any Lender Party, other than a Lender Party (i) who is a U.S. person for Federal income tax purposes or (ii) who has the Prescribed Forms on file with Administrative Agent (with copies provided to Borrower) for the applicable year to the extent deduction or withholding of such taxes is not required as a result of the filing of such Prescribed Forms, provided that if Borrower shall so deduct or withhold any such taxes, it shall provide a statement to Administrative Agent and such Lender Party, setting forth the amount of such taxes so deducted or withheld, the applicable rate and any other information or documentation which such Lender Party may reasonably request for assisting such Lender Party to obtain any allowable credits or deductions for the taxes so deducted or withheld in the jurisdiction or jurisdictions in which such Lender Party is subject to tax. As used in this section, "Prescribed Forms" means such duly executed forms or statements, and in such number of copies, which may, from time to time, be prescribed by Law and which, pursuant to applicable provisions of (x) an income tax treaty between the United States and the country of residence of the Lender Party providing the forms or statements, (y) the Code, or (z) any applicable rules or regulations thereunder, permit Borrower to make payments hereunder for the account of such Lender Party free of such deduction or withholding of income or similar taxes.

Section 3.8 Replacement of Lenders. If any Lender Party seeks reimbursement for increased costs under Sections 3.2 through 3.7, then within ninety days thereafter -- provided no Event of Default then exists -- Borrower shall have the right (unless such Lender Party withdraws its request for additional compensation) to replace such Lender Party by requiring such Lender Party to assign its Loans and Notes and its commitments hereunder to an Eligible Transferee reasonably acceptable to Administrative Agent and to Borrower, provided that: (i) all Obligations of Borrower owing to such Lender Party being replaced (including such

increased costs, but excluding principal and accrued interest on the Notes being assigned) shall be paid in full to such Lender Party concurrently with such assignment, and (ii) the replacement Eligible Transferee shall purchase the Note being assigned by paying to such Lender Party a price equal to the principal amount thereof plus accrued and unpaid interest and accrued and unpaid commitment fees thereon. In connection with any such assignment Borrower, Administrative Agent, such Lender Party and the replacement Eligible Transferee shall otherwise comply with Section 10.5. Notwithstanding the foregoing rights of Borrower under this section, however, Borrower may not replace any Lender Party which seeks reimbursement for increased costs under Section 3.2 through 3.7 unless Borrower is at the same time replacing all Lender Parties which are then seeking such compensation.

Section 3.9. Application of Proceeds After Acceleration. If any Event of Default shall have occurred and be continuing, and if the Obligations have become due and payable, all cash collateral held by Administrative Agent under this Agreement and the proceeds of any sale, disposition, or other realization by Administrative Agent upon the Collateral (or any portion thereof) pursuant to the Security Documents, shall be distributed in whole or in part by Administrative Agent in the following order of priority, unless otherwise directed by all of the Lenders:

First, to the Administrative Agent, in an amount equal to all reimbursements to Administrative Agent due and payable as of the date of such distribution;

Second, to the Lenders, ratably, in an amount equal to all accrued and unpaid interest and fees owing to the Lenders under this Agreement due and payable as of the date of such distribution; provided, however, that in case such proceeds shall be insufficient to pay in full all such Obligations, then to the payment thereof to the Lenders, ratably, in proportion to its percentage of the sum of the aggregate amounts of all such Obligations;

Third, to the Lenders, ratably, in an amount equal to all Loans plus LC Obligations; provided, however, that in the case such proceeds shall be insufficient to pay in full all such Obligations, then to the payment thereof to the Lenders, ratably, in proportion to its percentage of the sum of the aggregate amounts of all such Obligations;

Fourth, to the Lenders, ratably, in an amount equal to all amounts owing to the Lenders under all Obligations with respect to Hedging Contracts between any Restricted Person and any Lender or an Affiliate; provided, however, that in case such proceeds shall be insufficient to pay in full all such Obligations, then to the payment thereof to the Lenders, ratably, in proportion to its percentage of the sum of the aggregate amounts of all such Obligations;

Fifth, to the Lenders in an amount equal to all other Obligations; provided, however, that in the case such proceeds shall be insufficient to pay in full such Obligations, then to the payment thereof to the Lenders, ratably, in proportion to its percentage of the sum of the aggregate amounts of all such Obligations; and

Sixth, to the extent of any surplus, to the Restricted Persons as their respective interests may appear, except as may be provided otherwise by law;

it being understood that the Restricted Persons shall remain liable to the extent of any deficiency between the amount of proceeds of the Collateral and the aggregate sums referred to in clauses First through Fifth above.

ARTICLE IV - Conditions Precedent to Lending

Section 4.1. Documents to be Delivered. No Lender has any obligation to make its first Loan, and LC Issuer has no obligation to issue the first Letter of Credit unless Administrative Agent shall have received all of the following, at Administrative Agent's office in New York, New York, duly executed and delivered and in form, substance and date satisfactory to Administrative Agent:

(a) This Agreement and any other documents that Lenders are to execute in connection herewith.

(b) Each Note.

(c) Each Security Document listed in the Security Schedule.

(d) Certain certificates including:

(i) An "Omnibus Certificate" of the secretary and of the president of General Partner, which shall contain the names and signatures of the officers of each Restricted Person authorized to execute Loan Documents and which shall certify to the truth, correctness and completeness of the following exhibits attached thereto: (1) a copy of resolutions duly adopted by the Board of Directors of General Partner and in full force and effect at the time this Agreement is entered into, authorizing the execution of this Agreement and the other Loan Documents delivered or to be delivered in connection herewith and the consummation of the transactions contemplated herein and therein, (2) a copy of the charter documents of each Restricted Person and all amendments thereto, certified by the appropriate official of such Restricted Person's state of organization, and (3) a copy of any bylaws or agreement of limited partnership of each Restricted Person; and

(ii) A certificate of the president and of the chief financial officer of General Partner, regarding satisfaction of Section 4.2.

(e) A certificate (or certificates) of the due formation, valid existence and good standing of each Restricted Person in its respective state of organization, issued by the appropriate authorities of such jurisdiction, and certificates of each Restricted Person's good standing and due qualification to do business, issued by appropriate

officials in any states in which such Restricted Person owns property subject to Security Documents.

(f) Documents similar to those specified in subsections (d)(i) and (e) of this section with respect to each Guarantor and the execution by it of its guaranty of Borrower's Obligations.

(g) A favorable opinion of Michael Patterson, Esq., General Counsel for Restricted Persons, substantially in the form set forth in Exhibit E-1, Fulbright & Jaworski L.L.P., special Texas and New York counsel to Restricted Persons, substantially in the form set forth in Exhibit E-2, and Andrews & Kurth, special counsel to Restricted Persons, substantially in the form of Exhibit E-3.

(h) The Initial Financial Statements.

(i) Certificates or binders evidencing Restricted Persons' insurance in effect on the date hereof.

(j) Copies of such permits and approvals regarding the property and business of Restricted Persons as Administrative Agent may request.

(k) A certificate signed by the chief executive officer of General Partner in form and detail acceptable to Administrative Agent confirming the insurance that is in effect as of the date hereof and certifying that such insurance is customary for the businesses conducted by Restricted Persons and is in compliance with the requirements of this Agreement.

(l) Payment of all commitment, facility, agency and other fees required to be paid to any Lender pursuant to any Loan Documents or any commitment agreement heretofore entered into.

(m) The Intercreditor Agreement with the lenders party to the Operating Credit Agreement in the form of Exhibit I hereto.

Section 4.2. Additional Conditions to Initial Credit. No Lender has any obligation to make its first Loan, and LC Issuer has no obligation to issue the first Letter of Credit unless, prior to or contemporaneously with the initial Loan or initial Letter of Credit issuance hereunder, the following conditions precedent have been satisfied:

(a) The Offering and all of the transactions contemplated under the Offering Documents shall have been consummated, in compliance with the terms and conditions thereof and all representations and warranties made by any party to the Offering Documents shall be true and correct.

(b) Each Restricted Person shall have executed and delivered the Operating Credit Agreement and all conditions precedent to the Operating Credit Agreement shall have been satisfied.

(c) After giving effect to each of the transactions under the Offering Documents, all representations and warranties made by any Restricted Person in any Loan Document shall be true on and as of the date of such Loan or the date of issuance of such Letter of Credit as if such representations and warranties had been made as of the date of such Loan or the date of issuance of such Letter of Credit.

(d) General Partner shall have (i) received sufficient funds from the net proceeds of the Offering in order to fully repay that portion of the outstanding principal balance of the term loans under the Existing Agreement that exceeds $175,000,000 and to repay the revolving credit loans under the Existing Credit Agreement in full, and (ii) made such repayment of such term loans and such revolving credit loans.

(e) General Partner shall have delivered to Administrative Agent a Consolidated balance sheet for Plains MLP and its Subsidiaries certified by the chief financial officer of General Partner, reflecting compliance with each event specified in Sections 7.11 through 7.16, inclusive.

(f) Plains MLP shall have a market capitalization of at least $500,000,000, calculated based upon the total issued partnership units of Plains MLP and the market price of the publicly held portion of such partnership units of Plains MLP.

(g) Plains MLP shall have a minimum tangible net worth of $225,000,000.

Section 4.3. Additional Conditions Precedent. No Lender has any obligation to make any Loan (including its first), and LC Issuer has no obligation to issue any Letter of Credit (including its first), unless the following conditions precedent have been satisfied:

(a) All representations and warranties made by any Restricted Person in any Loan Document shall be true on and as of the date of such Loan or the date of issuance of such Letter of Credit as if such representations and warranties had been made as of the date of such Loan or the date of issuance of such Letter of Credit except to the extent that such representation or warranty was made as of a specific date or updated, modified or supplemented as of a subsequent date with the consent of Majority Lenders.

(b) No Default shall exist at the date of such Loan or the date of issuance of such Letter of Credit.

(c) No Material Adverse Change shall have occurred to, and no event or circumstance shall have occurred that could cause a Material Adverse Change to, Plains

MLP's or Borrower's Consolidated financial condition or businesses since the date of the Initial Financial Statements.

(d) Each Restricted Person shall have performed and complied with all agreements and conditions required in the Loan Documents to be performed or complied with by it on or prior to the date of such Loan or the date of issuance of such Letter of Credit.

(e) The making of such Loan or the issuance of such Letter of Credit shall not be prohibited by any Law and shall not subject any Lender or any LC Issuer to any penalty or other onerous condition under or pursuant to any such Law.

(f) Administrative Agent shall have received all documents and instruments which Administrative Agent has then requested, in addition to those described in Section 4.1 (including opinions of legal counsel for Restricted Persons and Administrative Agent; corporate documents and records; documents evidencing governmental authorizations, consents, approvals, licenses and exemptions; and certificates of public officials and of officers and representatives of Borrower and other Persons), as to (i) the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in this Agreement and the other Loan Documents, (ii) the satisfaction of all conditions contained herein or therein, and (iii) all other matters pertaining hereto and thereto. All such additional documents and instruments shall be satisfactory to Administrative Agent in form, substance and date.

ARTICLE V - Representations and Warranties

To confirm each Lender's understanding concerning Restricted Persons and Restricted Persons' businesses, properties and obligations and to induce each Lender to enter into this Agreement and to extend credit hereunder, Plains MLP and Borrower represent and warrant to each Lender that:

Section 5.1. No Default. No Restricted Person is in default in the performance of any of the covenants and agreements contained in any Loan Document. No event has occurred and is continuing which constitutes a Default.

Section 5.2. Organization and Good Standing. Each Restricted Person is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, having all powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Each Restricted Person is duly qualified, in good standing, and authorized to do business in all other jurisdictions within the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary except where the failure to so qualify would not cause a Material Adverse Change. Each Restricted Person has taken all actions and

procedures customarily taken in order to enter, for the purpose of conducting business or owning property, each jurisdiction outside the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such actions and procedures necessary except where the failure to so qualify would not cause a Material Adverse Change.

Section 5.3. Authorization. Each Restricted Person has duly taken all action necessary to authorize the execution and delivery by it of the Loan Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder. Borrower is duly authorized to borrow funds hereunder.

Section 5.4. No Conflicts or Consents. The execution and delivery by the various Restricted Persons of the Loan Documents and Offering Documents to which each is a party, the performance by each of its obligations under such Loan Documents and Offering Documents, and the consummation of the transactions contemplated by the various Loan Documents and various Offering Documents, do not and will not (i) conflict with any provision of (1) any Law, (2) the organizational documents of any Restricted Person or any of its Affiliates, or (3) any agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person or any of its Affiliates, (ii) result in the acceleration of any Indebtedness owed by any Restricted Person or any of its Affiliates, or (iii) result in or require the creation of any Lien upon any assets or properties of any Restricted Person or any of its Affiliates except as expressly contemplated in the Loan Documents. Except as expressly contemplated in the Loan Documents or the Offering Documents, no consent, approval, authorization or order of, and no notice to or filing with, any Tribunal or third party is required in connection with the execution, delivery or performance by any Restricted Person of any Loan Document or Offering Document or to consummate any transactions contemplated by the Loan Documents and the Offering Documents.

Section 5.5. Enforceable Obligations. This Agreement is, and the other Loan Documents and the Offering Documents when duly executed and delivered will be, legal, valid and binding obligations of each Restricted Person which is a party hereto or thereto, enforceable in accordance with their terms except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

Section 5.6. Initial Financial Statements. Plains MLP has heretofore delivered to each Lender true, correct and complete copies of the Initial Financial Statements. The Initial Financial Statements fairly present Plains MLP's Consolidated financial position at the date thereof and the Consolidated results of Plains MLP's operations and Consolidated cash flows for the period thereof. Since the date of the annual Initial Financial Statements no Material Adverse Change has occurred, except as reflected in the quarterly Initial Financial Statements or in the Disclosure Schedule. All Initial Financial Statements were prepared in accordance with GAAP.

Section 5.7. Other Obligations and Restrictions. No Restricted Person has any outstanding Liabilities of any kind (including contingent obligations, tax assessments, and unusual forward or long-term commitments) which are, in the aggregate, material to Plains MLP or material with respect to Plains MLP's Consolidated financial condition and not shown in the Initial Financial Statements or disclosed in the Disclosure Schedule. Except as shown in the Initial Financial Statements or disclosed in the Disclosure Schedule, no Restricted Person is subject to or restricted by any franchise, contract, deed, charter restriction, or other instrument or restriction which could cause a Material Adverse Change.

Section 5.8. Full Disclosure. No certificate, statement or other information delivered herewith or heretofore by any Restricted Person to any Lender in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading as of the date made or deemed made. All written information furnished after the date hereof by or on behalf of any Restricted Person to Administrative Agent or any Lender Party in connection with this Agreement and the other Loan Documents and the transactions contemplated hereby and thereby will be true, complete and accurate in every material respect or based on reasonable estimates on the date as of which such information is stated or certified. There is no fact known to any Restricted Person that has not been disclosed to each Lender in writing which could cause a Material Adverse Change.

Section 5.9. Litigation. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule: (i) there are no actions, suits or legal, equitable, arbitrative or administrative proceedings pending, or to the knowledge of any Restricted Person threatened, against any Restricted Person before any Tribunal which could cause a Material Adverse Change, and (ii) there are no outstanding judgments, injunctions, writs, rulings or orders by any such Tribunal against any Restricted Person or any Restricted Person's stockholders, partners, directors or officers which could cause a Material Adverse Change.

Section 5.10. Labor Disputes and Acts of God. Except as disclosed in the Disclosure Schedule, neither the business nor the properties of any Restricted Person has been affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), which could cause a Material Adverse Change.

Section 5.11. ERISA Plans and Liabilities. All currently existing ERISA Plans are listed in the Disclosure Schedule. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule, no Termination Event has occurred with respect to any ERISA Plan and all ERISA Affiliates are in compliance with ERISA in all material respects. No ERISA Affiliate is required to contribute to, or has any other absolute or contingent liability in respect of, any "multiemployer plan" as defined in Section 4001 of ERISA. Except as set forth in the Disclosure Schedule: (i) no "accumulated funding deficiency" (as defined in Section 412(a) of the Code) exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, and (ii) the current value of each ERISA Plan's benefits does not

exceed the current value of such ERISA Plan's assets available for the payment of such benefits by more than $500,000.

Section 5.12. Compliance with Laws. Except as set forth in the Disclosure Schedule, each Restricted Person is conducting its businesses in compliance with all applicable Laws, including Environmental Laws, and has all permits, licenses and authorizations required in connection with the conduct of its businesses, except to the extent failure to have any such permit, license or authorization could not cause a Material Adverse Change. Each Restricted Person is in compliance with the terms and conditions of all such permits, licenses and authorizations, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any Law, including applicable Environmental Law, or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply could not cause a Material Adverse Change. Without limiting the foregoing, each Restricted Person (i) has filed and maintained all tariffs applicable to its business with each applicable commission, (ii) and all such tariffs are in compliance with all Laws administered or promulgated by each applicable commission and (iii) has imposed charges on its customers in compliance with such tariffs, all contracts applicable to its business and all applicable Laws. As used herein, "commission" includes the Federal Energy Regulatory Commission, the Public Utility Commission of the State of California and each other federal, state or local governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any Restricted Person or its properties.

Section 5.13. Environmental Laws. As used in this section: "CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, "CERCLIS" means the Comprehensive Environmental Response, Compensation and Liability Information System List of the Environmental Protection Agency, and "Release" has the meaning given such term in 42 U.S.C. (S) 9601(22). Without limiting the provisions of Section 5.12, and except as set forth in the Disclosure Schedule:

(a) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed, and no investigation or review is pending or threatened by any Tribunal or any other Person with respect to any of the following which in the aggregate could cause a Material Adverse Change: (i) any alleged generation, treatment, storage, recycling, transportation, disposal, or Release of any Hazardous Materials, either by any Restricted Person or on any property owned by any Restricted Person, (ii) any remedial action which might be needed to respond to any such alleged generation, treatment, storage, recycling, transportation, disposal, or Release, or (iii) any alleged failure by any Restricted Person to have any permit, license or authorization required in connection with the conduct of its business or with respect to any such generation, treatment, storage, recycling, transportation, disposal, or Release.

(b) No Restricted Person otherwise has any known material contingent liability in connection with any alleged generation, treatment, storage, recycling, transportation, disposal, or Release of any Hazardous Materials.

(c) No Restricted Person has handled any Hazardous Materials, other than as a generator, on any properties now or previously owned or leased by any Restricted Person to an extent that such handling has caused, or could cause, a Material Adverse Change.

(d) Except to the extent that the following in the aggregate has not caused and could not cause a Material Adverse Change:

(i) no PCBs are or have been present at any properties now or previously owned or leased by any Restricted Person;

(ii) no asbestos is or has been present at any properties now or previously owned or leased by any Restricted Person;

(iii) there are no underground storage tanks for Hazardous Materials, active or abandoned, at any properties now or previously owned or leased by any Restricted Person; and

(iv) no Hazardous Materials have been Released at, on or under any properties now or previously owned or leased by any Restricted Person.

(e) No Restricted Person has transported or arranged for the transportation of any Hazardous Material to any location which is listed on the National Priorities List under CERCLA, any location listed for possible inclusion on the National Priorities List by the Environmental Protection Agency in CERCLIS, nor, except to the extent that has not caused and could not cause a Material Adverse Change, any location listed on any similar state list or which is the subject of federal, state or local enforcement actions or other investigations which may lead to claims against any Restricted Person for clean-up costs, remedial work, damages to natural resources or for personal injury claims, including, but not limited to, claims under CERCLA.

(f) No property now or previously owned or leased by any Restricted Person is listed or proposed for listing on the National Priority list promulgated pursuant to CERCLA, in CERCLIS, nor, except to the extent that has not caused and could not cause a Material Adverse Change, on any similar state list of sites requiring investigation or clean-up.

(g) There are no Liens arising under or pursuant to any Environmental Laws on any of the real properties or properties owned or leased by any Restricted Person, and no government actions of which Borrower is aware have been taken or are in process which could subject any of such properties to such Liens; nor would any Restricted Person be required to place any notice or restriction relating to the presence of Hazardous Materials at any properties owned by it in any deed to such properties.

(h) There have been no environmental investigations, studies, audits, tests, reviews or other analyses for ground water or soil contamination relating to the Release of Hazardous Materials conducted by or which are in the possession of any Restricted Person in relation to

any properties or facility now or previously owned or leased by any Restricted Person which have not been made available to Administrative Agent.

Section 5.14. Names and Places of Business. No Restricted Person has, during the preceding five years, had, been known by, or used any other trade or fictitious name, except as disclosed in the Disclosure Schedule. Except as otherwise indicated in the Disclosure Schedule, the chief executive office and principal place of business of each Restricted Person are (and for the preceding five years have been) located at the address of Borrower set out in Section 10.3. Except as indicated in the Disclosure Schedule, no Restricted Person has any other office or place of business.

Section 5.15. Borrower's Subsidiaries. Borrower does not presently have any Subsidiary or own any stock in any other corporation or association except those listed in the Disclosure Schedule. Neither Borrower nor any Restricted Person is a member of any general or limited partnership, joint venture or association of any type whatsoever except those listed in the Disclosure Schedule. Borrower owns, directly or indirectly, the equity interest in each of its Subsidiaries which is indicated in the Disclosure Schedule.

Section 5.16. Title to Properties; Licenses. Each Restricted Person has good and defensible title to all of its material properties and assets, free and clear of all Liens other than Permitted Liens and of all impediments to the use of such properties and assets in such Restricted Person's business. Each Restricted Person possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, and other intellectual property (or otherwise possesses the right to use such intellectual property without violation of the rights of any other Person) which are necessary to carry out its business as presently conducted and as presently proposed to be conducted hereafter, and no Restricted Person is in violation in any material respect of the terms under which it possesses such intellectual property or the right to use such intellectual property.

Section 5.17. Government Regulation. Neither Borrower nor any other Restricted Person owing Obligations is subject to regulation under the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940 (as any of the preceding acts have been amended) or any other Law which regulates the incurring by such Person of Indebtedness, including Laws relating to common contract carriers or the sale of electricity, gas, steam, water or other public utility services. Neither Borrower nor any other Restricted Person is subject to regulation under the Federal Power Act which would violate, result in a default of, or prohibit the effectiveness or the performance of any of the provisions of the Loan Documents.

Section 5.18. Insider. No Restricted Person, nor any Person having "control" (as that term is defined in 12 U.S.C. (S) 375b(9) or in regulations promulgated pursuant thereto) of any Restricted Person, is a "director" or an "executive officer" or "principal shareholder" (as those terms are defined in 12 U.S.C. (S) 375b(8) or (9) or in regulations promulgated pursuant thereto) of any Lender, of a bank holding company of which any Lender is a Subsidiary or of any Subsidiary of a bank holding company of which any Lender is a Subsidiary.

Section 5.19. Solvency. Upon giving effect to the issuance of the Notes, the execution of the Loan Documents by Borrower and each Guarantor and the consummation of the transactions contemplated hereby, Borrower and each Guarantor will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws).

Section 5.20. Credit Arrangements. The Disclosure Schedule contains a complete and correct list, as of the date of this Agreement, of each credit agreement, loan agreement, indenture, purchase agreement, guaranty or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guaranty by, any Restricted Person, or to which any Restricted Person is subject, other than the Loan Documents, and the aggregate principal or face amount outstanding or which may become outstanding under each such arrangement is correctly described in the Disclosure Schedule. No Restricted Person is subject to any restriction under any credit agreement, loan agreement, indenture, purchase agreement, guaranty or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guaranty by, any Affiliate.

ARTICLE VI - Affirmative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Borrower, and to induce each Lender to enter into this Agreement and extend credit hereunder, Plains MLP and Borrower covenant and agree that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders, or all Lenders as required under Section 10.1, have previously agreed otherwise:

Section 6.1. Payment and Performance. Each Restricted Person will pay all amounts due under the Loan Documents, to which it is a party, in accordance with the terms thereof and will observe, perform and comply with every covenant, term and condition expressed in the Loan Documents to which it is a party.

Section 6.2. Books, Financial Statements and Reports. Each Restricted Person will at all times maintain full and accurate books of account and records. Plains MLP will maintain and will cause its Subsidiaries to maintain a standard system of accounting, will maintain its Fiscal Year, and will furnish the following statements and reports to Administrative Agent, in such number of counterparts as Administrative Agent may request, at Restricted Persons' expense:

(a) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year (i) complete Consolidated financial statements of Plains MLP together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by Price Waterhouse Coopers, or other independent certified public accountants selected by General Partner and acceptable to Majority Lenders, stating that such Consolidated financial statements have been so prepared and (ii) supporting

unaudited consolidating balance sheets and statements of income of each other Restricted Person. These financial statements shall contain a Consolidated and consolidating balance sheet as of the end of such Fiscal Year and Consolidated and consolidating statements of earnings for such Fiscal Year, each setting forth in comparative form the corresponding figures for the preceding Fiscal Year. In addition, within ninety (90) days after the end of each Fiscal Year Plains MLP will furnish a certificate signed by such accountants (i) stating that they have read this Agreement, (ii) containing calculations showing compliance (or non-compliance) at the end of such Fiscal Year with the requirements of Sections 7.11 through 7.15, inclusive, and (iii) further stating that in making their examination and reporting on the Consolidated financial statements described above they obtained no knowledge of any Default existing at the end of such Fiscal Year, or, if they did so conclude that a Default existed, specifying its nature and period of existence.

(b) As soon as available, and in any event within forty-five (45) days after the end of each of the first three Fiscal Quarters of each Fiscal Year, (i) Plains MLP's Consolidated balance sheet as of the end of such Fiscal Quarter and Consolidated statements of Plains MLP's earnings and cash flows for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, and (ii) supporting consolidating balance sheets and statements of income of each other Restricted Person, all in reasonable detail and prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments; and as soon as available, and in any event within forty-five (45) days after the end of the last Fiscal Quarter of each Fiscal Year, Plains MLP's unaudited Consolidated balance sheet as of the end of such Fiscal Quarter and income statement for such Fiscal Quarter and for the period from the beginning of the current Fiscal Year to the end of such Fiscal Quarter. In addition Plains MLP will, together with each such set of financial statements and each set of financial statements furnished under subsection (a) of this section, furnish a certificate in the form of Exhibit D signed by the chief financial officer of General Partner stating that such financial statements are accurate and complete in all material respects (subject to normal year-end adjustments), stating that he has reviewed the Loan Documents, containing calculations showing compliance (or non-compliance) at the end of such Fiscal Quarter with the requirements of Sections 7.11through 7.15, inclusive and stating that no Default exists at the end of such Fiscal Quarter or at the time of such certificate or specifying the nature and period of existence of any such Default.

(c) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent by Plains MLP to its unit holders and all registration statements, periodic reports and other statements and schedules filed by Plains MLP with any securities exchange, the Securities and Exchange Commission or any similar governmental authority.

(d) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year, a five-year business and financial plan for Plains MLP (in form reasonably satisfactory to Administrative Agent), prepared by a senior financial

officer thereof, setting forth for the first year thereof, quarterly financial projections and budgets for Plains MLP, and thereafter yearly financial projections and budgets for the next four Fiscal Years.

(e) As soon as available, and in any event within forty-five (45) days after the end of each month, throughput volume reports setting forth in detail pipeline volumes of crude oil delivered by Restricted Persons for such month in connection with, and transportation fees charged and margins realized by the Restricted Persons for such month delivered through all pipeline facilities of Plains MLP and its Subsidiaries.

(f) As soon as available, and in any event within forty-five (45) days after the end of each Fiscal Quarter, a report setting forth volumes and margins for all marketing activities of Restricted Persons.

(g) As soon as available, and in any event within thirty (30) days after the end of each Fiscal Year, an environmental compliance certificate signed by the president or chief executive officer of General Partner in the form attached hereto as Exhibit F. Further, if requested by Administrative Agent, Restricted Persons shall permit and cooperate with an environmental and safety review made in connection with the operations of Restricted Persons' properties one time during each Fiscal Year beginning with the Fiscal Year 1999, by Pilko & Associates, Inc. or other consultants selected by Administrative Agent which review shall, if requested by Administrative Agent, be arranged and supervised by environmental legal counsel for Administrative Agent, all at Restricted Persons' cost and expense. The consultant shall render a verbal or written report, as specified by Administrative Agent, based upon such review at Restricted Persons' cost and expense and a copy thereof will be provided to Restricted Persons.

(h) Concurrently with the annual renewal of Restricted Persons' insurance policies, Restricted Persons shall at their own cost and expense, if requested by Administrative Agent in writing, cause a certificate or report to be issued by Administrative Agent's professional insurance consultants or other insurance consultants satisfactory to Administrative Agent certifying that Restricted Persons' insurance for the next succeeding year after such renewal (or for such longer period for which such insurance is in effect) complies with the provisions of this Agreement and the Security Documents.

Section 6.3. Other Information and Inspections. In each case subject to the last sentence of this Section 6.3, each Restricted Person will furnish to each Lender any information which Administrative Agent or any Lender may from time to time request concerning any covenant, provision or condition of the Loan Documents or any matter in connection with Restricted Persons' businesses and operations. In each case subject to the last sentence of this Section 6.3, each Restricted Person will permit representatives appointed by Administrative Agent (including independent accountants, auditors, agents, attorneys,

appraisers and any other Persons) to visit and inspect during normal business hours any of such Restricted Person's property, including its books of account, other books and records, and any facilities or other business assets, and to make extra copies therefrom and photocopies and photographs thereof, and to write down and record any information such representatives obtain, and each Restricted Person shall permit Administrative Agent or its representatives to investigate and verify the accuracy of the information furnished to Administrative Agent or any Lender in connection with the Loan Documents and to discuss all such matters with its officers, employees and, upon prior notice to Borrower, its representatives. Each of the foregoing inspections shall be made subject to compliance with applicable safety standards and the same conditions applicable to any Restricted Person in respect of property of that Restricted Person on the premises of Persons other than a Restricted Person or an Affiliate of a Restricted Person, and all information, books and records furnished or requested to be furnished, or of which copies, photocopies or photographs are made or requested to be made, all information to be investigated or verified and all discussions conducted with any officer, employee or representative of any Restricted Person shall be subject to any applicable attorney-client privilege exceptions which the Restricted Person determines is reasonably necessary and compliance with conditions to disclosures under non-disclosure agreements between any Restricted Person and Persons other than a Restricted Person or an Affiliate of a Restricted Person and the express undertaking of each Person acting at the direction of or on behalf of any Lender Party to be bound by the confidentiality provisions of Section 10.6 of this Agreement.

Section 6.4. Notice of Material Events and Change of Address. Each Restricted Person will notify each Lender Party, not later than five (5) Business Days after any executive officer of Restricted Persons has knowledge thereof, stating that such notice is being given pursuant to this Agreement, of:

(a) the occurrence of any Material Adverse Change,

(b) the occurrence of any Default,

(c) the acceleration of the maturity of any Indebtedness owed by any Restricted Person or of any default by any Restricted Person under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound, if such acceleration or default could cause a Material Adverse Change,

(d) the occurrence of any Termination Event,

(e) any claim of $1,000,000 or more, any notice of potential liability under any Environmental Laws which might be reasonably likely to exceed such amount, or any other material adverse claim asserted against any Restricted Person or with respect to any Restricted Person's properties taken as a whole, and

(f) the filing of any suit or proceeding against any Restricted Person in which an adverse decision could cause a Material Adverse Change.

Upon the occurrence of any of the foregoing Restricted Persons will take all necessary or appropriate steps to remedy promptly any such Material Adverse Change, Default, acceleration, default or Termination Event, to protect against any such adverse claim, to defend any such suit or proceeding, and to resolve all controversies on account of any of the foregoing. Restricted Persons will also notify Administrative Agent and Administrative Agent's counsel in writing at least twenty Business Days prior to the date that any Restricted Person changes its name or the location of its chief executive office or principal place of business or the place where it keeps its books and records concerning the Collateral, furnishing with such notice any necessary financing statement amendments or requesting Administrative Agent and its counsel to prepare the same.

Section 6.5. Maintenance of Properties. Each Restricted Person will maintain, preserve, protect, and keep all Collateral and all other property used or useful in the conduct of its business in good condition (ordinary wear and tear excepted) and in compliance with all applicable Laws, and will from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times.

Section 6.6. Maintenance of Existence and Qualifications. Each Restricted Person will maintain and preserve its existence and its rights and franchises in full force and effect and will qualify to do business in all states or jurisdictions where required by applicable Law, except where the failure so to qualify will not cause a Material Adverse Change.

Section 6.7. Payment of Trade Liabilities, Taxes, etc. Each Restricted Person will (a) timely file all required tax returns (including any extensions); (b) timely pay all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property; (c) within one hundred twenty (120) days after the date such goods are delivered or such services are rendered, pay all Liabilities owed by it on ordinary trade terms to vendors, suppliers and other Persons providing goods and services used by it in the ordinary course of its business; (d) pay and discharge when due all other Liabilities now or hereafter owed by it; and (e) maintain appropriate accruals and reserves for all of the foregoing in accordance with GAAP. Each Restricted Person may, however, delay paying or discharging any of the foregoing so long as it is in good faith contesting the validity thereof by appropriate proceedings, if necessary, and has set aside on its books adequate reserves therefor which are required by GAAP.

Section 6.8. Insurance. Each Restricted Person shall at all times maintain insurance for its property in accordance with the Insurance Schedule, which insurance shall be by financially sound and reputable insurers. Borrower will maintain any additional insurance coverage as described in the respective Security Documents. Upon demand by Administrative Agent any insurance policies covering Collateral shall be endorsed (a) to provide for payment of losses to Administrative Agent as its interests may appear, (b) to provide that such policies

may not be canceled or reduced or affected in any material manner for any reason without fifteen days prior notice to Administrative Agent, and (c) to provide for any other matters specified in any applicable Security Document or which Administrative Agent may reasonably require. Each Restricted Person shall at all times maintain insurance against its liability for injury to persons or property in accordance with the Insurance Schedule, which insurance shall be by financially sound and reputable insurers. Without limiting the foregoing, each Restricted Person shall at all time maintain liability insurance in accordance with the Insurance Schedule.

Section 6.9. Performance on Borrower's Behalf. If any Restricted Person fails to pay any taxes, insurance premiums, expenses, attorneys' fees or other amounts it is required to pay under any Loan Document, Administrative Agent may pay the same after notice of such payment by Administrative Agent is given to Borrower. Borrower shall immediately reimburse Administrative Agent for any such payments and each amount paid by Administrative Agent shall constitute an Obligation owed hereunder which is due and payable on the date such amount is paid by Administrative Agent.

Section 6.10. Interest. Borrower hereby promises to each Lender to pay interest at the Default Rate on all Obligations (including Obligations to pay fees or to reimburse or indemnify any Lender) which Borrower has in this Agreement promised to pay to such Lender and which are not paid when due. Such interest shall accrue from the date such Obligations become due until they are paid.

Section 6.11. Compliance with Agreements and Law. Each Restricted Person will perform all material obligations it is required to perform under the terms of each indenture, mortgage, deed of trust, security agreement, lease, and franchise, and each material agreement, contract or other instrument or obligation to which it is a party or by which it or any of its properties is bound. Each Restricted Person will conduct its business and affairs in compliance with all Laws applicable thereto.

Section 6.12. Environmental Matters; Environmental Reviews.

(a) Each Restricted Person will comply in all material respects with all Environmental Laws now or hereafter applicable to such Restricted Person as well as all contractual obligations and agreements with respect to environmental remediation or other environmental matters, and shall obtain, at or prior to the time required by applicable Environmental Laws, all environmental, health and safety permits, licenses and other authorizations necessary for its operations and will maintain such authorizations in full force and effect.

(b) Each Restricted Person will promptly furnish to Administrative Agent all written notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings received by any Restricted Person or General Partner, or of which it has notice, pending or threatened against any Restricted Person, the potential liability of which exceeds $1,000,000 or would cause a Material Adverse Change if resolved adversely against

any Restricted Person, by any governmental authority with respect to any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations in connection with its ownership or use of its properties or the operation of its business.

(c) Each Restricted Person will promptly furnish to Administrative Agent all requests for information, notices of claim, demand letters, and other notifications, received by any Restricted Person or General Partner in connection with its ownership or use of its properties or the conduct of its business, relating to potential responsibility with respect to any investigation or clean-up of Hazardous Material at any location, the potential liability of which exceeds $1,000,000 or would cause a Material Adverse Change if resolved adversely against any Restricted Person.

Section 6.13. Evidence of Compliance. Subject to the last sentence of Section 6.3, each Restricted Person will furnish to each Lender at such Restricted Person's expense all evidence which Administrative Agent from time to time reasonably requests in writing as to the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in the Loan Documents, the satisfaction of all conditions contained therein, and all other matters pertaining thereto.

Section 6.14. Agreement to Deliver Security Documents. Restricted Persons will deliver to further secure the Obligations whenever requested by Administrative Agent in its sole and absolute discretion, deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other Security Documents in form and substance satisfactory to Administrative Agent for the purpose of granting, confirming, and perfecting first and prior liens or security interests in any real or personal property now owned or hereafter acquired by any Restricted Person.

Section 6.15. Perfection and Protection of Security Interests and Liens. Each Restricted Person will from time to time deliver to Administrative Agent any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by Restricted Persons in form and substance satisfactory to Administrative Agent, which Administrative Agent requests for the purpose of perfecting, confirming, or protecting any Liens or other rights in Collateral securing any Obligations.

Section 6.16. Bank Accounts; Offset. To secure the repayment of the Obligations, each Restricted Person hereby grants to each Lender a security interest, a lien, and a right of offset, each of which shall be in addition to all other interests, liens, and rights of any Lender at common Law, under the Loan Documents, or otherwise, and each of which shall be upon and against (a) any and all moneys, securities or other property (and the proceeds therefrom) of such Restricted Person now or hereafter held or received by or in transit to any Lender from or for the account of such Restricted Person, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final) of such Restricted Person with any Lender, and (c) any other credits and claims of such Restricted Person at any time existing against any Lender, including

claims under certificates of deposit. At any time and from time to time during the continuance of any Event of Default, each Lender is hereby authorized to foreclose upon, or to offset against the Obligations then due and payable (in either case without notice to any Restricted Person), any and all items herein above referred to. The remedies of foreclosure and offset are separate and cumulative, and either may be exercised independently of the other without regard to procedures or restrictions applicable to the other.

Section 6.17. Guaranties of Subsidiaries. Each Subsidiary of Plains MLP now existing or created, acquired or coming into existence after the date hereof shall, promptly upon request by Administrative Agent, execute and deliver to Administrative Agent an absolute and unconditional guaranty of the timely repayment of the Obligations and the due and punctual performance of the obligations of Borrower hereunder, which guaranty shall be satisfactory to Administrative Agent in form and substance. Each Subsidiary of Plains MLP existing on the date hereof shall duly execute and deliver such a guaranty prior to the making of any Loan hereunder. Plains MLP will cause each of its Subsidiaries to deliver to Administrative Agent, simultaneously with its delivery of such a guaranty, written evidence satisfactory to Administrative Agent and its counsel that such Subsidiary has taken all corporate or partnership action necessary to duly approve and authorize its execution, delivery and performance of such guaranty and any other documents which it is required to execute.

Section 6.18. Interest Rate Hedging Agreements. Borrower shall at all times maintain interest rate Hedging Contracts which are: (a) for combined durations as of any day of not less than 24 months following such time, (b) in combined notional amounts not less than fifty percent (50%) of the outstanding principal balance of the Term Loans, (c) in compliance with Section 7.3, and (d) otherwise on terms acceptable to Administrative Agent in its sole discretion.

Section 6.19. Compliance with Agreements. Each Restricted Person shall observe, perform or comply with any agreement with any Person or any term or condition of any instrument, if such agreement or instrument is materially significant to such Restricted Person or to Restricted Persons on a Consolidated basis or materially significant to any Guarantor, and such failure is not remedied within the applicable period of grace (if any) provided in such agreement or instrument.

Section 6.20. Year 2000.

(a) Restricted Persons (i) no later than December 31, 1998 shall have completed the analysis of the operations of Restricted Persons and their Affiliates that could be adversely affected by failure to become Year 2000 compliant (that is, that computer applications, imbedded microchips and other systems will be able to perform date-sensitive functions prior to and after December 31, 1999) and developed a plan for Restricted Persons and their Affiliates for becoming Year 2000 compliant in a timely manner, and (ii) shall at all times after development of such plan implement such plan in all material respects, in a timely manner, and in accordance with the schedule of such plan. Contemporaneously with the delivery of each compliance certificate under Section 6.2 (a) or (b) on and after December 31,

1998, Each Restricted Person shall certify that it reasonably believes that Restricted Persons and their Affiliates will become Year 2000 compliant for their operations on a timely basis except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

(b) Contemporaneously with the delivery of each compliance certificate under Section 6.2 (a) or (b) on and after December 31, 1998, Plains MLP shall certify that it reasonably believes any suppliers and vendors that are material to the operations of Plains MLP or its Subsidiaries and Affiliates will be Year 2000 compliant for their own computer applications except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

Section 6.21. Rents. By the terms of the various Security Documents, certain Restricted Persons are and will be assigning to Administrative Agent, for the benefit of Lender Parties, all of the "Rents" (as defined therein) accruing to the property covered thereby. Notwithstanding any such assignments, so long as no Default has occurred and is continuing, (i) such Restricted Persons may continue to receive and collect from the payors of such Rents all such Rents, subject, however, to the Liens created under the Security Documents, which Liens are hereby affirmed and ratified, and free and clear of such Liens, use the proceeds of the Rents, and (ii) the Administrative Agent will not notify the obligors of such Rents or take any other action to cause proceeds thereof to be remitted to the Administrative Agent. Upon the occurrence of a Default, Administrative Agent may exercise all rights and remedies granted under the Security Documents, including the right to obtain possession of all Rents then held by such Restricted Persons or to receive directly from the payors of such Rents all other Rents until such time as such Default is no longer continuing. If the Administrative Agent shall receive any Rent proceeds from any payor at any time other than during the continuance of a Default, then it shall notify Borrower thereof and (i) upon request and pursuant to the instructions of Borrower, it shall, if no Default is then continuing, remit such proceeds to the Borrower and (ii) at the request and expense of Borrower, execute and deliver a letter to such payors confirming Restricted Persons' right to receive and collect Rents until otherwise notified by Administrative Agent. In no case shall any failure, whether purposed or inadvertent, by Administrative Agent to collect directly any such Rents constitute in any way a waiver, remission or release of any of its rights under the Security Documents, nor shall any release of any Rents by Administrative Agent to such Restricted Persons constitute a waiver, remission, or release of any other Rents or of any rights of Administrative Agent to collect other Rents thereafter.

Section 6.22. Annual Repayment of Working Capital Borrowings. At least once each calendar year, Borrower shall repay Working Capital Borrowings in an amount sufficient to reduce the aggregate outstanding Working Capital Borrowings to an amount which does not exceed $8 million for a period of 15 consecutive calendar days.

ARTICLE VII - Negative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Borrower, and to induce each Lender to enter into this Agreement and make the Loans, Plains MLP and Borrower covenant and agree that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders, or all Lenders as required under Section 10.1, have previously agreed otherwise:

Section 7.1. Indebtedness. No Restricted Person will in any manner owe or be liable for Indebtedness except:

(a) the Obligations;

(b) Indebtedness arising under Hedging Contracts permitted under Section 7.3;

(c) Indebtedness of any Restricted Person owing to another Restricted Person;

(d) Liabilities with respect to obligations to deliver crude oil or to render terminaling or storage services in consideration for advance payments to a Restricted Person provided such delivery or rendering, as applicable, is to be made within 60 days after such payment;

(e) Operating leases, provided that the annual rentals and other obligations thereunder in the aggregate in respect of all Related Persons do not exceed $_________;

(f) Indebtedness under the Operating Credit Agreement;

(g) guaranties by Plains MLP of trade payables of Operating incurred and paid in the ordinary course of business on ordinary trade terms; and

(h) other Indebtedness not to exceed in the aggregate in respect of all Related Persons the principal amount of $25,000,000 at any one time outstanding.

Section 7.2. Limitation on Liens. No Restricted Person will create, assume or permit to exist any Lien upon any of the properties or assets which it now owns or hereafter acquires, except the following ("Permitted Liens"):

(a) Liens created pursuant to this Agreement or the Security Documents and Liens existing on the date of this Agreement and listed in the Disclosure Schedule or Liens created pursuant to the Operating Credit Agreement, subject to the terms of the Intercreditor Agreement referred to in Section 4.1(m).

(b) Liens imposed by any governmental authority for taxes, assessments or charges not yet due or the validity of which is being contested in good faith and by appropriate proceedings, if necessary, for which adequate reserves are maintained on the books of any Restricted Person in accordance with GAAP;

(c) pledges or deposits under worker's compensation, unemployment insurance or other social security legislation;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlord's, or other like Liens (including without limitation, Liens on property of Operating in the possession of storage facilities, pipelines or barges) arising in the ordinary course of business

for amounts which are not more than 60 days past due or the validity of which is being contested in good faith and by appropriate proceedings, if necessary, and for which adequate reserves are maintained on the books of any Restricted Person in accordance with GAAP;

(e) deposits of cash or securities to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of real property or minor imperfections in title thereto which, in the aggregate, are not material in amount, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of any Restricted Person;

(g) Liens in respect of operating leases and Capital Leases permitted under Section 7.1;

(h) Liens upon any property or assets acquired after the date hereof by a Restricted Person, each of which either (i) existed on such property or asset before the time of its acquisition and was not created in anticipation thereof, or (ii) was created solely for the purpose of securing Indebtedness representing, or incurred to finance, refinance or refund, the cost (including the cost of construction) of such property or asset; provided that no such Lien shall extend to or cover any property or asset of a Restricted Person other than the property or asset so acquired (or constructed) and the Indebtedness secured thereby is permitted under Section 7.1(d) hereof; and any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancings, refundings or replacements), in whole or part, of the foregoing, provided, however, that such Liens shall not cover or secure any additional Indebtedness, obligations, property or asset;

(i) rights reserved to or vested in any governmental authority by the terms of any right, power, franchise, grant, license or permit, or by any provision of law, to revoke or terminate any such right, power, franchise, grant, license or permit or to condemn or acquire by eminent domain or similar process;

(j) rights reserved to or vested by Law in any governmental authority to in any manner, control or regulate in any manner any of the properties of any Restricted Person or the use thereof or the rights and interests of any Restricted Person therein, in any manner under any and all Laws;

(k) rights reserved to the grantors of any properties of any Restricted Person, and the restrictions, conditions, restrictive covenants and limitations, in respect thereto, pursuant to the terms, conditions and provisions of any rights-of-way agreements, contracts or other agreements therewith;

(l) Inchoate Liens in respect of pending litigation or with respect to a judgment which has not resulted in an Event of Default under Section 8.1; and

(m) Liens on property of Operating permitted pursuant to the terms of the Operating Credit Agreement.

Section 7.3. Hedging Contracts. No Restricted Person will be a party to or in any manner be liable on any Hedging Contract, except:

(a) Hedging Contracts entered into by a Restricted Person with the purpose and effect of fixing interest rates on a principal amount of indebtedness of such Restricted Person that is accruing interest at a variable rate, provided that (i) the aggregate notional amount of such contracts never exceeds one hundred percent (100%) of the anticipated outstanding principal balance of the indebtedness to be hedged by such contracts or an average of such principal balances calculated using a generally accepted method of matching interest swap contracts to declining principal balances, (ii) the floating rate index of each such contract generally matches the index used to determine the floating rates of interest on the corresponding indebtedness to be hedged by such contract and (iii) each such contract is with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender or one of its Affiliates) at the time the contract is made has long-term unsecured and unenhanced debt obligations rated AA or Aa2 or better, respectively, by either Rating Agency or is an investment grade-rated industry participant or otherwise acceptable to Majority Lenders.

(b) Hedging Contracts entered into with the purpose and effect of fixing prices on crude oil then owned by a Restricted Person or which a Restricted Person is then obligated to purchase, provided that at all times: (i) no such contract fixes a price for a term of more than [thirty-six (36)] months [provision dealing with time spreads to be discussed]; (ii) with respect to crude oil constituting the linefill carried in the All American Pipeline, the aggregate amount of oil so hedged at any one time does not exceed 500,000 barrels, (iii) with respect to crude oil owned by Restricted Persons other than linefill carried in the All American Pipeline, the aggregate amount of such other crude oil so hedged at any one time does not exceed the aggregate Open Position at such time, (iv) such contract is entered into for the purpose of hedging the price risk on oil anticipated to be disposed of and for which no other fixed sale price or other price fixing arrangement exists, and (v) each such contract is either (A) with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender Party or one of its Affiliates) at the time the contract is made has long-term unsecured and unenhanced debt obligations rated AA or Aa2 or better, respectively, by either Rating Agency or (B) entered into on the New York Mercantile Exchange through a broker listed on the Disclosure Schedule or otherwise approved by Majority Lenders [provision dealing with counterparty credit rating on exchange for physicals contracts].

Section 7.4. Limitation on Mergers, Issuances of Securities. Except as expressly provided in this section or otherwise disclosed on the Disclosure Schedule, no Restricted Person will (a) enter into any transaction of merger or consolidation or amalgamation, or

liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), (b) acquire any business or property from, or capital stock of, or be a party to any acquisition of, any Person except for purchases of inventory and other property to be sold or used in the ordinary course of business and Investments permitted under Section 7.7 hereof or (c) sell, transfer, lease, exchange, alienate or otherwise dispose of, in one transaction or a series of transactions, any part of its business or property, whether now owned or hereafter acquired, except for sales or transfers not prohibited by under Section 7.5 hereof. Any Person, other than Borrower, that is a Subsidiary of a Restricted Person may, however, be merged into or consolidated with (i) another Subsidiary of such Restricted Person, so long as a Guarantor is the surviving business entity, or (ii) such Restricted Person, so long as such Restricted Person is the surviving business entity. Plains MLP will not issue any securities other than (i) limited partnership units and any options or warrants giving the holders thereof only the right to acquire such units and (ii) general or subordinate partnership interests issued to Resources or a wholly owned Subsidiary of Resources. No Subsidiary of Plains MLP will issue any additional shares of its capital stock or other securities or any options, warrants or other rights to acquire such additional shares or other securities except a direct Subsidiary of a Restricted Person may issue additional shares or other securities to such Restricted Person. No Subsidiary of Borrower which is a partnership will allow any diminution of Borrower's interest (direct or indirect) therein.

Section 7.5. Limitation on Sales of Property. No Restricted Person will sell, transfer, lease, exchange, alienate or dispose of any Collateral or any of its material assets or properties or any material interest therein except:

(a) equipment which is worthless or obsolete or which is replaced by equipment of equal suitability and value;

(b) inventory (including pipeline linefill) which is sold in the ordinary course of business on ordinary trade terms;

(c) in other property which is sold for fair consideration not in the aggregate in excess of $10,000,000 in any Fiscal Year, the sale of which will not materially impair or diminish the value of the Collateral or any Restricted Person's financial condition, business or operations; and

(d) sales or transfers, subject to the Security Documents, by a Subsidiary of a Restricted Person (other than Borrower) to such Restricted Person or to a wholly-owned Subsidiary of such Restricted Person that is a Guarantor.

No Restricted Person will sell, transfer or otherwise dispose of capital stock of or interest in any of its Subsidiaries except to Borrower, or to another wholly-owned Subsidiary of Borrower. No Restricted Person will discount, sell, pledge or assign any notes payable to it, accounts receivable or future income. So long as no Default then exists, Administrative Agent will, at Borrower's request and expense, execute a release, satisfactory to Borrower and

Administrative Agent, of any Collateral so sold, transferred, leased, exchanged, alienated or disposed of pursuant to the clause (a) or (c) of this Section.

Section 7.6. Limitation on Dividends and Redemptions. No Restricted Person will declare or pay any dividends on, or make any other distribution in respect of, any class of its capital stock or any partnership or other interest in it, nor will any Restricted Person directly or indirectly make any capital contribution to or purchase, redeem, acquire or retire any shares of the capital stock of or partnership interests in any Restricted Person (whether such interests are now or hereafter issued, outstanding or created), or cause or permit any reduction or retirement of the capital stock of any Restricted Person, while the Revolver Loan is outstanding. Notwithstanding the foregoing, (i) Subsidiaries of Plains MLP shall not be restricted from declaring and paying dividends or making any other distribution to Plains MLP or any wholly owned Subsidiary of Plains MLP, (ii) no Restricted Person shall be restricted from making capital contributions to a wholly owned Subsidiary of such Restricted Person that is a Guarantor, and (iii) so long as no Default or Event of Default has occurred or is continuing or would result therefrom, Plains MLP shall not be restricted from using Available Cash (other than amounts required to be applied as otherwise required in any Loan Document) for the purpose of (A) paying distributions in respect of its partnership units and (B) purchasing its partnership units on the open market in connection with the Incentive and Option Plans, provided that the aggregate amount of such purchases may not exceed ______________.

Section 7.7. Limitation on Investments and New Businesses. No Restricted Person will (a) make any expenditure or commitment or incur any obligation or enter into or engage in any transaction except in the ordinary course of business, (b) engage directly or indirectly in any business or conduct any operations except in connection with or incidental to its present businesses and operations, (c) make any acquisitions of or capital contributions to or other Investments in any Person, other than Permitted Investments and Permitted Acquisitions, or (d) make any acquisitions of properties other than Permitted Acquisitions.

Section 7.8. Limitation on Credit Extensions. Except for Permitted Investments, no Restricted Person will extend credit, make advances or make loans other than normal and prudent extensions of credit to customers buying goods and services in the ordinary course of business or to another Restricted Person in the ordinary course of business, which extensions shall not be for longer periods than those extended by similar businesses operated in a normal and prudent manner.

Section 7.9. Transactions with Affiliates. No Restricted Person will engage in any material transaction with any of its Affiliates except: (a) transactions among Plains MLP and its wholly owned Subsidiaries, (b) transactions governed by the Affiliate Agreements, and (c) transactions entered into in the ordinary course of business of such Restricted Person on terms which are no less favorable to such Restricted Person than those which would have been obtainable at the time in arm's-length transactions with Persons other than such Affiliates.

Section 7.10. Prohibited Contracts. Except as expressly provided for in the Loan Documents, no Restricted Person will, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction on the ability of any Subsidiary of Plains MLP, including but not limited to Borrower and any Subsidiary of Borrower to: (a) pay dividends or make other distributions to Borrower or Plains MLP, (b) redeem equity interests held in it by Borrower or Plains MLP, (c) repay loans and other indebtedness owing by it to Borrower or Plains MLP, or (d) transfer any of its assets to Borrower or Plains MLP. No Restricted Person will enter into any "take-or-pay" contract or other contract or arrangement for the purchase of goods or services which obligates it to pay for such goods or service regardless of whether they are delivered or furnished to it. No Restricted Persons will amend, modify or release any of the Affiliate Agreements. No Restricted Person will amend or permit any amendment to any contract or lease which releases, qualifies, limits, makes contingent or otherwise detrimentally affects the rights and benefits of Administrative Agent or any Lender under or acquired pursuant to any Security Documents. No ERISA Affiliate will incur any obligation to contribute to any "multiemployer plan" as defined in Section 4001 of ERISA that is subject to Title IV of ERISA.

Section 7.11. Current Ratio. The ratio of (i) the sum of Plains MLP's Consolidated current assets plus the excess, if any, of the Revolver Commitment over the Revolver Usage to (ii) Plains MLP's Consolidated current liabilities will never be less than 1.0 to 1.0. For purposes of this section, Plains MLP's Consolidated current liabilities will be calculated without including (a) any payments of principal on the Notes which are required to be repaid within one year from the time of calculation and (b) all Liabilities arising under permitted Hedging Contracts.

Section 7.12. Debt Coverage Ratio. At the end of any Fiscal Quarter, the ratio of (a) Consolidated Indebtedness to (b) Consolidated EBITDA for the four Fiscal Quarter period ending with such Fiscal Quarter will not be greater than 5.0 to 1.0.

Section 7.13. Interest Coverage Ratio. At the end of any Fiscal Quarter, the ratio of (a) Consolidated EBITDA to (b) Interest Expense for the four-Fiscal Quarter period ending with such Fiscal Quarter will not be less than 3.0 to 1.0.

Section 7.14. Fixed Charge Coverage Ratio. At the end of any Fiscal Quarter, the ratio of (a) the sum of Consolidated EBITDA plus Consolidated Lease Rentals to (b) the sum of Interest Expense plus Consolidated Lease Rentals plus any principal payments due on any Indebtedness during the next four-Fiscal Quarter period (exclusive of principal payments due on the Loans or on any Indebtedness under the Operating Credit Agreement) plus capital expenditure required to maintain the assets and properties of the Restricted Persons in accordance with the covenants contained in each Loan Document, in each case for the four-Fiscal Quarter period ending with such Fiscal Quarter will not be less than 1.25 to 1 for any such period.

Section 7.15. Debt to Capital Ratio. The ratio of (a) all Consolidated Indebtedness to (b) the sum of Consolidated Indebtedness plus Consolidated Net Worth will never be greater than .60 to 1.0 at any time.

ARTICLE VIII - Events of Default and Remedies

Section 8.1. Events of Default. Each of the following events constitutes an Event of Default under this Agreement:

(a) Any Restricted Person fails to pay the principal component of any Loan or any reimbursement obligation with respect to any Letter of Credit when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise;

(b) Any Restricted Person fails to pay any Obligation (other than the Obligations in subsection (a) above) when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise, within three Business Days after the same becomes due;

(c) Any event defined as a "default" or "event of default" in any Loan Document occurs, and the same is not remedied within the applicable period of grace (if any) provided in such Loan Document;

(d) Any Restricted Person fails to duly observe, perform or comply with any covenant, agreement or provision of Section 6.4 or Article VII;

(e) Any Restricted Person fails (other than as referred to in subsections (a), (b), (c) or (d) above) to duly observe, perform or comply with any covenant, agreement, condition or provision of any Loan Document to which it is a party, and such failure remains unremedied for a period of thirty (30) days after notice of such failure is given by Administrative Agent to Borrower;

(f) Any representation or warranty previously, presently or hereafter made in writing by or on behalf of any Restricted Person in connection with any Loan Document shall prove to have been false or incorrect in any material respect on any date on or as of which made, or any Loan Document at any time ceases to be valid, binding and enforceable as warranted in Section 5.5 for any reason other than its release or subordination by Administrative Agent;

(g) Any Restricted Person shall default in the payment when due of any principal of or interest on any of its other Indebtedness in excess of $2,500,000 in the aggregate (other than Indebtedness the validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves with respect thereto are maintained on the books

of such Restricted Person in accordance with GAAP), or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due, or to be prepaid in full (whether by redemption, purchase, offer to purchase or otherwise), prior to its stated maturity;

(h) Either (i) any "accumulated funding deficiency" (as defined in Section 412(a) of the Code) in excess of $500,000 exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, or (ii) any Termination Event occurs with respect to any ERISA Plan and the then current value of such ERISA Plan's benefit liabilities exceeds the then current value of such ERISA Plan's assets available for the payment of such benefit liabilities by more than $500,000 (or in the case of a Termination Event involving the withdrawal of a substantial employer, the withdrawing employer's proportionate share of such excess exceeds such amount);

(i) General Partner or any Restricted Person:

(i) has entered against it of a judgment, decree or order for relief by a Tribunal of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar Law of any jurisdiction now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended, or has any such proceeding commenced against it, in each case, which remains undismissed for a period of sixty days; or

(ii) commences a voluntary case under any applicable bankruptcy, insolvency or similar Law now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended; or applies for or consents to the entry of an order for relief in an involuntary case under any such Law; or makes a general assignment for the benefit of creditors; or is generally unable to pay (or admits in writing its inability to so pay) its debts as such debts become due; or takes corporate or other action to authorize any of the foregoing; or

(iii) has entered against it the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or a substantial part of its assets in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within sixty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(iv) has entered against it the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any part of the Collateral of a value in excess of $2,500,000 in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made

ineffective nor discharged within sixty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(v) has entered against it a final judgment for the payment of money in excess of $1,000,000 (in each case not covered by insurance satisfactory to Administrative Agent in its discretion), unless the same is stayed or discharged within thirty days after the date of entry thereof or an appeal or appropriate proceeding for review thereof is taken within such period and a stay of execution pending such appeal is obtained; or

(vi) suffers a writ or warrant of attachment or any similar process to be issued by any Tribunal against all or any substantial part of its assets or any part of the Collateral of a value in excess of $2,500,000, and such writ or warrant of attachment or any similar process is not stayed or released within thirty days after the entry or levy thereof or after any stay is vacated or set aside;

(j) General Partner shall default in the payment when due of any principal of or interest on any of its Indebtedness in excess of $1,000,000 in the aggregate, or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due, or to be prepaid in full (whether by redemption, purchase, offer to purchase or otherwise), prior to its stated maturity; or

(k) Any Change in Control occurs.

Upon the occurrence of an Event of Default described in subsection (i)(i), (i)(ii) or (i)(iii) of this section with respect to Borrower or Plains MLP, all of the Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Restricted Person who at any time ratifies or approves this Agreement. Upon any such acceleration, any obligation of any Lender to make any further Loans and any obligation of LC Issuer to issue Letters of Credit hereunder shall be permanently terminated. During the continuance of any other Event of Default, Administrative Agent at any time and from time to time may (and upon written instructions from Majority Lenders, Administrative Agent shall), without notice to Borrower or any other Restricted Person, do either or both of the following: (1) terminate any obligation of Lenders to make Loans hereunder and any obligation of LC Issuer to issue Letters of Credit hereunder, and (2) declare any or all of the Obligations immediately due and payable, and all such Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any

kind, all of which are hereby expressly waived by Borrower and each Restricted Person who at any time ratifies or approves this Agreement.

Section 8.2. Remedies. If any Default shall occur and be continuing, each Lender Party may protect and enforce its rights under the Loan Documents by any appropriate proceedings, including proceedings for specific performance of any covenant or agreement contained in any Loan Document, and each Lender Party may enforce the payment of any Obligations due it or enforce any other legal or equitable right which it may have. All rights, remedies and powers conferred upon Lender Parties under the Loan Documents shall be deemed cumulative and not exclusive of any other rights, remedies or powers available under the Loan Documents or at Law or in equity.

ARTICLE IX - Administrative Agent

Section 9.1. Appointment and Authority. Each Lender Party hereby irrevocably authorizes Administrative Agent, and Administrative Agent hereby undertakes, to receive payments of principal, interest and other amounts due hereunder as specified herein and to take all other actions and to exercise such powers under the Loan Documents as are specifically delegated to Administrative Agent by the terms hereof or thereof, together with all other powers reasonably incidental thereto. The relationship of Administrative Agent to the other Lender Parties is only that of one commercial lender acting as administrative agent for others, and nothing in the Loan Documents shall be construed to constitute Administrative Agent a trustee or other fiduciary for any Lender Party or any holder of any participation in a Note nor to impose on Administrative Agent duties and obligations other than those expressly provided for in the Loan Documents. With respect to any matters not expressly provided for in the Loan Documents and any matters which the Loan Documents place within the discretion of Administrative Agent, Administrative Agent shall not be required to exercise any discretion or take any action, and it may request instructions from Lenders with respect to any such matter, in which case it shall be required to act or to refrain from acting (and shall be fully protected and free from liability to all Lender Parties in so acting or refraining from acting) upon the instructions of Majority Lenders (including itself), provided, however, that Administrative Agent shall not be required to take any action which exposes it to a risk of personal liability that it considers unreasonable or which is contrary to the Loan Documents or to applicable Law. Upon receipt by Administrative Agent from Borrower of any communication calling for action on the part of Lenders or upon notice from Borrower or any Lender to Administrative Agent of any Default or Event of Default, Administrative Agent shall promptly notify each other Lender thereof.

Section 9.2. Exculpation, Administrative Agent's Reliance, Etc. Neither Administrative Agent nor any of its directors, officers, agents, attorneys, or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with the Loan Documents, INCLUDING THEIR NEGLIGENCE OF ANY KIND, except that each shall be liable for its own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Administrative Agent (a) may treat the payee of any Note as the

holder thereof until Administrative Agent receives written notice of the assignment or transfer thereof in accordance with this Agreement, signed by such payee and in form satisfactory to Administrative Agent; (b) may consult with legal counsel (including counsel for Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any other Lender Party and shall not be responsible to any other Lender Party for any statements, warranties or representations made in or in connection with the Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of the Loan Documents on the part of any Restricted Person or to inspect the property (including the books and records) of any Restricted Person; (e) shall not be responsible to any other Lender Party for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any instrument or document furnished in connection therewith; (f) may rely upon the representations and warranties of each Restricted Person or Lender Party in exercising its powers hereunder; and (g) shall incur no liability under or in respect of the Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (including any facsimile, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper Person or Persons.

Section 9.3. Credit Decisions. Each Lender Party acknowledges that it has, independently and without reliance upon any other Lender Party, made its own analysis of Borrower and the transactions contemplated hereby and its own independent decision to enter into this Agreement and the other Loan Documents. Each Lender Party also acknowledges that it will, independently and without reliance upon any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents.

SECTION 9.4. INDEMNIFICATION. EACH LENDER AGREES TO INDEMNIFY ADMINISTRATIVE AGENT (TO THE EXTENT NOT REIMBURSED BY BORROWER WITHIN TEN (10) DAYS AFTER DEMAND) FROM AND AGAINST SUCH LENDER'S PERCENTAGE SHARE OF ANY AND ALL LIABILITIES, OBLIGATIONS, CLAIMS, LOSSES, DAMAGES, PENALTIES, FINES, ACTIONS, JUDGMENTS, SUITS, SETTLEMENTS, COSTS, EXPENSES OR DISBURSEMENTS (INCLUDING REASONABLE FEES OF ATTORNEYS, ACCOUNTANTS, EXPERTS AND ADVISORS) OF ANY KIND OR NATURE WHATSOEVER (IN THIS SECTION COLLECTIVELY CALLED "LIABILITIES AND COSTS") WHICH TO ANY EXTENT (IN WHOLE OR IN PART) MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST ADMINISTRATIVE AGENT GROWING OUT OF, RESULTING FROM OR IN ANY OTHER WAY ASSOCIATED WITH ANY OF THE COLLATERAL, THE LOAN DOCUMENTS AND THE TRANSACTIONS AND EVENTS (INCLUDING THE ENFORCEMENT THEREOF) AT ANY TIME ASSOCIATED THEREWITH OR CONTEMPLATED THEREIN (WHETHER ARISING IN CONTRACT OR IN TORT OR

OTHERWISE AND INCLUDING ANY VIOLATION OR NONCOMPLIANCE WITH ANY ENVIRONMENTAL LAWS BY ANY PERSON OR ANY LIABILITIES OR DUTIES OF ANY PERSON WITH RESPECT TO HAZARDOUS MATERIALS FOUND IN OR RELEASED INTO THE ENVIRONMENT).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ADMINISTRATIVE AGENT, provided only that no Lender shall be obligated under this section to indemnify Administrative Agent for that portion, if any, of any liabilities and costs which is proximately caused by Administrative Agent's own individual gross negligence or willful misconduct, as determined in a final judgment. Cumulative of the foregoing, each Lender agrees to reimburse Administrative Agent promptly upon demand for such Lender's Percentage Share of any costs and expenses to be paid to Administrative Agent by Borrower under Section 10.4(a) to the extent that Administrative Agent is not timely reimbursed for such expenses by Borrower as provided in such section. As used in this section the term "Administrative Agent" shall refer not only to the Person designated as such in Section 1.1 but also to each director, officer, agent, attorney, employee, representative and Affiliate of such Person.

Section 9.5. Rights as Lender. In its capacity as a Lender, Administrative Agent shall have the same rights and obligations as any Lender and may exercise such rights as though it were not Administrative Agent. Administrative Agent may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with any Restricted Person or their Affiliates, all as if it were not Administrative Agent hereunder and without any duty to account therefor to any other Lender.

Section 9.6. Sharing of Set-Offs and Other Payments. Each Lender Party agrees that if it shall, whether through the exercise of rights under Security Documents or rights of banker's lien, set off, or counterclaim against Borrower or otherwise, obtain payment of a portion of the aggregate Obligations owed to it which, taking into account all distributions made by Administrative Agent under Section 3.1, causes such Lender Party to have received more than it would have received had such payment been received by Administrative Agent and distributed pursuant to Section 3.1, then (a) it shall be deemed to have simultaneously purchased and shall be obligated to purchase interests in the Obligations as necessary to cause all Lender Parties to share all payments as provided for in Section 3.1, and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that Administrative Agent and all Lender Parties share all payments of Obligations as provided in Section 3.1; provided, however, that nothing herein contained shall in any way affect the right of any Lender Party to obtain payment (whether by exercise of rights of banker's lien, set-off or counterclaim or otherwise) of indebtedness other than the Obligations. Borrower expressly consents to the foregoing arrangements and agrees that any holder of any such interest or other

participation in the Obligations, whether or not acquired pursuant to the foregoing arrangements, may to the fullest extent permitted by Law and, subject to the provisions of Section 6.16, exercise any and all rights of banker's lien, set-off, or counterclaim as fully as if such holder were a holder of the Obligations in the amount of such interest or other participation. If all or any part of any funds transferred pursuant to this section is thereafter recovered from the seller under this section which received the same, the purchase provided for in this section shall be deemed to have been rescinded to the extent of such recovery, together with interest, if any, if interest is required pursuant to the order of a Tribunal to be paid on account of the possession of such funds prior to such recovery.

Section 9.7. Investments. Whenever Administrative Agent in good faith determines that it is uncertain about how to distribute to Lender Parties any funds which it has received, or whenever Administrative Agent in good faith determines that there is any dispute among Lender Parties about how such funds should be distributed, Administrative Agent may choose to defer distribution of the funds which are the subject of such uncertainty or dispute. If Administrative Agent in good faith believes that the uncertainty or dispute will not be promptly resolved, or if Administrative Agent is otherwise required to invest funds pending distribution to Lender Parties, Administrative Agent shall invest such funds pending distribution; all interest on any such Investment shall be distributed upon the distribution of such Investment and in the same proportion and to the same Persons as such Investment. All moneys received by Administrative Agent for distribution to Lender Parties (other than to the Person who is Administrative Agent in its separate capacity as a Lender Party) shall be held by Administrative Agent pending such distribution solely as Administrative Agent for such Lender Parties, and Administrative Agent shall have no equitable title to any portion thereof.

Section 9.8. Benefit of Article IX. The provisions of this Article are intended solely for the benefit of Lender Parties, and no Restricted Person shall be entitled to rely on any such provision or assert any such provision in a claim or defense against any Lender (other than in relation to the reference to Section 6.16 contained in Section 9.6 or the right to reasonably approve a successor Administrative Agent under Section 9.9). Lender Parties may waive or amend such provisions as they desire without any notice to or consent of Borrower or any other Restricted Person.

Section 9.9. Resignation. Administrative Agent may resign at any time by giving written notice thereof to Lenders and Borrower. Each such notice shall set forth the date of such resignation. Upon any such resignation Majority Lenders shall have the right to appoint a successor Administrative Agent, subject to the approval of Borrower, which approval will not be unreasonably withheld. A successor must be appointed for any retiring Administrative Agent, and such Administrative Agent's resignation shall become effective when such successor accepts such appointment. If, within thirty days after the date of the retiring Administrative Agent's resignation, no successor Administrative Agent has been appointed and has accepted such appointment, then the retiring Administrative Agent may appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed to conduct a banking or trust business under the Laws of the United States of America or of any state thereof. Upon the acceptance of any appointment as Administrative Agent hereunder by a

successor Administrative Agent, the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Administrative Agent's resignation hereunder the provisions of this Article IX shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

Section 9.10. Other Agents. Neither the Syndication Agent nor the Documentation Agent, in such capacities, shall have any duties or responsibilities or incur any liabilities under this Agreement or the other Loan Documents.

ARTICLE X - Miscellaneous

Section 10.1. Waivers and Amendments; Acknowledgments.

(a) Waivers and Amendments. No failure or delay (whether by course of conduct or otherwise) by any Lender in exercising any right, power or remedy which such Lender Party may have under any of the Loan Documents shall operate as a waiver thereof or of any other right, power or remedy, nor shall any single or partial exercise by any Lender Party of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. No waiver of any provision of any Loan Document and no consent to any departure therefrom shall ever be effective unless it is in writing and signed as provided below in this section, and then such waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. No notice to or demand on any Restricted Person shall in any case of itself entitle any Restricted Person to any other or further notice or demand in similar or other circumstances. This Agreement and the other Loan Documents set forth the entire understanding between the parties hereto with respect to the transactions contemplated herein and therein and supersede all prior discussions and understandings with respect to the subject matter hereof and thereof, and no waiver, consent, release, modification or amendment of or supplement to this Agreement or the other Loan Documents shall be valid or effective against any party hereto unless the same is in writing and signed by (i) if such party is Borrower, by Borrower, (ii) if such party is Administrative Agent or LC Issuer, by such party, and (iii) if such party is a Lender, by such Lender or by Administrative Agent on behalf of Lenders with the written consent of Majority Lenders (which consent has already been given as to the termination of the Loan Documents as provided in Section 10.9). Notwithstanding the foregoing or anything to the contrary herein, Administrative Agent shall not, without the prior consent of each individual Lender, execute and deliver on behalf of such Lender any waiver or amendment which would: (1) waive any of the conditions specified in Article IV (provided that Administrative Agent may in its discretion withdraw any request it has made under Section 4.3), (2) increase the maximum amount which such Lender is committed hereunder to lend, (3) reduce any fees payable to such Lender hereunder, or the principal of, or interest on, such Lender's Note, (4) change any date fixed for any payment of any such fees, principal or interest, (5) amend the definition herein of "Majority Lenders" or otherwise change the aggregate amount of Percentage Shares which is required for Administrative Agent, Lenders or

any of them to take any particular action under the Loan Documents, (6) release Borrower from its obligation to pay such Lender's Note or any Guarantor from its guaranty of such payment, or (7) release any Collateral, except such releases relating to sales of property as permitted under Section 7.5.

(b) Acknowledgments and Admissions. Borrower hereby represents, warrants, acknowledges and admits that (i) it has been advised by counsel in the negotiation, execution and delivery of the Loan Documents to which it is a party, (ii) it has made an independent decision to enter into this Agreement and the other Loan Documents to which it is a party, without reliance on any representation, warranty, covenant or undertaking by Administrative Agent or any other Lender Party, whether written, oral or implicit, other than as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iii) there are no representations, warranties, covenants, undertakings or agreements by any Lender Party as to the Loan Documents except as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iv) no Lender Party has any fiduciary obligation toward Borrower with respect to any Loan Document or the transactions contemplated thereby, (v) the relationship pursuant to the Loan Documents between Borrower and the other Restricted Persons, on one hand, and each Lender Party, on the other hand, is and shall be solely that of debtor and creditor, respectively, (vi) no partnership or joint venture exists with respect to the Loan Documents between any Restricted Person and any Lender Party, (vii) Administrative Agent is not Borrower's Administrative Agent, but Administrative Agent for Lenders, (viii) should an Event of Default or Default occur or exist, each Lender Party will determine in its sole discretion and for its own reasons what remedies and actions it will or will not exercise or take at that time, (ix) without limiting any of the foregoing, Borrower is not relying upon any representation or covenant by any Lender Party, or any representative thereof, and no such representation or covenant has been made, that any Lender Party will, at the time of an Event of Default or Default, or at any other time, waive, negotiate, discuss, or take or refrain from taking any action permitted under the Loan Documents with respect to any such Event of Default or Default or any other provision of the Loan Documents, and (x) all Lender Parties have relied upon the truthfulness of the acknowledgments in this section in deciding to execute and deliver this Agreement and to become obligated hereunder.

(c) Representation by Lenders. Each Lender hereby represents that it will acquire its Note for its own account in the ordinary course of its commercial lending or investing business; however, the disposition of such Lender's property shall at all times be and remain within its control and, in particular and without limitation, such Lender may sell or otherwise transfer its Note, any participation interest or other interest in its Note, or any of its other rights and obligations under the Loan Documents subject to compliance with Sections 10.5(b) through (f), inclusive, and applicable Law.

(D) JOINT ACKNOWLEDGMENT. THIS WRITTEN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN

THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 10.2. Survival of Agreements; Cumulative Nature. All of Restricted Persons' various representations, warranties, covenants and agreements in the Loan Documents shall survive the execution and delivery of this Agreement and the other Loan Documents and the performance hereof and thereof, including the making or granting of the Loans and the delivery of the Notes and the other Loan Documents, and shall further survive until all of the Obligations are paid in full to each Lender Party and all of Lender Parties' obligations to Borrower are terminated. All statements and agreements contained in any certificate or other instrument delivered by any Restricted Person to any Lender Party under any Loan Document shall be deemed representations and warranties by Borrower or agreements and covenants of Borrower under this Agreement. The representations, warranties, indemnities, and covenants made by Restricted Persons in the Loan Documents, and the rights, powers, and privileges granted to Lender Parties in the Loan Documents, are cumulative, and, except for expressly specified waivers and consents, no Loan Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to any Lender Party of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception set out in this Agreement to any representation, warranty, indemnity, or covenant herein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Loan Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions which are expressly made applicable to it by the terms of the various Loan Documents.

Section 10.3. Notices. All notices, requests, consents, demands and other communications required or permitted under any Loan Document shall be in writing, unless otherwise specifically provided in such Loan Document (provided that Administrative Agent may give telephonic notices to the other Lender Parties), and shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile or other electronic transmission, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, to Borrower and Restricted Persons at the address of Borrower specified on the signature pages hereto and to each Lender Party at its address specified on the signature pages hereto (unless changed by similar notice in writing given by the particular Person whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided herein, (b) in the case of facsimile or other electronic transmission, upon receipt, or (c) in the case of registered or certified United States mail, three days after deposit in the mail; provided, however, that no Borrowing Notice or Continuation/Conversion Notice shall become effective until actually received by Administrative Agent.

Section 10.4. Payment of Expenses; Indemnity.

(a) Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, Borrower will promptly (and in any event, within 30 days after any invoice or other statement or notice) pay: (i) all transfer, stamp, mortgage, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any of the other Loan Documents or any other document referred to herein or therein, (ii) all reasonable costs and expenses incurred by or on behalf of Administrative Agent (including attorneys' fees, consultants' fees and engineering fees, travel costs and miscellaneous expenses) in connection with (1) the negotiation, preparation, execution and delivery of the Loan Documents, and any and all consents, waivers or other documents or instruments relating thereto, (2) the filing, recording, refiling and re-recording of any Loan Documents and any other documents or instruments or further assurances required to be filed or recorded or refiled or re-recorded by the terms of any Loan Document, (3) the borrowings hereunder and other action reasonably required in the course of administration hereof, (4) monitoring or confirming (or preparation or negotiation of any document related to) Borrower's compliance with any covenants or conditions contained in this Agreement or in any Loan Document, and (iii) all reasonable costs and expenses incurred by or on behalf of any Lender Party (including attorneys' fees, consultants' fees and accounting fees) in connection with the defense or enforcement of any of the Loan Documents (including this section) or the defense of any Lender Party's exercise of its rights thereunder. In addition to the foregoing, until all Obligations have been paid in full, Borrower will also pay or reimburse Administrative Agent for all reasonable out-of-pocket costs and expenses of Administrative Agent or its agents or employees in connection with the continuing administration of the Loans and the related due diligence of Administrative Agent, including travel and miscellaneous expenses and fees and expenses of Administrative Agent's outside counsel, reserve engineers and consultants engaged in connection with the Loan Documents.

(b) Indemnity. Borrower agrees to indemnify each Lender Party, upon demand, from and against any and all liabilities, obligations, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") which to any extent (in whole or in part) may be imposed on, incurred by, or asserted against such Lender Party growing out of, resulting from or in any other way associated with any of the Collateral, the Loan Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein (whether arising in contract or in tort or otherwise and including any violation or noncompliance with any Environmental Laws by any Lender Party or any other Person or any liabilities or duties of any Lender Party or any other Person with respect to Hazardous Materials found in or released into the environment).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR

CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY, provided only that no Lender Party shall be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment. If any Person (including Borrower or any of its Affiliates) ever alleges such gross negligence or willful misconduct by any Lender Party, the indemnification provided for in this section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. As used in this section the term "Lender Party" shall refer not only to each Person designated as such in Section 1.1 but also to each director, officer, trustee, agent, attorney, employee, representative and Affiliate of such Persons.

Section 10.5. Joint and Several Liability; Parties in Interest; Assignments.

(a) All Obligations which are incurred by two or more Restricted Persons shall be their joint and several obligations and liabilities. All grants, covenants and agreements contained in the Loan Documents shall bind and inure to the benefit of the parties thereto and their respective successors and permitted assigns; provided, however, that no Restricted Person may assign or transfer any of its rights or delegate any of its duties or obligations under any Loan Document without the prior consent of all Lenders. Neither Borrower nor any Affiliates of Borrower shall directly or indirectly purchase or otherwise retire any Obligations owed to any Lender nor will any Lender accept any offer to do so, unless each Lender shall have received substantially the same offer with respect to the same Percentage Share of the Obligations owed to it. If Borrower or any Affiliate of Borrower at any time purchases some but less than all of the Obligations owed to all Lender Parties, such purchaser shall not be entitled to any rights of any Lender under the Loan Documents unless and until Borrower or its Affiliates have purchased all of the Obligations.

(b) No Lender shall sell any participation interest in its commitment hereunder or any of its rights under its Loans or under the Loan Documents to any Person unless the agreement between such Lender and such participant at all times provides: (i) that such participation exists only as a result of the agreement between such participant and such Lender and that such transfer does not give such participant any right to vote as a Lender or any other direct claims or rights against any Person other than such Lender, (ii) that such participant is not entitled to payment from any Restricted Person under Sections 3.2 through 3.6 of amounts in excess of those payable to such Lender under such sections (determined without regard to the sale of such participation), and (iii) unless such participant is an Affiliate of such Lender, that such participant shall not be entitled to require such Lender to take any action under any Loan Document or to obtain the consent of such participant prior to taking any action under any Loan Document, except for actions which would require the consent of all Lenders under subsection (a) of Section 10.1. No Lender selling such a participation shall, as between the other parties hereto and such Lender, be relieved of any of its obligations hereunder as a result of the sale of such participation. Each Lender which sells any such participation to any Person (other than an Affiliate of such Lender) shall give prompt notice thereof to Administrative

Agent and Borrower; provided, however, that no liability shall arise if any such Lender fails to give such notice to Borrower.

(c) Except for sales of participations under the immediately preceding subsection, no Lender shall make any assignment or transfer of any kind of its commitments or any of its rights under its Loans or under the Loan Documents, except for assignments to an Eligible Transferee or, subject to the provisions of Subsection (g) below, to an Affiliate, and then only if such assignment is made in accordance with the following requirements:

(i) In the case of an assignment by a Revolver Lender of less than all of its Revolver Loans, LC Obligations, and Revolver Commitments, each such assignment shall apply to a consistent percentage of all Revolver Loans and LC Obligations owing to the assignor Revolver Lender hereunder and to the same percentage of the unused portion of the assignor Lender's Revolver Commitments, so that after such assignment is made both the assignee Revolver Lender and the assignor Revolver Lender shall have a fixed (and not a varying) Revolver Percentage Share in its Revolver Loans and LC Obligations and be committed to make that Revolver Percentage Share of all future Revolver Loans and make that Revolver Percentage Share of all future participations in LC Obligations, and the Revolver Percentage Share of the Revolver Commitment of both the assignor and assignee shall equal or exceed $5,000,000.

(ii) In the case of an assignment by a Term Lender, after such assignment is made the outstanding Term Loans of both the assignor and assignee shall equal or exceed $5,000,000, except with respect to an assignment of all such Lender's Term Loans or such lesser amount as may be agreed to by the Administrative Agent and Borrower (except that no such minimum shall be applicable with respect to an assignment to a Lender).

(iii) The parties to each such assignment shall execute and deliver to Administrative Agent, for its acceptance and recording in the "Register" (as defined below in this section), an Assignment and Acceptance in the form of Exhibit H, appropriately completed, together with the Note subject to such assignment and a processing fee payable by such assignor Lender (and not at Borrower's expense) to Administrative Agent of $3,500. Upon such execution, delivery, and payment and upon the satisfaction of the conditions set out in such Assignment and Acceptance, then (i) Borrower shall issue new Notes to such assignor and assignee upon return of the old Notes to Borrower, and (ii) as of the "Settlement Date" specified in such Assignment and Acceptance the assignee thereunder shall be a party hereto and a Lender hereunder and Administrative Agent shall thereupon deliver to Borrower and each Lender a schedule showing the revised Revolver Percentage Shares and total Percentage Shares of such assignor Lender and such assignee Lender and the revised Revolver Percentage Shares and total Percentage Shares of all other Lenders.

(iv) Each assignee Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, shall (to the extent it has not already done so) provide Administrative Agent and Borrower with the "Prescribed Forms" referred to in Section 3.7(d).

(d) Nothing contained in this section shall prevent or prohibit any Lender from assigning or pledging all or any portion of its Loans and Note to any Federal Reserve Bank as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank; provided that (i) no such assignment or pledge shall relieve such Lender from its obligations hereunder and (ii) all related costs, fees and expenses incurred by such Lender in connection with such assignment and the reassignment back to it, free of any interests of such Federal Reserve Banks shall be for the sole account of such Lender.

(e) By executing and delivering an Assignment and Acceptance, each assignee Lender thereunder will be confirming to and agreeing with Borrower, Administrative Agent and each other Lender Party that such assignee understands and agrees to the terms hereof, including Article IX hereof.

(f) Administrative Agent shall maintain a copy of each Assignment and Acceptance and a register for the recordation of the names and addresses of Lenders and the Percentage Shares of, and principal amount of the Loans owing to, each Lender from time to time (in this section called the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and Borrower and each Lender Party may treat each Person whose name is recorded in the Register as a Lender Party hereunder for all purposes. The Register shall be available for inspection by Borrower or any Lender Party at any reasonable time and from time to time upon reasonable prior notice.

(g) Any Lender may assign or transfer its commitment or its rights under its Loans or under the Loan Documents to (i) any Affiliate that is wholly-owned direct or indirect subsidiary of such Lender or of any Person that wholly owns, directly or indirectly, such Lender, or (ii) if such Lender is a fund that makes or invests in bank loans, any other fund that makes or invests in bank loans and is advised or managed by (A) the same investment advisor as any Lender or (B) any Affiliate of such investment advisor that is a wholly-owned direct or indirect subsidiary of any Person that wholly owns, directly or indirectly, such investment advisor, subject to the following additional conditions:

(x) any right of such Lender assignor and such assignee to vote as a Lender, or any other direct claims or rights against any other Persons, shall be uniformly exercised or pursued in the manner that such Lender assignor would have so exercised such vote, claim or right if it had not made such assignment or transfer;

(y) such assignee shall not be entitled to payment from any Restricted Person under Sections 3.2 through 3.7 of amounts in excess of those payable to such Lender assignor under such sections (determined without regard to such assignment or transfer); and

(z) if such Lender assignor is a Revolver Lender that assigns or transfers to such assignee any of such Lender Revolver Commitment, assignee may become primarily liable for such Revolver Commitment, but such assignment or transfer shall not relieve or release such Lender from such Revolver Commitment.

Section 10.6. Confidentiality. Each Lender Party agrees (on behalf of itself and each of its Affiliates, and each of its and their directors, officers, agents, attorneys, employees, and representatives) that it (and each of them) will take all reasonable steps to keep confidential any non-public information supplied to it by or at the direction of any Restricted Person so identified when delivered, provided, however, that this restriction shall not apply to information which (a) has at the time in question entered the public domain, (b) is required to be disclosed by Law (whether valid or invalid) of any Tribunal, (c) is disclosed to any Lender Party's Affiliates, auditors, attorneys, or agents, (d) is furnished to any other Lender Party or to any purchaser or prospective purchaser of participations or other interests in any Loan or Loan Document (provided each such purchaser or prospective purchaser first agrees to hold such information in confidence on the terms provided in this section), or (d) is disclosed in the course of enforcing its rights and remedies during the existence of an Event of Default.

Section 10.7. GOVERNING LAW; SUBMISSION TO PROCESS. EXCEPT TO THE EXTENT THAT THE LAW OF ANOTHER JURISDICTION IS EXPRESSLY ELECTED IN A LOAN DOCUMENT, THE LOAN DOCUMENTS SHALL BE DEEMED CONTRACTS AND INSTRUMENTS MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK AND THE LAWS OF THE UNITED STATES OF AMERICA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. BORROWER HEREBY AGREES THAT ANY LEGAL ACTION OR PROCEEDING AGAINST BORROWER WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OF THE LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK AS LENDER PARTIES MAY ELECT, AND, BY EXECUTION AND DELIVERY HEREOF, BORROWER ACCEPTS AND CONSENTS FOR ITSELF AND IN RESPECT TO ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. BORROWER AGREES THAT SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK SHALL APPLY TO THE LOAN DOCUMENTS AND WAIVES ANY RIGHT TO STAY OR TO DISMISS ANY ACTION OR PROCEEDING BROUGHT BEFORE SAID COURTS ON THE BASIS OF FORUM NON CONVENIENS. IN FURTHERANCE OF THE FOREGOING, BORROWER HEREBY IRREVOCABLY DESIGNATES AND APPOINTS CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK 12207, AS AGENT OF BORROWER TO RECEIVE SERVICE OF ALL PROCESS

BROUGHT AGAINST BORROWER WITH RESPECT TO ANY SUCH PROCEEDING IN ANY SUCH COURT IN NEW YORK, SUCH SERVICE BEING HEREBY ACKNOWLEDGED BY BORROWER TO BE EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT. COPIES OF ANY SUCH PROCESS SO SERVED SHALL ALSO, IF PERMITTED BY LAW, BE SENT BY REGISTERED MAIL TO BORROWER AT ITS ADDRESS SET FORTH BELOW, BUT THE FAILURE OF BORROWER TO RECEIVE SUCH COPIES SHALL NOT AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS AS AFORESAID. BORROWER SHALL FURNISH TO LENDER PARTIES A CONSENT OF CORPORATION SERVICE COMPANY AGREEING TO ACT HEREUNDER PRIOR TO THE EFFECTIVE DATE OF THIS AGREEMENT. NOTHING HEREIN SHALL AFFECT THE RIGHT OF LENDER PARTIES TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT OF LENDER PARTIES TO BRING PROCEEDINGS AGAINST BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. IF FOR ANY REASON CORPORATION SERVICE COMPANY SHALL RESIGN OR OTHERWISE CEASE TO ACT AS BORROWER'S AGENT, BORROWER HEREBY IRREVOCABLY AGREES TO (A) IMMEDIATELY DESIGNATE AND APPOINT A NEW AGENT ACCEPTABLE TO ADMINISTRATIVE AGENT TO SERVE IN SUCH CAPACITY AND, IN SUCH EVENT, SUCH NEW AGENT SHALL BE DEEMED TO BE SUBSTITUTED FOR CORPORATION SERVICE COMPANY FOR ALL PURPOSES HEREOF AND (B) PROMPTLY DELIVER TO AGENT THE WRITTEN CONSENT (IN FORM AND SUBSTANCE SATISFACTORY TO ADMINISTRATIVE AGENT) OF SUCH NEW AGENT AGREEING TO SERVE IN SUCH CAPACITY.

Section 10.8. Limitation on Interest. Lender Parties, Restricted Persons and the other parties to the Loan Documents intend to contract in strict compliance with applicable usury Law from time to time in effect. In furtherance thereof such persons stipulate and agree that none of the terms and provisions contained in the Loan Documents shall ever be construed to provide for interest in excess of the maximum amount of interest permitted to be charged by applicable Law from time to time in effect. Neither any Restricted Person nor any present or future guarantors, endorsers, or other Persons hereafter becoming liable for payment of any Obligation shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that may be lawfully charged under applicable Law from time to time in effect, and the provisions of this section shall control over all other provisions of the Loan Documents which may be in conflict or apparent conflict herewith.

Section 10.9. Termination; Limited Survival. In its sole and absolute discretion Borrower may at any time that no Obligations are owing or outstanding elect in a written notice delivered to Administrative Agent to terminate this Agreement. Upon receipt by Administrative Agent of such a notice, if no Obligations are then owing or outstanding this

Agreement and all other Loan Documents shall thereupon be terminated and the parties thereto released from all prospective obligations thereunder. Notwithstanding the foregoing or anything herein to the contrary, any waivers or admissions made by any Restricted Person in any Loan Document, any Obligations under Sections 3.2 through 3.6, and any obligations which any Person may have to indemnify or compensate any Lender Party shall survive any termination of this Agreement or any other Loan Document. At the request and expense of Borrower, Administrative Agent shall prepare and execute all necessary instruments to reflect and effect such termination of the Loan Documents. Administrative Agent is hereby authorized to execute all such instruments on behalf of all Lenders, without the joinder of or further action by any Lender.

Section 10.10. Severability. If any term or provision of any Loan Document shall be determined to be illegal or unenforceable all other terms and provisions of the Loan Documents shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable Law.

Section 10.11. Counterparts. This Agreement may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Agreement.

Section 10.12. WAIVER OF JURY TRIAL, PUNITIVE DAMAGES, ETC. TO THE EXTENT PERMITTED BY LAW, LENDER PARTIES AND BORROWER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF SUCH PERSONS OR BORROWER. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER PARTIES' ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. BORROWER AND EACH LENDER PARTY HEREBY FURTHER (A) IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES," AS DEFINED BELOW, (B) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (C) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS

SECTION. AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, this Agreement is executed as of the date first written above.

ALL AMERICAN, L.P.

By: PLAINS ALL AMERICAN, INC.

By:

Name:
Title:

Address:

500 Dallas Street
Suite 700
Houston, Texas 77002
Attention: Phil Kramer

Telephone: (713) 654-1414
Fax: (713) 654-1523

PLAINS MARKETING, L.P.

By: PLAINS ALL AMERICAN, INC.

By:

Name:
Title:

Address:

500 Dallas Street
Suite 700
Houston, Texas 77002
Attention: Phil Kramer

Telephone: (713) 654-1414
Fax: (713) 654-1523

ING (U.S.) CAPITAL CORPORATION,
Administrative Agent and Lender

By:

Name:
Title:

Address:

ING (U.S.) Capital Corporation
135 East 57th Street
New York, New York
Attention: Christopher Wagner

Telephone: (212) 409-1500
Fax: (212) 832-3616

ING BARING FURMAN SELZ LLC,
Syndication Agent

By:

Name:
Title:

Address:

ING Baring (U.S.) Capital Corporation
135 East 57th Street
New York, New York
Attention:

Telephone: (212)
Fax: (212)

BANCBOSTON ROBERTSON
STEPHENS INC., Documentation Agent

By:

Name:
Title:

Address:

100 Federal Street
Boston, Massachusetts 02110
Attention: Terrence Ronan
Mail Code: 01-08-04

Telephone: (617) 434-5472
Fax: (617) 434-3652

BANKBOSTON, N.A., LC Issuer and Lender

By:

Name:
Title:

Address:

100 Federal Street
Boston, Massachusetts 02110
Attention: Terrence Ronan
Mail Code: 01-08-04

Telephone: (617) 434-5472
Fax: (617) 434-3652

EXHIBIT 10.2

==

AMENDED AND RESTATED CREDIT AGREEMENT

PLAINS MARKETING, L.P.,

as Borrower,

and

ALL AMERICAN, L.P.

as Guarantor

and

PLAINS ALL AMERICAN PIPELINE, L.P.,

as Guarantor,

and

BANKBOSTON, N.A.,

as Administrative Agent,

BANCBOSTON ROBERTSON STEPHENS INC.,

as Syndication Agent,

ING BARING FURMAN SELZ LLC

as Documentation Agent,

and CERTAIN FINANCIAL INSTITUTIONS,

as Lenders

$175,000,000

November __, 1998

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AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT is made as of November __, 1998, by and among PLAINS MARKETING, L.P. ("Borrower"), a Delaware limited partnership, ALL AMERICAN, L.P. ("All American"), a Delaware limited partnership, PLAINS ALL AMERICAN PIPELINE, L.P. ("Plains MLP"), a Delaware limited partnership, and BANKBOSTON, N.A., as administrative agent (in such capacity, "Administrative Agent"), BANCBOSTON ROBERTSON STEPHENS INC., as syndication agent (in such capacity, "Syndication Agent"), ING BARING FURMAN SELZ LLC, as documentation agent (in such capacity, "Documentation Agent") and the Lenders referred to below.

RECITALS

1. Plains Marketing & Transportation Inc., a Delaware corporation ("PMTI"), is party to a Credit Agreement dated as of July 30, 1998 with Administrative Agent, BancBoston Robertson Stephens Inc., as Syndication Agent, ING (U.S.) Capital Corporation, as Documentation Agent, and certain Lenders named therein (the "Existing Agreement").

2. Pursuant to the [Merger Agreement among Plains Resources Inc. ("Resources"), PMTI, and certain other Subsidiaries of Resources of even date herewith] PMTI and such Subsidiaries of Resources will be merged with and into Resources and the liabilities of PMTI and such Subsidiaries of Resources will be assumed by Resources.

3. Pursuant to the [Purchase and Sale Agreement between Resources and Borrower of even date herewith] the assets and liabilities of PMTI and such other Subsidiaries of Resources acquired by Resources pursuant to such merger will be assigned to and assumed by Borrower.

4. The Administrative Agent and Lenders party to the Existing Agreement have consented to such transactions, subject to the agreement by Borrower to amend and restate the Existing Agreement as provided herein;

In consideration of the mutual covenants and agreements contained herein the parties hereto agree as follows:

ARTICLE I - Definitions and References

Section 1.1. Defined Terms. As used in this Agreement, each of the following terms has the meaning given to such term in this Section 1.1 or in the sections and subsections referred to below:

"Acceptable Issuer" means any national or state bank or trust company which is organized under the laws of the United States of America or any state thereof or any branch licensed to operate under the laws of the United States of America or any state thereof, which is a branch of a bank organized under any country which is a member of the Organization for Economic

Cooperation and Development, in each case which has capital, surplus and undivided profits of at least $500,000,000 and whose commercial paper is rated at least P-1 by Moody's or A-1 by S&P.

"Account" shall have the meaning given that term in the UCC.

"Account Debtor" means any Person who is or who may become obligated under, with respect to, or on account of, an Account.

"Adjusted Eurodollar Rate" means, with respect to each particular Eurodollar Loan and the related Interest Period, the rate per annum (rounded upwards, if necessary, to the nearest 1/1000 of 1%) determined by Administrative Agent to be equal to the quotient obtained by dividing (i) the Eurodollar Rate for such Eurodollar Loan for such Interest Period by (ii) 1 minus the Reserve Requirement for such Eurodollar Loan for such Interest Period. The Adjusted Eurodollar Rate for any Eurodollar Loan shall change whenever the Reserve Requirement changes.

"Administrative Agent" means BankBoston, N.A., as Administrative Agent hereunder, and its successors in such capacity.

"Affiliate" means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with, such Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power

(a) to vote 5% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or

(b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Affiliate Agreements" means [that certain marketing agreement of even date herewith among Operating, Resources and certain Subsidiaries of Resources and that certain Omnibus Agreement of even date herewith between Plains MLP and Resources].

"Agreement" means this Amended and Restated Credit Agreement.

"All American" means All American, L.P., a Delaware limited partnership.

"All American Agreement" means that certain Amended and Restated Credit Agreement of even date herewith among Borrower, All American, Plains MLP, the Agents named therein and certain financial institutions as Lenders.

"All American Revolver Availability" means for any day, the unutilized portion available on such day of the commitment for revolving credit loans to All American pursuant to the All American Agreement.

"All American Term Loans" means those certain loans made to All American pursuant to the All American Agreement which are evidenced by a "Term Note" (as such term is defined in the All American Agreement).

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of Base Rate Loans and such Lender's Eurodollar Lending Office in the case of Eurodollar Loans.

"Applicable Leverage Level" means the level set forth below that corresponds to the ratio of (i) Consolidated Indebtedness of Plains MLP and its Subsidiaries to (ii) the Consolidated EBITDA for the applicable period of four Fiscal Quarters (the "Leverage Ratio"):

Applicable Leverage Level	Leverage Ratio
Level I	greater than or equal to 4.0 to 1.0
Level II	greater than or equal to 3.0 to 1.0 but less than 4.0 to 1.0
Level III	greater than or equal to 2.0 to 1.0 but less than 3.0 to 1.0
Level IV	less than 2.0 to 1.0

The Leverage Ratio will be determined quarterly by Administrative Agent within two (2) Business Days after Administrative Agent's receipt of Plains MLP's Consolidated financial statements for the immediate preceding Fiscal Quarter based upon: (i) Consolidated Indebtedness as of the end of such Fiscal Quarter, and (ii) the Consolidated EBITDA for the four Fiscal Quarters ending with such Fiscal Quarter. The Applicable Leverage Level shall become effective upon such determination of the Leverage Ratio by Administrative Agent and shall remain effective until the next such determination by Administrative Agent of the Leverage Ratio. From the date hereof until the date the Administrative Agent has determined the Leverage Ratio based on the December 31, 1998 Fiscal Quarter, the Applicable Leverage Level shall be Level [II].

"Applicable Rating Level" means, for any day, the level set forth below that corresponds to the higher of the ratings publicly announced by Moody's or S&P, as applicable on that day, to the Term Loans; provided that if ratings announced by Moody's and S&P differ by more than two (2) levels on such day, then the Applicable Rating Level shall be based upon the level which is one level lower than the higher.

Applicable Rating Level	Moody's	S&P
Level A	* Baa3	* BBB-
Level B	** Baa3	** BBB-

"*" means greater than or equal to and "**" means less than. If neither Moody's or S&P shall have in effect a rating for the Term Loans, then the Applicable Rating Level shall be deemed to be Level B. If the rating system of either rating agency shall change, or if a rating agency shall cease to be in the business of rating corporate debt obligations, Plains MLP and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency, but until such an agreement shall be reached, the Applicable Rating Level shall be based only upon the rating by the remaining rating agency.

"Approved Eligible Receivables" means each Eligible Receivable (other than Eligible Exchange Balances) (a) from a Person whose Debt Rating is either at least Baa3 by Moody's or at least BBB- by S&P; (b) fully and unconditionally guaranteed as to payment by a Person whose Debt Rating is either at least Baa3 by Moody's or at least BBB- by S&P; (c) from any other Person Currently Approved by Majority Lenders; or (d) fully covered by a letter of credit from an Acceptable Issuer.

"Available Cash" has the meaning given such term as of the date of this Agreement in the Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. dated as of _____________, 1998.

"Base Rate" means the higher of (a) the annual rate of interest announced from time to time by Administrative Agent at its "base rate" at its head office in Boston, Massachusetts, or (b) the Federal Funds Rate plus one-half percent (0.5%) per annum; provided that such rate may not be the lowest rate at which funds are made available to customers of Administrative Agent at such time. Each change in the Base Rate shall become effective without prior notice to Borrower automatically as of the opening of business on the date of such change in the Base Rate.

"Base Rate Loan" means a Loan which does not bear interest at the Adjusted Eurodollar Rate.

"Borrower" means Plains Marketing, L.P., a Delaware limited partnership.

"Borrowing" means a borrowing of new Loans of a single Type pursuant to Section 2.2 or a Continuation or Conversion of all or a portion of an existing Loan (whether alone or as a combination with a new Loan) into a single Type (and, in the case of Eurodollar Loans, with the same Interest Period) pursuant to Section 2.3.

"Borrowing Base" means the remainder of (a) minus (b) below as of the date of determination:

(a) the sum of the following as of the date of determination:

(i) 100% of Eligible Cash Equivalents; plus

(ii) 90% of Approved Eligible Receivables; plus

(iii) the lesser of (A) 85% of Other Eligible Receivables or (B) 1/3 of the sum of the amounts of clauses (a)(i) plus (a)(ii) [(i.e., (a)(i) plus (a)(ii) must be 75% of (a)(i) plus (a)(ii) plus (a)(iii); plus

(iv) 85% of Eligible Margin Deposits; plus

(v) the lesser of (A) 95% of Hedged Eligible Inventory plus 100% of Other Eligible Inventory Value or (B) $40,000,000; plus

(vi) 80% of Eligible Exchange Balances, plus

(vii) 100% of all Paid but Unexpired Letters of Credit

MINUS (b) the following as of the date of determination:

(i) 100% of First Purchase Crude Payables; plus

(ii) 100% of Other Priority Claims, plus

(iii) The Estimate Adjustment Amount as provided in Section 2.13.

"Borrowing Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.2.

"Business Day" means a day, other than a Saturday or Sunday, on which commercial banks are open for business with the public in Boston, Massachusetts. Any Business Day in any way relating to Eurodollar Loans (such as the day on which an Interest Period begins or ends) must also be a day on which, in the judgment of Administrative Agent, significant transactions in dollars are carried out in the London interbank eurocurrency market.

"Capital Lease" means a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Capital Lease Obligation" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"Cash Equivalents" means Investments in:

(a) marketable obligations, maturing within 12 months after acquisition thereof, issued or unconditionally guaranteed by the United States of America or an instrumentality or agency thereof and entitled to the full faith and credit of the United States of America;

(b) demand deposits and time deposits (including certificates of deposit) maturing within 12 months from the date of deposit thereof, (i) with any office of any Lender or (ii) with a domestic office of any national or state bank or trust company which is organized under the Laws of the United States of America or any state therein, which has capital, surplus and undivided profits of at least $500,000,000, and whose long-term certificates of deposit are rated at least Aa3 by Moody's or AA- by S&P;

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in subsection (a) above entered into with (i) any Lender or (ii) any other commercial bank meeting the specifications of subsection (b) above;

(d) open market commercial paper, maturing within 270 days after acquisition thereof, which are rated at least P-1 by Moody's or A-1 by S&P; and

(e) money market or other mutual funds substantially all of whose assets comprise securities of the types described in subsections (a) through (d) above.

"Change of Control" means the occurrence of any of the following events: (i) an event or series of events by which any Person or other entity or group of Persons or other entities acting in concert as a partnership or other group (a "Group of Persons") shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases, merger, consolidation or otherwise, have become the beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of 40% or more of the combined voting power of the then outstanding voting stock of Resources, (ii) during any period of two consecutive years (A) the members of the board of directors of Resources (the "Board") as of January 1, 1998, (B) any director elected thereafter in any annual meeting of the stockholders of Resources upon the recommendation of the Board, and (C) any other member of the Board who will be recommended or elected to succeed those Persons described in subclauses (A) and (B) of this clause (ii) by a majority of such Persons who are then members of the Board, cease for any reason to constitute collectively a majority of the Board then in office, (iii) the direct or indirect sale, lease, exchange or other transfer of all or substantially all of the Consolidated assets of Resources and its Subsidiaries, to any Person or Group of Persons, or (iv) Resources, either directly or through a wholly owned Subsidiary of Resources, shall cease to be the legal and beneficial owner (as defined above) of more than 50% of the voting percent of the outstanding voting stock of General Partner, or General Partner shall cease to be the sole legal and beneficial owner (as defined above) of all of the general partnership interests (including all securities which are convertible into general partnership interests) of Plains MLP, All American, or Borrower, (v) any Person or Group of Persons other than Resources or any Subsidiary of Resources shall be the beneficial owner (as defined above) of 50% or more of the combined voting power of the then total partnership interests in Plains MLP, or (vi) Resources and its wholly owned Subsidiaries taken as a whole shall hold legal and beneficial ownership of issued and outstanding partnership interests of Plains MLP representing less than 5% of the total outstanding partnership interests of Plains MLP.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, together with all rules and regulations promulgated with respect thereto.

"Collateral" means all property of any kind which is subject to a Lien in favor of Lenders (or in favor of Administrative Agent for the benefit of Lenders) or which, under the terms of any Security Document, is purported to be subject to such a Lien, in each case granted or created to secure all or part of the Obligations.

"Commitment Period" means the period from and including the date hereof until July 31, 2001 (or, if earlier, the day on which (i) the obligation of Lenders to make Loans hereunder and the obligations of LC Issuer to issue Letters of Credit hereunder have terminated, (ii) the obligation of LC Issuer to issue Letters of Credit hereunder has terminated, or (iii) the Notes first become due and payable in full, whichever shall first occur).

"Consolidated" refers to the consolidation of any Person, in accordance with GAAP, with its properly consolidated subsidiaries. References herein to a Person's Consolidated financial statements, financial position, financial condition, liabilities, etc. refer to the consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly consolidated subsidiaries.

"Consolidated EBITDA" means, for any four-Fiscal Quarter period, the sum of (1) the Consolidated Net Income of Plains MLP and its Subsidiaries during such period, plus (2) all interest expense which was deducted in determining such Consolidated Net Income for such period, plus (3) all income taxes (including any franchise taxes to the extent based upon net income) which were deducted in determining such Consolidated Net Income, plus (4) all depreciation, amortization (including amortization of good will and debt issue costs) and other non-cash charges (including any provision for the reduction in the carrying value of assets recorded in accordance with GAAP) which were deducted in determining such Consolidated Net Income, minus (5) all non-cash items of income which were included in determining such Consolidated Net Income. For the Fiscal Quarters preceding the date hereof, Consolidated EBITDA shall be mean the pro forma Consolidated EBITDA reflected on Schedule 5 for such Fiscal Quarter.

"Consolidated Indebtedness" means all Indebtedness of Plains MLP and, without duplication, all Indebtedness any of its Subsidiaries after eliminating (i) all intercompany items between Plains MLP and its Subsidiaries required to be eliminated in the course of the preparation of Consolidated financial statements in accordance with GAAP and (ii) any Liability related to any unrealized gains or losses from a mark to market of any Hedging Contracts.

"Consolidated Net Income" means, for any period, Plains MLP's and its Subsidiaries' gross revenues for such period, including any cash dividends or distributions actually received from any other Person during such period, minus Plains MLP's and its Subsidiaries' expenses and other proper charges against income (including taxes on income to the extent imposed), determined on a Consolidated basis after eliminating earnings or losses attributable to outstanding minority interests and excluding the net earnings of any Person other than a Subsidiary in which Plains MLP or any of its Subsidiaries has an ownership interest. Consolidated Net Income shall not include any gain or loss from the sale of assets or any extraordinary gains or losses.

"Consolidated Net Worth" means the remainder of all Consolidated assets, as determined in accordance with GAAP, of Plains MLP and its Subsidiaries minus the sum of (a) Plains MLP's Consolidated liabilities, as determined in accordance with GAAP, and (b) all outstanding Minority Interests. The effect of any increase or decrease in net worth in any period as a result of any unrealized gains or losses from a mark to market of any Hedging Contracts not reflected in the determination of net income but reflected in the determination of comprehensive income shall be excluded in determining Consolidated Net Worth. "Minority Interests" means the book value of any equity interests in any of Plains MLP's Subsidiaries (exclusive of the [1.00%] general partnership interests held by the General Partner which equity interests are owned by Persons other than Plains MLP or one of its wholly owned Subsidiaries.

"Continuation/Conversion Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.3.

"Continue", "Continuation", and "Continued" shall refer to the continuation pursuant to Section 2.3 hereof of a Eurodollar Loan as a Eurodollar Loan from one Interest Period to the next Interest Period.

"Currently Approved by Majority Lenders" means such Person (including a limit on the maximum credit exposure to any such Person), storage location, pipeline, form of Letter of Credit or other matter as the case may be, as reflected in the most recent written notice given by Administrative Agent to Borrower as being approved by Majority Lenders. Each such written notice will supersede and revoke each prior notice.

"Convert", "Conversion", and "Converted" shall refer to a conversion pursuant to Section 2.3 or Article III of one Type of Loan into another Type of Loan.

"Debt Rating" means with respect to a Person, the rating then in effect by a Rating Agency for the long term senior unsecured non-credit enhanced debt of such Person.

"Default" means any Event of Default and any default, event or condition which would, with the giving of any requisite notices and the passage of any requisite periods of time, constitute an Event of Default.

"Default Rate" means, at the time in question, (i) three and three-fourths percent (3.75%) per annum plus the Adjusted Eurodollar Rate then in effect for any Eurodollar Loan (up to the end of the applicable Interest Period) or (ii) two percent (2%) per annum plus the Base Rate for each Base Rate Loan; provided, however, the Default Rate shall never exceed the Highest Lawful Rate.

"Default Rate Period" means (i) any period during which an Event of Default, other than pursuant to Section 8.1 (a) or (b), is continuing, provided that such period shall not begin until notice of the commencement of the Default Rate has been given to Borrower by Administrative Agent upon the instruction by Majority Lenders and (ii) any period during which any Event of Default pursuant to Section 8.1 (a) or (b) is continuing unless Borrower has been notified otherwise by Administrative Agent upon the instruction by Majority Lenders.

"Disclosure Schedule" means Schedule 2 hereto.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" in the Lender Schedule hereto, or such other office as such Lender may from time to time specify to Borrower and Administrative Agent; with respect to LC Issuer, the office, branch, or agency through which it issues Letters of Credit; and, with respect to Administrative Agent, the office, branch, or agency through which it administers this Agreement.

"Eligible Cash Equivalents" means Cash Equivalents in which Borrower has lawful and absolute title, which are free from any express or implied at law Lien, trust or other beneficial interest, in which Administrative Agent holds a fully perfected first-priority security interest prior to the rights of, and enforceable as such against, any other Persons pursuant to an account agreement satisfactory to Administrative Agent and which remain under the sole dominion and control of Administrative Agent.

"Eligible Exchange Balances" means each Approved Eligible Receivable (including for this purpose only either the right to receive crude oil in kind or to receive money) arising from the trading, lending, borrowing or exchange of crude oil, net of any netted obligations or other offsets or counterclaims determined in accordance with prices set forth in the applicable exchange contracts, based on current value at the Market Price, in which Borrower has lawful and absolute title, which is not subject to any Lien in favor of any Person (other than Permitted Inventory Liens), and which is subject to a fully perfected first-priority security interest (subject only to Permitted Inventory Liens) in favor of Administrative Agent pursuant to the Loan Documents prior to the rights of, and enforceable as such against, any other Persons minus without duplication the amount of any Permitted Inventory Lien on any crude oil receivable in kind.

"Eligible Inventory" means inventories of crude oil in which Borrower has lawful and absolute title, which are not subject to any Lien in favor of any Person (other than Permitted Inventory Liens), which are subject to a fully perfected first priority security interest (subject only to Permitted Inventory Liens) in favor of Administrative Agent pursuant to the Loan Documents prior to the rights of, and enforceable as such against, any other Person, which are otherwise satisfactory to Majority Lenders in their reasonable business judgment and which are located in storage locations (including pipelines) which are either (a) owned by a wholly owned Subsidiary of Resources or (b) Currently Approved by Majority Lenders minus without duplication the amount of any Permitted Inventory Lien on any such inventory.

"Eligible Margin Deposit" means net equity value of investments by Borrower in margin deposit accounts with commodities brokers on nationally recognized exchanges subject to a perfected security interest in favor of Administrative Agent and a three-party agreement among Borrower, Administrative Agent and the depository institution, in form and substance satisfactory to Administrative Agent.

"Eligible Receivables" means, at the time of any determination thereof (and without duplication), each Account and, with respect to each determination made on or after the 20th day of each calendar month and prior to the first day of the next calendar month, each amount which

will be, in the good faith estimate reasonably determined by Borrower, an Account of the Borrower with respect to sales and deliveries of crude oil during the remainder of such calendar month or deliveries of crude oil during the next calendar month under firm written purchase and sale agreements, in either event as to which the following requirements have been fulfilled (or as to future Accounts, will be fulfilled as of the date of such sales and deliveries of crude oil), to the reasonable satisfaction of Administrative Agent:

(i) Borrower has lawful and absolute title to such Account;

(ii) such Account is a valid, legally enforceable obligation of an Account Debtor payable in United States dollars, arising from the sale and delivery of crude oil to such Person in the United States of America in the ordinary course of business of Borrower, to the extent of the volumes of crude oil delivered to such Person prior to the date of determination;

(iii) there has been excluded from such Account (A) any portion that is subject to any dispute, rejection, loss, non-conformance, counterclaim or other claim or defense on the part of any Account Debtor or to any claim on the part of any Account Debtor denying liability under such Account, and (B) the amount of any account payable or other liability owed by Borrower to the Account Debtor on such Account, whether or not a specific netting agreement may exist, excluding, however, any portion of any such account payable or other liability which is at the time in question covered by a Letter of Credit;

(iv) Borrower has the full and unqualified right to assign and grant a security interest in such Account to Administrative Agent as security for the Obligation;

(v) such Account (A) is evidenced by an invoice rendered to the Account Debtor, or (B) represents the uninvoiced amount in respect to actual deliveries of crude oil not earlier than 45 days prior to the date of determination and is governed by a purchase and sale agreement, exchange agreement or other written agreement, and in either event such Account is not evidenced by any promissory note or other instrument;

(vi) such Account is not subject to any Lien in favor of any Person and is subject to a fully perfected first priority security interest in favor of Administrative Agent pursuant to the Loan Documents, prior to the rights of, and enforceable as such against, any other Person except for a Lien in respect of First Purchase Crude Payables;

(vii) such Account is due not more than 30 days following the last day of the calendar month in which the crude oil delivery occurred and is not more than 30 days past due (except that Accounts of a single Account Debtor in excess of $500,000 which are not Approved Eligible Receivables shall be excluded from Eligible Receivables if not paid within three Business Days after the due date);

(viii) such Account is not payable by an Account Debtor with more than twenty percent (20%) of its Accounts to Borrower that are outstanding more than 60 days from the invoice date;

(ix) the Account Debtor in respect of such Account (A) is located, is conducting significant business or has significant assets in the United States of America or is a Person Currently Approved by Majority Lenders, (B) is not an Affiliate of Borrower, and (C) is not the subject of any event of the type described in Section 8.1(i);

(x) the Account Debtor in respect of such Account is not a governmental authority, domestic or foreign; and

(xi) such Account is not the obligation of an Account Debtor that Administrative Agent or Majority Lenders determine in good faith that there is a legitimate concern over the timing or collection of such receivable.

"Eligible Transferee" means a Person which either (a) is a Lender, or (b) is consented to as an Eligible Transferee by Administrative Agent and, so long as no Default or Event of Default is continuing, by Borrower, which consents in each case will not be unreasonably withheld (provided that no Person organized outside the United States may be an Eligible Transferee if Borrower would be required to pay withholding taxes on interest or principal owed to such Person).

"Environmental Laws" means any and all Laws relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, together with all rules and regulations promulgated with respect thereto.

"ERISA Affiliate" means each Restricted Person and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with such Restricted Person, are treated as a single employer under Section 414 of the Code.

"ERISA Plan" means any employee pension benefit plan subject to Title IV of ERISA maintained by any ERISA Affiliate with respect to which any Restricted Person has a fixed or contingent liability.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" on the Lender Schedule hereto (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to Borrower and Administrative Agent.

"Eurodollar Loan" means a Loan that bears interest at a rate based upon the Adjusted Eurodollar Rate.

"Eurodollar Rate" means, for any Eurodollar Loan within a Borrowing and with respect to the related Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/1000 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "Eurodollar Rate" shall mean, for any Eurodollar Loan within a Borrowing and with respect to the related Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/1000 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/1000 of 1%).

"Eurodollar Rate Margin" means the percent per annum set forth below on the Applicable Leverage Level in effect on such date.

	Applicable Rating Level	
Applicable Leverage Level	Level A	Level B
Level I	1.50%	1.75%
Level II	1.25%	1.50%
Level III	1.00%	1.25%
Level IV	.75%	1.00%

Changes in the Eurodollar Rate Margin will occur automatically without prior notice as changes in the Applicable Leverage Level or Applicable Rating Level occur. Administrative Agent will give notice promptly to Borrower and the Lenders of Applicable Rating Level changes in the Eurodollar Rate Margin.

"Event of Default" has the meaning given to such term in Section 8.1.

"Existing Agreement" means that certain Credit Agreement among PMTI, Administrative Agent, ING (U.S.) Capital Corporation, as Documentation Agent, BancBoston Securities, Inc., as Syndication Agent and other financial institutions dated as of July 30, 1998, as amended, restated or supplemented to the date hereof.

"Facility Usage" means, at the time in question, the aggregate amount of outstanding Loans and LC Obligations at such time.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of one percent) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by

Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate quoted to Administrative Agent on such day on such transactions as determined by Administrative Agent.

"First Purchase Crude Payables" means the unpaid amount of any payable obligation related to the purchase of crude oil by Borrower which Administrative Agent determines will be secured by a statutory Lien, including but not limited to the statutory Liens created under the laws of Texas, New Mexico and Wyoming, to the extent such payable obligation is not at the time in question covered by a Letter of Credit.

"Fiscal Quarter" means a three-month period ending on March 31, June 30, September 30 or December 31 of any year.

"Fiscal Year" means a twelve-month period ending on December 31 of any year.

"GAAP" means those generally accepted accounting principles and practices which are recognized as such by the Financial Accounting Standards Board (or any generally recognized successor) and which, in the case of Plains MLP and its Consolidated Subsidiaries, are applied for all periods after the date hereof in a manner consistent with the manner in which such principles and practices were applied to the audited Initial Financial Statements. If any change in any accounting principle or practice is required by the Financial Accounting Standards Board (or any such successor) in order for such principle or practice to continue as a generally accepted accounting principle or practice, all reports and financial statements required hereunder with respect to Plains MLP or with respect to Plains MLP and its Consolidated Subsidiaries may be prepared in accordance with such change, but all calculations and determinations to be made hereunder may be made in accordance with such change only after notice of such change is given to each Lender, and Majority Lenders agree to such change insofar as it affects the accounting of Plains MLP or of Plains MLP and its Consolidated Subsidiaries.

"General Partner" means Plains All American Inc., a Delaware corporation.

"Guarantors" means Plains MLP and all of its Subsidiaries (including All American but excluding Borrower) and any other Person who has guaranteed some or all of the Obligations and who has been accepted by Administrative Agent as a Guarantor or any Subsidiary of Plains MLP which now or hereafter executes and delivers a guaranty to Administrative Agent pursuant to Section 6.17.

"Hazardous Materials" means any substances regulated under any Environmental Law, whether as pollutants, contaminants, or chemicals, or as industrial, toxic or hazardous substances or wastes, or otherwise.

"Hedged Eligible Inventory" means Eligible Inventory, which has been (a) hedged on the New York Mercantile Exchange arranged through brokers approved by Administrative Agent and with whom a three party agreement among Borrower, Administrative Agent and such broker has been entered in form and substance satisfactory to Administrative Agent or (b) otherwise hedged in a manner satisfactory to Majority Lenders. The value of Hedged Eligible Inventory shall be the volume of the inventory times the prices fixed in such hedge, minus all storage, transportation and other applicable costs.

"Hedging Contract" means (a) any agreement providing for options, swaps, floors, caps, collars, forward sales or forward purchases involving interest rates, commodities or commodity prices, equities, currencies, bonds, or indexes based on any of the foregoing, (b) any option, futures or forward contract traded on an exchange, and (c) any other derivative agreement or other similar agreement or arrangement. [add provision excluding normal purchase, sale and exchange contracts by Borrower]

"Highest Lawful Rate" means, with respect to each Lender Party to whom Obligations are owed, the maximum nonusurious rate of interest that such Lender Party is permitted under applicable Law to contract for, take, charge, or receive with respect to such Obligations. All determinations herein of the Highest Lawful Rate, or of any interest rate determined by reference to the Highest Lawful Rate, shall be made separately for each Lender Party as appropriate to assure that the Loan Documents are not construed to obligate any Person to pay interest to any Lender Party at a rate in excess of the Highest Lawful Rate applicable to such Lender Party.

"Incentive and Option Plans" means the Plains All American Inc. 1998 Long-Term Incentive Plan as in effect on the date hereof and the Plains All American Inc. Management Incentive Plan as in effect on the date hereof.

"Indebtedness" of any Person means its Liabilities (without duplication) in any of the following categories:

(a) Liabilities for borrowed money,

(b) Liabilities constituting an obligation to pay the deferred purchase price of property or services,

(c) Liabilities evidenced by a bond, debenture, note or similar instrument,

(d) Liabilities (other than reserves for taxes and reserves for contingent obligations) which (i) would under GAAP be shown on such Person's balance sheet as a liability and (ii) are payable more than one year from the date of creation or incurrence thereof,

(e) Liabilities arising under Hedging Contracts (on a net basis to the extent netting is provided for in the applicable Hedging Contract),

(f) Liabilities arising under operating leases or constituting principal under Capital Leases,

(g) Liabilities arising under conditional sales or other title retention agreements,

(h) Liabilities owing under direct or indirect guaranties of Liabilities of any other Person or otherwise constituting obligations to purchase or acquire or to otherwise protect or insure a creditor against loss in respect of Liabilities of any other Person (such as obligations under working capital maintenance agreements, agreements to keep-well, or agreements to purchase Liabilities, assets, goods, securities or services), but excluding endorsements in the ordinary course of business of negotiable instruments in the course of collection,

(i) Liabilities consisting of an obligation to purchase or redeem securities or other property, if such Liabilities arises out of or in connection with the sale or issuance of the same or similar securities or property (for example, repurchase agreements, mandatorily redeemable preferred stock and sale/leaseback agreements),

(j) Liabilities with respect to letters of credit or applications or reimbursement agreements therefor,

(k) Liabilities with respect to banker's acceptances, or

(l) Liabilities with respect to obligations to deliver goods or services in consideration of advance payments therefor;

provided, however, that the "Indebtedness" of any Person shall not include Liabilities that were incurred in the ordinary course of business by such Person on ordinary trade terms to vendors, suppliers or other Persons providing goods and services for use by such Person in the ordinary course of its business, unless and until such Liabilities are outstanding more than 120 days after the date the respective goods are delivered or the respective services are rendered, other than Liabilities contested in good faith by appropriate proceedings, if required, and for which adequate reserves are maintained on the books of such Person in accordance with GAAP.

"Initial Financial Statements" means the audited pro forma Consolidated financial statements of Plains MLP as of September 30, 1998.

"Insurance Schedule" means Schedule 4 attached hereto.

"Interest Expense" means, with respect to any period, the sum (without duplication) of the following (in each case, eliminating all offsetting debits and credits between Plains MLP and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of Plains MLP and its Subsidiaries in accordance with GAAP): (a) all interest and commitment fees in respect of Indebtedness of Plains MLP or any of its Subsidiaries (including imputed interest on Capital Lease Obligations) which are accrued during such period and whether expensed in such period or capitalized; plus (b) all fees, expenses and charges in respect of letters of credit issued for the account of Plains MLP or any of its Subsidiaries, which are accrued during such period and whether expensed in such period or capitalized.

"Interest Payment Date" means (a) with respect to each Base Rate Loan, the last day of each March, June, September and December, and (b) with respect to each Eurodollar Loan, the last day of the Interest Period that is applicable thereto.

"Interest Period" means, with respect to each particular Eurodollar Loan in a Borrowing, the period specified in the Borrowing Notice or Continuation/Conversion Notice applicable thereto, beginning on and including the date specified in such Borrowing Notice or Continuation/Conversion Notice (which must be a Business Day), and ending one, two or three months thereafter, as Borrower may elect in such notice; provided that: (a) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day; (b) any Interest Period which begins on the last Business Day in a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day in a calendar month; and (c) notwithstanding the foregoing, no Interest Period may be selected that would end after the last day of the Commitment Period.

"Investment" means any investment made, directly or indirectly in any Person, whether by acquisition of shares of capital stock, indebtedness or other obligations or securities or by loan, advance, capital contribution or otherwise and whether made in cash, by the transfer of property or by any other means.

"Law" means any statute, law, regulation, ordinance, rule, treaty, judgment, order, decree, permit, concession, franchise, license, agreement or other governmental restriction of the United States or any state or political subdivision thereof or of any foreign country or any department, province or other political subdivision thereof.

"LC Application" means any application for a Letter of Credit hereafter made by Borrower to LC Issuer.

"LC Collateral" has the meaning given to such term in Section 2.11(a).

"LC Issuer" means BankBoston, N.A. in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity. Administrative Agent may, with the consent of Borrower and the Lender in question, appoint any Lender hereunder as an LC Issuer in place of or in addition to BankBoston, N.A.

"LC Obligations" means, at the time in question, the sum of all Matured LC Obligations plus the maximum amounts which LC Issuer might then or thereafter be called upon to advance under all Letters of Credit then outstanding.

"Lease Rentals" means, with respect to any period, the sum of the rental and other obligations required to be paid during such period by Plains MLP or any Subsidiary of Plains MLP as lessee under all leases of real or personal property (other than Capital Leases), excluding any amount required to be paid by the lessee (whether or not therein designated as rental or additional rental) on account of maintenance and repairs, insurance, taxes, assessments, water

rates and similar charges, provisions that, if at the date of determination, any such rental or other obligations are contingent or not otherwise definitely determinable by terms of the related lease, the amount of such obligations (i) shall be assumed to be equal to the amount of such obligations for the period of 12 consecutive calendar months immediately preceding the date of determination or (ii) if the related lease was not in effect during such preceding 12-month period, shall be the amount estimated by a senior financial officer of Plains MLP on a reasonable basis and in good faith.

"Lender Parties" means Administrative Agent, Syndication Agent, Documentation Agent, LC Issuer, and all Lenders.

"Lender Schedule" means Schedule 1 hereto.

"Lenders" means each signatory hereto (other than Borrower and any Restricted Person that is a party hereto), including BankBoston, N.A. in its capacity as a Lender hereunder rather than as Administrative Agent and LC Issuer, and the successors of each such party as holder of a Note.

"Letter of Credit" means any letter of credit issued by LC Issuer hereunder at the application of Borrower.

"Liabilities" means, as to any Person, all indebtedness, liabilities and obligations of such Person, whether matured or unmatured, liquidated or unliquidated, primary or secondary, direct or indirect, absolute, fixed or contingent, and whether or not required to be considered pursuant to GAAP.

"Lien" means, with respect to any property or assets, any right or interest therein of a creditor to secure Liabilities owed to it or any other arrangement with such creditor which provides for the payment of such Liabilities out of such property or assets or which allows such creditor to have such Liabilities satisfied out of such property or assets prior to the general creditors of any owner thereof, including any lien, mortgage, security interest, pledge, deposit, production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, tax lien, mechanic's or materialman's lien, or any other charge or encumbrance for security purposes, whether arising by Law or agreement or otherwise, but excluding any right of offset which arises without agreement in the ordinary course of business. "Lien" also means any filed financing statement, any registration of a pledge (such as with an issuer of uncertificated securities), or any other arrangement or action which would serve to perfect a Lien described in the preceding sentence, regardless of whether such financing statement is filed, such registration is made, or such arrangement or action is undertaken before or after such Lien exists.

"Loans" has the meaning given to such term in Section 2.1.

"Loan Documents" means this Agreement, the Notes, the Security Documents, the Letters of Credit, the LC Applications, and all other agreements, certificates, documents, instruments and

writings at any time delivered in connection herewith or therewith (exclusive of term sheets and commitment letters).

"Majority Lenders" means Lenders whose aggregate Percentage Shares equal or exceed sixty-six and two-thirds percent (66-2/3%).

"Market Price" means on each day a spot price for the inventory of crude oil being valued, determined by published prices and methodology approved by Administrative Agent from time to time, based on an index gravity and grade of crude oil at a delivery point reflecting as nearly as practical the actual gravity, grade, and location of the crude oil being valued, adjusted to reflect any differences in gravity and grade between the index crude oil and the actual inventory and to reflect transportation costs or other appropriate location price differential from the actual location to the index location.

"Material Adverse Change" means a material and adverse change, from the state of affairs presented in the Initial Financial Statements or as represented or warranted in any Loan Document, to (a) Plains MLP's Consolidated financial condition, (b) Plains MLP's Consolidated operations, properties or prospects, considered as a whole, (c) Borrower's ability to timely pay the Obligations, or (d) the enforceability of the material terms of any Loan Document.

"Material Market Open Position Loss" means a cumulative amount of net losses resulting from open inventory positions of all Restricted Persons on a mark to market basis during any period of 12 consecutive months in excess of $5,000,000.

"Matured LC Obligations" means all amounts paid by LC Issuer on drafts or demands for payment drawn or made under or purported to be under any Letter of Credit and all other amounts due and owing to LC Issuer under any LC Application for any Letter of Credit, to the extent the same have not been repaid to LC Issuer (with the proceeds of Loans or otherwise).

"Maximum Drawing Amount" means at the time in question the sum of the maximum amounts which LC Issuer might then or thereafter be called upon to advance under all Letters of Credit then outstanding.

"Maximum Facility Amount" means the amount of $175,000,000, as such amount may be reduced by Borrower from time to time as provided in Section 2.12.

"Moody's" means Moody's Investor Service, Inc., or its successor.

"Note" has the meaning given to such term in Section 2.1.

"Obligations" means all Liabilities from time to time owing by any Restricted Person to any Lender Party under or pursuant to any of the Loan Documents, including all LC Obligations. "Obligation" means any part of the Obligations.

"Offering" means the public issuance of limited partnership interests of Plains MLP as described in the Prospectus dated _________, 1998.

"Offering Documents" means the documents listed on Schedule 6 hereto.

"Open Position" permitted to be under a Hedging Contract for a particular month means the aggregate volume of crude oil on which Restricted Persons have commodity price risk, which may include, without limitation, (i) the volume of crude oil owned for which Restricted Persons do not have an allocated contract for sale at a fixed price and (ii) the volume of crude oil under any contract for purchase for which Restricted Persons do not have an allocated contract for sale on the same pricing basis (i.e. at a fixed price for sale above the fixed price for purchase of such crude oil or at a margin above an index price for sale equivalent to the index price for purchase) [subject to further revision].

"Other Eligible Inventory Value" means the following amount of Eligible Inventory, other than Hedged Eligible Inventory: (a) if the WTI Price is less than or equal to $30 per barrel, 80% of the product of the volume of such crude oil times the Market Price, or (b) if the WTI Price is greater than $30 per barrel the greater of (i) 70% of the product of the volume of such crude oil times the Market Price or (ii) 80% of the product of the volume of such crude oil times $30 per barrel; minus, in each case, all storage, transportation and other applicable costs. As used herein "WTI Price" means on each day the Platt's Average Spot Price for West Texas intermediate crude oil (Cushing, Oklahoma).

"Other Eligible Receivable" means any Eligible Receivable which is not an Approved Eligible Receivable nor an Eligible Exchange Balance. The portions of the aggregate of the Other Eligible Receivables owed by any obligor and its Affiliates exceeding 20% of the aggregate amount of all Other Eligible Receivables shall not be included without the prior written approval of the Majority Lenders.

"Other Priority Claims" means any account payable, obligation or liability which Administrative Agent has determined has or will have a Lien upon or claim against any Cash Equivalent, account or inventory of Borrower senior or equal in priority to the security interests in favor of Administrative Agent for the benefit of Lenders, in each case to the extent such Cash Equivalent, account or inventory of Borrower is otherwise included in the determination of the Borrowing Base and the included portion thereof has not already been reduced by such Lien or claim.

"Paid but Unexpired Letters of Credit" means, on any day, the maximum drawing amount of Letters of Credit on such day where no underlying obligation exists on such day, or if the amount of the Letter of Credit exceeds the underlying obligation on such day, the amount of such excess. As used herein, "underlying obligation" includes without limitation, all existing and future obligations to the beneficiary of such Letter of Credit in respect of crude oil purchased or received on or prior to such day or in respect of crude oil Borrower is then obligated to purchase or receive or has then nominated to purchase or receive.

"Percentage Share" means, with respect to any Lender (a) when used in Sections 2.1, 2.2 or 2.12, in any Borrowing Notice or when no Loans are outstanding hereunder, the percentage set forth opposite such Lender's name on the Lender Schedule hereto, and (b) when used otherwise, the percentage obtained by dividing (i) the sum of the unpaid principal balance of such Lender's

Loans at the time in question plus the Matured LC Obligations which such Lender has funded pursuant to Section 2.9(c) plus the portion of the Maximum Drawing Amount which such Lender might be obligated to fund under Section 2.9(c), by (ii) the sum of the aggregate unpaid principal balance of all Loans at such time plus the aggregate amount of LC Obligations outstanding at such time.

"Permitted Acquisitions" means the acquisition of 100% of the capital stock or other equity interest in a Person (exclusive of general partnership interests held by General Partner or another wholly owned Subsidiary of Resources not in excess of a 1% economic interest and exclusive of director qualifying shares and other equity interests required to be held by an Affiliate to comply with a requirement of Law) or the acquisition of the business, assets or operations of a Person, provided that (i) prior to and after giving effect to such acquisition no Default or Event of Default shall have occurred and be continuing; (ii) all representations and warranties shall be true and correct as if restated immediately following the consummation of such acquisition; and (iii) substantially all of the business, assets and operations so acquired, or of the Person so acquired, consists of crude oil and/or gas marketing, gathering, transportation, storage and terminaling.

"Permitted Inventory Liens" means any Lien, and the amount of any Liability secured thereby, on crude oil inventory which would be a Permitted Lien under Section 7.2(d).

"Permitted Investments" means (a) Cash Equivalents, (b) Investments described in the Disclosure Schedule, (c) Investments by Plains MLP or any of its Subsidiaries in any wholly owned Subsidiary of Plains MLP which is a Guarantor and (d) Permitted Acquisitions.

"Permitted Lien" has the meaning given to such term in Section 7.2.

"Person" means an individual, corporation, partnership, limited liability company, association, joint stock company, trust or trustee thereof, estate or executor thereof, unincorporated organization or joint venture, Tribunal, or any other legally recognizable entity.

"Plains MLP" means Plains All American Pipeline, L.P., a Delaware limited partnership.

"Plains Terminal" means either the storage terminals in Cushing, Oklahoma or Ingleside, Texas owned by Borrower.

"PMTI" means Plains Marketing & Transportation, Inc., a Delaware corporation.

"Qualified Inventory Purchases" means (i) purchases of crude oil for physical storage at a Plains Terminal or in transit in pipelines Currently Approved by Majority Lenders which constitutes Hedged Eligible Inventory and (ii) purchases of crude oil designated as working inventory at a Plains Terminal and line fill in pipelines Currently Approved by Majority Lenders.

"Rating Agency" means either S&P or Moody's.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect.

"Reserve Requirement" means, at any time, the maximum rate at which reserves (including any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) by member banks of the Federal Reserve System against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (a) any category of liabilities which includes deposits by reference to which the Adjusted Eurodollar Rate is to be determined, or (b) any category of extensions of credit or other assets which include Eurodollar Loans.

"Resources" means Plains Resources Inc., a Delaware corporation.

"Restricted Person" means any of Plains MLP and each Subsidiary of Plains MLP, including but not limited to Borrower, All American, and each Subsidiary of Borrower and/or All American.

"S&P" means Standard & Poor's Ratings Group (a division of McGraw Hill, Inc.) or its successor.

"Security Documents" means the instruments listed in the Security Schedule and all other security agreements, deeds of trust, mortgages, chattel mortgages, pledges, guaranties, financing statements, continuation statements, extension agreements and other agreements or instruments now, heretofore, or hereafter delivered by any Restricted Person to Administrative Agent in connection with this Agreement or any transaction contemplated hereby to secure or guarantee the payment of any part of the Obligations or the performance of any Restricted Person's other duties and obligations under the Loan Documents.

"Security Schedule" means Schedule 3 hereto.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled or owned more than fifty percent by such Person.

"Termination Event" means (a) the occurrence with respect to any ERISA Plan of (i) a reportable event described in Sections 4043(c)(5) or (6) of ERISA or (ii) any other reportable event described in Section 4043(c) of ERISA other than a reportable event not subject to the provision for 30-day notice to the Pension Benefit Guaranty Corporation pursuant to a waiver by such corporation under Section 4043(a) of ERISA, or (b) the withdrawal of any ERISA Affiliate from an ERISA Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the filing of a notice of intent to terminate any ERISA Plan or the treatment of any ERISA Plan amendment as a termination under Section 4041 of ERISA, or (d) the institution of proceedings to terminate any ERISA Plan by the Pension Benefit Guaranty Corporation under Section 4042 of ERISA, or (e) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan.

"Tribunal" means any government, any arbitration panel, any court or any governmental department, commission, board, bureau, agency or instrumentality of the United States of America or any state, province, commonwealth, nation, territory, possession, county, parish, town, township, village or municipality, whether now or hereafter constituted or existing.

"Type" means, with respect to any Loans, the characterization of such Loans as either Base Rate Loans or Eurodollar Loans.

"UCC" means the Uniform Commercial Code as in effect in the State of New York.

Section 1.2. Exhibits and Schedules; Additional Definitions. All Exhibits and Schedules attached to this Agreement are a part hereof for all purposes. Reference is hereby made to the Security Schedule for the meaning of certain terms defined therein and used but not defined herein, which definitions are incorporated herein by reference.

Section 1.3. Amendment of Defined Instruments. Unless the context otherwise requires or unless otherwise provided herein the terms defined in this Agreement which refer to a particular agreement, instrument or document also refer to and include all renewals, extensions, modifications, amendments and restatements of such agreement, instrument or document, provided that nothing contained in this section shall be construed to authorize any such renewal, extension, modification, amendment or restatement.

Section 1.4. References and Titles. All references in this Agreement to Exhibits, Schedules, articles, sections, subsections and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections and other subdivisions of this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "this Agreement," "this instrument," "herein," "hereof," "hereby," "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The phrases "this section" and "this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not exclusive, and the word "including" (in its various forms) means "including without limitation." Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires.

Section 1.5. Calculations and Determinations. All calculations under the Loan Documents of interest chargeable with respect to Eurodollar Loans and of fees shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 360 days. All other calculations of interest made under the Loan Documents shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 365 or 366 days, as appropriate. Each determination by a Lender Party of amounts to be paid under Article III or any other matters which are to be determined hereunder by a Lender Party (such as any Eurodollar Rate, Adjusted Eurodollar Rate, Business Day, Interest Period, or Reserve Requirement) shall, in the absence of manifest error, be conclusive and binding. Unless otherwise expressly provided herein or unless Majority Lenders otherwise consent all financial statements

and reports furnished to any Lender Party hereunder shall be prepared and all financial computations and determinations pursuant hereto shall be made in accordance with GAAP.

ARTICLE II - The Loans and Letters of Credit

Section 2.1. Commitments to Lend; Notes. Subject to the terms and conditions hereof, each Lender agrees to make loans to Borrower (herein called such Lender's "Loans") upon Borrower's request from time to time during the Commitment Period, provided that (a) subject to Sections 3.3, 3.4 and 3.6, all Lenders are requested to make Loans of the same Type in accordance with their respective Percentage Shares and as part of the same Borrowing, (b) after giving effect to such loans, the aggregate principal amount of outstanding Loans will not exceed $40,000,000, and (c) after giving effect to such Loans, the Facility Usage does not exceed the lesser of (i) the Maximum Facility Amount and (ii) the Borrowing Base determined as of the date on which the requested Loans are to be made. The aggregate amount of all Loans in any Borrowing must be equal to $2,000,000 or any higher integral multiple of $250,000. Borrower may have no more than five Borrowings of Eurodollar Loans outstanding at any time. The obligation of Borrower to repay to each Lender the aggregate amount of all Loans made by such Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Lender's "Note") made by Borrower payable to the order of such Lender in the form of Exhibit A with appropriate insertions. The amount of principal owing on any Lender's Note at any given time shall be the aggregate amount of all Loans theretofore made by such Lender minus all payments of principal theretofore received by such Lender on such Note. Interest on each Note shall accrue and be due and payable as provided herein and therein. Each Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the last day of the Commitment Period. Subject to the terms and conditions of this Agreement, Borrower may borrow, repay, and reborrow hereunder.

Section 2.2. Requests for New Loans. Borrower must give to Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing of Loans to be funded by Lenders. Each such notice constitutes a "Borrowing Notice" hereunder and must:

(a) specify (i) the aggregate amount of any such Borrowing of Base Rate Loans and the date on which such Base Rate Loans are to be advanced, or (ii) the aggregate amount of any such Borrowing of Eurodollar Loans, the date on which such Eurodollar Loans are to be advanced (which shall be the first day of the Interest Period which is to apply thereto), and the length of the applicable Interest Period; and

(b) be received by Administrative Agent not later than 11:00 a.m., Boston, Massachusetts time, on (i) the day on which any such Base Rate Loans are to be made, or (ii) the third Business Day preceding the day on which any such Eurodollar Loans are to be made.

Each such written request or confirmation must be made in the form and substance of the "Borrowing Notice" attached hereto as Exhibit B, duly completed. Each such telephonic request

shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Borrowing Notice, Administrative Agent shall give each Lender prompt notice of the terms thereof. If all conditions precedent to such new Loans have been met, each Lender will on the date requested promptly remit to Administrative Agent at Administrative Agent's office in Boston, Massachusetts the amount of such Lender's Loan in immediately available funds, and upon receipt of such funds, unless to its actual knowledge any conditions precedent to such Loans have been neither met nor waived as provided herein, Administrative Agent shall promptly make such Loans available to Borrower. Unless Administrative Agent shall have received prompt notice from a Lender that such Lender will not make available to Administrative Agent such Lender's new Loan, Administrative Agent may in its discretion assume that such Lender has made such Loan available to Administrative Agent in accordance with this section and Administrative Agent may if it chooses, in reliance upon such assumption, make such Loan available to Borrower. If and to the extent such Lender shall not so make its new Loan available to Administrative Agent, such Lender and Borrower severally agree to pay or repay to Administrative Agent within three days after demand the amount of such Loan together with interest thereon, for each day from the date such amount was made available to Borrower until the date such amount is paid or repaid to Administrative Agent, with interest at (i) the Federal Funds Rate, if such Lender is making such payment and (ii) the interest rate applicable at the time to the other new Loans made on such date, if Borrower is making such repayment. If neither such Lender nor Borrower pays or repays to Administrative Agent such amount within such three-day period, Administrative Agent shall be entitled to recover from Borrower, on demand, in lieu of interest provided for in the preceding sentence, interest thereon at the Default Rate, calculated from the date such amount was made available to Borrower. The failure of any Lender to make any new Loan to be made by it hereunder shall not relieve any other Lender of its obligation hereunder, if any, to make its new Loan, but no Lender shall be responsible for the failure of any other Lender to make any new Loan to be made by such other Lender.

Section 2.3. Continuations and Conversions of Existing Loans. Borrower may make the following elections with respect to Loans already outstanding: to Convert, in whole or in part, Base Rate Loans to Eurodollar Loans, to Convert, in whole or in part, Eurodollar Loans to Base Rate Loans on the last day of the Interest Period applicable thereto, and to Continue, in whole or in part, Eurodollar Loans beyond the expiration of such Interest Period by designating a new Interest Period to take effect at the time of such expiration. In making such elections, Borrower may combine existing Loans made pursuant to separate Borrowings into one new Borrowing or divide existing Loans made pursuant to one Borrowing into separate new Borrowings, provided that Borrower may have no more than five Borrowings of Eurodollar Loans outstanding at any time. To make any such election, Borrower must give to Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any such Conversion or Continuation of existing Loans, with a separate notice given for each new Borrowing. Each such notice constitutes a "Continuation/Conversion Notice" hereunder and must:

(a) specify the existing Loans which are to be Continued or Converted;

(b) specify (i) the aggregate amount of any Borrowing of Base Rate Loans into which such existing Loans are to be Continued or Converted and the date on which such

Continuation or Conversion is to occur, or (ii) the aggregate amount of any Borrowing of Eurodollar Loans into which such existing Loans are to be Continued or Converted, the date on which such Continuation or Conversion is to occur (which shall be the first day of the Interest Period which is to apply to such Eurodollar Loans), and the length of the applicable Interest Period; and

(c) be received by Administrative Agent not later than 11:00 a.m., Boston, Massachusetts time, on (i) the day on which any such Continuation or Conversion to Base Rate Loans is to occur, or (ii) the third Business Day preceding the day on which any such Continuation or Conversion to Eurodollar Loans is to occur.

Each such written request or confirmation must be made in the form and substance of the "Continuation/Conversion Notice" attached hereto as Exhibit C, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Continuation/Conversion Notice, Administrative Agent shall give each Lender prompt notice of the terms thereof. Each Continuation/Conversion Notice shall be irrevocable and binding on Borrower. During the continuance of any Default, Borrower may not make any election to Convert existing Loans into Eurodollar Loans or Continue existing Loans as Eurodollar Loans beyond the expiration of their respective and corresponding Interest Period then in effect. If (due to the existence of a Default or for any other reason) Borrower fails to timely and properly give any Continuation/Conversion Notice with respect to a Borrowing of existing Eurodollar Loans at least three days prior to the end of the Interest Period applicable thereto, such Eurodollar Loans, to the extent not prepaid at the end of such Interest Period, shall automatically be Converted into Base Rate Loans at the end of such Interest Period. No new funds shall be repaid by Borrower or advanced by any Lender in connection with any Continuation or Conversion of existing Loans pursuant to this section, and no such Continuation or Conversion shall be deemed to be a new advance of funds for any purpose; such Continuations and Conversions merely constitute a change in the interest rate applicable to already outstanding Loans.

Section 2.4. Use of Proceeds. Borrower shall use the proceeds of all Loans to make Qualified Inventory Purchases and to refinance Matured LC Obligations. In no event shall any Loan or any Letter of Credit be used (i) to fund distributions by Plains MLP, (ii) directly or indirectly by any Person for personal, family, household or agricultural purposes, (iii) for the purpose, whether immediate, incidental or ultimate, of purchasing, acquiring or carrying any "margin stock" (as such term is defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System) or (iv) to extend credit to others directly or indirectly for the purpose of purchasing or carrying any such margin stock. Borrower represents and warrants that Borrower is not engaged principally, or as one of Borrower's important activities, in the business of extending credit to others for the purpose of purchasing or carrying such margin stock.

Section 2.5. Optional Prepayments of Loans. Borrower may, upon five Business Days' notice to Administrative Agent (and Administrative Agent will promptly give notice to the other Lenders), from time to time and without premium or penalty prepay the Loans, in whole or in part, so long as the aggregate amounts of all partial prepayments of principal on the Loans equals

$2,000,000 or any higher integral multiple of $250,000. Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

Section 2.6. Mandatory Prepayments. If at any time the Facility Usage exceeds the Borrowing Base (whether due to a reduction in the Borrowing Base in accordance with this Agreement, or otherwise), Borrower shall immediately upon demand prepay the principal of the Loans in an amount at least equal to such excess. Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

Section 2.7. Letters of Credit. Subject to the terms and conditions hereof, Borrower may during the Commitment Period request LC Issuer to issue, amend, or extend the expiration date of, one or more Letters of Credit, provided that:

(a) after taking such Letter of Credit into account (i) the Facility Usage does not exceed the lesser of (A) the Maximum Facility Amount at such time or (B) the Borrowing Base at such time and (ii) such Letter of Credit can be incurred by Borrower pursuant to the Permitted Debt Limit at such time;

(b) the expiration date of such Letter of Credit is prior to the earlier of (i) 70 days (or 100 days, if the beneficiary thereof is Exxon Company U.S.A.) after the date of issuance of such Letter of Credit (or 180 days after the date of issuance in the case of a Surety Letter of Credit) or (ii) 30 days prior to the end of the Commitment Period;

(c) the issuance of such Letter of Credit will be in compliance with all applicable governmental restrictions, policies, and guidelines and will not subject LC Issuer to any cost which is not reimbursable under Article III;

(d) either (i) such Letter of Credit is related to the purchase or exchange by Borrower of crude oil and is in the Form of Exhibit D hereto or such other form and terms as shall be acceptable to LC Issuer in its sole and absolute discretion and Currently Approved by Majority Lenders, or (ii) such Letter of Credit is a Surety Letter of Credit and after taking such Letter of Credit into account the aggregate amount of LC Obligations in respect to all Surety Letters of Credit does not exceed $1,000,000; and

(e) all other conditions in this Agreement to the issuance of such Letter of Credit have been satisfied.

LC Issuer will honor any such request if the foregoing conditions (a) through (e) (in the following Section 2.8 called the "LC Conditions") have been met as of the date of issuance, amendment, or extension of such Letter of Credit. The outstanding letters of credit issued by LC Issuer under the

Existing Agreement shall be deemed to be Letters of Credit issued hereunder; Borrower hereby represents and warrants that the LC Conditions have been met as of the date hereof with respect to each such Letter of Credit.

Section 2.8. Requesting Letters of Credit. Borrower must make written application for any Letter of Credit at least two Business Days before the date on which Borrower desires for LC Issuer to issue such Letter of Credit. By making any such written application, unless otherwise expressly stated therein, Borrower shall be deemed to have represented and warranted that the LC Conditions described in Section 2.7 will be met as of the date of issuance of such Letter of Credit. Each such written application for a Letter of Credit must be made in writing in the form and substance of Exhibit E, the terms and provisions of which are hereby incorporated herein by reference (or in such other form as may mutually be agreed upon by LC Issuer and Borrower). If all LC Conditions for a Letter of Credit have been met as described in Section 2.7 on any Business Day before 11:00 a.m, Boston, Massachusetts time, LC Issuer will issue such Letter of Credit on the same Business Day at LC Issuer's office in Boston, Massachusetts. If the LC Conditions are met as described in Section 2.7 on any Business Day on or after 11:00 a.m, Boston, Massachusetts time, LC Issuer will issue such Letter of Credit on the next succeeding Business Day at LC Issuer's office in Boston, Massachusetts. If any provisions of any LC Application conflict with any provisions of this Agreement, the provisions of this Agreement shall govern and control.

Section 2.9. Reimbursement and Participations.

(a) Reimbursement by Borrower. Each Matured LC Obligation shall constitute a loan by LC Issuer to Borrower. Borrower promises to pay to LC Issuer, or to LC Issuer's order, on demand, the full amount of each Matured LC Obligation, together with interest thereon (i) at the Base Rate to and including the second Business Day after the Matured LC Obligation is incurred and (ii) at the Default Rate on each day thereafter.

(b) Letter of Credit Advances. If the beneficiary of any Letter of Credit makes a draft or other demand for payment thereunder then Borrower may, during the interval between the making thereof and the honoring thereof by LC Issuer, request Lenders to make Loans to Borrower in the amount of such draft or demand, which Loans shall be made concurrently with LC Issuer's payment of such draft or demand and shall be immediately used by LC Issuer to repay the amount of the resulting Matured LC Obligation. Such a request by Borrower shall be made in compliance with all of the provisions hereof, provided that for the purposes of the first sentence of Section 2.1, the amount of such Loans shall be considered, but the amount of the Matured LC Obligation to be concurrently paid by such Loans shall not be considered.

(c) Participation by Lenders. LC Issuer irrevocably agrees to grant and hereby grants to each Lender, and -- to induce LC Issuer to issue Letters of Credit hereunder -- each Lender irrevocably agrees to accept and purchase and hereby accepts and purchases from LC Issuer, on the terms and conditions hereinafter stated and for such Lender's own account and risk an undivided interest equal to such Lender's Percentage Share of LC Issuer's obligations and rights under each Letter of Credit issued hereunder and the amount of each Matured LC Obligation paid by LC Issuer thereunder. Each Lender unconditionally and irrevocably agrees with LC Issuer

that, if a Matured LC Obligation is paid under any Letter of Credit for which LC Issuer is not reimbursed in full by Borrower in accordance with the terms of this Agreement and the related LC Application (including any reimbursement by means of concurrent Loans or by the application of LC Collateral), such Lender shall (in all circumstances and without set-off or counterclaim) pay to LC Issuer on demand, in immediately available funds at LC Issuer's address for notices hereunder, such Lender's Percentage Share of such Matured LC Obligation (or any portion thereof which has not been reimbursed by Borrower). Each Lender's obligation to pay LC Issuer pursuant to the terms of this subsection is irrevocable and unconditional. If any amount required to be paid by any Lender to LC Issuer pursuant to this subsection is paid by such Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Lender, on demand, interest thereon calculated from such due date at the Federal Funds Rate. If any amount required to be paid by any Lender to LC Issuer pursuant to this subsection is not paid by such Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Lender, on demand, interest thereon calculated from such due date at the Base Rate.

(d) Distributions to Participants. Whenever LC Issuer has in accordance with this section received from any Lender payment of such Lender's Percentage Share of any Matured LC Obligation, if LC Issuer thereafter receives any payment of such Matured LC Obligation or any payment of interest thereon (whether directly from Borrower or by application of LC Collateral or otherwise, and excluding only interest for any period prior to LC Issuer's demand that such Lender make such payment of its Percentage Share), LC Issuer will distribute to such Lender its Percentage Share of the amounts so received by LC Issuer; provided, however, that if any such payment received by LC Issuer must thereafter be returned by LC Issuer, such Lender shall return to LC Issuer the portion thereof which LC Issuer has previously distributed to it.

(e) Calculations. A written advice setting forth in reasonable detail the amounts owing under this section, submitted by LC Issuer to Borrower or any Lender from time to time, shall be conclusive, absent manifest error, as to the amounts thereof.

Section 2.10. No Duty to Inquire.

(a) Drafts and Demands. LC Issuer is authorized and instructed to accept and pay drafts and demands for payment under any Letter of Credit without requiring, and without responsibility for, any determination as to the existence of any event giving rise to said draft, either at the time of acceptance or payment or thereafter. LC Issuer is under no duty to determine the proper identity of anyone presenting such a draft or making such a demand (whether by tested telex or otherwise) as the officer, representative or agent of any beneficiary under any Letter of Credit, and payment by LC Issuer to any such beneficiary when requested by any such purported officer, representative or agent is hereby authorized and approved. Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the subject matter of this section, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT

ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

(b) Extension of Maturity. If the maturity of any Letter of Credit is extended by its terms or by Law or governmental action, if any extension of the maturity or time for presentation of drafts or any other modification of the terms of any Letter of Credit is made at the request of Borrower, or if the amount of any Letter of Credit is increased at the request of Borrower, this Agreement shall be binding upon all Restricted Persons with respect to such Letter of Credit as so extended, increased or otherwise modified, with respect to drafts and property covered thereby, and with respect to any action taken by LC Issuer, LC Issuer's correspondents, or any Lender Party in accordance with such extension, increase or other modification.

(c) Transferees of Letters of Credit. If any Letter of Credit provides that it is transferable, LC Issuer shall have no duty to determine the proper identity of anyone appearing as transferee of such Letter of Credit, nor shall LC Issuer be charged with responsibility of any nature or character for the validity or correctness of any transfer or successive transfers, and payment by LC Issuer to any purported transferee or transferees as determined by LC Issuer is hereby authorized and approved, and Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the foregoing, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

Section 2.11. LC Collateral.

(a) LC Obligations in Excess of Borrowing Base. If, after the making of all mandatory prepayments required under Section 2.6, the outstanding LC Obligations will exceed the Borrowing Base, then in addition to prepayment of the entire principal balance of the Loans Borrower will immediately pay to LC Issuer an amount equal to such excess. LC Issuer will hold such amount as collateral security for the remaining LC Obligations (all such amounts held as collateral security for LC Obligations being herein collectively called "LC Collateral") and the other Obligations, and such collateral may be applied from time to time to pay Matured LC Obligations. Neither this subsection nor the following subsection shall, however, limit or impair any rights which LC Issuer may have under any other document or agreement relating to any Letter of Credit, LC Collateral or LC Obligation, including any LC Application, or any rights which any Lender Party may have to otherwise apply any payments by Borrower and any LC Collateral under Section 3.1.

(b) Acceleration of LC Obligations. If the Obligations or any part thereof become immediately due and payable pursuant to Section 8.1 then, unless all Lenders otherwise

specifically elect to the contrary (which election may thereafter be retracted by all Lenders at any time), all LC Obligations shall become immediately due and payable without regard to whether or not actual drawings or payments on the Letters of Credit have occurred, and Borrower shall be obligated to pay to LC Issuer immediately an amount equal to the aggregate LC Obligations which are then outstanding to be held as LC Collateral.

(c) Investment of LC Collateral. Pending application thereof, all LC Collateral shall be invested by LC Issuer in such Cash Equivalents as LC Issuer may choose in its sole discretion. All interest on (and other proceeds of) such Investments shall be reinvested or applied to Matured LC Obligations or other Obligations which are due and payable. When all Obligations have been satisfied in full, including all LC Obligations, all Letters of Credit have expired or been terminated, and all of Borrower's reimbursement obligations in connection therewith have been satisfied in full, LC Issuer shall release any remaining LC Collateral. Borrower hereby assigns and grants to LC Issuer a continuing security interest in all LC Collateral paid by it to LC Issuer, all Investments purchased with such LC Collateral, and all proceeds thereof to secure its Matured LC Obligations and its Obligations under this Agreement, each Note, and the other Loan Documents, and Borrower agrees that such LC Collateral, Investments and proceeds shall be subject to all of the terms and conditions of the Security Documents. Borrower further agrees that LC Issuer shall have all of the rights and remedies of a secured party under the UCC with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest.

(d) Payment of LC Collateral. When Borrower is required to provide LC Collateral for any reason and fails to do so on the day when required, LC Issuer or Administrative Agent may without notice to Borrower or any other Restricted Person provide such LC Collateral (whether by application of proceeds of other Collateral, by transfers from other accounts maintained with LC Issuer, or otherwise) using any available funds of Borrower or any other Person also liable to make such payments, and LC Issuer or Administrative Agent will give notice thereof to Borrower promptly after such application or transfer. Any such amounts which are required to be provided as LC Collateral and which are not provided on the date required shall, for purposes of each Security Document, be considered past due Obligations owing hereunder, and LC Issuer is hereby authorized to exercise its respective rights under each Security Document to obtain such amounts.

Section 2.12. Interest Rates and Fees; Reduction in Commitment.

(a) Interest Rates. Unless the Default Rate shall apply, (i) each Base Rate Loan shall bear interest on each day outstanding at the Base Rate in effect on such day and (ii) each Eurodollar Loan shall bear interest on each day during the related Interest Period at the related Adjusted Eurodollar Rate plus the Eurodollar Rate Margin in effect on such day. During a Default Rate Period, all Loans shall bear interest on each day outstanding at the Default Rate. If an Event of Default based upon Section 8.1(a), Section 8.1(b) or, with respect to Borrower, based upon Section 8.1(i)(i), (i)(ii) or (i)(iii) exists and the Loans are not bearing interest at the Default Rate, the past due principal and past due interest shall bear interest on each day outstanding at the Default Rate. The interest rate shall change whenever the applicable Base Rate, the Adjusted Eurodollar Rate or the Eurodollar Rate Margin changes. In no event shall the interest rate on any Loan exceed the Highest Lawful Rate.

(b) Commitment Fees. In consideration of each Lender's commitment to make Loans, Borrower will pay to Administrative Agent for the account of each Lender a commitment fee determined on a daily basis by applying a rate of one-fourth of one percent (0.25%) per annum to such Lender's Percentage Share of the unused portion of the Maximum Facility Amount on each day during the Commitment Period, determined for each such day by deducting from the amount of the Maximum Facility Amount at the end of such day the Facility Usage. This commitment fee shall be due and payable in arrears on the last day of each Fiscal Quarter and at the end of the Commitment Period. Borrower shall have the right from time to time to permanently reduce the Maximum Facility Amount, provided that (i) notice of such reduction is given not less than 2 business Days prior to such reduction, (ii) the resulting Maximum Facility Amount is not less than the Facility Usage, and (iii) each partial reduction shall be in an amount at least equal to $500,000 and in multiples of $100,000 in excess thereof.

(c) Letter of Credit Fees. In consideration of LC Issuer's issuance of any Letter of Credit, Borrower agrees to pay (i) to Administrative Agent, for the account of all Lenders in accordance with their respective Percentage Shares, a letter of credit fee at a rate equal to nine-tenths of one percent (0.9%) per annum, and (ii) to such LC Issuer for its own account, a letter of credit fronting fee at a rate equal to one-tenth of one percent (.10%) per annum. Each such fee will be calculated on the face amount of each Letter of Credit outstanding on each day at the above applicable rates and will be payable monthly in arrears on the last day of each month. In addition, Borrower will pay to LC Issuer a minimum administrative issuance fee of $100 for each Letter of Credit and such other fees and charges customarily charged by the LC Issuer in respect of any amendment or negotiation of any Letter of Credit in accordance with the LC Issuer's published schedule of such charges as of the date of such amendment or negotiation.

(d) Administrative Agent's Fees. In addition to all other amounts due to Administrative Agent under the Loan Documents, Borrower will pay fees to Administrative Agent as described in a letter agreement of even date herewith between Administrative Agent and Borrower.

Section 2.13. Borrowing Base Reporting. The Borrowing Base Reports are subject to the procedures set forth on Schedule 6.

ARTICLE III - Payments to Lenders

Section 3.1. General Procedures. Borrower will make each payment which it owes under the Loan Documents to Administrative Agent for the account of the Lender Party to whom such payment is owed in lawful money of the United States of America, without set-off, deduction or counterclaim, and in immediately available funds. Each such payment must be received by Administrative Agent not later than noon, Boston, Massachusetts time, on the date such payment becomes due and payable. Any payment received by Administrative Agent after such time will be deemed to have been made on the next following Business Day. Should any such payment become due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day, and, in the case of a payment of principal or past due interest, interest shall accrue and be payable thereon for the period of such extension as provided in the Loan Document under which such payment is due. Each payment under a Loan

Document shall be due and payable at the place provided therein and, if no specific place of payment is provided, shall be due and payable at the place of payment of Administrative Agent's Note. When Administrative Agent collects or receives money on account of the Obligations, Administrative Agent shall distribute all money so collected or received, and each Lender Party shall apply all such money so distributed, as follows:

(a) first, for the payment of all Obligations which are then due (and if such money is insufficient to pay all such Obligations, first to any reimbursements due Administrative Agent under Section 6.9 or 10.4 and then to the partial payment of all other Obligations then due in proportion to the amounts thereof, or as Lender Parties shall otherwise agree);

(b) then for the prepayment of amounts owing under the Loan Documents (other than principal on the Notes) if so specified by Borrower;

(c) then for the prepayment of principal on the Notes, together with accrued and unpaid interest on the principal so prepaid; and

(d) last, for the payment or prepayment of any other Obligations.

All payments applied to principal or interest on any Note shall be applied first to any interest then due and payable, then to principal then due and payable, and last to any prepayment of principal and interest in compliance with Sections 2.5 and 2.6. All distributions of amounts described in any of subsections (b), (c) or (d) above shall be made by Administrative Agent pro rata to each Lender Party then owed Obligations described in such subsection in proportion to all amounts owed to all Lender Parties which are described in such subsection; provided that if any Lender then owes payments to LC Issuer for the purchase of a participation under Section 2.9(c) or to Administrative Agent under Section 9.4, any amounts otherwise distributable under this section to such Lender shall be deemed to belong to LC Issuer or Administrative Agent, respectively, to the extent of such unpaid payments, and Administrative Agent shall apply such amounts to make such unpaid payments rather than distribute such amounts to such Lender.

Section 3.2. Capital Reimbursement. If either (a) the introduction or implementation of or the compliance with or any change in or in the interpretation of any Law, or (b) the introduction or implementation of or the compliance with any request, directive or guideline from any central bank or other governmental authority (whether or not having the force of Law) affects or would affect the amount of capital required or expected to be maintained by any Lender Party or any corporation controlling any Lender Party, then, within five Business Days after demand by such Lender Party, Borrower will pay to Administrative Agent for the benefit of such Lender Party, from time to time as specified by such Lender Party, such additional amount or amounts which such Lender Party shall determine to be appropriate to compensate such Lender Party or any corporation controlling such Lender Party in light of such circumstances, to the extent that such Lender Party reasonably determines that the amount of any such capital would be increased or the rate of return on any such capital would be reduced by or in whole or in part based on the existence of the face amount of such Lender Party's Loans, Letters of Credit, participations in Letters of Credit or commitments under this Agreement.

Section 3.3. Increased Cost of Eurodollar Loans or Letters of Credit. If any applicable Law (whether now in effect or hereinafter enacted or promulgated, including Regulation D) or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of Law):

(a) shall change the basis of taxation of payments to any Lender Party of any principal, interest, or other amounts attributable to any Eurodollar Loan or Letter of Credit or otherwise due under this Agreement in respect of any Eurodollar Loan or Letter of Credit (other than taxes imposed on, or measured by, the overall net income of such Lender Party or any Applicable Lending Office of such Lender Party by any jurisdiction in which such Lender Party or any such Applicable Lending Office is located); or

(b) shall change, impose, modify, apply or deem applicable any reserve, special deposit or similar requirements in respect of any Eurodollar Loan or any Letter of Credit (excluding those for which such Lender Party is fully compensated pursuant to adjustments made in the definition of Eurodollar Rate) or against assets of, deposits with or for the account of, or credit extended by, such Lender Party; or

(c) shall impose on any Lender Party or the interbank eurocurrency deposit market any other condition affecting any Eurodollar Loan or Letter of Credit, the result of which is to increase the cost to any Lender Party of funding or maintaining any Eurodollar Loan or of issuing any Letter of Credit or to reduce the amount of any sum receivable by any Lender Party in respect of any Eurodollar Loan or Letter of Credit by an amount deemed by such Lender Party to be material,

then such Lender Party shall promptly notify Administrative Agent and Borrower in writing of the happening of such event and of the amount required to compensate such Lender Party for such event (on an after-tax basis, taking into account any taxes on such compensation), whereupon (i) Borrower shall, within five Business Days after demand therefor by such Lender Party, pay such amount to Administrative Agent for the account of such Lender Party and (ii) Borrower may elect, by giving to Administrative Agent and such Lender Party not less than three Business Days' notice, to Convert all (but not less than all) of any such Eurodollar Loans into Base Rate Loans.

Section 3.4. Notice; Change of Applicable Lending Office. A Lender Party shall notify Borrower of any event occurring after the date of this Agreement that will entitle such Lender Party to compensation under Section 3.2, 3.3 or 3.5 hereof as promptly as practicable, but in any event within 90 days, after such Lender Party obtains actual knowledge thereof; provided, that (i) if such Lender Party fails to give such notice within 90 days after it obtains actual knowledge of such an event, such Lender Party shall, with respect to compensation payable pursuant to Section 3.2, 3.3 or 3.5 in respect of any costs resulting from such event, only be entitled to payment under Section 3.2, 3.3 or 3.5 hereof for costs incurred from and after the date 90 days prior to the date that such Lender Party does give such notice and (ii) such Lender Party will designate a different Applicable Lending Office for the Loans affected by such event if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole opinion of such Lender Party, be disadvantageous to such Lender Party, except that such Lender Party shall have no obligation to designate an Applicable Lending Office located in the United States of America.

Each Lender Party will furnish to Borrower a certificate setting forth the basis and amount of each request by such Lender Party for compensation under Section 3.2, 3.3 or 3.5 hereof.

Section 3.5. Availability. If (a) any change in applicable Laws, or in the interpretation or administration thereof of or in any jurisdiction whatsoever, domestic or foreign, shall make it unlawful or impracticable for any Lender Party to fund or maintain Eurodollar Loans or to issue or participate in Letters of Credit, or shall materially restrict the authority of any Lender Party to purchase or take offshore deposits of dollars (i.e., "eurodollars"), or (b) any Lender Party determines that matching deposits appropriate to fund or maintain any Eurodollar Loan are not available to it, or (c) any Lender Party determines that the formula for calculating the Eurodollar Rate does not fairly reflect the cost to such Lender Party of making or maintaining loans based on such rate, then, upon notice by such Lender Party to Borrower and Administrative Agent, Borrower's right to elect Eurodollar Loans from such Lender Party (or, if applicable, to obtain Letters of Credit) shall be suspended to the extent and for the duration of such illegality, impracticability or restriction and all Eurodollar Loans of such Lender Party which are then outstanding or are then the subject of any Borrowing Notice and which cannot lawfully or practicably be maintained or funded shall immediately become or remain, or shall be funded as, Base Rate Loans of such Lender Party. Borrower agrees to indemnify each Lender Party and hold it harmless against all costs, expenses, claims, penalties, liabilities and damages which may result from any such change in Law, interpretation or administration. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.6. Funding Losses. In addition to its other obligations hereunder, Borrower will indemnify each Lender Party against, and reimburse each Lender Party on demand for, any loss or expense incurred or sustained by such Lender Party (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by a Lender Party to fund or maintain Eurodollar Loans), as a result of (a) any payment or prepayment (whether or not authorized or required hereunder) of all or a portion of a Eurodollar Loan on a day other than the day on which the applicable Interest Period ends, (b) any payment or prepayment, whether or not required hereunder, of a Loan made after the delivery, but before the effective date, of a Continuation/Conversion Notice, if such payment or prepayment prevents such Continuation/Conversion Notice from becoming fully effective, (c) the failure of any Loan to be made or of any Continuation/Conversion Notice to become effective due to any condition precedent not being satisfied or due to any other action or inaction of any Restricted Person, or (d) any Conversion (whether or not authorized or required hereunder) of all or any portion of any Eurodollar Loan into a Base Rate Loan or into a different Eurodollar Loan on a day other than the day on which the applicable Interest Period ends. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.7. Reimbursable Taxes. Borrower covenants and agrees that:

(a) Borrower will indemnify each Lender Party against and reimburse each Lender Party for all present and future income, stamp and other taxes, levies, costs and charges whatsoever imposed, assessed, levied or collected on or in respect of this Agreement or any Eurodollar Loans or Letters of Credit (whether or not legally or correctly imposed, assessed, levied or collected), excluding, however, any taxes imposed on or measured by

the overall net income of Administrative Agent or such Lender Party or any Applicable Lending Office of such Lender Party by any jurisdiction in which such Lender Party or any such Applicable Lending Office is located (all such non-excluded taxes, levies, costs and charges being collectively called "Reimbursable Taxes" in this section). Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

(b) All payments on account of the principal of, and interest on, each Lender Party's Loans and Note, and all other amounts payable by Borrower to any Lender Party hereunder, shall be made in full without set-off or counterclaim and shall be made free and clear of and without deductions or withholdings of any nature by reason of any Reimbursable Taxes, all of which will be for the account of Borrower. In the event of Borrower being compelled by Law to make any such deduction or withholding from any payment to any Lender Party, Borrower shall pay on the due date of such payment, by way of additional interest, such additional amounts as are needed to cause the amount receivable by such Lender Party after such deduction or withholding to equal the amount which would have been receivable in the absence of such deduction or withholding. If Borrower should make any deduction or withholding as aforesaid, Borrower shall within 60 days thereafter forward to such Lender Party an official receipt or other official document evidencing payment of such deduction or withholding.

(c) If Borrower is ever required to pay any Reimbursable Tax with respect to any Eurodollar Loan, Borrower may elect, by giving to Administrative Agent and such Lender Party not less than three Business Days' notice, to Convert all (but not less than all) of any such Eurodollar Loan into a Base Rate Loan, but such election shall not diminish Borrower's obligation to pay all Reimbursable Taxes.

(d) Notwithstanding the foregoing provisions of this section, Borrower shall be entitled, to the extent it is required to do so by Law, to deduct or withhold (and not to make any indemnification or reimbursement for) income or other similar taxes imposed by the United States of America (other than any portion thereof attributable to a change in federal income tax Laws effected after the date hereof) from interest, fees or other amounts payable hereunder for the account of any Lender Party, other than a Lender Party (i) who is a U.S. person for Federal income tax purposes or (ii) who has the Prescribed Forms on file with Administrative Agent (with copies provided to Borrower) for the applicable year to the extent deduction or withholding of such taxes is not required as a result of the filing of such Prescribed Forms, provided that if Borrower shall so deduct or withhold any such taxes, it shall provide a statement to Administrative Agent and such Lender Party, setting forth the amount of such taxes so deducted or withheld, the applicable rate and any other information or documentation which such Lender Party may reasonably request for assisting such Lender Party to obtain any allowable credits or deductions for the taxes so deducted or withheld in the jurisdiction or jurisdictions in which such Lender Party is subject to tax. As used in this section, "Prescribed Forms" means such duly executed forms or statements, and in such number of copies, which may, from time to time, be prescribed by Law and which, pursuant to applicable provisions of (x) an income tax treaty between the United States and the country of residence of the

Lender Party providing the forms or statements, (y) the Internal Revenue Code of 1986, as amended from time to time, or (z) any applicable rules or regulations thereunder, permit Borrower to make payments hereunder for the account of such Lender Party free of such deduction or withholding of income or similar taxes.

Section 3.8 Replacement of Lenders. If any Lender Party seeks reimbursement for increased costs under Sections 3.2 through 3.7, then within ninety days thereafter -- provided no Event of Default then exists -- Borrower shall have the right (unless such Lender Party withdraws its request for additional compensation) to replace such Lender Party by requiring such Lender Party to assign its Loans and Notes and its commitments hereunder to an Eligible Transferee reasonably acceptable to Administrative Agent and to Borrower, provided that: (i) all Obligations of Borrower owing to such Lender Party being replaced (including such increased costs, but excluding principal and accrued interest on the Notes being assigned) shall be paid in full to such Lender Party concurrently with such assignment, and (ii) the replacement Eligible Transferee shall purchase the Note being assigned by paying to such Lender Party a price equal to the principal amount thereof plus accrued and unpaid interest and accrued and unpaid commitment fees thereon. In connection with any such assignment Borrower, Administrative Agent, such Lender Party and the replacement Eligible Transferee shall otherwise comply with Section 10.5. Notwithstanding the foregoing rights of Borrower under this section, however, Borrower may not replace any Lender Party which seeks reimbursement for increased costs under Section 3.2 through 3.7 unless Borrower is at the same time replacing all Lender Parties which are then seeking such compensation.

ARTICLE IV - Conditions Precedent to Credit

Section 4.1. Documents to be Delivered. This Agreement shall not be effective, and no Lender has any obligation to make its first Loan, and LC Issuer has no obligation to issue the first Letter of Credit unless Administrative Agent shall have received all of the following, at Administrative Agent's office in Boston, Massachusetts, duly executed and delivered and in form, substance and date satisfactory to Administrative Agent:

(a) This Agreement and any other documents that Lenders are to execute in connection herewith.

(b) Each Note.

(c) Each Security Document listed in the Security Schedule.

(d) Certain certificates including:

(i) An "Omnibus Certificate" of the secretary and of the president of General Partner, which shall contain the names and signatures of the officers of each Restricted Person authorized to execute Loan Documents and which shall certify to the truth, correctness and completeness of the following exhibits attached thereto: (1) a copy of resolutions duly adopted by the Board of Directors of

General Partner and in full force and effect at the time this Agreement is entered into, authorizing the execution of this Agreement and the other Loan Documents delivered or to be delivered in connection herewith and the consummation of the transactions contemplated herein and therein, (2) a copy of the charter documents of each Restricted Person and all amendments thereto, certified by the appropriate official of such Restricted Person's state of organization, and (3) a copy of any bylaws or agreement of limited partnership of each Restricted Person; and

(ii) A certificate of the president and of the chief financial officer of General Partner, regarding satisfaction of Section 4.2.

(e) A certificate (or certificates) of the due formation, valid existence and good standing of each Restricted Person in its respective state of organization, issued by the appropriate authorities of such jurisdiction, and certificates of each Restricted Person's good standing and due qualification to do business, issued by appropriate officials in any states in which such Restricted Person owns property subject to Security Documents.

(f) Documents similar to those specified in subsections (d)(i) and (e) of this section with respect to each Guarantor and the execution by it of its guaranty of Borrower's Obligations.

(g) A favorable opinion of Michael Patterson, Esq., General Counsel for Restricted Persons, substantially in the form set forth in Exhibit G-1, Fulbright & Jaworski L.L.P., special Texas and New York counsel to Restricted Persons, substantially in the form set forth in Exhibit G-2 and Andrews & Kurth, special counsel to Restricted Persons, substantially in the form of Exhibit G-3.

(h) The Initial Financial Statements.

(i) Certificates or binders evidencing Restricted Persons' insurance in effect on the date hereof.

(j) Copies of such permits and approvals regarding the property and business of Restricted Persons as Administrative Agent may request.

(k) A certificate signed by the chief executive officer of General Partner in form and detail acceptable to Administrative Agent confirming the insurance that is in effect as of the date hereof and certifying that such insurance is customary for the businesses conducted by Restricted Persons and is in compliance with the requirements of this Agreement.

(l) Payment of all commitment, facility, agency and other fees required to be paid to any Lender pursuant to any Loan Documents or any commitment agreement heretofore entered into.

(m) The Intercreditor Agreement with the lenders party to the All American Agreement in the form of Exhibit L hereto.

Section 4.2. Additional Conditions to Initial Credit. This Agreement shall not be effective, and no Lender has any obligation to make its first Loan, and LC Issuer has no obligation to issue the first Letter of Credit unless prior to or contemporaneously with the initial Loan or initial Letter of Credit the following conditions precedent have been satisfied:

(a) The Offering and all of the transactions contemplated under the Offering Documents shall have been consummated, in compliance with the terms and conditions thereof, and all representations and warranties made by any party to the Offering Documents shall be true and correct.

(b) Each Restricted Person shall have executed and delivered the All American Credit Agreement and all conditions precedent to the All American Agreement have been satisfied.

(c) After giving effect to each of the transactions under the Offering Documents, all representations and warranties made by any Restricted Person in any Loan Document shall be true on and as of the date of such Loan or the date of issuance of such Letter of Credit as if such representations and warranties had been made as of the date of such Loan or the date of issuance of such Letter of Credit.

(d) General Partner shall have delivered to Administrative Agent a Consolidated balance sheet for Plains MLP and its Subsidiaries certified by the chief financial officer of General Partner, reflecting compliance with each event specified in Sections 7.11 through 7.16, inclusive.

(e) The Borrowing Base as of the date of such first Loan and first Letter of Credit shall be at least $5,000,000 more than the initial Facility Usage on such date after giving effects to the Loans and Letters of Credit requested for such date, and General Partner shall have delivered to the Administrative Agent a Borrowing Base Report in reasonable detail demonstrating compliance with this requirement.

(f) Plains MLP shall have a market capitalization of at least $500,000,000 calculated based upon the total issued partnership units of Plains MLP and the market price of the publicly held portion of such partnership units of Plains MLP.

(g) Plains MLP shall have a minimum tangible net worth of $225,000,000.

(h) Each condition precedent set forth in Section 4.3 has been satisfied as of such effective date of this Agreement.

Section 4.3. Additional Conditions Precedent. No Lender has any obligation to make any Loan (including its first), and LC Issuer has no obligation to issue any Letter of Credit (including its first), unless the following conditions precedent have been satisfied:

(a) All representations and warranties made by any Restricted Person in any Loan Document shall be true on and as of the date of such Loan or the date of issuance of such Letter of Credit as if such representations and warranties had been made as of the date of such Loan or the date of issuance of such Letter of Credit except to the extent that such representation or warranty was made as of a specific date or updated, modified or supplemented as of a subsequent date with the consent of Majority Lenders.

(b) No Default shall exist at the date of such Loan or the date of issuance of such Letter of Credit.

(c) No Material Adverse Change shall have occurred to, and no event or circumstance shall have occurred that could cause a Material Adverse Change to, Plains MLP's or Borrower's Consolidated financial condition or businesses since the date of the Initial Financial Statements.

(d) Each Restricted Person shall have performed and complied with all agreements and conditions required in the Loan Documents to be performed or complied with by it on or prior to the date of such Loan or the date of issuance of such Letter of Credit.

(e) The making of such Loan or the issuance of such Letter of Credit shall not be prohibited by any Law and shall not subject any Lender or any LC Issuer to any penalty or other onerous condition under or pursuant to any such Law.

(f) Administrative Agent shall have received all documents and instruments which Administrative Agent has then requested, in addition to those described in Section 4.1 (including opinions of legal counsel for Restricted Persons and Administrative Agent; corporate documents and records; documents evidencing governmental authorizations, consents, approvals, licenses and exemptions; and certificates of public officials and of officers and representatives of Borrower and other Persons), as to (i) the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in this Agreement and the other Loan Documents, (ii) the satisfaction of all conditions contained herein or therein, and (iii) all other matters pertaining hereto and thereto. All such additional documents and instruments shall be satisfactory to Administrative Agent in form, substance and date.

ARTICLE V - Representations and Warranties

To confirm each Lender's understanding concerning Restricted Persons and Restricted Persons' businesses, properties and obligations and to induce each Lender to enter into this Agreement and to extend credit hereunder, Plains MLP and Borrower represent and warrant to each Lender that:

Section 5.1. No Default. No Restricted Person is in default in the performance of any of the covenants and agreements contained in any Loan Document. No event has occurred and is continuing which constitutes a Default.

Section 5.2. Organization and Good Standing. Each Restricted Person is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, having all powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Each Restricted Person is duly qualified, in good standing, and authorized to do business in all other jurisdictions within the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary except where the failure to so qualify would not cause a Material Adverse Change. Each Restricted Person has taken all actions and procedures customarily taken in order to enter, for the purpose of conducting business or owning property, each jurisdiction outside the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such actions and procedures necessary except where the failure to so qualify would not cause a Material Adverse Change.

Section 5.3. Authorization. Each Restricted Person has duly taken all action necessary to authorize the execution and delivery by it of the Loan Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder. Borrower is duly authorized to borrow funds hereunder.

Section 5.4. No Conflicts or Consents. The execution and delivery by the various Restricted Persons of the Loan Documents and Offering Documents to which each is a party, the performance by each of its obligations under such Loan Documents and Offering Documents, and the consummation of the transactions contemplated by the various Loan Documents and various Offering Documents, do not and will not (i) conflict with any provision of (1) any Law, (2) the organizational documents of any Restricted Person or any of its Affiliates, or (3) any agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person or any of its Affiliates, (ii) result in the acceleration of any Indebtedness owed by any Restricted Person, or any of its Affiliates, or (iii) result in or require the creation of any Lien upon any assets or properties of any Restricted Person or any of its Affiliates except as expressly contemplated in the Loan Documents. Except as expressly contemplated in the Loan Documents or the Offering Documents no consent, approval, authorization or order of, and no notice to or filing with, any Tribunal or third party is required in connection with the execution, delivery or performance by any Restricted Person of any Loan Document or Offering Document or to consummate any transactions contemplated by the Loan Documents and the Offering Documents.

Section 5.5. Enforceable Obligations. This Agreement is, and the other Loan Documents and the Offering Documents when duly executed and delivered will be, legal, valid and binding obligations of each Restricted Person which is a party hereto or thereto, enforceable in accordance with their terms except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

Section 5.6. Initial Financial Statements. Plains MLP has heretofore delivered to each Lender true, correct and complete copies of the Initial Financial Statements. The Initial Financial Statements fairly present Plains MLP's Consolidated financial position at the date thereof and the Consolidated results of Plains MLP's operations and Consolidated cash flows for the period thereof. Since the date of the annual Initial Financial Statements no Material Adverse Change has

occurred, except as reflected in the quarterly Initial Financial Statements or in the Disclosure Schedule. All Initial Financial Statements were prepared in accordance with GAAP.

Section 5.7. Other Obligations and Restrictions. No Restricted Person has any outstanding Liabilities of any kind (including contingent obligations, tax assessments, and unusual forward or long-term commitments) which are, in the aggregate, material to Plains MLP or material with respect to Plains MLP's Consolidated financial condition and not shown in the Initial Financial Statements or disclosed in the Disclosure Schedule. Except as shown in the Initial Financial Statements or disclosed in the Disclosure Schedule, no Restricted Person is subject to or restricted by any franchise, contract, deed, charter restriction, or other instrument or restriction which could cause a Material Adverse Change.

Section 5.8. Full Disclosure. No certificate, statement or other information delivered herewith or heretofore by any Restricted Person to any Lender in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading as of the date made or deemed made. All written information furnished after the date hereof by or on behalf of any Restricted Person to Administrative Agent or any Lender Party in connection with this Agreement and the other Loan Documents and the transactions contemplated hereby and thereby will be true, complete and accurate in every material respect or based on reasonable estimates on the date as of which such information is stated or certified. There is no fact known to any Restricted Person that has not been disclosed to each Lender in writing which could cause a Material Adverse Change.

Section 5.9. Litigation. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule: (i) there are no actions, suits or legal, equitable, arbitrative or administrative proceedings pending, or to the knowledge of any Restricted Person threatened, against any Restricted Person before any Tribunal which could cause a Material Adverse Change, and (ii) there are no outstanding judgments, injunctions, writs, rulings or orders by any such Tribunal against any Restricted Person or any Restricted Person's stockholders, partners, directors or officers which could cause a Material Adverse Change.

Section 5.10. Labor Disputes and Acts of God. Except as disclosed in the Disclosure Schedule, neither the business nor the properties of any Restricted Person has been affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), which could cause a Material Adverse Change.

Section 5.11. ERISA Plans and Liabilities. All currently existing ERISA Plans are listed in the Disclosure Schedule. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule, no Termination Event has occurred with respect to any ERISA Plan and all ERISA Affiliates are in compliance with ERISA in all material respects. No ERISA Affiliate is required to contribute to, or has any other absolute or contingent liability in respect of, any "multiemployer plan" as defined in Section 4001 of ERISA. Except as set forth in the Disclosure Schedule: (i) no "accumulated funding deficiency" (as defined in Section 412(a) of the Code

exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, and (ii) the current value of each ERISA Plan's benefits does not exceed the current value of such ERISA Plan's assets available for the payment of such benefits by more than $500,000.

Section 5.12. Compliance with Laws. Except as set forth in the Disclosure Schedule, each Restricted Person is conducting its businesses in compliance with all applicable Laws, including Environmental Laws, and has all permits, licenses and authorizations required in connection with the conduct of its businesses, except to the extent failure to have any such permit, license or authorization could not cause a Material Adverse Change. Each Restricted Person is in compliance with the terms and conditions of all such permits, licenses and authorizations, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any Law, including applicable Environmental Law, or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply could not cause a Material Adverse Change.

Section 5.13. Environmental Laws. As used in this section: "CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, "CERCLIS" means the Comprehensive Environmental Response, Compensation and Liability Information System List of the Environmental Protection Agency, and "Release" has the meaning given such term in 42 U.S.C. (S) 9601(22). Without limiting the provisions of Section 5.12 and except as set forth in the Disclosure Schedule:

(a) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed, and no investigation or review is pending or threatened by any Tribunal or any other Person with respect to any of the following which in the aggregate could cause a Material Adverse Change (i) any alleged generation, treatment, storage, recycling, transportation, disposal, or Release of any Hazardous Materials, either by any Restricted Person or on any property owned by any Restricted Person, (ii) any remedial action which might be needed to respond to any such alleged generation, treatment, storage, recycling, transportation, disposal, or Release, or (iii) any alleged failure by any Restricted Person to have any permit, license or authorization required in connection with the conduct of its business or with respect to any such generation, treatment, storage, recycling, transportation, disposal, or Release.

(b) No Restricted Person otherwise has any known material contingent liability in connection with any alleged generation, treatment, storage, recycling, transportation, disposal, or Release of any Hazardous Materials.

(c) No Restricted Person has handled any Hazardous Materials, other than as a generator, on any properties now or previously owned or leased by any Restricted Person to an extent that such handling has caused, or could cause, a Material Adverse Change.

(d) Except to the extent that the following in the aggregate has not caused and could not cause a Material Adverse Change:

(i) no PCBs are or have been present at any properties now or previously owned or leased by any Restricted Person;

(ii) no asbestos is or has been present at any properties now or previously owned or leased by any Restricted Person;

(iii) there are no underground storage tanks for Hazardous Materials, active or abandoned, at any properties now or previously owned or leased by any Restricted Person; and

(iv) no Hazardous Materials have been Released at, on or under any properties now or previously owned or leased by any Restricted Person.

(e) No Restricted Person has transported or arranged for the transportation of any Hazardous Material to any location which is listed on the National Priorities List under CERCLA, any location listed for possible inclusion on the National Priorities List by the Environmental Protection Agency in CERCLIS, nor, except to the extent that has not caused and could not cause a Material Adverse Change, any location listed on any similar state list or which is the subject of federal, state or local enforcement actions or other investigations which may lead to claims against any Restricted Person for clean-up costs, remedial work, damages to natural resources or for personal injury claims, including, but not limited to, claims under CERCLA.

(f) No property now or previously owned or leased by any Restricted Person is listed or proposed for listing on the National Priority list promulgated pursuant to CERCLA, in CERCLIS, nor, except to the extent that has not caused and could not cause a Material Adverse Change, on any similar state list of sites requiring investigation or clean-up.

(g) There are no Liens arising under or pursuant to any Environmental Laws on any of the real properties or properties owned or leased by any Restricted Person, and no government actions of which Borrower is aware have been taken or are in process which could subject any of such properties to such Liens; nor would any Restricted Person be required to place any notice or restriction relating to the presence of Hazardous Materials at any properties owned by it in any deed to such properties.

(h) There have been no environmental investigations, studies, audits, tests, reviews or other analyses for ground water or soil contamination relating to the Release of Hazardous Materials conducted by or which are in the possession of any Restricted Person in relation to any properties or facility now or previously owned or leased by any Restricted Person which have not been made available to Administrative Agent.

Section 5.14. Names and Places of Business. No Restricted Person has, during the preceding five years, had, been known by, or used any other trade or fictitious name, except as disclosed in the Disclosure Schedule. Except as otherwise indicated in the Disclosure Schedule, the chief executive office and principal place of business of each Restricted Person are (and for the preceding five years have been) located at the address of Borrower set out in Section 10.3.

Except as indicated in the Disclosure Schedule, no Restricted Person has any other office or place of business.

Section 5.15. Borrower's Subsidiaries. Borrower does not presently have any Subsidiary or own any stock in any other corporation or association except those listed in the Disclosure Schedule. Neither Borrower nor any Restricted Person is a member of any general or limited partnership, joint venture or association of any type whatsoever except those listed in the Disclosure Schedule. Borrower owns, directly or indirectly, the equity interest in each of its Subsidiaries which is indicated in the Disclosure Schedule.

Section 5.16. Title to Properties; Licenses. Each Restricted Person has good and defensible title to all of its material properties and assets, free and clear of all Liens other than Permitted Liens and of all impediments to the use of such properties and assets in such Restricted Person's business. Each Restricted Person possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, and other intellectual property (or otherwise possesses the right to use such intellectual property without violation of the rights of any other Person) which are necessary to carry out its business as presently conducted and as presently proposed to be conducted hereafter, and no Restricted Person is in violation in any material respect of the terms under which it possesses such intellectual property or the right to use such intellectual property.

Section 5.17. Government Regulation. Neither Borrower nor any other Restricted Person owing Obligations is subject to regulation under the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940 (as any of the preceding acts have been amended) or any other Law which regulates the incurring by such Person of Indebtedness, including Laws relating to common contract carriers or the sale of electricity, gas, steam, water or other public utility services. Neither Borrower nor any other Restricted Person is subject to regulation under the Federal Power Act which would violate, result in a default of, or prohibit the effectiveness or the performance of any of the provisions of the Loan Documents.

Section 5.18. Insider. No Restricted Person, nor any Person having "control" (as that term is defined in 12 U.S.C. (S) 375b(9) or in regulations promulgated pursuant thereto) of any Restricted Person, is a "director" or an "executive officer" or "principal shareholder" (as those terms are defined in 12 U.S.C. (S) 375b(8) or (9) or in regulations promulgated pursuant thereto) of any Lender, of a bank holding company of which any Lender is a Subsidiary or of any Subsidiary of a bank holding company of which any Lender is a Subsidiary.

Section 5.19. Solvency. Upon giving effect to the issuance of the Notes, the execution of the Loan Documents by Borrower and each Guarantor and the consummation of the transactions contemplated hereby, Borrower and each Guarantor will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws).

Section 5.20. Credit Arrangements. The Disclosure Schedule contains a complete and correct list, as of the date of this Agreement, of each credit agreement, loan agreement, indenture, purchase agreement, guaranty or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or

guaranty by, any Restricted Person, or to which any Restricted Person is subject, other than the Loan Documents, and the aggregate principal or face amount outstanding or which may become outstanding under each such arrangement is correctly described in the Disclosure Schedule. No Restricted Person is subject to any restriction under any credit agreement, loan agreement, indenture, purchase agreement, guaranty or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guaranty by, any Affiliate.

Section 5.21. Year 2000.

(a) Restricted Persons have (i) begun analyzing the operations of Restricted Persons and their Subsidiaries and Affiliates that could be adversely affected by failure to be become Year 2000 compliant (that is, that computer applications, imbedded microchips and other systems will be able to perform date-sensitive functions prior to and after December 31, 1999) and (ii) developed a plan for becoming Year 2000 compliant in a timely manner, the implementation of which is on schedule in all material respects. Plains MLP and Borrower reasonably believe that Restricted Persons and their Affiliates will become Year 2000 compliant for their operations on a timely basis except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

(b) Plains MLP and Borrower reasonably believe any suppliers and vendors that are material to the operations of Restricted Persons or their Subsidiaries and Affiliates will be Year 2000 compliant for their own computer applications except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

ARTICLE VI - Affirmative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Borrower, and to induce each Lender to enter into this Agreement and extend credit hereunder, Plains MLP and Borrower covenant and agree that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders, or all Lenders as required under Section 10.1, have previously agreed otherwise:

Section 6.1. Payment and Performance. Each Restricted Person will pay all amounts due under the Loan Documents, to which it is a party, in accordance with the terms thereof and will observe, perform and comply with every covenant, term and condition expressed in the Loan Documents to which it is a party.

Section 6.2. Books, Financial Statements and Reports. Each Restricted Person will at all times maintain full and accurate books of account and records. Plains MLP will maintain and will cause its Subsidiaries to maintain a standard system of accounting, will maintain its Fiscal Year, and will furnish the following statements and reports to each Lender at Restricted Person's expense:

(a) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year (i) complete Consolidated financial statements of Plains MLP together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by Price Waterhouse Coopers, or other independent certified public accountants selected by General Partner and acceptable to Majority Lenders, stating that such Consolidated financial statements have been so prepared and (ii) supporting unaudited consolidating balance sheets and statements of income of each other Restricted Person. These financial statements shall contain a Consolidated and consolidating balance sheet as of the end of such Fiscal Year and Consolidated and consolidating statements of earnings for such Fiscal Year, each setting forth in comparative form the corresponding figures for the preceding Fiscal Year. In addition, within ninety (90) days after the end of each Fiscal Year Plains MLP will furnish a certificate signed by such accountants (i) stating that they have read this Agreement, (ii) containing calculations showing compliance (or non-compliance) at the end of such Fiscal Year with the requirements of Sections 7.11 through 7.16, inclusive, and (iii) further stating that in making their examination and reporting on the Consolidated financial statements described above they obtained no knowledge of any Default existing at the end of such Fiscal Year, or, if they did so conclude that a Default existed, specifying its nature and period of existence.

(b) As soon as available, and in any event within forty-five (45) days after the end of each of the first three Fiscal Quarters of each Fiscal Year (i) Plains MLP's Consolidated balance sheet as of the end of such Fiscal Quarter and Consolidated statements of Plains MLP's earnings and cash flows for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, and (ii) supporting consolidating balance sheets and statements of income of each other Restricted Person, all in reasonable detail and prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments, and as soon as available, and in any event within forty-five (45) days after the end of the last Fiscal Quarter of each Fiscal Year, Plains MLP's unaudited Consolidated balance sheet as of the end of such Fiscal Quarter and income statement for such Fiscal Quarter and for the period from the beginning of the current Fiscal Year to the end of such Fiscal Quarter. In addition Plains MLP will, together with each such set of financial statements and each set of financial statements furnished under subsection (a) of this section, furnish a certificate in the form of Exhibit F signed by the chief financial officer of General Partner stating that such financial statements are accurate and complete in all material respects (subject to normal year-end adjustments), stating that he has reviewed the Loan Documents, containing calculations showing compliance (or non-compliance) at the end of such Fiscal Quarter with the requirements of Sections 7.11 through 7.16, inclusive and stating that no Default exists at the end of such Fiscal Quarter or at the time of such certificate or specifying the nature and period of existence of any such Default.

(c) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent by Plains MLP to its unit holders and all registration statements, periodic reports and other statements and schedules filed by Plains

MLP with any securities exchange, the Securities and Exchange Commission or any similar governmental authority.

(d) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year, a business and financial plan for Plains MLP (in form reasonably satisfactory to Administrative Agent), prepared by a senior financial officer thereof, setting forth for the first year thereof, quarterly financial projections and budgets for Plains MLP, and thereafter yearly financial projections and budgets during the Commitment Period.

(e) On the twenty-sixth (26th) day of each calendar month (i) a Borrowing Base Report in the form of Exhibit H duly completed by an authorized officer of General Partner and conforming with the requirements of Section 2.13, and (ii) a statement reconciliating such report with the Borrowing Base Report delivered on the 26th day of the preceding calendar month.

(f) As soon as available, and in any event within thirty-five (35) days after the end of each calendar month, a report setting forth for such month aggregate volumes and margins for all marketing activities of Restricted Persons.

(g) As soon as available, and in any event within thirty (30) days after the end of each Fiscal Year, an environmental compliance certificate signed by the president or chief executive officer of General Partner in the form attached hereto as Exhibit I. Further, if requested by Administrative Agent, Restricted Persons shall permit and cooperate with an environmental and safety review made in connection with the operations of Restricted Persons' properties one time during each Fiscal Year beginning with the Fiscal Year 1999, by Pilko & Associates, Inc. or other consultants selected by Administrative Agent which review shall, if requested by Administrative Agent, be arranged and supervised by environmental legal counsel for Administrative Agent, all at Restricted Persons' cost and expense. The consultant shall render a verbal or written report, as specified by Administrative Agent, based upon such review at Restricted Persons' cost and expense and a copy thereof will be provided to Restricted Persons.

(h) Concurrently with the annual renewal of Restricted Persons' insurance policies, Restricted Persons shall at their own cost and expense, if requested by Administrative Agent in writing, cause a certificate or report to be issued by Administrative Agent's professional insurance consultants or other insurance consultants satisfactory to Administrative Agent certifying that Restricted Persons' insurance for the next succeeding year after such renewal (or for such longer period for which such insurance is in effect) complies with the provisions of this Agreement and the Security Documents.

Section 6.3. Other Information and Inspections. In each case subject to the last sentence of this Section 6.3, each Restricted Person will furnish to each Lender any information which Administrative Agent or any Lender may from time to time request concerning any covenant, provision or condition of the Loan Documents or any matter in connection with Restricted Persons' businesses and operations. In each case subject to the last sentence of this Section 6.3, each Restricted Person will permit representatives appointed by Administrative Agent (including

independent accountants, auditors, agents, attorneys, appraisers and any other Persons) to visit and inspect during normal business hours any of such Restricted Person's property, including its books of account, other books and records, and any facilities or other business assets, and to make extra copies therefrom and photocopies and photographs thereof, and to write down and record any information such representatives obtain, and each Restricted Person shall permit Administrative Agent or its representatives to investigate and verify the accuracy of the information furnished to Administrative Agent or any Lender in connection with the Loan Documents and to discuss all such matters with its officers, employees and, upon prior notice to Borrower, its representatives. Each of the foregoing inspections shall be made subject to compliance with applicable safety standards and the same conditions applicable to any Restricted Person in respect of property of that Restricted Person on the premises of Persons other than a Restricted Person or an Affiliate of a Restricted Person, and all information, books and records furnished or requested to be furnished, or of which copies, photocopies or photographs are made or requested to be made, all information to be investigated or verified and all discussions conducted with any officer, employee or representative of any Restricted Person shall be subject to any applicable attorney-client privilege exceptions which the Restricted Person determines is reasonably necessary and compliance with conditions to disclosures under non-disclosure agreements between any Restricted Person and Persons other than a Restricted Person or an Affiliate of a Restricted Person and the express undertaking of each Person acting at the direction of or on behalf of any Lender Party to be bound by the confidentiality provisions of Section 10.6 of this Agreement.

Section 6.4. Notice of Material Events and Change of Address. Each Restricted Person will notify each Lender Party, not later than five (5) Business Days after any executive officer of Restricted Persons has knowledge thereof, stating that such notice is being given pursuant to this Agreement, of:

(a) the occurrence of any Material Adverse Change,

(b) the occurrence of any Default,

(c) the acceleration of the maturity of any Indebtedness owed by any Restricted Person or of any default by any Restricted Person under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound, if such acceleration or default could cause a Material Adverse Change,

(d) the occurrence of any Termination Event,

(e) any claim of $1,000,000 or more, any notice of potential liability under any Environmental Laws which might be reasonably likely to exceed such amount, or any other material adverse claim asserted against any Restricted Person or with respect to any Restricted Person's properties taken as a whole, and

(f) the filing of any suit or proceeding against any Restricted Person in which an adverse decision could cause a Material Adverse Change.

Upon the occurrence of any of the foregoing, Restricted Persons will take all necessary or appropriate steps to remedy promptly any such Material Adverse Change, Default, acceleration, default, or Termination Event to protect against any such adverse claim, to defend any such suit or proceeding, and to resolve all controversies on account of any of the foregoing. Restricted Persons will also notify Administrative Agent and Administrative Agent's counsel in writing at least twenty Business Days prior to the date that any Restricted Person changes its name or the location of its chief executive office or principal place of business or the place where it keeps its books and records concerning the Collateral, furnishing with such notice any necessary financing statement amendments or requesting Administrative Agent and its counsel to prepare the same.

Borrower will promptly notify Administrative Agent in the event Borrower determines that any computer application which is material to the operations of Borrower, its Subsidiaries, its Affiliates or any of its material vendors or suppliers will not be fully Year 2000 compliant on a timely basis, except to the extent that such failure could not reasonably be expected to cause a Material Adverse Change.

Section 6.5. Maintenance of Properties. Each Restricted Person will maintain, preserve, protect, and keep all Collateral and all other property used or useful in the conduct of its business in good condition (ordinary wear and tear excepted) and in compliance with all applicable Laws, and will from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times.

Section 6.6. Maintenance of Existence and Qualifications. Each Restricted Person will maintain and preserve its existence and its rights and franchises in full force and effect and will qualify to do business in all states or jurisdictions where required by applicable Law, except where the failure so to qualify will not cause a Material Adverse Change.

Section 6.7. Payment of Trade Liabilities, Taxes, etc. Each Restricted Person will (a) timely file all required tax returns including any extensions; (b) timely pay all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property; (c) within one hundred twenty (120) days after the date such goods are delivered or such services are rendered, pay all Liabilities owed by it on ordinary trade terms to vendors, suppliers and other Persons providing goods and services used by it in the ordinary course of its business; (d) pay and discharge when due all other Liabilities now or hereafter owed by it; and (e) maintain appropriate accruals and reserves for all of the foregoing in accordance with GAAP. Each Restricted Person may, however, delay paying or discharging any of the foregoing so long as it is in good faith contesting the validity thereof by appropriate proceedings, if necessary, and has set aside on its books adequate reserves therefor which are required by GAAP.

Section 6.8. Insurance. Each Restricted Person shall at all times maintain insurance for its property in accordance with the Insurance Schedule which insurance shall be by financially sound and reputable insurers. Borrower will maintain any additional insurance coverage as described in the respective Security Documents. Upon demand by Administrative Agent any insurance policies covering Collateral shall be endorsed (a) to provide for payment of losses to Administrative Agent as its interests may appear, (b) to provide that such policies may not be

canceled or reduced or affected in any material manner for any reason without fifteen days prior notice to Administrative Agent, and (c) to provide for any other matters specified in any applicable Security Document or which Administrative Agent may reasonably require. Each Restricted Person shall at all times maintain insurance against its liability for injury to persons or property in accordance with the Insurance Schedule, which insurance shall be by financially sound and reputable insurers. Without limiting the foregoing, each Restricted Person shall at all time maintain liability insurance in accordance with the Insurance Schedule.

Section 6.9. Performance on Borrower's Behalf. If any Restricted Person fails to pay any taxes, insurance premiums, expenses, attorneys' fees or other amounts it is required to pay under any Loan Document, Administrative Agent may pay the same after notice of such payment by Administrative Agent is given to Borrower. Borrower shall immediately reimburse Administrative Agent for any such payments and each amount paid by Administrative Agent shall constitute an Obligation owed hereunder which is due and payable on the date such amount is paid by Administrative Agent.

Section 6.10. Interest. Borrower hereby promises to each Lender to pay interest at the Default Rate on all Obligations (including Obligations to pay fees or to reimburse or indemnify any Lender) which Borrower has in this Agreement promised to pay to such Lender and which are not paid when due. Such interest shall accrue from the date such Obligations become due until they are paid.

Section 6.11. Compliance with Agreements and Law. Each Restricted Person will perform all material obligations it is required to perform under the terms of each indenture, mortgage, deed of trust, security agreement, lease, and franchise, and each material agreement, contract or other instrument or obligation to which it is a party or by which it or any of its properties is bound. Each Restricted Person will conduct its business and affairs in compliance with all Laws applicable thereto.

Section 6.12. Environmental Matters; Environmental Reviews.

(a) Each Restricted Person will comply in all material respects with all Environmental Laws now or hereafter applicable to such Restricted Person as well as all contractual obligations and agreements with respect to environmental remediation or other environmental matters and shall obtain, at or prior to the time required by applicable Environmental Laws, all environmental, health and safety permits, licenses and other authorizations necessary for its operations and will maintain such authorizations in full force and effect.

(b) Each Restricted Person will promptly furnish to Administrative Agent all written notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings received by any Restricted Person or General Partner, or of which it has notice, pending or threatened against any Restricted Person, the potential liability of which exceeds $1,000,000 or would cause a Material Adverse Change if resolved adversely against any Restricted Person, by any governmental authority with respect to any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations in connection with its ownership or use of its properties or the operation of its business.

(c) Each Restricted Person will promptly furnish to Administrative Agent all requests for information, notices of claim, demand letters, and other notifications, received by any Restricted Person or General Partner in connection with its ownership or use of its properties or the conduct of its business, relating to potential responsibility with respect to any investigation or clean-up of Hazardous Material at any location, the potential liability of which exceeds $1,000,000 or would cause a Material Adverse Change if resolved adversely against any Restricted Person.

Section 6.13. Evidence of Compliance. Subject to the last sentence of Section 6.3, each Restricted Person will furnish to each Lender at such Restricted Person's expense all evidence which Administrative Agent from time to time reasonably requests in writing as to the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in the Loan Documents, the satisfaction of all conditions contained therein, and all other matters pertaining thereto.

Section 6.14. Agreement to Deliver Security Documents. Restricted Persons will deliver to further secure the Obligations whenever requested by Administrative Agent in its sole and absolute discretion, deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other Security Documents in form and substance satisfactory to Administrative Agent for the purpose of granting, confirming, and perfecting first and prior liens or security interests in any real or personal property now owned or hereafter acquired by any Restricted Person.

Section 6.15. Perfection and Protection of Security Interests and Liens. Each Restricted Person will from time to time deliver to Administrative Agent any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by Restricted Persons in form and substance satisfactory to Administrative Agent, which Administrative Agent requests for the purpose of perfecting, confirming, or protecting any Liens or other rights in Collateral securing any Obligations.

Section 6.16. Bank Accounts; Offset. To secure the repayment of the Obligations each Restricted Person hereby grants to each Lender a security interest, a lien, and a right of offset, each of which shall be in addition to all other interests, liens, and rights of any Lender at common Law, under the Loan Documents, or otherwise, and each of which shall be upon and against (a) any and all moneys, securities or other property (and the proceeds therefrom) of such Restricted Person now or hereafter held or received by or in transit to any Lender from or for the account of such Restricted Person, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final) of such Restricted Person with any Lender, and (c) any other credits and claims of such Restricted Person at any time existing against any Lender, including claims under certificates of deposit. At any time and from time to time during the continuance of any Event of Default, each Lender is hereby authorized to foreclose upon, or to offset against the Obligations then due and payable (in either case without notice to any Restricted Person), any and all items herein above referred to. The remedies of foreclosure and offset are separate and cumulative, and either may be exercised independently of the other without regard to procedures or restrictions applicable to the other.

Section 6.17. Guaranties of Subsidiaries. Each Subsidiary of Plains MLP now existing or created, acquired or coming into existence after the date hereof shall, promptly upon request by Administrative Agent, execute and deliver to Administrative Agent an absolute and unconditional guaranty of the timely repayment of the Obligations and the due and punctual performance of the obligations of Borrower hereunder, which guaranty shall be satisfactory to Administrative Agent in form and substance. Each Subsidiary of Plains MLP existing on the date hereof shall duly execute and deliver such a guaranty prior to the making of any Loan hereunder. Plains MLP will cause each of its Subsidiaries to deliver to Administrative Agent, simultaneously with its delivery of such a guaranty, written evidence satisfactory to Administrative Agent and its counsel that such Subsidiary has taken all corporate or partnership action necessary to duly approve and authorize its execution, delivery and performance of such guaranty and any other documents which it is required to execute.

Section 6.18. Compliance with Agreements. Each Restricted Person shall observe, perform or comply with any agreement with any Person or any term or condition of any instrument, if such agreement or instrument is materially significant to such Restricted Person or to Restricted Persons on a Consolidated basis or materially significant to any Guarantor, and such failure is not remedied within the applicable period of grace (if any) provided in such agreement or instrument.

Section 6.19. Year 2000.

(a) Restricted Persons (i) no later than December 31, 1998 shall have completed the analysis of the operations of Restricted Persons and their Affiliates that could be adversely affected by failure to become Year 2000 compliant (that is, that computer applications, imbedded microchips and other systems will be able to perform date-sensitive functions prior to and after December 31, 1999) and developed a plan for Restricted Persons and their Affiliates for becoming Year 2000 compliant in a timely manner, and (ii) shall at all times after development of such plan implement such plan in all material respects, in a timely manner, and in accordance with the schedule of such plan. Contemporaneously with the delivery of each compliance certificate under Section 6.2 (a) or (b) on and after December 31, 1998, Each Restricted Person shall certify that it reasonably believes that Restricted Persons and their Affiliates will become Year 2000 compliant for their operations on a timely basis except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

(b) Contemporaneously with the delivery of each compliance certificate under Section 6.2 (a) or (b) on and after December 31, 1998, Plains MLP shall certify that it reasonably believes any suppliers and vendors that are material to the operations of Plains MLP or its Subsidiaries and Affiliates will be Year 2000 compliant for their own computer applications except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

Section 6.21. Rents. By the terms of the various Security Documents, certain Restricted Persons are and will be assigning to Administrative Agent, for the benefit of Lender Parties, all of the "Rents" (as defined therein) accruing to the property covered thereby. Notwithstanding any such assignments, so long as no Default has occurred and is continuing, (i) such Restricted Persons may continue to receive and collect from the payors of such Rents all such Rents, subject,

however, to the Liens created under the Security Documents, which Liens are hereby affirmed and ratified, and free and clear of such Liens, use the proceeds of the Rents, and (ii) the Administrative Agent will not notify the obligors of such Rents or take any other action to cause proceeds thereof to be remitted to the Administrative Agent. Upon the occurrence of a Default, Administrative Agent may exercise all rights and remedies granted under the Security Documents, including the right to obtain possession of all Rents then held by such Restricted Persons or to receive directly from the payors of such Rents all other Rents until such time as such Default is no longer continuing. If the Administrative Agent shall receive any Rent proceeds from any payor at any time other than during the continuance of a Default, then it shall notify Borrower thereof and (i) upon request and pursuant to the instructions of Borrower, it shall, if no Default is then continuing, remit such proceeds to the Borrower and (ii) at the request and expense of Borrower, execute and deliver a letter to such payors confirming Restricted Persons' right to receive and collect Rents until otherwise notified by Administrative Agent. In no case shall any failure, whether purposed or inadvertent, by Administrative Agent to collect directly any such Rents constitute in any way a waiver, remission or release of any of its rights under the Security Documents, nor shall any release of any Rents by Administrative Agent to such Restricted Persons constitute a waiver, remission, or release of any other Rents or of any rights of Administrative Agent to collect other Rents thereafter.

ARTICLE VII - Negative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Borrower, and to induce each Lender to enter into this Agreement and make the Loans, Plains MLP and Borrower covenant and agree that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders, or all Lenders as required under Section 10.1, have previously agreed otherwise:

Section 7.1. Indebtedness. No Restricted Person will in any manner owe or be liable for Indebtedness except:

(a) the Obligations;

(b) Indebtedness arising under Hedging Contracts permitted under Section 7.3;

(c) Indebtedness of any Restricted Person owing to another Restricted Person;

(d) Liabilities with respect to obligations to deliver crude oil or to render terminaling or storage services in consideration for advance payments to a Restricted Person provided such delivery or rendering, as applicable, is to be made within 60 days after such payment;

(e) Operating leases, provided that the annual rentals and other obligations thereunder in the aggregate in respect of all Related Persons do not exceed $_________;

(f) Indebtedness under the All American Agreement;

(g) guaranties by Plains MLP of trade payables of Operating incurred and paid in the ordinary course of business on ordinary trade terms; and

(h) other Indebtedness not to exceed in the aggregate in respect of all Related Persons the principal amount of $25,000,000 at any one time outstanding.

Section 7.2. Limitation on Liens. No Restricted Person will create, assume or permit to exist (i) any Lien upon any Collateral except (A) Permitted Inventory Liens, (B) Liens created pursuant to the Security Documents, (C) statutory Liens in respect of First Purchase Crude Payables, (D) Liens of the type described in clause (e) below in connection with any Eligible Margin Deposit to secure Hedging Contracts permitted under Section 7.1 with the broker that is the holder of such Eligible Margin Deposit, and (E) any other Liens expressly permitted to encumber such Collateral under any Security Document covering such Collateral or (ii) any Lien upon any of the properties or assets other than Collateral (except as provided in the preceding clause (i)) which it now owns or hereafter acquires except the following (Liens, to the extent permitted by this Section, herein called "Permitted Liens"):

(a) Liens existing on the date of this Agreement and listed in the Disclosure Schedule or Liens created pursuant to the All American Agreement, subject to the terms of the Intercreditor Agreement referred to in Section 4.1(n);

(b) Liens imposed by any governmental authority for taxes, assessments or charges not yet due or the validity of which is being contested in good faith and by appropriate proceedings, if necessary, for which adequate reserves are maintained on the books of any Restricted Person in accordance with GAAP;

(c) pledges or deposits under worker's compensation, unemployment insurance or other social security legislation;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlord's, or other like Liens (including, without limitation, Liens on property in the possession of storage facilities, pipelines or barges) arising in the ordinary course of business for amounts which are not more than 60 days past due or the validity of which is being contested in good faith and by appropriate proceedings, if necessary, and for which adequate reserves are maintained on the books of any Restricted Person in accordance with GAAP;

(e) Liens under or with respect to accounts with brokers or counterparties with respect to Hedging Contracts consisting of cash, commodities or futures contracts, options, securities, instruments, and other like assets securing only Hedging Contracts permitted under Section 7.1;

(f) deposits of cash or securities to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of real property or minor imperfections in title thereto which, in the aggregate, are not material in amount, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of any Restricted Person;

(h) Liens in respect of operating leases and Capital Leases permitted under Section 7.1;

(i) Liens upon any property or assets acquired after the date hereof by a Restricted Person, each of which either (i) existed on such property or asset before the time of its acquisition and was not created in anticipation thereof, or (ii) was created solely for the purpose of securing Indebtedness representing, or incurred to finance, refinance or refund, the cost (including the cost of construction) of such property or asset; provided that no such Lien shall extend to or cover any property or asset of a Restricted Person other than the property or asset so acquired (or constructed) and the Indebtedness secured thereby is permitted under Section 7.1(d) hereof; and any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancings, refundings or replacements), in whole or part, of the foregoing, provided, however, that such Liens shall not cover or secure any additional Indebtedness, obligations, property or asset;

(j) rights reserved to or vested in any governmental authority by the terms of any right, power, franchise, grant, license or permit, or by any provision of law, to revoke or terminate any such right, power, franchise, grant, license or permit or to condemn or acquire by eminent domain or similar process;

(k) rights reserved to or vested by Law in any governmental authority to in any manner, control or regulate in any manner any of the properties of any Restricted Person or the use thereof or the rights and interests of any Restricted Person therein, in any manner under any and all Laws;

(l) rights reserved to the grantors of any properties of any Restricted Person, and the restrictions, conditions, restrictive covenants and limitations, in respect thereto, pursuant to the terms, conditions and provisions of any rights-of-way agreements, contracts or other agreements therewith; and

(m) Inchoate Liens in respect of pending litigation or with respect to a judgment which has not resulted in an Event of Default under Section 8.1.

Section 7.3. Hedging Contracts. No Restricted Person will be a party to or in any manner be liable on any Hedging Contract, except:

(a) Hedging Contracts entered into by a Restricted Person with the purpose and effect of fixing interest rates on a principal amount of indebtedness of such Restricted Person that is accruing interest at a variable rate, provided that (i) the aggregate notional amount of such

contracts never exceeds one hundred percent (100%) of the anticipated outstanding principal balance of the indebtedness to be hedged by such contracts or an average of such principal balances calculated using a generally accepted method of matching interest swap contracts to declining principal balances, (ii) the floating rate index of each such contract generally matches the index used to determine the floating rates of interest on the corresponding indebtedness to be hedged by such contract and (iii) each such contract is with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender or one of its Affiliates) at the time the contract is made has long-term unsecured and unenhanced debt obligations rated AA or Aa2 or better, respectively, by either Rating Agency or is an investment grade-rated industry participant or otherwise acceptable to Majority Lenders.

(b) Hedging Contracts entered into with the purpose and effect of fixing prices on crude oil then owned by a Restricted Person or which a Restricted Person is then obligated to purchase, provided that at all times: (i) no such contract fixes a price for a term of more than [thirty-six (36)] months [provision dealing with time spreads to be discussed]; (ii) with respect to crude oil constituting the linefill carried in the All American Pipeline, the aggregate amount of oil so hedged at any one time does not exceed 500,000 barrels, (iii) with respect to crude oil owned by Restricted Persons other than linefill carried in the All American Pipeline, the aggregate amount of such other crude oil so hedged at any one time does not exceed the aggregate Open Position at such time, (iv) such contract is entered into for the purpose of hedging the price risk on oil anticipated to be disposed of and for which no other fixed sale price or other price fixing arrangement exists, and (v) each such contract is either (A) with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender Party or one of its Affiliates) at the time the contract is made has long-term unsecured and unenhanced debt obligations rated AA or Aa2 or better, respectively, by either Rating Agency or (B) entered into on the New York Mercantile Exchange through a broker listed on the Disclosure Schedule or otherwise approved by Majority Lenders [provision dealing with counterparty credit rating on an exchange for physical contracts].

Section 7.4. Limitation on Mergers, Issuances of Securities. Except as expressly provided in this section, no Restricted Person will (a) enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), (b) acquire any business or property from, or capital stock of, or be a party to any acquisition of, any Person except for purchases of inventory and other property to be sold or used in the ordinary course of business and Investments permitted under Section 7.7 hereof or (c) sell, transfer, lease, exchange, alienate or otherwise dispose of, in one transaction or a series of transactions, any part of its business or property, whether now owned or hereafter acquired, except for sales or transfers not prohibited by under Section 7.5 hereof. Any Person, other than Borrower, that is a Subsidiary of a Restricted Person may, however, be merged into or consolidated with (i) another Subsidiary of such Restricted Person, so long as a Guarantor is the surviving business entity, or (ii) such Restricted Person, so long as such Restricted Person is the surviving business entity. Plains MLP will not issue any securities other than (i) limited partnership units and any options or warrants giving the holders thereof only the right to acquire such units and (ii) general or subordinate partnership interests issued to Resources or a wholly owned Subsidiary of Resources. No Subsidiary of Plains MLP will issue any additional shares of its capital stock or other securities or any options, warrants or other rights to acquire such

additional shares or other securities except a direct Subsidiary of a Restricted Person may issue additional shares or other securities to such Restricted Person. No Subsidiary of Borrower which is a partnership will allow any diminution of Borrower's interest (direct or indirect) therein.

Section 7.5. Limitation on Sales of Property. No Restricted Person will sell, transfer, lease, exchange, alienate or dispose of any Collateral or any of its material assets or properties or any material interest therein except:

(a) equipment which is worthless or obsolete or which is replaced by equipment of equal suitability and value;

(b) inventory (including pipeline linefill) which is sold in the ordinary course of business on ordinary trade terms;

(c) in other property which is sold for fair consideration not in the aggregate in excess of $10,000,000 in any Fiscal Year, the sale of which will not materially impair or diminish the value of the Collateral or any Restricted Person's financial condition, business or operations; and

(d) sales or transfers, subject to the Security Documents, by a Subsidiary of a Restricted Person (other than Borrower) to such Restricted Person or to a wholly-owned Subsidiary of such Restricted Person that is a Guarantor.

No Restricted Person will sell, transfer or otherwise dispose of capital stock of or interest in any of its Subsidiaries except to Borrower, or to another wholly-owned Subsidiary of Borrower. No Restricted Person will discount, sell, pledge or assign any notes payable to it, accounts receivable or future income. So long as no Default then exists, Administrative Agent will, at Borrower's request and expense, execute a release, satisfactory to Borrower and Administrative Agent, of any Collateral so sold, transferred, leased, exchanged, alienated or disposed of pursuant to the clause (a) or (c) of this Section.

Section 7.6. Limitation on Dividends and Redemptions. No Restricted Person will declare or pay any dividends on, or make any other distribution in respect of, any class of its capital stock or any partnership or other interest in it, nor will any Restricted Person directly or indirectly make any capital contribution to or purchase, redeem, acquire or retire any shares of the capital stock of or partnership interests in any Restricted Person (whether such interests are now or hereafter issued, outstanding or created), or cause or permit any reduction or retirement of the capital stock of any Restricted Person, while any Loan is outstanding. Notwithstanding the foregoing, (i) Subsidiaries of Plains MLP shall not be restricted from declaring and paying dividends or making any other distribution to Plains MLP or any wholly owned Subsidiary of Plains MLP, (ii) no Restricted Person shall be restricted from making capital contributions to a wholly owned Subsidiary of such Restricted Person that is a Guarantor, and (iii) so long as no Default or Event of Default has occurred or is continuing or would result therefrom, Plains MLP shall not be restricted from using Available Cash (other than amounts required to be applied as otherwise required in any Loan Document) for the purpose of (A) paying distributions in respect of its partnership units and (B) purchasing its partnership units on the open market in connection

with the Incentive and Option Plans, provided that the aggregate amount of such purchases may not exceed ______________.

Section 7.7. Limitation on Investments and New Businesses. No Restricted Person will (a) make any expenditure or commitment or incur any obligation or enter into or engage in any transaction except in the ordinary course of business, (b) engage directly or indirectly in any business or conduct any operations except in connection with or incidental to its present businesses and operations, (c) make any acquisitions of or capital contributions to or other Investments in any Person, other than Permitted Investments and Permitted Acquisitions, or (d) make any acquisitions of properties other than Permitted Acquisitions.

Section 7.8. Limitation on Credit Extensions. Except for Permitted Investments, no Restricted Person will extend credit, make advances or make loans other than normal and prudent extensions of credit to customers buying goods and services in the ordinary course of business or to another Restricted Person in the ordinary course of business, which extensions shall not be for longer periods than those extended by similar businesses operated in a normal and prudent manner.

Section 7.9. Transactions with Affiliates. No Restricted Person will engage in any material transaction with any of its Affiliates except: (a) transactions among Plains MLP and its wholly owned Subsidiaries, (b) transactions governed by the Affiliate Agreements, and (c) transactions entered into in the ordinary course of business of such Restricted Person on terms which are no less favorable to such Restricted Person than those which would have been obtainable at the time in arm's-length transactions with Persons other than such Affiliates.

Section 7.10. Prohibited Contracts. Except as expressly provided for in the Loan Documents, no Restricted Person will, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction on the ability of any Subsidiary of Plains MLP, including but not limited to Borrower and any Subsidiary of Borrower to: (a) pay dividends or make other distributions to Borrower or Plains MLP, (b) redeem equity interests held in it by Borrower or Plains MLP, (c) repay loans and other indebtedness owing by it to Borrower or Plains MLP, or (d) transfer any of its assets to Borrower or Plains MLP. No Restricted Person will enter into any "take-or-pay" contract or other contract or arrangement for the purchase of goods or services which obligates it to pay for such goods or service regardless of whether they are delivered or furnished to it. No Restricted Persons will amend, modify or release any of the Affiliate Agreements. No Restricted Person will amend or permit any amendment to any contract or lease which releases, qualifies, limits, makes contingent or otherwise detrimentally affects the rights and benefits of Administrative Agent or any Lender under or acquired pursuant to any Security Documents. No ERISA Affiliate will incur any obligation to contribute to any "multiemployer plan" as defined in Section 4001 of ERISA that is subject to Title IV of ERISA.

Section 7.11. Current Ratio. The ratio of (i) the sum of Plains MLP's Consolidated current assets plus the All American Revolver Availability to (ii) Plains MLP's Consolidated current liabilities will never be less than 1.0 to 1.0. For purposes of this section, Plains MLP's Consolidated current liabilities will be calculated without including (a) any payments of principal

on the Notes which are required to be repaid within one year from the time of calculation and (b) all Liabilities arising under permitted Hedging Contracts.

Section 7.12. Debt Coverage Ratio. At the end of any Fiscal Quarter, the ratio of (a) Consolidated Indebtedness to (b) Consolidated EBITDA for the four Fiscal Quarter period ending with such Fiscal Quarter will not be greater than 5.0 to 1.0.

Section 7.13. Interest Coverage Ratio. At the end of any Fiscal Quarter, the ratio of (a) Consolidated EBITDA to (b) Interest Expense for the four-Fiscal Quarter period ending with such Fiscal Quarter will not be less than 3.0 to 1.0.

Section 7.14. Fixed Charge Coverage Ratio. At the end of any Fiscal Quarter, the ratio of (a) the sum of Consolidated EBITDA plus Consolidated Lease Rentals to (b) the sum of Interest Expense plus Consolidated Lease Rentals plus any principal payments due on any Indebtedness during the next four-Fiscal Quarter period (exclusive of principal payments due on the Loans or on any Indebtedness under the Operating Credit Agreement) plus capital expenditure required to maintain the assets and properties of the Restricted Persons in accordance with the covenants contained in each Loan Document, in each case for the four-Fiscal Quarter period ending with such Fiscal Quarter will not be less than 1.25 to 1 for any such period.

Section 7.15. Debt to Capital Ratio. The ratio of (a) all Consolidated Indebtedness to (b) the sum of Consolidated Indebtedness plus Consolidated Net Worth will never be greater than .60 to 1.0 at any time.

Section 7.16. Open Inventory Position. Borrower shall not at any time have an Open Position (exclusive of line fill carried in the All American Pipeline) greater than 600,000 barrels.

ARTICLE VIII - Events of Default and Remedies

Section 8.1. Events of Default. Each of the following events constitutes an Event of Default under this Agreement:

(a) Any Restricted Person fails to pay the principal component of any Loan or any reimbursement obligation with respect to any Letter of Credit when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise;

(b) Any Restricted Person fails to pay any Obligation (other than the Obligations in subsection (a) above) when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise, within three Business Days after the same becomes due;

(c) Any event defined as a "default" or "event of default" in any Loan Document occurs, and the same is not remedied within the applicable period of grace (if any) provided in such Loan Document;

(d) Any Restricted Person fails to duly observe, perform or comply with any covenant, agreement or provision of Section 6.4 or Article VII;

(e) Any Restricted Person fails (other than as referred to in subsections (a), (b), (c) or (d) above) to duly observe, perform or comply with any covenant, agreement, condition or provision of any Loan Document to which it is a party, and such failure remains unremedied for a period of thirty (30) days after notice of such failure is given by Administrative Agent to Borrower;

(f) Any representation or warranty previously, presently or hereafter made in writing by or on behalf of any Restricted Person in connection with any Loan Document shall prove to have been false or incorrect in any material respect on any date on or as of which made, or any Loan Document at any time ceases to be valid, binding and enforceable as warranted in Section 5.5 for any reason other than its release or subordination by Administrative Agent;

(g) Any Restricted Person shall default in the payment when due of any principal of or interest on any of its other Indebtedness in excess of $2,500,000 in the aggregate (other than Indebtedness the validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves with respect thereto are maintained on the books of such Restricted Person in accordance with GAAP), or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due, or to be prepaid in full (whether by redemption, purchase, offer to purchase or otherwise), prior to its stated maturity;

(h) Either (i) any "accumulated funding deficiency" (as defined in Section 412(a) of the Code) in excess of $500,000 exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, or (ii) any Termination Event occurs with respect to any ERISA Plan and the then current value of such ERISA Plan's benefit liabilities exceeds the then current value of such ERISA Plan's assets available for the payment of such benefit liabilities by more than $500,000 (or in the case of a Termination Event involving the withdrawal of a substantial employer, the withdrawing employer's proportionate share of such excess exceeds such amount);

(i) General Partner or any Restricted Person:

(i) has entered against it of a judgment, decree or order for relief by a Tribunal of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar Law of any jurisdiction now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended, or has any such proceeding commenced against it, in each case, which remains undismissed for a period of sixty days; or

(ii) commences a voluntary case under any applicable bankruptcy, insolvency or similar Law now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended; or applies for or consents to the entry of an order for relief in an

involuntary case under any such Law; or makes a general assignment for the benefit of creditors; or is generally unable to pay (or admits in writing its inability to so pay) its debts as such debts become due; or takes corporate or other action to authorize any of the foregoing; or

(iii) has entered against it the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or a substantial part of its assets in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within sixty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(iv) has entered against it the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any part of the Collateral of a value in excess of $1,000,000 in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within sixty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(v) has entered against it a final judgment for the payment of money in excess of $1,000,000 (in each case not covered by insurance satisfactory to Administrative Agent in its discretion), unless the same is stayed or discharged within thirty days after the date of entry thereof or an appeal or appropriate proceeding for review thereof is taken within such period and a stay of execution pending such appeal is obtained; or

(vi) suffers a writ or warrant of attachment or any similar process to be issued by any Tribunal against all or any substantial part of its assets or any part of the Collateral of a value in excess of $1,000,000, and such writ or warrant of attachment or any similar process is not stayed or released within thirty days after the entry or levy thereof or after any stay is vacated or set aside;

(j) General Partner shall default in the payment when due of any principal of or interest on any of its Indebtedness in excess of $1,000,000 in the aggregate, or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due, or to be prepaid in full (whether by redemption, purchase, offer to purchase or otherwise), prior to its stated maturity;

(k) Any Change in Control occurs; or

(l) Any Material Market Open Position Loss occurs.

Upon the occurrence of an Event of Default described in subsection (i)(i), (i)(ii) or (i)(iii) of this section with respect to Borrower or Plains MLP, all of the Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and

nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Restricted Person who at any time ratifies or approves this Agreement. Upon any such acceleration, any obligation of any Lender to make any further Loans and any obligation of LC Issuer to issue Letters of Credit hereunder shall be permanently terminated. During the continuance of any other Event of Default, Administrative Agent at any time and from time to time may (and upon written instructions from Majority Lenders, Administrative Agent shall), without notice to Borrower or any other Restricted Person, do either or both of the following: (1) terminate any obligation of Lenders to make Loans hereunder and any obligation of LC Issuer to issue Letters of Credit hereunder, and (2) declare any or all of the Obligations immediately due and payable, and all such Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Restricted Person who at any time ratifies or approves this Agreement.

Section 8.2. Remedies. If any Default shall occur and be continuing, each Lender Party may protect and enforce its rights under the Loan Documents by any appropriate proceedings, including proceedings for specific performance of any covenant or agreement contained in any Loan Document, and each Lender Party may enforce the payment of any Obligations due it or enforce any other legal or equitable right which it may have. All rights, remedies and powers conferred upon Lender Parties under the Loan Documents shall be deemed cumulative and not exclusive of any other rights, remedies or powers available under the Loan Documents or at Law or in equity.

ARTICLE IX - Administrative Agent

Section 9.1. Appointment and Authority. Each Lender Party hereby irrevocably authorizes Administrative Agent, and Administrative Agent hereby undertakes, to receive payments of principal, interest and other amounts due hereunder as specified herein and to take all other actions and to exercise such powers under the Loan Documents as are specifically delegated to Administrative Agent by the terms hereof or thereof, together with all other powers reasonably incidental thereto. The relationship of Administrative Agent to the other Lender Parties is only that of one commercial lender acting as administrative agent for others, and nothing in the Loan Documents shall be construed to constitute Administrative Agent a trustee or other fiduciary for any Lender Party or any holder of any participation in a Note nor to impose on Administrative Agent duties and obligations other than those expressly provided for in the Loan Documents. With respect to any matters not expressly provided for in the Loan Documents and any matters which the Loan Documents place within the discretion of Administrative Agent, Administrative Agent shall not be required to exercise any discretion or take any action, and it may request instructions from Lenders with respect to any such matter, in which case it shall be required to act or to refrain from acting (and shall be fully protected and free from liability to all Lender Parties in so acting or refraining from acting) upon the instructions of Majority Lenders (including itself), provided, however, that Administrative Agent shall not be required to take any action which

exposes it to a risk of personal liability that it considers unreasonable or which is contrary to the Loan Documents or to applicable Law. Upon receipt by Administrative Agent from Borrower of any communication calling for action on the part of Lenders or upon notice from Borrower or any Lender to Administrative Agent of any Default or Event of Default, Administrative Agent shall promptly notify each other Lender thereof.

Section 9.2. Exculpation, Administrative Agent's Reliance, Etc. Neither Administrative Agent nor any of its directors, officers, agents, attorneys, or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with the Loan Documents, INCLUDING THEIR NEGLIGENCE OF ANY KIND, except that each shall be liable for its own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Administrative Agent (a) may treat the payee of any Note as the holder thereof until Administrative Agent receives written notice of the assignment or transfer thereof in accordance with this Agreement, signed by such payee and in form satisfactory to Administrative Agent; (b) may consult with legal counsel (including counsel for Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any other Lender Party and shall not be responsible to any other Lender Party for any statements, warranties or representations made in or in connection with the Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of the Loan Documents on the part of any Restricted Person or to inspect the property (including the books and records) of any Restricted Person; (e) shall not be responsible to any other Lender Party for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any instrument or document furnished in connection therewith; (f) may rely upon the representations and warranties of each Restricted Person or Lender Party in exercising its powers hereunder; and (g) shall incur no liability under or in respect of the Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (including any facsimile, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper Person or Persons.

Section 9.3. Credit Decisions. Each Lender Party acknowledges that it has, independently and without reliance upon any other Lender Party, made its own analysis of Borrower and the transactions contemplated hereby and its own independent decision to enter into this Agreement and the other Loan Documents. Each Lender Party also acknowledges that it will, independently and without reliance upon any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents.

Section 9.4. Indemnification. EACH LENDER AGREES TO INDEMNIFY ADMINISTRATIVE AGENT (TO THE EXTENT NOT REIMBURSED BY BORROWER WITHIN TEN (10) DAYS AFTER DEMAND) FROM AND AGAINST SUCH LENDER'S PERCENTAGE SHARE OF ANY AND ALL LIABILITIES, OBLIGATIONS, CLAIMS, LOSSES, DAMAGES, PENALTIES, FINES, ACTIONS, JUDGMENTS, SUITS, SETTLEMENTS, COSTS, EXPENSES OR DISBURSEMENTS (INCLUDING REASONABLE FEES OF ATTORNEYS, ACCOUNTANTS, EXPERTS AND ADVISORS) OF ANY KIND OR NATURE WHATSOEVER (IN THIS SECTION COLLECTIVELY CALLED "LIABILITIES AND COSTS")

WHICH TO ANY EXTENT (IN WHOLE OR IN PART) MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST ADMINISTRATIVE AGENT GROWING OUT OF, RESULTING FROM OR IN ANY OTHER WAY ASSOCIATED WITH ANY OF THE COLLATERAL, THE LOAN DOCUMENTS AND THE TRANSACTIONS AND EVENTS (INCLUDING THE ENFORCEMENT THEREOF) AT ANY TIME ASSOCIATED THEREWITH OR CONTEMPLATED THEREIN (WHETHER ARISING IN CONTRACT OR IN TORT OR OTHERWISE AND INCLUDING ANY VIOLATION OR NONCOMPLIANCE WITH ANY ENVIRONMENTAL LAWS BY ANY PERSON OR ANY LIABILITIES OR DUTIES OF ANY PERSON WITH RESPECT TO HAZARDOUS MATERIALS FOUND IN OR RELEASED INTO THE ENVIRONMENT).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ADMINISTRATIVE AGENT,

provided only that no Lender shall be obligated under this section to indemnify Administrative Agent for that portion, if any, of any liabilities and costs which is proximately caused by Administrative Agent's own individual gross negligence or willful misconduct, as determined in a final judgment. Cumulative of the foregoing, each Lender agrees to reimburse Administrative Agent promptly upon demand for such Lender's Percentage Share of any costs and expenses to be paid to Administrative Agent by Borrower under Section 10.4(a) to the extent that Administrative Agent is not timely reimbursed for such expenses by Borrower as provided in such section. As used in this section the term "Administrative Agent" shall refer not only to the Person designated as such in Section 1.1 but also to each director, officer, agent, attorney, employee, representative and Affiliate of such Person.

Section 9.5. Rights as Lender. In its capacity as a Lender, Administrative Agent shall have the same rights and obligations as any Lender and may exercise such rights as though it were not Administrative Agent. Administrative Agent may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with any Restricted Person or their Affiliates, all as if it were not Administrative Agent hereunder and without any duty to account therefor to any other Lender.

Section 9.6. Sharing of Set-Offs and Other Payments. Each Lender Party agrees that if it shall, whether through the exercise of rights under Security Documents or rights of banker's lien, set off, or counterclaim against Borrower or otherwise, obtain payment of a portion of the aggregate Obligations owed to it which, taking into account all distributions made by Administrative Agent under Section 3.1, causes such Lender Party to have received more than it would have received had such payment been received by Administrative Agent and distributed pursuant to Section 3.1, then (a) it shall be deemed to have simultaneously purchased and shall be obligated to purchase interests in the Obligations as necessary to cause all Lender Parties to share all payments as provided for in Section 3.1, and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that Administrative Agent and all Lender Parties share all payments of Obligations as provided in Section 3.1; provided, however, that nothing herein

contained shall in any way affect the right of any Lender Party to obtain payment (whether by exercise of rights of banker's lien, set-off or counterclaim or otherwise) of indebtedness other than the Obligations. Borrower expressly consents to the foregoing arrangements and agrees that any holder of any such interest or other participation in the Obligations, whether or not acquired pursuant to the foregoing arrangements, may to the fullest extent permitted by Law and, subject to the provisions of Section 6.16, exercise any and all rights of banker's lien, set-off, or counterclaim as fully as if such holder were a holder of the Obligations in the amount of such interest or other participation. If all or any part of any funds transferred pursuant to this section is thereafter recovered from the seller under this section which received the same, the purchase provided for in this section shall be deemed to have been rescinded to the extent of such recovery, together with interest, if any, if interest is required pursuant to the order of a Tribunal to be paid on account of the possession of such funds prior to such recovery.

Section 9.7. Investments. Whenever Administrative Agent in good faith determines that it is uncertain about how to distribute to Lender Parties any funds which it has received, or whenever Administrative Agent in good faith determines that there is any dispute among Lender Parties about how such funds should be distributed, Administrative Agent may choose to defer distribution of the funds which are the subject of such uncertainty or dispute. If Administrative Agent in good faith believes that the uncertainty or dispute will not be promptly resolved, or if Administrative Agent is otherwise required to invest funds pending distribution to Lender Parties, Administrative Agent shall invest such funds pending distribution; all interest on any such Investment shall be distributed upon the distribution of such Investment and in the same proportion and to the same Persons as such Investment. All moneys received by Administrative Agent for distribution to Lender Parties (other than to the Person who is Administrative Agent in its separate capacity as a Lender Party) shall be held by Administrative Agent pending such distribution solely as Administrative Agent for such Lender Parties, and Administrative Agent shall have no equitable title to any portion thereof.

Section 9.8. Benefit of Article IX. The provisions of this Article are intended solely for the benefit of Lender Parties, and no Restricted Person shall be entitled to rely on any such provision or assert any such provision in a claim or defense against any Lender (other than in relation to the reference to Section 6.16 contained in Section 9.6 or the right to reasonably approve a successor Administrative Agent under Section 9.9). Lender Parties may waive or amend such provisions as they desire without any notice to or consent of Borrower or any other Restricted Person.

Section 9.9. Resignation. Administrative Agent may resign at any time by giving written notice thereof to Lenders and Borrower. Each such notice shall set forth the date of such resignation. Upon any such resignation Majority Lenders shall have the right to appoint a successor Administrative Agent, subject to the approval of Borrower, which approval will not be unreasonably withheld. A successor must be appointed for any retiring Administrative Agent, and such Administrative Agent's resignation shall become effective when such successor accepts such appointment. If, within thirty days after the date of the retiring Administrative Agent's resignation, no successor Administrative Agent has been appointed and has accepted such appointment, then the retiring Administrative Agent may appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed to conduct a banking or trust

business under the Laws of the United States of America or of any state thereof. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Administrative Agent's resignation hereunder the provisions of this Article IX shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

Section 9.10. Other Agents. Neither the Syndication Agent nor the Documentation Agent, in such capacities, shall have any duties or responsibilities or incur any liabilities under this Agreement or the other Loan Documents.

ARTICLE X - Miscellaneous

Section 10.1. Waivers and Amendments; Acknowledgments.

(a) Waivers and Amendments. No failure or delay (whether by course of conduct or otherwise) by any Lender in exercising any right, power or remedy which such Lender Party may have under any of the Loan Documents shall operate as a waiver thereof or of any other right, power or remedy, nor shall any single or partial exercise by any Lender Party of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. No waiver of any provision of any Loan Document and no consent to any departure therefrom shall ever be effective unless it is in writing and signed as provided below in this section, and then such waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. No notice to or demand on any Restricted Person shall in any case of itself entitle any Restricted Person to any other or further notice or demand in similar or other circumstances. This Agreement and the other Loan Documents set forth the entire understanding between the parties hereto with respect to the transactions contemplated herein and therein and supersede all prior discussions and understandings with respect to the subject matter hereof and thereof, and no waiver, consent, release, modification or amendment of or supplement to this Agreement or the other Loan Documents shall be valid or effective against any party hereto unless the same is in writing and signed by (i) if such party is Borrower, by Borrower, (ii) if such party is Administrative Agent or LC Issuer, by such party, and (iii) if such party is a Lender, by such Lender or by Administrative Agent on behalf of Lenders with the written consent of Majority Lenders (which consent has already been given as to the termination of the Loan Documents as provided in Section 10.9). Notwithstanding the foregoing or anything to the contrary herein, Administrative Agent shall not, without the prior consent of each individual Lender, execute and deliver on behalf of such Lender any waiver or amendment which would: (1) waive any of the conditions specified in Article IV (provided that Administrative Agent may in its discretion withdraw any request it has made under Section 4.3(g)), (2) increase the Maximum Facility Amount of such Lender or subject such Lender to any additional obligations, (3) reduce any fees payable to such Lender hereunder, or the principal of, or interest on, such Lender's Note, (4) change any date fixed for any payment of any such fees, principal or interest, (5) amend the definition herein of "Borrowing Base" or any of the terms used in that definition, (6) amend the definition herein of "Majority Lenders" or otherwise

change the aggregate amount of Percentage Shares which is required for Administrative Agent, Lenders or any of them to take any particular action under the Loan Documents, (7) release Borrower from its obligation to pay such Lender's Note or any Guarantor from its guaranty of such payment, or (8) release any Collateral, except such releases relating to sales of property permitted under Section 7.5.

(b) Acknowledgments and Admissions. Borrower hereby represents, warrants, acknowledges and admits that (i) it has been advised by counsel in the negotiation, execution and delivery of the Loan Documents to which it is a party, (ii) it has made an independent decision to enter into this Agreement and the other Loan Documents to which it is a party, without reliance on any representation, warranty, covenant or undertaking by Administrative Agent or any other Lender Party, whether written, oral or implicit, other than as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iii) there are no representations, warranties, covenants, undertakings or agreements by any Lender Party as to the Loan Documents except as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iv) no Lender Party has any fiduciary obligation toward Borrower with respect to any Loan Document or the transactions contemplated thereby, (v) the relationship pursuant to the Loan Documents between Borrower and the other Restricted Persons, on one hand, and each Lender Party, on the other hand, is and shall be solely that of debtor and creditor, respectively, (vi) no partnership or joint venture exists with respect to the Loan Documents between any Restricted Person and any Lender Party, (vii) Administrative Agent is not Borrower's Administrative Agent, but Administrative Agent for Lenders, (viii) should an Event of Default or Default occur or exist, each Lender Party will determine in its sole discretion and for its own reasons what remedies and actions it will or will not exercise or take at that time, (ix) without limiting any of the foregoing, Borrower is not relying upon any representation or covenant by any Lender Party, or any representative thereof, and no such representation or covenant has been made, that any Lender Party will, at the time of an Event of Default or Default, or at any other time, waive, negotiate, discuss, or take or refrain from taking any action permitted under the Loan Documents with respect to any such Event of Default or Default or any other provision of the Loan Documents, and (x) all Lender Parties have relied upon the truthfulness of the acknowledgments in this section in deciding to execute and deliver this Agreement and to become obligated hereunder.

(c) Representation by Lenders. Each Lender hereby represents that it will acquire its Note for its own account in the ordinary course of its commercial lending business; however, the disposition of such Lender's property shall at all times be and remain within its control and, in particular and without limitation, such Lender may sell or otherwise transfer its Note, any participation interest or other interest in its Note, or any of its other rights and obligations under the Loan Documents subject to compliance with Sections 10.5(b) through (f), inclusive, and applicable Law.

(d) Joint Acknowledgment. THIS WRITTEN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 10.2. Survival of Agreements; Cumulative Nature. All of Restricted Persons' various representations, warranties, covenants and agreements in the Loan Documents shall survive the execution and delivery of this Agreement and the other Loan Documents and the performance hereof and thereof, including the making or granting of the Loans and the delivery of the Notes and the other Loan Documents, and shall further survive until all of the Obligations are paid in full to each Lender Party and all of Lender Parties' obligations to Borrower are terminated. All statements and agreements contained in any certificate or other instrument delivered by any Restricted Person to any Lender Party under any Loan Document shall be deemed representations and warranties by Borrower or agreements and covenants of Borrower under this Agreement. The representations, warranties, indemnities, and covenants made by Restricted Persons in the Loan Documents, and the rights, powers, and privileges granted to Lender Parties in the Loan Documents, are cumulative, and, except for expressly specified waivers and consents, no Loan Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to any Lender Party of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception set out in this Agreement to any representation, warranty, indemnity, or covenant herein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Loan Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions which are expressly made applicable to it by the terms of the various Loan Documents.

Section 10.3. Notices. All notices, requests, consents, demands and other communications required or permitted under any Loan Document shall be in writing, unless otherwise specifically provided in such Loan Document (provided that Administrative Agent may give telephonic notices to the other Lender Parties), and shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile or other electronic transmission, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, to Borrower and Restricted Persons at the address of Borrower specified on the signature pages hereto and to each Lender Party at its address specified on the signature pages hereto (unless changed by similar notice in writing given by the particular Person whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided herein, (b) in the case of facsimile or other electronic transmission, upon receipt, or (c) in the case of registered or certified United States mail, three days after deposit in the mail; provided, however, that no Borrowing Notice or Continuation/Conversion Notice shall become effective until actually received by Administrative Agent.

Section 10.4. Payment of Expenses; Indemnity.

(a) Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, Borrower will promptly (and in any event, within 30 days after any invoice or other statement or notice) pay: (i) all transfer, stamp, mortgage, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect

of this Agreement or any of the other Loan Documents or any other document referred to herein or therein, (ii) all reasonable costs and expenses incurred by or on behalf of Administrative Agent (including attorneys' fees, consultants' fees and engineering fees, travel costs and miscellaneous expenses) in connection with (1) the negotiation, preparation, execution and delivery of the Loan Documents, and any and all consents, waivers or other documents or instruments relating thereto, (2) the filing, recording, refiling and re-recording of any Loan Documents and any other documents or instruments or further assurances required to be filed or recorded or refiled or re-recorded by the terms of any Loan Document, (3) the borrowings hereunder and other action reasonably required in the course of administration hereof, (4) monitoring or confirming (or preparation or negotiation of any document related to) Borrower's compliance with any covenants or conditions contained in this Agreement or in any Loan Document, and (iii) all reasonable costs and expenses incurred by or on behalf of any Lender Party (including attorneys' fees, consultants' fees and accounting fees) in connection with the defense or enforcement of any of the Loan Documents (including this section) or the defense of any Lender Party's exercise of its rights thereunder. In addition to the foregoing, until all Obligations have been paid in full, Borrower will also pay or reimburse Administrative Agent for all reasonable out-of-pocket costs and expenses of Administrative Agent or its agents or employees in connection with the continuing administration of the Loans and the related due diligence of Administrative Agent, including travel and miscellaneous expenses and fees and expenses of Administrative Agent's outside counsel, reserve engineers and consultants engaged in connection with the Loan Documents.

(b) Indemnity. Borrower agrees to indemnify each Lender Party, upon demand, from and against any and all liabilities, obligations, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") which to any extent (in whole or in part) may be imposed on, incurred by, or asserted against such Lender Party growing out of, resulting from or in any other way associated with any of the Collateral, the Loan Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein whether arising in contract or in tort or otherwise and including any violation or noncompliance with any Environmental Laws by any Lender Party or any other Person or any liabilities or duties of any Lender Party or any other Person with respect to Hazardous Materials found in or released into the environment).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY,

provided only that no Lender Party shall be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment. If any Person (including Borrower or any of its Affiliates) ever alleges such gross negligence or willful misconduct by any Lender Party, the indemnification provided for in this section shall nonetheless

be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. As used in this section the term "Lender Party" shall refer not only to each Person designated as such in Section 1.1 but also to each director, officer, agent, attorney, employee, representative and Affiliate of such Persons.

Section 10.5. Joint and Several Liability; Parties in Interest; Assignments.

(a) All Obligations which are incurred by two or more Restricted Persons shall be their joint and several obligations and liabilities. All grants, covenants and agreements contained in the Loan Documents shall bind and inure to the benefit of the parties thereto and their respective successors and permitted assigns; provided, however, that no Restricted Person may assign or transfer any of its rights or delegate any of its duties or obligations under any Loan Document without the prior consent of all Lenders. Neither Borrower nor any Affiliates of Borrower shall directly or indirectly purchase or otherwise retire any Obligations owed to any Lender nor will any Lender accept any offer to do so, unless each Lender shall have received substantially the same offer with respect to the same Percentage Share of the Obligations owed to it. If Borrower or any Affiliate of Borrower at any time purchases some but less than all of the Obligations owed to all Lender Parties, such purchaser shall not be entitled to any rights of any Lender under the Loan Documents unless and until Borrower or its Affiliates have purchased all of the Obligations.

(b) No Lender shall sell any participation interest in its commitment hereunder or any of its rights under its Loans or under the Loan Documents to any Person unless the agreement between such Lender and such participant at all times provides: (i) that such participation exists only as a result of the agreement between such participant and such Lender and that such transfer does not give such participant any right to vote as a Lender or any other direct claims or rights against any Person other than such Lender, (ii) that such participant is not entitled to payment from any Restricted Person under Sections 3.2 through 3.6 of amounts in excess of those payable to such Lender under such sections (determined without regard to the sale of such participation), and (iii) unless such participant is an Affiliate of such Lender, that such participant shall not be entitled to require such Lender to take any action under any Loan Document or to obtain the consent of such participant prior to taking any action under any Loan Document, except for actions which would require the consent of all Lenders under subsection (a) of Section 10.1. No Lender selling such a participation shall, as between the other parties hereto and such Lender, be relieved of any of its obligations hereunder as a result of the sale of such participation. Each Lender which sells any such participation to any Person (other than an Affiliate of such Lender) shall give prompt notice thereof to Administrative Agent and Borrower; provided, however, that no liability shall arise if any Lender fails to give such notice to Borrower.

(c) Except for sales of participations under the immediately preceding subsection, no Lender shall make any assignment or transfer of any kind of its commitments or any of its rights under its Loans or under the Loan Documents, except for assignments to an Eligible Transferee, or, subject to the provisions of subsection (g) below, to an Affiliate and then only if such assignment is made in accordance with the following requirements:

(i) Each such assignment shall apply to all Obligations owing to the assignor Lender hereunder and to the unused portion of the assignor Lender's commitments, so that after such assignment is made the assignor Lender shall have

a fixed (and not a varying) Percentage Share in its Loans and Note and be committed to make that Percentage Share of all future Loans, the assignee shall have a fixed Percentage Share in such Loans and Note and be committed to make that Percentage Share of all future Loans, and the Percentage Share of the Maximum Loan Amount of both the assignor and assignee shall equal or exceed $5,000,000.

(ii) The parties to each such assignment shall execute and deliver to Administrative Agent, for its acceptance and recording in the "Register" (as defined below in this section), an Assignment and Acceptance in the form of Exhibit J, appropriately completed, together with the Note subject to such assignment and a processing fee payable by such assignor Lender (and not at Borrower's expense) to Administrative Agent of $3,500. Upon such execution, delivery, and payment and upon the satisfaction of the conditions set out in such Assignment and Acceptance, then (i) Borrower shall issue new Notes to such assignor and assignee upon return of the old Notes to Borrower, and (ii) as of the "Settlement Date" specified in such Assignment and Acceptance the assignee thereunder shall be a party hereto and a Lender hereunder and Administrative Agent shall thereupon deliver to Borrower and each Lender a schedule showing the revised Percentage Shares of such assignor Lender and such assignee Lender and the Percentage Shares of all other Lenders.

(iii) Each assignee Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, shall (to the extent it has not already done so) provide Administrative Agent and Borrower with the "Prescribed Forms" referred to in Section 3.6(d).

(d) Nothing contained in this section shall prevent or prohibit any Lender from assigning or pledging all or any portion of its Loans and Note to any Federal Reserve Bank as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank; provided that (i) no such assignment or pledge shall relieve such Lender from its obligations hereunder and (ii) all related costs, fees and expenses incurred by such Lender in connection with such assignment and the reassignment back to it, free of any interests of such Federal Reserve Banks, shall be for the sole account of such Lender.

(e) By executing and delivering an Assignment and Acceptance, each assignee Lender thereunder will be confirming to and agreeing with Borrower, Administrative Agent and each other Lender Party that such assignee understands and agrees to the terms hereof, including Article IX hereof.

(f) Administrative Agent shall maintain a copy of each Assignment and Acceptance and a register for the recordation of the names and addresses of Lenders and the Percentage Shares of, and principal amount of the Loans owing to, each Lender from time to time (in this section called the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and Borrower and each Lender Party may treat each Person whose name is recorded in the Register as a Lender Party hereunder for all purposes. The Register shall be available for

inspection by Borrower or any Lender Party at any reasonable time and from time to time upon reasonable prior notice.

(g) Any Lender may assign or transfer its commitment or its rights under its Loans or under the Loan Documents to (i) any Affiliate that is wholly-owned direct or indirect subsidiary of such Lender or of any Person that wholly owns, directly or indirectly, such Lender, or (ii) if such Lender is a fund that invests in bank loans, any other fund that invests in bank loans and is advised or managed by (A) the same investment advisor as any Lender or (B) any Affiliate of such investment advisor that is a wholly-owned direct or indirect subsidiary of any Person that wholly owns, directly or indirectly, such investment advisor, subject to the following additional conditions:

(x) any right of such Lender assignor and such assignee to vote as a Lender, or any other direct claims or rights against any other Persons, shall be uniformly exercised or pursued in the manner that such Lender assignor would have so exercised such vote, claim or right if it had not made such assignment or transfer.

(y) such assignee shall not be entitled to payment from any Restricted Person under Sections 3.2 through 3.7 of amounts in excess of those payable to such Lender assignor under such sections (determined without regard to such assignment or transfer); and

(z) if such Lender assignor assigns or transfers to such assignee any of such Lender's commitment, such assignee may become primarily liable for such commitment, but such assignment or transfer shall not relieve or release such Lender from such commitment.

Section 10.6. Confidentiality. Each Lender Party agrees (on behalf of itself and each of its Affiliates, and each of its and their directors, officers, agents, attorneys, employees, and representatives) that it (and each of them) will take all reasonable steps to keep confidential any non-public information supplied to it by or at the direction of any Restricted Person so identified when delivered, provided, however, that this restriction shall not apply to information which (a) has at the time in question entered the public domain, (b) is required to be disclosed by Law (whether valid or invalid) of any Tribunal, (c) is disclosed to any Lender Party's Affiliates, auditors, attorneys, or agents, (d) is furnished to any other Lender Party or to any purchaser or prospective purchaser of participations or other interests in any Loan or Loan Document (provided each such purchaser or prospective purchaser first agrees to hold such information in confidence on the terms provided in this section), or (d) is disclosed in the course of enforcing its rights and remedies during the existence of an Event of Default.

Section 10.7. Governing Law; Submission to Process. EXCEPT TO THE EXTENT THAT THE LAW OF ANOTHER JURISDICTION IS EXPRESSLY ELECTED IN A LOAN DOCUMENT, THE LOAN DOCUMENTS SHALL BE DEEMED CONTRACTS AND INSTRUMENTS MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK AND THE LAWS OF THE UNITED STATES OF AMERICA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. BORROWER HEREBY AGREES THAT ANY LEGAL ACTION OR PROCEEDING AGAINST BORROWER WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OF THE LOAN

DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK AS LENDER PARTIES MAY ELECT, AND, BY EXECUTION AND DELIVERY HEREOF, BORROWER ACCEPTS AND CONSENTS FOR ITSELF AND IN RESPECT TO ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. BORROWER AGREES THAT SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK SHALL APPLY TO THE LOAN DOCUMENTS AND WAIVES ANY RIGHT TO STAY OR TO DISMISS ANY ACTION OR PROCEEDING BROUGHT BEFORE SAID COURTS ON THE BASIS OF FORUM NON CONVENIENS. IN FURTHERANCE OF THE FOREGOING, BORROWER HEREBY IRREVOCABLY DESIGNATES AND APPOINTS CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK 12207, AS AGENT OF BORROWER TO RECEIVE SERVICE OF ALL PROCESS BROUGHT AGAINST BORROWER WITH RESPECT TO ANY SUCH PROCEEDING IN ANY SUCH COURT IN NEW YORK, SUCH SERVICE BEING HEREBY ACKNOWLEDGED BY BORROWER TO BE EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT. COPIES OF ANY SUCH PROCESS SO SERVED SHALL ALSO, IF PERMITTED BY LAW, BE SENT BY REGISTERED MAIL TO BORROWER AT ITS ADDRESS SET FORTH BELOW, BUT THE FAILURE OF BORROWER TO RECEIVE SUCH COPIES SHALL NOT AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS AS AFORESAID. BORROWER SHALL FURNISH TO LENDER PARTIES A CONSENT OF CORPORATION SERVICE COMPANY AGREEING TO ACT HEREUNDER PRIOR TO THE EFFECTIVE DATE OF THIS AGREEMENT. NOTHING HEREIN SHALL AFFECT THE RIGHT OF LENDER PARTIES TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT OF LENDER PARTIES TO BRING PROCEEDINGS AGAINST BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. IF FOR ANY REASON CORPORATION SERVICE COMPANY SHALL RESIGN OR OTHERWISE CEASE TO ACT AS BORROWER'S AGENT, BORROWER HEREBY IRREVOCABLY AGREES TO (A) IMMEDIATELY DESIGNATE AND APPOINT A NEW AGENT ACCEPTABLE TO ADMINISTRATIVE AGENT TO SERVE IN SUCH CAPACITY AND, IN SUCH EVENT, SUCH NEW AGENT SHALL BE DEEMED TO BE SUBSTITUTED FOR CORPORATION SERVICE COMPANY FOR ALL PURPOSES HEREOF AND (B) PROMPTLY DELIVER TO AGENT THE WRITTEN CONSENT (IN FORM AND SUBSTANCE SATISFACTORY TO ADMINISTRATIVE AGENT) OF SUCH NEW AGENT AGREEING TO SERVE IN SUCH CAPACITY.

Section 10.8. Limitation on Interest. Lender Parties, Restricted Persons and the other parties to the Loan Documents intend to contract in strict compliance with applicable usury Law from time to time in effect. In furtherance thereof such persons stipulate and agree that none of the terms and provisions contained in the Loan Documents shall ever be construed to provide for interest in excess of the maximum amount of interest permitted to be charged by applicable Law from time to time in effect. Neither any Restricted Person nor any present or future guarantors, endorsers, or other Persons hereafter becoming liable for payment of any Obligation shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that may be lawfully charged under applicable Law from time to time in effect, and the provisions of this section shall control over all other provisions of the Loan Documents which may be in conflict or apparent conflict herewith.

Section 10.9. Termination; Limited Survival. In its sole and absolute discretion Borrower may at any time that no Obligations are owing or outstanding elect in a written notice delivered to Administrative Agent to terminate this Agreement. Upon receipt by Administrative Agent of such

a notice, if no Obligations are then owing or outstanding this Agreement and all other Loan Documents shall thereupon be terminated and the parties thereto released from all prospective obligations thereunder. Notwithstanding the foregoing or anything herein to the contrary, any waivers or admissions made by any Restricted Person in any Loan Document, any Obligations under Sections 3.2 through 3.6, and any obligations which any Person may have to indemnify or compensate any Lender Party shall survive any termination of this Agreement or any other Loan Document. At the request and expense of Borrower, Administrative Agent shall prepare and execute all necessary instruments to reflect and effect such termination of the Loan Documents. Administrative Agent is hereby authorized to execute all such instruments on behalf of all Lenders, without the joinder of or further action by any Lender.

Section 10.10. Severability. If any term or provision of any Loan Document shall be determined to be illegal or unenforceable all other terms and provisions of the Loan Documents shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable Law.

Section 10.11. Counterparts. This Agreement may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Agreement.

Section 10.12. Waiver of Jury Trial, Punitive Damages, etc. TO THE EXTENT PERMITTED BY LAW, LENDER PARTIES AND BORROWER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF SUCH PERSONS OR BORROWER. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER PARTIES' ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. BORROWER AND EACH LENDER PARTY HEREBY FURTHER (A) IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES," AS DEFINED BELOW, (B) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (C) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION. AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

Section 10.13. Amendment and Restatement. Upon satisfaction with each of the conditions set forth in Sections 4.1 and 4.2, this Agreement shall be deemed to amend and restate in its entirety the Existing Agreement, at which time each Lender and each Restricted Person

hereby agrees that (i) the Loans outstanding under the Existing Agreement and all accrued and unpaid interest thereon, (ii) all Letters of Credit issued and outstanding under the Existing Agreement, and (iii) all accrued and unpaid fees under the Existing Agreement shall be deemed to be outstanding under and governed by this Agreement.

IN WITNESS WHEREOF, this Agreement is executed as of the date first written above.

PLAINS MARKETING, L.P., Borrower

By: PLAINS ALL AMERICAN, INC.

By: ___________________________________
Name:
Title:

Address:

500 Dallas Street
Suite 700
Houston, Texas 77002
Attention: Phil Kramer

Telephone: (713) 654-1414
Fax: (713) 654-1523

PLAINS ALL AMERICAN, L.P.

By: PLAINS ALL AMERICAN, INC.

By: ___________________________________
Name:
Title:

Address:

500 Dallas Street
Suite 700
Houston, Texas 77002
Attention: Phil Kramer

Telephone: (713) 654-1414
Fax: (713) 654-1523

ALL AMERICAN, L.P.

By: PLAINS ALL AMERICAN, INC.

By: ___________________________________
Name:
Title:

Address:

500 Dallas Street
Suite 700
Houston, Texas 77002
Attention: Phil Kramer

Telephone: (713) 654-1414
Fax: (713) 654-1523

BANKBOSTON, N.A.,
Administrative Agent,
LC Issuer and Lender

By: ____
Name:
Title:

Address:

100 Federal Street
Boston, Massachusetts 02110
Attention: Terrence Ronan
Mail Code: 01-08-04

Telephone: (617) 434-5472
Fax: (617) 434-3652

BANCBOSTON ROBERTSON STEPHENS INC.,
Syndication Agent

By: ______________________________________
Name:
Title:

Address:

100 Federal Street
Boston, Massachusetts 02110
Attention: Richard Makin
Mail Code: 01-11-04

Telephone: (617) 434-7381
Fax: (617) 434-0382

ING BARING FURMAN SELZ, LLC, Documentation
Agent

By: ______________________________________
Name:
Title:

Address:

135 East 57th Street
New York, New York 10022
Attention:

Telephone: (212)
Fax: (212)

ING (U.S.) CAPITAL CORPORATION, Lender

By: ______________________________________
Name:
Title:

Address:

135 East 57th Street
New York, New York 10022
Attention:

Telephone: (212)
Fax: (212)

EXHIBIT 10.3

CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT

This Contribution, Conveyance and Assumption Agreement, dated as of November ____, 1998, is entered into by and among PLAINS RESOURCES INC., a Delaware corporation ("Plains Resources"), PLAINS ALL AMERICAN, INC., a Delaware corporation ("PAAI"), PLAINS ALL AMERICAN PIPELINE, L.P., a Delaware limited partnership (the "Partnership"), PLAINS MARKETING, L.P., a Delaware limited partnership ("Plains Marketing"), ALL AMERICAN, L.P., a Texas limited partnership ("All American L.P."), PAAI, LLC, a Delaware limited liability company ("PAAI LLC") and Gathering LLC, a Texas limited liability company ("Gathering LLC").

RECITALS

WHEREAS, PAAI and Plains have formed the Partnership pursuant to the Delaware Revised Uniform Limited Partnership Act (the "Delaware Act") for the purpose of serving as the sole limited partner of Plains Marketing;

WHEREAS, PAAI contributed $990.00 to the capital of the Partnership and received a 1% general partner interest and a 49% limited partner interest therein; and Plains contributed $990.00 to the capital of the Partnership and received a 50% limited partner interest therein;

WHEREAS, Plains sold its 50% limited partner interest in the Partnership to Philip Kramer (the "Organizational Limited Partner");

WHEREAS, PAAI and the Partnership have heretofore formed Plains Marketing pursuant to the Delaware Act for the purpose of acquiring, owning and operating the midstream crude oil business and assets of Plains Resources and its subsidiaries (the "Business");

WHEREAS, PAAI contributed $500 to the capital of Plains Marketing and received a 1% general partner interest and a 49% limited partner interest therein; and the Partnership contributed $500 to the capital of Plains Marketing and received a 50% limited partner interest therein;

WHEREAS, All American Pipeline Company, a Texas corporation ("All American"), has previously formed Gathering LLC, as a wholly owned subsidiary of All American, and caused its subsidiary Celeron Gathering Corporation, a Delaware corporation, to merge into Gathering LLC;

WHEREAS, PAAI has previously formed PAAI LLC, as a wholly-owned subsidiary of PAAI to hold one share of All American stock;

WHEREAS, concurrently with the consummation of the transactions contemplated hereby, All American will adopt articles of conversion and convert to All American L.P. in which PAAI will hold a 1% general partner interest and a 98.999% limited partner interest (the "All American LP Interest") and PAAI LLC will hold a .001% limited partner interest;

WHEREAS, concurrently with the consummation of the transactions contemplated hereby, All American L.P. will assume $175 Million of PAAI's outstanding debt and will distribute its ownership interest in Gathering LLC (the "Gathering LLC Interest") to PAAI;

WHEREAS, concurrently with the consummation of the transactions contemplated hereby, each of Plains Marketing & Transportation, Inc., a Delaware corporation ("Plains Transportation"), Plains Terminal & Transfer Corporation, a Delaware corporation ("Plains Terminal"), PLX Crude Lines Inc., a Delaware corporation ("PLX Crude") and PLX Ingleside, Inc., a Delaware corporation ("PLX Crude Ingleside") will be merged with and into Plains Resources;

WHEREAS, concurrently with the consummation of the transactions contemplated hereby, Gathering LLC and All American L.P. will distribute to PAAI certain excess working capital assets, and Celeron Trading & Transportation Company, a Delaware corporation ("CT&T"), shall be merged with and into PAAI;

WHEREAS, concurrently with the consummation of the transactions contemplated hereby, PAAI and the Partnership have entered into that certain Amended and Restated Agreement of Limited Partnership of Plains Marketing (the "Operating Partnership Agreement");

WHEREAS, concurrently with the consummation of the transactions contemplated hereby, PAAI and the Organizational Limited Partner, have entered into that certain Amended and Restated Agreement of Limited Partnership of the Partnership (the "Partnership Agreement");

NOW, THEREFORE, in consideration of their mutual undertakings and agreements hereunder, the parties to this Agreement undertake and agree as follows:

ARTICLE I
DEFINITIONS; CONCURRENT TRANSACTIONS

1.1 DEFINITIONS. The following capitalized terms shall have the meanings given below.

"AGREEMENT" means this Contribution, Conveyance and Assumption Agreement.

"ALL AMERICAN L.P." has the meaning assigned to such term in the opening paragraph of this Agreement.

"ALL AMERICAN LP INTEREST" has the meaning assigned to such term in the Recitals to this Agreement.

"ALL AMERICAN WC ASSETS" means [describe working capital to be distributed to PAAI by All American L.P.].

"ASSETS" means the Plains Assets and the PAAI Assets.

"BUSINESS" has the meaning assigned to such term in the Recitals to this Agreement.

"COMMON UNITS" has the meaning assigned to such term in the Recitals to this Agreement.

"CONVEYANCE, ASSIGNMENT AND BILL OF SALE" means a Conveyance, Assignment and Bill of Sale in recordable form from each of Plains Resources and PAAI, as the case may be, to Plains Marketing, the form of which is attached hereto as Exhibit A.

"CT&T ASSETS" means [describe Celeron Trading & Transportation Company Assets].

"CUSHING TERMINAL" means the crude oil terminal and storage facility located in Payne and Lincoln Counties, Oklahoma, including, without limitation, the real property and other property interests described in that certain Conveyance, Assignment and Bill of Sale (Cushing) of even date herewith from Plains Resources to Plains Marketing (a copy of the form of which is attached hereto as Exhibit ___) along with the assets described below that are a part of or are used exclusively in connection with the crude oil terminal and storage facility:

(i) storage tanks, stations, substations, terminal facilities and related properties and assets;

(ii) all motor vehicles, tractors, trailers, tanks, railcars, other vehicles, machinery and related equipment, whether owned or leased;

(iii) every contract, agreement, arrangement, grant, gift, trust or other arrangement or understanding of any kind;

(iv) any and all rights, claims and causes of action under warranties, insurance policies, contracts and related rights;

(v) communication equipment, computer equipment and software and leasehold interests therein;

(vi) all know-how, every trade secret, every customer list and all other confidential information of every kind;

(vii) every customer relationship, employee relationship, supplier relationship and other relationship of any kind;

(viii) every other proprietary right of any kind;

(ix) all governmental licenses, permits, approvals, franchises, registrations and authorizations of every kind;

(x) copies of all of the books, records, papers and instruments, including without limitation, accounting and financial records;

(xi) any and all monies, rents, revenues, accounts receivable or other proceeds receivable;

(xii) all deposits, prepayments and prepaid expenses;

(xiii) all unbilled receivables;

(xiv) all trade names, trademarks, service marks, logos, marks and symbols of any kind, together with all goodwill associated therewith and all other trade names, trademarks and service marks;

(xv) all rights, benefits, privileges and appurtenances pertaining to any of the foregoing;

excluding, however, any of such assets that constitute Plains Excluded Assets.

"DELAWARE ACT" has the meaning assigned to such term in the Recitals to this Agreement.

"EFFECTIVE TIME" means 9:00 a.m. Eastern Standard Time on November ___, 1998.

"EXISTING INDEBTEDNESS" means $325 Million Senior Secured Credit Facility dated July 30, 1998 with ING Barings, as Administrative and Syndication Agent, executed in connection with the acquisition of the Business by PAAI.

"GATHERING LLC INTEREST" has the meaning assigned to such term in the Recitals to this Agreement.

"GATHERING LLC WC ASSETS" means [describe working capital assets to be distributed to PAAI by Gathering LLC].

"INGLESIDE TERMINAL" means the crude oil terminal and storage facility located in San Patricio County, Texas, including, without limitation, the real property and other property interests described in that certain Conveyance, Assignment and Bill of Sale (Ingleside) of even date herewith from Plains Resources to Plains Marketing (a copy of the form of which is attached hereto as Exhibit ___) along with the assets described below that are a part of or are used exclusively in connection with the crude oil terminal and storage facility:

(i) storage tanks, stations, substations, terminal facilities and related properties and assets;

(ii) all motor vehicles, tractors, trailers, tanks, railcars, other vehicles, machinery and related equipment, whether owned or leased;

(iii) every contract, agreement, arrangement, grant, gift, trust or other arrangement or understanding of any kind;

(iv) any and all rights, claims and causes of action under warranties, insurance policies, contracts and related rights;

(v) communication equipment, computer equipment and software and leasehold interests therein;

(vi) all know-how, every trade secret, every customer list and all other confidential information of every kind;

(vii) every customer relationship, employee relationship, supplier relationship and other relationship of any kind;

(viii) every other proprietary right of any kind;

(ix) all governmental licenses, permits, approvals, franchises, registrations and authorizations of every kind;

(x) copies of all of the books, records, papers and instruments, including without limitation, accounting and financial records;

(xi) any and all monies, rents, revenues, accounts receivable or other proceeds receivable;

(xii) all deposits, prepayments and prepaid expenses;

(xiii) all unbilled receivables;

(xiv) all trade names, trademarks, service marks, logos, marks and symbols of any kind, together with all goodwill associated therewith and all other trade names, trademarks and service marks;

(xv) all rights, benefits, privileges and appurtenances pertaining to any of the foregoing;

excluding, however, any of such assets that constitute Plains Excluded Assets.

"LAWS" means any and all laws, statutes, ordinances, rules or regulations promulgated by a governmental authority, orders of a governmental authority, judicial decisions, decisions of arbitrators or determinations of any governmental authority or court.

"OPERATING PARTNERSHIP AGREEMENT" has the meaning assigned to such term in the Recitals to this Agreement.

"PAAI ASSETS" means the CT&T Assets and the Gathering LLC Interest.

"PAAI ASSUMED LIABILITIES" means all of PAAI's liabilities arising from or relating to the PAAI Assets or the Business, as of the Effective Time, of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of PAAI as of the Effective Time, excluding, however, any of such liabilities that constitute PAAI Excluded Liabilities.

"PAAI EXCLUDED ASSETS" means the assets of PAAI described in Schedule ___ hereto.

"PAAI EXCLUDED LIABILITIES" means all of the liabilities of PAAI described on Schedule ___ hereto.

"PAAI LLC" has the meaning assigned to such term in the Recitals to this Agreement.

"PAAI OLP INTEREST" has the meaning assigned to such term in Section 2.2.

"PARTNERSHIP" has the meaning assigned to such term in the opening paragraph of this Agreement.

"PARTNERSHIP AGREEMENT" has the meaning assigned to such term in the Recitals to this Agreement.

"PLAINS ASSETS" means (a) the Cushing Terminal and the Ingleside Terminal and (b) to the extent same comprise a part of or are used exclusively in connection with the operation of the Business, the assets described below:

(i) the real property and other property interests described in that certain Conveyance, Assignment and Bill of Sale (Truck Terminals) of even date herewith from Plains Resources to Plains Marketing;

(ii) storage tanks, stations, substations, terminal facilities and related properties and assets;

(iii) all motor vehicles, tractors, trailers, tanks, railcars, other vehicles, machinery and related equipment, whether owned or leased;

(iv) every contract, agreement, arrangement, grant, gift, trust or other arrangement or understanding of any kind;

(v) any and all rights, claims and causes of action under warranties, insurance policies, contracts or related rights;

(vi) communication equipment, computer equipment and software and leasehold interests therein;

(vii) all know-how, every trade secret, every customer list and all other confidential information of every kind;

(viii) every customer relationship, employee relationship, supplier relationship and other relationship of any kind;

(ix) every other proprietary right of any kind;

(x) all governmental licenses, permits, approvals, franchises, registrations and authorizations of every kind;

(xi) copies of all of the books, records, papers and instruments, including without limitation, accounting and financial records;

(xii) any and all monies, rents, revenues, accounts receivable or other proceeds receivable;

(xiii) all deposits, prepayments and prepaid expenses;

(xiv) all unbilled receivables;

(xv) all trade names, trademarks, service marks, logos, marks and symbols of any kind, together with all goodwill associated therewith and all other trade names, trademarks and service marks;

(xvi) all rights, benefits, privileges and appurtenances pertaining to any of the foregoing;

excluding, however, any of such assets that constitute Plains Excluded Assets.

"PLAINS ASSUMED LIABILITIES" means all of Plain's liabilities arising from or relating to the Plains Assets or the Business (including the Subsidiary Debt), as of the Effective Time, of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of Plains Resources as of the Effective Time, excluding, however, any of such liabilities that constitute Plains Excluded Liabilities.

"PLAINS EXCLUDED ASSETS" means those assets of Plains Resources described on Schedule __ hereto.

"PLAINS EXCLUDED LIABILITIES" means all of the liabilities described on Schedule __ hereto [include $3 Million in Ingleside environmental liability covered in Omnibus Agreement].

"PLAINS GRANTORS" means Plains Resources and PAAI.

"PLAINS MARKETING" has the meaning assigned to such term in the opening paragraph of this Agreement.

"PLAINS MIDSTREAM SUBSIDIARIES" means, collectively, Plains Transportation, Plains Terminal, PLX Crude and PLX Ingleside.

"RESTRICTION" has the meaning assigned to such term in Section 9.2.

"RESTRICTION-ASSET" has the meaning assigned to such term in Section 9.2.

"SPECIFIC CONVEYANCES" has the meaning assigned to such term in Section 2.2.

"SUBORDINATED UNITS" has the meaning assigned to such term in the recitals of this Agreement.

"SUBSIDIARY ASSETS" means the Plains Assets and the PAAI Assets.

"SUBSIDIARY DEBT" shall mean approximately $31.1 Million of indebtedness bearing interest at 10 1/4% per annum and due in July of 1999, owed by the Plains Midstream Subsidiaries to Plains Resources.

1.2 CONCURRENT TRANSACTIONS.

(a) All American L.P. hereby assumes and agrees to pay $175 Million of Existing Indebtedness.

(b) All American L.P. hereby distributes 100% of its ownership interest in Gathering LLC to PAAI.

(c) All American hereby distributes the All American WC Assets to PAAI.

(d) Gathering LLC hereby distributes the Gathering LLC WC Assets to PAAI.

ARTICLE II
CONTRIBUTIONS AND SALE OF ASSETS

2.1 CONTRIBUTION OF ASSETS BY PAAI. PAAI hereby grants, contributes, transfers and conveys to Plains Marketing, its successors and assigns, for its and their own use forever, all right, title and interest in and to the PAAI Assets in exchange for (i) a general partner interest and a limited partner interest (the "PAAI OLP Interest") in Plains Marketing representing, in the aggregate a 50% interest in the capital and profits of Plains Marketing and (ii) other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and Plains Marketing hereby accepts the PAAI Assets, as a contribution to the capital of Plains Marketing.

TO HAVE AND TO HOLD the PAAI Assets unto Plains Marketing, its successors and assigns, together with all and singular the rights and appurtenances thereto in any wise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.2 CONTRIBUTION OF PAAI. PAAI hereby grants, contributes, transfers and conveys to the Partnership, its successors and assigns, for its and their own use forever, all right, title and interest of PAAI in and to the PAAI OLP Interest and the All American LP Interest in exchange for (i) a 1% general partner interest in the Partnership, (ii) Subordinated Units and Common Units and (iii) other good and valuable consideration, the sufficiency of which is hereby acknowledged and the Partnership hereby accepts the PAAI OLP Interest and the All American LP Interest, as a contribution to the capital of the Partnership.

TO HAVE AND TO HOLD the PAAI OLP Interest and the All American L.P. Interest unto the Partnership, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.3 CONTRIBUTION OF PAAI LLC. PAAI LLC hereby grants contributes, transfers and conveys to the Partnership, its successors and assigns, for its and their own use forever, all right, title and interest of PAAI LLC in and to its .001% limited partner interest in All American LP in exchange for Subordinated Units and other good and valuable consideration, the sufficiency of which is hereby acknowledged and the Partnership hereby accepts the .001% limited partner interest in All American LP, as a contribution to the capital of the Partnership.

TO HAVE AND TO HOLD the .001% limited partner interest in All American L.P. unto the Partnership, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.4 PUBLIC CASH CONTRIBUTION. The parties to this Agreement acknowledge a cash contribution of $262 Million from the public in exchange for Common Units.

2.5 PARTNERSHIP CASH DISTRIBUTION. PAAI and Plains Marketing acknowledge that the Partnership has distributed (i) cash in the amount of $147.3 Million to PAAI as a reimbursement for certain capital expenditures and (ii) cash in the amount of $114.7 Million to Plains Marketing.

2.6 SALE OF ASSETS BY PLAINS RESOURCES. Plains Resources hereby sells and conveys to Plains Marketing, its successors and assigns, for its and their own use forever, all right, title and interest in and to the Plains Assets in exchange for (i) the right to receive $93.7 Million in cash, (ii) the assumption certain liabilities by Plains Marketing as provided in Section 4.1 and (iii) other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

TO HAVE AND TO HOLD the Plains Assets unto Plains Marketing, its successors and assigns, together with all and singular, the rights and appurtenances thereto in any wise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.7 PAAI USE OF PROCEEDS. The parties to this Agreement acknowledge that PAAI has used a portion of the cash received from the Partnership in Section 2.5 above to discharge $110 Million of indebtedness incurred to acquire the Business and has distributed the balance of cash to Plains Resources.

2.8 CONTRIBUTION OF THE PARTNERSHIP. The Partnership hereby grants, contributes, transfers and conveys to Plains Marketing, its successors and assigns, for its and their own use forever, all right, title and interest of the Partnership in and to the All American LP Interest as a contribution to the capital of Plains Marketing.

TO HAVE AND TO HOLD the All American LP Interest unto Plains Marketing, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.9 CONTRIBUTION OF PAAI. PAAI hereby grants, contributes, transfers and conveys to Plains Marketing, its successors and assigns, for its and their own use forever, all right, title and interest of PAAI in and to all but .001% of its general partner interest in All American L.P. as a contribution to the capital of Plains Marketing.

TO HAVE AND TO HOLD the general partner interest in All American L.P. unto Plains Marketing, its successors and assigns, together with all and singular the rights and appurtenances hereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.10 SPECIFIC CONVEYANCES. To further evidence the asset conveyances recited in this Article II and more fully and effectively convey record title with respect to the real property included in the Subsidiary Assets, the Plains Grantors have each executed and delivered to Plains Marketing a Conveyance, Assignment and Bill of Sale (the "Specific Conveyances"). The Specific Conveyances shall evidence and perfect the sale and contribution made by this Agreement and shall not constitute a second conveyance of the Subsidiary Assets or interests therein and shall be subject to the terms of this Agreement. The Specific Conveyances are not intended to modify, and shall not modify, any of the terms, covenants and conditions herein set forth and are not intended to create, and shall not create, any additional covenants or warranties of or by either of the Plains Grantors.

ARTICLE III
ADDITIONAL TRANSACTIONS

3.1 MERGER OF GATHERING LLC AND PLAINS MARKETING. The parties to this Agreement acknowledge that Gathering LLC has been merged with and into Plains Marketing.

3.2 PAAI CONTRIBUTION TO PAAI LLC. PAAI hereby grants, contributes, transfers and conveys to PAAI LLC, its successors and assigns, for its and their own use forever, all right, title and interest of PAAI in and to all of the Subordinated Units and Common Units held by PAAI as a contribution to the capital of the PAAI LLC.

TO HAVE AND TO HOLD the Subordinated Units and Common Units unto PAAI LLC, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

3.3 ALL AMERICAN LP REFINANCING. The parties to this Agreement acknowledge that All American LP shall refinance the Existing Indebtedness assumed in Section 1.2(a) above.

ARTICLE IV
ASSUMPTION OF CERTAIN LIABILITIES

4.1. ASSUMPTION OF CERTAIN PLAINS LIABILITIES BY PLAINS MARKETING. In connection with the sale and transfer of the Plains Assets to Plains Marketing by Plains Resources, Plains Marketing hereby assumes and agrees to duly and timely pay, perform and discharge the Plains Assumed Liabilities, to the full extent that Plains Resources has been heretofore or would have been in the future, were it not for the execution and delivery of this Agreement, obligated to pay, perform and discharge the Plains Assumed Liabilities; provided, however, that said assumption and agreement to duly and timely pay, perform and discharge the Plains Assumed Liabilities shall not increase the obligation of Plains Marketing with respect to the Plains Assumed Liabilities beyond that of Plains Resources, waive any valid defense that was available to Plains Resources with respect to the Plains Assumed Liabilities or enlarge any rights or remedies of any third party under any of the Plains Assumed Liabilities.

4.2. ASSUMPTION OF CERTAIN PAAI LIABILITIES BY PLAINS MARKETING. In connection with the contribution and transfer of the PAAI Assets to Plains Marketing by PAAI, Plains Marketing hereby assumes and agrees to duly and timely pay, perform and discharge the PAAI Assumed Liabilities, to the full extent that PAAI has been heretofore or would have been in the future, were it not for the execution and delivery of this Agreement, obligated to pay, perform and discharge the PAAI Assumed Liabilities; provided, however, that said assumption and agreement to duly and timely pay, perform and discharge the PAAI Assumed Liabilities shall not increase the obligation of Plains

Marketing with respect to the PAAI Assumed Liabilities beyond that of PAAI, waive any valid defense that was available to PAAI with respect to the PAAI Assumed Liabilities or enlarge any rights or remedies of any third party under any of the PAAI Assumed Liabilities.

ARTICLE V
INDEMNIFICATION

5.1. INDEMNIFICATION WITH RESPECT TO PLAINS EXCLUDED LIABILITIES. Plains Resources shall indemnify, defend and hold harmless the Partnership, Plains Marketing, their respective officers and directors and their respective successors and assigns from and against any and all claims, demands, costs, liabilities (including, without limitation, liabilities arising by way of active or passive negligence) and expenses (including court costs and reasonable attorneys' fees) of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of Plains Resources as of the Effective Time, arising from or relating to (i) the Plains Excluded Liabilities or (ii) any failure of Plains Resources to comply with any applicable bulk sales law of any jurisdiction in connection with the transfer of the Plains Assets to Plains Marketing.

5.2. INDEMNIFICATION WITH RESPECT TO PAAI EXCLUDED LIABILITIES. PAAI shall indemnify, defend and hold harmless the Partnership, Plains Marketing, their respective officers and directors and their respective successors and assigns from and against any and all claims, demands, costs, liabilities (including, without limitation, liabilities arising by way of active or passive negligence) and expenses (including court costs and reasonable attorneys' fees) of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of PAAI as of the Effective Time, arising from or relating to (i) the PAAI

Excluded Liabilities or (ii) any failure of PAAI to comply with any applicable bulk sales law of any jurisdiction in connection with the transfer of the PAAI Assets to Plains Marketing.

5.3. INDEMNIFICATION WITH RESPECT TO PLAINS ASSUMED LIABILITIES. Plains Marketing shall indemnify, defend and hold harmless Plains Resources, its officers and directors, its successors and assigns from and against any and all claims, demands, costs, liabilities (including, without limitation, liabilities arising by way of active or passive negligence) and expenses (including court costs and reasonable attorneys' fees) of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of Plains Resources as of the Effective Time, arising from or relating to the Plains Assumed Liabilities.

5.4. INDEMNIFICATION WITH RESPECT TO PAAI ASSUMED LIABILITIES. Plains Marketing shall indemnify, defend and hold harmless PAAI, its officers and directors, its successors and assigns from and against any and all claims, demands, costs, liabilities (including, without limitation, liabilities arising by way of active or passive negligence) and expenses (including court costs and reasonable attorneys' fees) of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of PAAI as of the Effective Time, arising from or relating to the PAAI Assumed Liabilities.

ARTICLE VI
TITLE MATTERS

6.1. ENCUMBRANCES. The contribution and sale of the Assets made under this Agreement are made expressly subject to (a) all recorded and unrecorded liens, encumbrances, agreements, defects, restrictions, adverse claims and all laws, rules, regulations, ordinances, judgments and orders of governmental authorities or tribunals having or asserting jurisdiction over the Assets or the

Business and operations conducted thereon or therewith, in each case to the extent the same are valid, enforceable and affect the Assets, including, without limitation, all matters that a current survey or visual inspection of the Assets would reflect, (b) the Plains Assumed Liabilities, (c) the PAAI Assumed Liabilities and (d) all matters contained in the Specific Conveyances.

6.2. DISCLAIMER OF WARRANTIES; SUBROGATION; WAIVER OF BULK SALES LAWS.

(a) THE PLAINS GRANTORS ARE CONVEYING THE ASSETS "AS IS" WITHOUT REPRESENTATION OR WARRANTY, WHETHER EXPRESS, IMPLIED OR STATUTORY (ALL OF WHICH THE PLAINS GRANTORS HEREBY DISCLAIM), AS TO (i) TITLE, (ii) FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OR DESIGN OR QUALITY, OR (iii) ANY OTHER MATTER WHATSOEVER. THE PROVISIONS OF THIS SECTION 6.2 HAVE BEEN NEGOTIATED BY Plains Marketing AND THE PLAINS GRANTORS AFTER DUE CONSIDERATION AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY REPRESENTATIONS OR WARRANTIES OF THE PLAINS GRANTORS, WHETHER EXPRESS, IMPLIED OR STATUTORY, WITH RESPECT TO THE ASSETS THAT MAY ARISE PURSUANT TO ANY LAW NOW OR HEREAFTER IN EFFECT, OR OTHERWISE, EXCEPT AS EXPRESSLY SET FORTH HEREIN.

(b) The contribution of the Assets made under this Agreement is made with full rights of substitution and subrogation of Plains Marketing, and all persons claiming by, through and under Plains Marketing, to the extent assignable, in and to all covenants and warranties by the predecessors-in-title of the Plains Grantors, and with full subrogation of

all rights accruing under applicable statutes of limitation and all rights of action of warranty against all former owners of the Assets.

(c) The Plains Grantors and Plains Marketing agree that the disclaimers contained in this Section 6.2 are "conspicuous" disclaimers. Any covenants implied by statute or law by the use of the words "grant," "convey," "bargain," "sell," "assign," "transfer," "deliver," or "set over" or any of them or any other words used in this Agreement are hereby expressly disclaimed, waived and negated.

(d) Each of the parties hereto hereby waives compliance with any applicable bulk sales law or any similar law in any applicable jurisdiction in respect of the transactions contemplated by this Agreement.

ARTICLE VII
FURTHER ASSURANCES

7.1. FURTHER ASSURANCES. From time to time after the date hereof, and without any further consideration, Plains Resources or PAAI, as the case may be, shall execute, acknowledge and deliver all such additional deeds, assignments, bills of sale, conveyances, instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate (i) more fully to assure Plains Marketing, its successors and assigns, all of the properties, rights, titles, interests, estates, remedies, powers and privileges by this Agreement granted to Plains Marketing or intended so to be and (ii) more fully and effectively to vest in the Partnership and its successors and assigns beneficial and record title to the interests hereby contributed and assigned to the Partnership or intended so to be and to more fully and effectively carry out the purposes and intent of this Agreement.

7.2. PARTNERSHIP AND OPERATING PARTNERSHIP ASSURANCES. From time to time after the date hereof, and without any further consideration, the Partnership and Plains Marketing shall execute, acknowledge and deliver all such additional instruments, notices and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate to more fully and effectively carry out the purposes and intent of this Agreement.

ARTICLE VIII
POWER OF ATTORNEY

The Plains Grantors hereby constitute and appoint Plains Marketing, its successors and assigns, their true and lawful attorney-in-fact with full power of substitution for it and in its name, place and stead or otherwise on behalf of the Plains Grantors, their successors and assigns, and for the benefit of Plains Marketing, its successors and assigns, to demand and receive from time to time the Assets and to execute in the name of the Plains Grantors and their successors and assigns instruments of conveyance, instruments of further assurance and to give receipts and releases in respect of the same, and from time to time to institute and prosecute in the name of Plains Marketing or the Plains Grantors for the benefit of Plains Marketing, as may be appropriate, any and all proceedings at law, in equity or otherwise which Plains Marketing, its successors and assigns may deem proper in order to collect, assert or enforce any claims, rights or titles of any kind in and to the Assets, and to defend and compromise any and all actions, suits or proceedings in respect of any of the Assets and to do any and all such acts and things in furtherance of this Agreement as Plains Marketing, its successors or assigns shall deem advisable. The Plains Grantors hereby declare that the appointment hereby made and the powers hereby granted are coupled with an interest and are

and shall be irrevocable and perpetual and shall not be terminated by any act of the Plains Grantors, their successors or assigns or by operation of law.

ARTICLE IX
MISCELLANEOUS

9.1. ORDER OF COMPLETION OF TRANSACTIONS; EFFECTIVE TIME.

(a) The transactions provided for in Articles I, II and III of this Agreement shall be completed on the date of this Agreement in the following order:

First, the transactions provided for in Article I shall be completed;

Second, the transactions provided for in Article II shall be completed; and

Third, the transactions provided for in Article III shall be completed.

(b) The contribution of the Assets to Plains Marketing shall be effective for all purposes as of the Effective Time.

9.2. CONSENTS; RESTRICTION ON ASSIGNMENT. If there are prohibitions against or conditions to the conveyance of one or more portions of the Assets without the prior written consent of third parties, including, without limitation, governmental agencies (other than consents of a ministerial nature which are normally granted in the ordinary course of business), which if not satisfied would result in a breach of such prohibitions or conditions or would give an outside party the right to terminate Plains Marketing's rights with respect to such portion of the Assets (herein called a "Restriction"), then any provision contained in this Agreement to the contrary notwithstanding, the transfer of title to or interest in each such portion of the Assets (herein called the "Restriction-Asset") pursuant to this Agreement shall not become effective unless and until such Restriction is satisfied, waived or no longer applies. When and if such a Restriction is so satisfied, waived or no

longer applies, to the extent permitted by applicable law and any applicable contractual provisions, the assignment of the Restriction-Asset subject thereto shall become effective automatically as of the Effective Time, without further action on the part of Plains Marketing or either of the Plains Grantors. The Plains Grantors and Plains Marketing agree to use their best efforts to obtain satisfaction of any Restriction on a timely basis. The description of any portion of the Assets as a "Restriction-Asset" shall not be construed as an admission that any Restriction exists with respect to the transfer of such portion of the Assets. In the event that any Restriction-Asset exists, the Plains Grantors agree to hold such Restriction-Asset in trust for the exclusive benefit of Plains Marketing and to otherwise use their best efforts to provide Plains Marketing with the benefits thereof, and the Plains Grantors will enter into other agreements, or take such other action as they deem necessary, in order to help ensure that Plains Marketing has the assets and concomitant rights necessary to enable it to operate the Assets contributed to Plains Marketing in all material respects as they were operated prior to the Effective Time.

9.3. COSTS. Plains Marketing shall pay all sales, use and similar taxes arising out of the contributions, conveyances and deliveries to be made hereunder, and shall pay all documentary, filing, recording, transfer, deed, and conveyance taxes and fees required in connection therewith. In addition, Plains Marketing shall be responsible for all costs, liabilities and expenses (including court costs and reasonable attorneys' fees) incurred in connection with the satisfaction or waiver of any Restriction pursuant to Section 9.2.

9.4. HEADINGS: REFERENCES: INTERPRETATION. All Article and Section headings in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any of the provisions hereof. The words "hereof," "herein" and "hereunder" and

words of similar import, when used in this Agreement, shall refer to this Agreement as a whole, including, without limitation, all Schedules and Exhibits attached hereto, and not to any particular provision of this Agreement. All references herein to Articles, Sections, Schedules and Exhibits shall, unless the context requires a different construction, be deemed to be references to the Articles and Sections of this Agreement and the Schedules and Exhibits attached hereto, and all such Schedules and Exhibits attached hereto are hereby incorporated herein and made a part hereof for all purposes. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, and the singular shall include the plural and vice versa. The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation," "but not limited to," or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

9.5. SUCCESSORS AND ASSIGNS. The Agreement shall be binding upon and inure to the benefit of the parties signatory hereto and their respective successors and assigns.

9.6. NO THIRD PARTY RIGHTS. The provisions of this Agreement are intended to bind the parties signatory hereto as to each other and are not intended to and do not create rights in any other person or confer upon any other person any benefits, rights or remedies and no person is or is intended to be a third party beneficiary of any of the provisions of this Agreement.

9.7. COUNTERPARTS. This Agreement may be executed in any number of counterparts, all of which together shall constitute one agreement binding on the parties hereto.

9.8. GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas applicable to contracts made and to be performed wholly within such state without giving effect to conflict of law principles thereof, except to the extent that it is mandatory that the law of some other jurisdiction, wherein the Assets are located, shall apply.

9.9. SEVERABILITY. If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, and an equitable adjustment shall be made and necessary provision added so as to give effect to the intention of the parties as expressed in this Agreement at the time of execution of this Agreement.

9.10. DEED; BILL OF SALE; ASSIGNMENT. To the extent required by applicable law, this Agreement shall also constitute a "deed," "bill of sale" or "assignment" of the Assets.

9.11. AMENDMENT OR MODIFICATION. This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto.

9.12 INTEGRATION. This Agreement supersedes all previous understandings or agreements between the parties, whether oral or written, with respect to its subject matter. This document is an integrated agreement which contains the entire understanding of the parties. No understanding, representation, promise or agreement, whether oral or written, is intended to be or shall be included in or form part of this Agreement unless it is contained in a written amendment hereto executed by the parties hereto after the date of this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the date first above written.

PLAINS RESOURCES INC., a Delaware corporation

By:____
Name:____
Title:_______________________________________

PLAINS MARKETING, L.P., a Delaware limited partnership

By: Plains All American Inc., a Delaware corporation, as general partner

By:______________________________________
Name:____________________________________
Title:___________________________________

PLAINS ALL AMERICAN PIPELINE, L.P., a Delaware limited partnership

By: Plains All American Inc., a Delaware corporation, as general partner

By:_______________________________________
Name:_____________________________________
Title:____________________________________

ALL AMERICAN, L.P., a Texas limited partnership

By: Plains All American Inc., a Delaware corporation, as general partner

By:_______________________________________

Name:_____________________________________

Title:____________________________________

PLAINS ALL AMERICAN INC., a Delaware corporation

By:____

Name:____

Title:_______________________________________

PAAI, LLC, a Delaware limited liability company

By:____

Name:____

Title:_______________________________________

GATHERING LLC, a Texas limited liability company

By:____

Name:____

Title:_______________________________________

EXHIBIT 10.4

Draft: 10/22/98

PLAINS ALL AMERICAN INC.
1998 LONG-TERM INCENTIVE PLAN

SECTION 1. PURPOSE OF THE PLAN.

The Plains All American Inc. 1998 Long-Term Incentive Plan (the "Plan") is intended to promote the interests of Plains All American Pipeline, L.P., a Delaware limited partnership (the "Partnership"), by providing to employees and directors of Plains All American Inc. (the "Company") and its Affiliates who perform services for the Partnership incentive compensation awards for superior performance that are based on Units. The Plan is also contemplated to enhance the ability of the Company and its Affiliates to attract and retain the services of individuals who are essential for the growth and profitability of the Partnership and to encourage them to devote their best efforts to the business of the Partnership, thereby advancing the interests of the Partnership and its partners.

SECTION 2. DEFINITIONS.

As used in the Plan, the following terms shall have the meanings set forth below:

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Award" means an Option or Restricted Unit granted under the Plan.

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

"Committee" means the Compensation Committee of the Board or such other committee of the Board appointed to administer the Plan.

"DER" means a contingent right, granted in tandem with a specific Restricted Unit, to receive an amount in cash equal to the cash distributions made by the Partnership with respect to a Unit during the period such Restricted Unit is outstanding.

"Director" means a "non-employee director" of the Company, as defined in Rule 16b-3.

"Employee" means any employee of the Company or an Affiliate, as determined by the Committee.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means the closing sales price of a Unit on the applicable date (or if there is no trading in the Units on such date, on the next preceding date on which there was trading) as reported in The Wall Street Journal (or other reporting service approved by the Committee). In the event Units are not publicly traded at the time a determination of fair market value is required to be made hereunder, the determination of fair market value shall be made in good faith by the Committee.

"Option" means an option to purchase Units granted under the Plan.

"Participant" means any Employee or Director granted an Award under the Plan.

"Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Restricted Period" means the period established by the Committee with respect to an Award during which the Award either remains subject to forfeiture or is not exercisable by the Participant. Notwithstanding anything in the Plan to the contrary, the Restricted Period with respect to any Award granted to an Employee may not terminate prior to the end of the Subordination Period (as defined in the Partnership Agreement).

"Restricted Unit" means a phantom unit granted under the Plan which upon or following vesting entitles the Participant to receive a Unit.

"Rule 16b-3" means Rule 16b-3 promulgated by the SEC under the Exchange Act, or any successor rule or regulation thereto as in effect from time to time.

"SEC" means the Securities and Exchange Commission, or any successor thereto.

"Unit" means a Common Unit of the Partnership.

SECTION 3. ADMINISTRATION.

The Plan shall be administered by the Committee. A majority of the Committee shall constitute a quorum, and the acts of the members of the Committee who are present at any meeting

thereof at which a quorum is present, or acts unanimously approved by the members of the Committee in writing, shall be the acts of the Committee. Subject to the following, the Committee, in its sole discretion, may delegate any or all of its powers and duties under the Plan, including the power to grant Awards under the Plan, to the Chief Executive Officer of the Company, subject to such limitations on such delegated powers and duties as the Committee may impose. Upon any such delegation all references in the Plan to the "Committee", other than in Section 7, shall be deemed to include the Chief Executive Officer; provided, however, that such delegation shall not limit the Chief Executive Officer's right to receive Awards under the Plan. Notwithstanding the foregoing, the Chief Executive Officer may not grant Awards to, or take any action with respect to any Award previously granted to, a person who is an officer subject to Rule 16b-3 or a member of the Board. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to a Participant; (iii) determine the number of Units to be covered by Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled, exercised, canceled, or forfeited; (vi) interpret and administer the Plan and any instrument or agreement relating to an Award made under the Plan; (vii) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (viii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon all Persons, including the Company, the Partnership, any Affiliate, any Participant, and any beneficiary of any Award.

SECTION 4. UNITS AVAILABLE FOR AWARDS.

(a) UNITS AVAILABLE. Subject to adjustment as provided in Section 4(c), the number of Units with respect to which Awards may be granted under the Plan is 975,000. If any Award is forfeited or otherwise terminates or is canceled without the delivery of Units, then the Units covered by such Award, to the extent of such forfeiture, termination or cancellation, shall again be Units with respect to which Awards may be granted.

(b) SOURCES OF UNITS DELIVERABLE UNDER AWARDS. Any Units delivered pursuant to an Award shall consist, in whole or in part, of Units acquired in the open market, from any Affiliate, the Partnership or any other Person, or any combination of the foregoing, as determined by the Committee in its discretion.

(c) ADJUSTMENTS. In the event that the Committee determines that any distribution (whether in the form of cash, Units, other securities, or other property), recapitalization, split, reverse split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Units or other securities of the Partnership, issuance of warrants or other rights to purchase Units

or other securities of the Partnership, or other similar transaction or event affects the Units such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Units (or other securities or property) with respect to which Awards may be granted, (ii) the number and type of Units (or other securities or property) subject to outstanding Awards, and (iii) the grant or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; provided, that the number of Units subject to any Award shall always be a whole number.

SECTION 5. ELIGIBILITY.

Any Employee and Director shall be eligible to be designated a Participant.

SECTION 6. AWARDS.

(a) OPTIONS. The Committee shall have the authority to determine the Employees and Directors to whom Options shall be granted, the number of Units to be covered by each Option, the purchase price therefor and the conditions and limitations applicable to the exercise of the Option, including the following terms and conditions and such additional terms and conditions, as the Committee shall determine, that are not inconsistent with the provisions of the Plan.

(i) EXERCISE PRICE. The purchase price per Unit purchasable under an Option shall be determined by the Committee at the time the Option is granted but shall not be less than its Fair Market Value as of the date of grant.

(ii) TIME AND METHOD OF EXERCISE. The Committee shall determine the Restricted Period, i.e., the time or times at which an Option may be exercised in whole or in part, and the method or methods by which payment of the exercise price with respect thereto may be made or deemed to have been made which may include, without limitation, cash, check acceptable to the Company, a "cashless-broker" exercise (through procedures approved by the Company), other securities or other property, a note from the Participant (in a form acceptable to the Company), or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price.

(iii) TERM. Subject to earlier termination as provided in the grant agreement or the Plan, each Option shall expire on the 10th anniversary of its date of grant.

(iv) FORFEITURE. Except as otherwise provided in the terms of the Option grant, upon termination of a Participant's employment with the Company and its Affiliates or membership on the Board, whichever is applicable, for any reason during the applicable Restricted Period, all Options shall be forfeited by the Participant. The Committee may, in

its discretion, waive in whole or in part such forfeiture with respect to a Participant's Options.

(b) RESTRICTED UNITS. The Committee shall have the authority to determine the Employees and Directors to whom Restricted Units shall be granted, the number of Restricted Units to be granted to each such Participant, the duration of the Restricted Period, the conditions under which the Restricted Units may become vested or forfeited, and such other terms and conditions as the Committee may establish with respect to such Awards, including whether DERs are granted with respect to such Restricted Units.

(i) DERS. To the extent provided by the Committee, in its discretion, a grant of Restricted Units may include a tandem DER grant, which may provide that such DERs shall be paid directly to the Participant, be credited to a bookkeeping account (with or without interest in the discretion of the Committee) subject to the same restrictions as the tandem Award, or be subject to such other provisions or restrictions as determined by the Committee in its discretion. Notwithstanding the foregoing however, DERs shall not be granted with respect to any Award prior to the end of the Subordination Period

(ii) FORFEITURE. Except as otherwise provided in the terms of the Restricted Units grant, upon termination of a Participant's employment with the Company and its Affiliates or membership on the Board, whichever is applicable, for any reason during the applicable Restricted Period, all Restricted Units shall be forfeited by the Participant. The Committee may, in its discretion, waive in whole or in part such forfeiture with respect to a Participant's Restricted Units.

(iii) LAPSE OF RESTRICTIONS. Upon the vesting of each Restricted Unit, the Participant shall be entitled to receive from the Company one Unit, subject to the provisions of Section 8(b).

(c) GENERAL.

(i) AWARDS MAY BE GRANTED SEPARATELY OR TOGETHER. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for any other Award granted under the Plan or any award granted under any other plan of the Company or any Affiliate, including the Management Incentive Plan. Awards granted in addition to or in tandem with other Awards or awards granted under any other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(ii) LIMITS ON TRANSFER OF AWARDS.

(A) Except as provided in (C) below, each Option shall be exercisable only by the Participant during the Participant's lifetime, or by the person to whom the Participant's rights shall pass by will or the laws of descent and distribution.

(B) Except as provided in (C) below, no Award and no right under any such Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate.

(C) To the extent specifically provided by the Committee with respect to an Option grant, an Option may be transferred by a Participant without consideration to immediate family members or related family trusts, limited partnerships or similar entities or on such terms and conditions as the Committee may from time to time establish.

(iii) TERM OF AWARDS. The term of each Award shall be for such period as may be determined by the Committee.

(iv) UNIT CERTIFICATES. All certificates for Units or other securities of the Partnership delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the SEC, any stock exchange upon which such Units or other securities are then listed, and any applicable federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(v) CONSIDERATION FOR GRANTS. Awards may be granted for no cash consideration or for such consideration as the Committee determines including, without limitation, such minimal cash consideration as may be required by applicable law.

(vi) DELIVERY OF UNITS OR OTHER SECURITIES AND PAYMENT BY PARTICIPANT OF CONSIDERATION. Notwithstanding anything in the Plan or any grant agreement to the contrary, delivery of Units pursuant to the exercise or vesting of an Award may be deferred for any period during which, in the good faith determination of the Committee, the Company is not reasonably able to obtain Units to deliver pursuant to such Award without violating the rules or regulations of any applicable law or securities exchange. No Units or other securities shall be delivered pursuant to any Award until payment in full of any amount required to be paid pursuant to the Plan or the applicable Award grant agreement (including, without limitation, any exercise price or tax withholding) is received by the Company. Such payment may be made by such method or methods and in such form or forms as the Committee shall determine, including, without limitation, cash, other Awards, withholding of Units, cashless-

broker exercises with simultaneous sale, or any combination thereof; provided that the combined value, as determined by the Committee, of all cash and cash equivalents and the Fair Market Value of any such Units or other property so tendered to the Company, as of the date of such tender, is at least equal to the full amount required to be paid to the Company pursuant to the Plan or the applicable Award agreement.

SECTION 7. AMENDMENT AND TERMINATION.

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award agreement or in the Plan:

(i) AMENDMENTS TO THE PLAN. Except as required by applicable law or the rules of the principal securities exchange on which the Units are traded and subject to Section 7(ii) below, the Board or the Committee may amend, alter, suspend, discontinue, or terminate the Plan in any manner, including increasing the number of Units available for Awards under the Plan, without the consent of any partner, Participant, other holder or beneficiary of an Award, or other Person; provided, however, that no amendment may be made without the approval of a Unit Majority (as defined in the Partnership Agreement) that would either accelerate, with respect to an Award granted to an Employee, vesting to a date prior to the end of the Subordination Period or permit DERs to be granted prior to the end of the Subordination Period.

(ii) AMENDMENTS TO AWARDS. The Committee may waive any conditions or rights under, amend any terms of, or alter any Award theretofore granted, provided no change, other than pursuant to Section 7(iii), in any Award shall materially reduce the benefit to Participant without the consent of such Participant.

(iii) ADJUSTMENT OF AWARDS UPON THE OCCURRENCE OF CERTAIN UNUSUAL OR NONRECURRING EVENTS. The Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(c) of the Plan) affecting the Partnership or the financial statements of the Partnership, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

SECTION 8. GENERAL PROVISIONS.

(a) NO RIGHTS TO AWARDS. No Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants. The terms and conditions of Awards need not be the same with respect to each recipient.

(b) WITHHOLDING. The Company or any Affiliate is authorized to withhold from any Award, from any payment due or transfer made under any Award or from any compensation or other amount owing to a Participant the amount (in cash, Units, other securities, Units that would otherwise be issued pursuant to such Award or other property) of any applicable taxes payable in respect of the grant of an Award, its exercise, the lapse of restrictions thereon, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(c) NO RIGHT TO EMPLOYMENT. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate or to remain on the Board, as applicable. Further, the Company or an Affiliate may at any time dismiss a Participant from employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award agreement.

(d) GOVERNING LAW. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable federal law.

(e) SEVERABILITY. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(f) OTHER LAWS. The Committee may refuse to issue or transfer any Units or other consideration under an Award if, in its sole discretion, it determines that the issuance or transfer or such Units or such other consideration might violate any applicable law or regulation, the rules of the principal securities exchange on which the Units are then traded, or entitle the Partnership or an Affiliate to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary.

(g) NO TRUST OR FUND CREATED. Neither the Plan nor the Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any general unsecured creditor of the Company or any Affiliate.

(h) NO FRACTIONAL UNITS. No fractional Units shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other

property shall be paid or transferred in lieu of any fractional Units or whether such fractional Units or any rights thereto shall be canceled, terminated, or otherwise eliminated.

(i) HEADINGS. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

SECTION 9. TERM OF THE PLAN.

The Plan shall be effective on the date of its approval by the Board and shall continue until the date terminated by the Board or Units are no longer available for grants of Awards under the Plan, whichever occurs first. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted prior to such termination, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or to waive any conditions or rights under such Award, shall extend beyond such termination date.

EXHIBIT 10.5

PLAINS ALL AMERICAN INC.
MANAGEMENT INCENTIVE PLAN

SECTION 1. Objectives. The objectives of the Plains All American Inc. Management Incentive Plan (the "Plan") are:

- To communicate and focus management's attention on achieving the business goals of Plains All American Pipeline, L.P. (the "Partnership"),

- To attract and retain highly qualified key employees upon whom the success of the Partnership depends, and

- To reward superior performance.

The Plan is intended to encourage management to achieve and surpass the business objectives of the Partnership through establishing quarterly and/or annual objectives, reviewing performance and awarding quarterly and/or annual bonuses based on the achievement of such objectives.

SECTION 2. Administration. The Plan shall be administered by the Compensation Committee of the Board of Directors (the "Committee") of Plains All American Inc. (the "Company"). The Committee shall have such discretionary authority to administer the Plan, to construe and interpret the Plan, to decide all questions of eligibility, to determine the amount, manner and time of payment of any payments hereunder and to make all other determinations deemed necessary or advisable for the administration of the Plan.

SECTION 3. Eligibility. Employees eligible under the Plan are the officers of the Company and its affiliates who may have a substantial impact on the performance of the Partnership. Each calendar year ("Plan Year") (generally at or near the beginning of such Plan Year, or, with respect to an individual hired or promoted after the beginning of the Plan Year, on or within a reasonable period following the date such individual becomes an eligible employee) the Committee shall select the employees who shall be participants for that year and shall assign levels of participation to each such employee. The incentive award opportunity with respect to an eligible employee shall be designed to reflect the overall impact of the employee on the performance of the Partnership.

SECTION 4. Basis for Determining the Incentive Award. (a) The incentive award for any fiscal quarter or Plan Year shall be based upon the achievement of financial and operating results of the Partnership for such fiscal quarter or year as may be established by the Committee, in its sole discretion.

(b) The factors, and their respective weights, if applicable, used in determining the target award for an eligible employee shall be established by the Committee. The target award with respect to a participant may be expressed as a percentage of the participant's base salary at the beginning

of the Plan Year (or when he first became a participant for such Plan Year), a dollar amount or a percentage of a bonus pool or other bonus formula. An eligible employee's basis of participation in the Plan as a participant for a Plan Year will be communicated to him in writing as early as possible following his selection for the Plan Year.

SECTION 5. Performance Objectives. (a) The Committee shall establish in advance the performance objectives for the applicable performance period. Performance objectives are intended to further the success of the Partnership and shall be:

-- Specific and based, in whole or in part, as determined by the Committee, upon measurable results and/or subjective factors as determined, and weighted, by the Committee, and

-- Challenging, but attainable.

(b) The basis and amount of the incentive award to be provided for different levels of performance achievement will be established by the Committee. A performance schedule shall be established by the Committee to indicate the award payable at varying levels of performance. Performance objectives may be revised at any time during a Plan Year by the Committee in light of unanticipated or extraordinary events.

(c) Specific objectives will be based primarily on the Partnership's business plans and levels of performance.

(d) The Committee may assign objectives that are appropriate to the impact of each participant's position and different objectives may be assigned to different participants or groups of participants.

SECTION 6. Performance. At the end of each fiscal quarter and/or Plan Year, the determination of the achievement of the objectives established for such fiscal quarter and/or Plan Year and the payment of awards earned will occur as soon as practicable after the compilation of the financial and operating results for such period. All financial and operating results will be reviewed and approved by the Committee prior to the payment of earned awards.

SECTION 7. Award Payments. (a) Subject to (d) below, payment of earned awards will be made or begin as soon as reasonably practical after the close of each performance period following the approval of the Committee. Payments will be subject to all applicable tax withholding requirements.

(b) If a participant's employment terminates during a performance period, whether voluntarily or involuntarily, the participant shall forfeit all rights to any incentive award for that performance period, unless the Committee, in its discretion, elects to pay all or a portion of the award. If a participant's employment terminates after the end of the performance period and before

payment of the award for any reason other than death or retirement after 15 continuous years of employment with the Company and its affiliates, unless waived by the Committee in its discretion, the participant shall forfeit the incentive award payment, if any, he would otherwise have been eligible to receive had he remained with the Company and its affiliates. However, if such termination is due to the death of the participant, payment of the incentive award, if any, the participant would have received had he lived and remained with the Company and its affiliates shall be made to the participant's beneficiary, in accordance with the designation filed by the participant with the Company or, if no designation has been filed or such designation is ineffective for any reason, the participant's estate.

(c) Earned awards shall be paid in cash, less applicable withholding requirements.

(d) Annual awards (not fiscal quarter awards) to the extent earned for a Plan Year shall be paid as follows, unless the Committee provides otherwise: (i) 40% of the award shall be payable by April 1 following the end of the Plan Year and (ii) 20% of the award shall be payable as soon as reasonably practical on or following each April 1 next following the year of the 40% payment until the earned award is paid in full; provided, however, if a participant's employment with the Company and its affiliates terminates prior to any such payment, all such remaining payment(s) shall be forfeited, unless waived by the Committee, in its discretion.

SECTION 8. Terminations or Amendment. The Plan may be terminated or amended at any time by the Company.

SECTION 9. Effective Date. This Plan is effective as of ____________, 199__.

EXHIBIT 10.6

DRAFT: 11/1/98

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT ("Agreement"), made as of the __________ day of ________, 1998 (the "Effective Date"), between Plains Resources Inc., a Delaware corporation (the "Company"), and Harry N. Pefanis ("Employee").

W I T N E S S E T H:

1. EMPLOYMENT AND TERM OF EMPLOYMENT. The Company hereby employs the Employee, and the Employee hereby agrees to serve the Company, on the terms and conditions set forth herein. Subject to the provisions of Sections 7 and 8, the term of this Agreement shall be for an initial period of three years from the Effective Date hereof. Not more than 90 days and not less than 60 days prior to the first anniversary of the Effective Date hereof and again during the same period prior to each subsequent anniversary of the Effective Date hereof (each a "Contract Anniversary Date"), the Employee may provide written notice (an "Extension Notice") to the President and Chief Executive Officer of the Company stating that he wishes to extend the remaining term of this Agreement for one year. Unless the Employee receives, prior to the Contract Anniversary Date immediately following delivery of such Extension Notice, a written response from the Chairman of the Board of Directors of the Company (the "Board") (or, if applicable, the Chairman of the Compensation Committee) to the effect that the Board has voted not to extend the remaining term of this Agreement, then the term of this Agreement shall be automatically extended for such one-year period. Failure of the Employee to provide a timely Extension Notice as contemplated by this Section 1 shall automatically cause the term of this Agreement to conclude two years following the Contract Anniversary Date prior to which the Extension Notice would have otherwise been provided. Notwithstanding the foregoing, on the effective date of a "Change in Control of the Company", as defined in Section 7(d), or on the Disposition Date, as defined in Section 7(e), the term of this Agreement automatically shall be extended for three years from such effective date or Disposition Date, as the case may be.

2. POSITION AND DUTIES. The Employee shall serve as an Executive Vice President of the Company and the President and Chief Operating Officer of Plains All American Inc. ("PAAI"), shall report to the President and Chief Executive Officer of the Company, and shall have supervision and control over and responsibility for (i) the marketing operations of the Company and its subsidiaries, and (ii) the overall operations of PAAI, with such other powers and duties as may from time to time be prescribed by the President and Chief Executive Officer of the Company, provided that such duties are consistent with the Employee's positions. The Employee shall, during the term of this Agreement, devote such of his entire working time, attention, energies and business efforts to his duties and responsibilities hereunder as are reasonably necessary to carry out the duties and

responsibilities generally appertaining to such offices, it being agreed that the Employee's principal duties and responsibilities shall be serving as President and Chief Operating Officer of PAAI and that the Company shall not require the Employee to engage in activities that materially detract from the Employee's ability to satisfactorily discharge his duties and responsibilities as President and Chief Operating Officer of PAAI. The Employee shall not, during the term of this Agreement, engage in any other business activity (regardless of whether such business activity is pursued for gain, profit or other pecuniary advantage) without the prior written approval of the President and Chief Executive Officer of the Company (which approval shall not be unreasonably withheld). Nothing in this Section 2 shall be deemed to restrict the Employee from investing his personal assets as a passive investor in the publicly traded securities of other companies.

3. PLACE OF PERFORMANCE. Subject to such business travel from time to time as may be reasonably required in the discharge of his duties and responsibilities under this Agreement, the Employee shall perform his obligations hereunder at the Company's principal place of business in Houston, Texas.

4. COMPENSATION.

(a) BASE SALARY AND BONUS. Subject to the provisions of Section 7 and 8, during the period of the Employee's employment hereunder, the Company shall pay the Employee an aggregate base salary at an annual rate which shall be determined from time to time by the Board or its Compensation Committee. The Employee's initial base salary as of the date hereof, shall be $235,000 per annum. Such initial base salary as the same may be increased from time to time as provided herein shall be hereinafter referred to as the "Base Salary." The Base Salary shall be paid in equal installments pursuant to the Company's customary payroll policies in force at the time of payment (but in no event less frequently than semi-monthly), less required payroll deductions. The Base Salary shall be reviewed in January of each year and may be increased as of each January 1st to reflect the Employee's performance and contribution, such increases, if any, to be in such amounts as the Board or the Compensation Committee shall determine is reasonable. During the term of this Agreement, the Employee's Base Salary shall not be reduced below its then-current rate unless the Board shall implement across-the-board salary reductions for all executive officers of the Company, in which event the Employee's Base Salary shall not, without his consent, be reduced to an amount which is less than the greater of (i) $200,000 or (ii) 85% of the Base Salary in effect immediately prior to such reduction. In addition to Base Salary, the Employee shall be entitled to receive such incentive compensation payments as the Board or its Compensation Committee may determine, including an annual bonus. Factors to be considered in determining the amount of any such bonus will include the Employee's contributions to the Company's upstream activities, the performance of Plains All American Pipeline, L.P. and the correlation of the Employee's bonus to the bonuses paid by PAAI to its other key employees pursuant to its annual incentive programs.

(b) EXPENSES. During the term of his employment hereunder, the Employee shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by him (in

accordance with the policies and procedures established by the Company) in performing services hereunder.

(c) FRINGE BENEFITS. The Employee shall be entitled to participate in or receive benefits under any pension plan, profit-sharing plan, savings plan, stock option plan, life insurance, health-and-accident plan or arrangement made available by the Company to its executives and key management employees, subject to and on a basis consistent with the terms, conditions, and overall administration of such plans and arrangements. The Employee shall be entitled to prompt payment or reimbursement by the Company for monthly dues and Company-related charges at such social club or clubs as may be approved during the term of this Agreement by the President and Chief Executive Officer of the Company or his delegate. Except for proceeds from key-man life insurance purchased and maintained by the Company, if applicable, for the purpose, among others, of funding its obligations to the Employee or his estate under Section 8, nothing paid to the Employee under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of compensation to the Employee hereunder.

(d) WORKING FACILITIES. The Company shall furnish the Employee with a private office, secretary and such other facilities and services suitable to his position and adequate for the performance of his duties.

(e) VACATIONS. The Employee shall be entitled to the number of paid vacation days in each calendar year determined by the Company from time to time for its senior executive officers, but not less than 15 business days in any calendar year (prorated in any calendar year during which the Employee is employed hereunder for less than the entire such year in accordance with the number of days in such calendar year during which he is so employed). All such vacation days shall accumulate from calendar year to calendar year during the term of this contract (or any predecessor or successor contracts or arrangements) in the event that the Employee shall be unable to utilize the full allotment to which he may become entitled in any calendar year. The Employee shall also be entitled to all other paid holidays given by the Company to its senior executive officers.

5. OFFICES. In addition to his duties as set forth hereunder, the Employee agrees to serve without additional compensation, if elected or appointed thereto, in one or more offices or as a director of any of the Company's subsidiaries, provided, however, that the Employee shall not be required to serve as an officer or director of any such subsidiary if such service would expose him to adverse financial consequences.

6. CONFIDENTIAL INFORMATION; NON-SOLICITATION. During the period of his employment hereunder and, except as provided below, for the two-year period following the termination of employment, the Employee shall not, without the written consent of the Board or a person authorized thereby, (i) disclose to any person, other than an employee of the Company or PAAI or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Employee of his duties as an executive of the Company and PAAI, any confidential information obtained by him while in the employ of the Company or PAAI with respect to the Company's or

PAAI's business, including but not limited to technology, know-how, processes, maps, geological and geophysical data, information regarding any of PAAI's or its affiliates' pipeline terminalling and marketing customers, practices, or operations, and other proprietary information, the disclosure of which he knows or should know will be damaging to the Company or PAAI; provided however, that confidential information shall not include any information known generally to the public (other than as a result of unauthorized disclosure by the Employee), any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Company, or any information which the Employee may be required to disclose by any applicable law, order, or judicial or administrative proceeding, (ii) associate in any capacity whatsoever, whether as a promoter, owner, officer, director, employee, partner, lessee, lessor, lender, agent, consultant, broker, commission salesman or otherwise, in any business engaged in the marketing business conducted by the Company or its subsidiaries of a type competitive, directly or indirectly, with the business of the Company or its subsidiaries, other than passive ownership of up to 5% of the outstanding shares of a publicly traded company, or (iii) directly or indirectly, for whatever reason, whether for his own account or for the account of any other person, firm, corporation or other organization solicit, take away, hire, employ or endeavor to employ any person who is an employee of the Company or any of its subsidiaries. Notwithstanding the foregoing, if the Employee is terminated by the Company other than for Cause prior to January 1, 2001, the noncompetition restrictions in clause (ii) above shall terminate on the first anniversary of the Date of Termination. If any portion of this Section 6 shall be invalid or unenforceable, such invalidity or unenforceability shall in no way be deemed or construed to affect in any way the enforceability of any other portion of this Section 6. If any court in which the Company seeks to have the provision of this Section 6 specifically enforced determines that the activities, time or geographic area hereinabove specified are too broad, such court may determine a reasonable activity, time or geographic area.

7. TERMINATION.

(a) DEATH. The Employee's employment hereunder shall terminate upon his death.

(b) DISABILITY. If, as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been absent from his duties hereunder on a full time basis for twelve consecutive months, and, within 30 days after Notice of Termination is given, shall not have returned to the performance of his duties hereunder on a full-time basis, the Company may terminate the Employee's employment hereunder.

(c) CAUSE. The Company may terminate the Employee's employment hereunder for Cause. For the purpose of this Agreement, the Company shall have "Cause" to terminate the Employee's employment hereunder only upon (i) the willful engaging by the Employee in gross misconduct, or (ii) the nonappealable conviction of the Employee of a felony involving moral turpitude. For purposes of this paragraph, no act, or failure to act, on the Employee's part shall be considered "willful" unless done, or omitted to be done, by him not in good faith and without

reasonable belief that his act or omission was in the best interests of the Company or PAAI or otherwise likely to result in no material injury thereto. Notwithstanding the foregoing, the Employee shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Employee a copy of a resolution, duly adopted by the affirmative vote of the Board at a meeting duly called and held for the purpose (after reasonable notice to the Employee and an opportunity for him, together with his counsel, to be heard before the Board), finding that in the good faith opinion of the Board, the Employee was guilty of conduct set forth above in clause (i) or (ii) and specifying the particulars thereof in detail.

(d) TERMINATION BY THE EMPLOYEE. The Employee may terminate his employment hereunder (i) for Good Reason, provided that a Notice of Termination shall have been given by the Employee to the Company within 90 days following the occurrence of the event constituting such Good Reason, (ii) if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, or (iii) at any time by giving three months' written notice to the Company of his intention to terminate. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following circumstances: (A) any removal of the Employee from, or any failure to re-elect the Employee to, the positions indicated in Section 2 hereof, except in connection with termination of the Employee's employment either for Cause or as provided in Section 7(e), or (B) a reduction in the Employee's rate of Base Salary other than as permitted by Section 4(a), a material reduction in the Employee's fringe benefits, or any other material failure by the Company to comply with Section 4 hereof, or (C) failure of the Company to obtain the express assumption of and the agreement to perform this Agreement by any successor as contemplated in Section 9 hereof. Under certain circumstances set forth in Section 8, if the Employee terminates employment on or following a Change in Control of the Company, he may be entitled to additional benefits. A "Change in Control of the Company" shall conclusively be deemed to have occurred (i) on the date when any person, including any partnership, limited partnership, syndicate or other group deemed a "person" for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended, (A) becomes the beneficial owner, directly or indirectly, of shares of the Company's capital stock having 25% or more of the total number of votes that may be cast in the election of directors of the Company and (B) seeks to elect or cause to be elected two or more members of the Board or otherwise exerts or attempts to exert a controlling influence on the management of the Company, or (ii) on the date the individuals who are Directors of the Company on the date hereof constitute less than a majority of the Board unless the election, or the nomination for election by the Company's stockholders, of each new Director has been approved by a majority of the Directors still then in office who are Directors of the Company on the date hereof; provided, however, that a restructuring of the Company as a wholly-owned subsidiary of another corporation in a transaction in which the owners of shares of capital stock of the Company become the owners, in substantially identical proportions, of all or substantially all of the shares of capital stock of such other corporation shall not be deemed to be a "Change in Control of the Company" for purposes of the foregoing clause (ii); and provided further that no "Change in Control of the Company" shall be deemed to have occurred solely as a result of the issuance of the authorized and unissued capital stock of the Company or of any parent of the Company in connection with a financing or acquisition initiated by the Company or such parent.

(e) DISPOSITION OF MARKETING OPERATIONS. If a Marketing Operations Disposition (hereinafter defined) is consummated involving the Company's principal marketing subsidiary, currently Plains Marketing & Transportation Inc. and, effective upon the initial public offering of Common Units of Plains All American Pipeline, L.P. ("PAAP"), PAAI (the "Principal Marketing Subsidiary"), and an entity or person other than an entity or person of which more than 50% of the equity interests are owned, directly or indirectly, by the Company (the "Acquirer"), and as a condition to the Marketing Operations Disposition, the Acquirer requires that the Employee be employed exclusively by the Acquirer or an affiliate of the Acquirer, the Employee's termination of employment with the Company on the date of consummation of the Marketing Operations Disposition (the "Disposition Date") shall not entitle the Employee to any further payments or benefits from the Company pursuant to this Agreement, provided the Acquirer expressly assumes this Agreement pursuant to Section 9 hereof on the Disposition Date "as if" it were a successor to the Company and all obligations of the Company hereunder. Notwithstanding anything in this Agreement to the contrary, a removal of the Employee from, or failure to re-elect the Employee to, the positions indicated in Section 2 hereof on or in connection with a Marketing Operations Disposition and the assumption of this Agreement by the Acquirer shall not constitute a Good Reason event provided the Employee's status, responsibilities and duties, including reporting responsibilities, with the Acquirer and its affiliate, if applicable, are substantially comparable to those positions indicated in Section 2. As used herein, "Marketing Operations Disposition" shall mean (i) the sale or transfer of 50% or more of the capital stock of the Principal Marketing Subsidiary, (ii) a merger or consolidation of the Principal Marketing Subsidiary, (iii) the sale or transfer of all or substantially all of the assets of the Principal Marketing Subsidiary or of PAAP, or (iv) the Principal Marketing Subsidiary and any other 50% or more owned entity of the Company ceasing to be the general partner of PAAP. If the Acquirer either does not require the Employee to be employed exclusively by the Acquirer or an affiliate of the Acquirer, or it fails to assume this Agreement on the Disposition Date as provided above, a termination of the Employee's employment on or within one year following the Disposition Date either by the Company, other than pursuant to Sections 7(a), 7(b) or 7(c), or by the Employee for a Good Reason shall be deemed a termination pursuant to this Section 7(e).

(f) NOTICE OF TERMINATION. Any termination by the Company pursuant to subsection (b) or (c) above or by the Employee pursuant to subsection (d) or (e) above shall be communicated by written Notice of Termination to the other party hereto. For purposes of the Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated.

(g) DATE OF TERMINATION. The "Date of Termination" shall mean (i) if the Employee's employment is terminated by his death, the date of his death, (ii) if the Employee's employment is terminated pursuant to subsection (b) above, 30 days after Notice of Termination is given (provided that the Employee shall not have returned to the performance of his duties on a full-time basis during such 30-day period), (iii) if the Employee's employment is terminated

pursuant to subsection (c) or (d)(iii) above, the date specified in the Notice of Termination, (iv) if the Employee's employment is terminated pursuant to subsection (e) above, the Disposition Date, and (v) if the Employee's employment is terminated for any other reason, the date on which a Notice of Termination is given.

8. COMPENSATION UPON TERMINATION OR DURING DISABILITY.

(a) If the Employee's employment shall be terminated by reason of his death, the Company shall pay to such person as the Employee shall designate in a notice filed with the Company, or, if no such person shall be designated, to his estate as a lump sum death benefit, an amount equal to the highest annual rate at which his Base Salary hereunder was paid prior to the date of death, multiplied by the lesser of (i) two years or (ii) the number of days remaining in the term of this Agreement as provided in Section 1 divided by 360 days per year. So long as the Employee is employed hereunder, subject to availability at a cost which does not reflect any abnormal health or other risks, the Company may purchase and maintain insurance on the life of the Employee with death benefits thereunder payable to the Employee's designated beneficiary or estate which are at least equal to the death benefit provided for in the preceding sentence. Such death benefit shall be exclusive of and in addition to any payments the Employee's widow, beneficiaries or estate may be entitled to receive pursuant to any pension or employee benefit plan maintained by the Company for its executive officers generally.

(b) During any period that the Employee fails to perform his duties hereunder as a result of incapacity due to physical or mental illness, the Employee shall continue to receive his full Base Salary at the rate in effect prior to the date of such incapacity until the Date of Termination if the Employee's employment is terminated pursuant to Section 7(b) hereof.

(c) If the Employee's employment shall be terminated for Cause as provided in Section 7(c) hereof, the Company shall pay the Employee his full Base Salary through the Date of Termination at the rate in effect at the time Notice of Termination is given and the Company shall have no further payment obligations to the Employee under this Agreement.

(d) If the Company shall terminate the Employee's employment other than pursuant to Sections 7(a), 7(b), 7(c) or 7(e) hereof or if the Employee shall terminate his employment pursuant to Section 7(d)(i) or 7(d)(ii) hereof, then

(i) the Company shall pay the Employee his full Base Salary plus any accumulated vacation pay through the Date of Termination at the rate in effect at the time Notice of Termination is given; and

(ii) in lieu of any further payments to the Employee for periods subsequent to the Date of Termination, the Company shall make a severance payment to the Employee not later than the tenth business day following the Date of Termination, in a lump sum amount equal to the highest annual rate at which his Base Salary hereunder was paid prior to the Date of Termination

multiplied by the lesser of (A) two years or (B) the number of days remaining in the term of this Agreement as provided in Section 1 divided by 360 days per year; provided, however, that if the Employee shall terminate his employment pursuant to Section 7(d)(i) on or within one year following a Change in Control of the Company, then such lump sum amount shall equal three times the aggregate of (x) the highest annual rate at which the Employee's Base Salary was paid prior to Date of Termination plus (y) the highest amount of any annual bonus paid to the Employee during the three years prior to the Date of Termination.

The Employee shall not be required to mitigate the amount of any payment provided for in this Section 8 by seeking other employment or otherwise.

(e) If the Employee terminates this Agreement pursuant to Section 7(d)(iii) hereof, the Employee shall receive his full Base Salary through the Date of Termination including any accrued vacation days at the rate then in effect and the Company shall have no further payment obligations to the Employee under this Agreement.

(f) If the Employee's employment with the Company is terminated pursuant to Section 7(e), then the Company shall make a severance payment to the Employee not later than the tenth business day following the Date of Termination in a lump sum amount equal to three times the aggregate of (x) the highest annual rate at which the Employee's Base Salary was paid prior to Date of Termination plus (y) the highest amount of any annual bonus paid to the Employee during the three years prior to the Date of Termination.

(g) Unless the Employee is terminated for Cause or the Employee's employment is terminated pursuant to Section 7(a) or 7(d)(iii) hereof, the Employee shall be entitled to continue to participate, for a period which is the lesser of two years from the Date of Termination or the remaining term of this Agreement, in such health and accident plan or arrangement as is made available by the Company to its executive officers generally. The Employee shall not be entitled to participate in any other employee benefit plan or arrangement of the Company following the Date of Termination except as expressly provided by the terms of any such plan.

(h) The Company will reimburse the Employee for the federal excise tax, if any, which is due pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended, on the compensation payments (but not this reimbursement payment) described in this Agreement.

9. SUCCESSORS; BINDING AGREEMENT.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance reasonably satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a

breach of this Agreement and shall entitle the Employee to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if he had terminated his employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid, and shall also include any Acquirer as defined in Section 7(e), which executes and delivers the agreement provided for in this Section 9 (or Section 7(e), if applicable) or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement and all rights of the Employee hereunder shall inure to the benefit of and be enforceable by the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Employee should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Employee's devisee, legatee, or other designee or, if there be no such designee, to the Employee's estate.

10. INDEMNIFICATION. The Company shall, to the fullest extent permitted by law, indemnify and hold harmless the Employee against any loss, liability, claim, damage and expense, including the cost of defense, incurred in the course of the Employee's employment hereunder. The Company's liability hereunder shall be reduced by the amount of insurance proceeds paid to or on behalf of the Employee with respect to an event giving rise to indemnification hereunder. This indemnification shall survive the death or other termination of employment of the Employee and the termination of this Agreement. Any legal fees incurred by the Employee in the enforcement of this or any other provision of this Agreement shall be promptly reimbursed by the Company as the same are incurred.

11. SURVIVAL. The provisions of Sections 6, 8, and 10 shall survive the termination of employment of the Employee. In addition, all obligations of the Company to make payments hereunder shall survive any termination of this Agreement.

12. NOTICE. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the parties at their addresses set forth below, or to such other addresses as either party may have furnished to the other in writing in accordance herewith except that notices of change of address shall be effective only upon receipt.

If to the Company:

Plains Resources Inc.
500 Dallas Street, Suite 700
Houston, Texas 77002
Attention: General Counsel

If to the Employee:

Harry N. Pefanis
4103 University Blvd.
Houston, Texas 77005

13. MISCELLANEOUS. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Texas.

14. ENTIRE AGREEMENT. This Agreement contains the entire understanding of the parties in respect of its subject matter and supersedes all prior oral and written agreements and understandings between the parties with respect to such subject matter and supersedes all subsequent agreements or understandings between the parties with respect to all employee benefit plans or arrangements in effect on the date hereof or hereafter adopted to the extent that such plans or arrangements conflict with the terms of this Agreement.

15. VALIDITY. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any provision of this Agreement, which shall remain in full force and effect.

16. HEADINGS. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

PLAINS RESOURCES INC.

By: ____________________________
Chairman of the Compensation

Committee of the Board of Directors

HARRY N. PEFANIS

____

Employee

EXHIBIT 10.7

CRUDE OIL MARKETING AGREEMENT

This CRUDE OIL MARKETING AGREEMENT (this "Agreement"), dated November ___, 1998, is by and between PLAINS RESOURCES INC., a Delaware corporation ("Resources"), PLAINS ILLINOIS INC., a Delaware corporation ("Plains Illinois"), STOCKER RESOURCES, L.P., a California limited partnership ("Stocker"), CALUMET FLORIDA, INC., a Delaware corporation ("Calumet"), and PLAINS MARKETING, L.P., a Delaware limited partnership ("Buyer"). Resources, Plains Illinois, Stocker, and Calumet are sometimes referred to herein individually as a "Seller" and collectively as the "Sellers." Sellers and Buyer are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

Recitals:

A. Sellers own and produce crude oil from properties located within the lower 48 states of the United States.

B. Sellers desire to sell and Buyer desires to purchase all of the crude oil which is produced and owned by Sellers from such properties.

NOW, THEREFORE, the Parties agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Definitions. As used herein, the following terms shall have the following meanings:

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreement" means this Agreement and all exhibits, schedules, amendments, modifications, and supplements to this Agreement.

"Anniversary Date" has the meaning assigned in Article 3.

"Barrel" means forty-two (42) United States gallons of Crude Oil measured in accordance with the General Provisions.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the state of Texas shall not be regarded as a Business Day.

"Buyer Specified Event" has the meaning assigned in Section 8.1.

"Change of Control" has the meaning assigned in that certain Omnibus Agreement, dated as of the Closing Date (as defined therein), among Resources, Buyer, General Partner, Plains All American Pipeline, L.P., a Delaware limited partnership, and All American, L.P., a Delaware limited partnership.

"Conflicts Committee" means a committee of the Board of Directors of the General Partner composed entirely of two or more directors who are neither shareholders, officers nor employees of the General Partner nor officers, directors or employees of any Affiliate of the General Partner.

"Corporate Governance Documents" means, with respect to any Person, the Certificate or Articles of Incorporation, or Partnership Agreement (or their equivalents), the by-laws (or their equivalents), and the other corporate governance documents of such Person.

"Crude Oil" means crude oil meeting the specifications set forth in the General Provisions.

"Defaulting Party" means (a) in the case of a Buyer Specified Event, Buyer, and (b) in the case of a Seller Specified Event, any Seller affected by such Seller Specified Event.

"Delivery Point" has the meaning assigned in Section 2.3.

"Effective Date" means the date of execution of this Agreement.

"Existing Contract" has the meaning assigned in Section 2.2(g).

"Force Majeure" has the meaning assigned in Article 9.

"General Partner" means Plains All American Inc., a Delaware corporation, and its predecessors, successors and permitted assigns as general partner of the Buyer.

"General Provisions" has the meaning assigned in Section 2.6.

"Governmental Requirements" means all judgments, orders, writs, injunctions, decrees, awards, laws, ordinances, statutes, regulations, rules, franchises, permits, certificates, licenses, authorizations, and the like of any government, or any commission, board, court, agency, instrumentality, or political subdivision thereof.

"Marketing Area" means the lower 48 states of the United States.

"Marketing and Administrative Fee" has the meaning assigned in Section 2.4.

"Non-defaulting Party" means (i) in the case of a Buyer Specified Event, any Seller which is affected by such Buyer Specified Event, and (ii) in the case of a Seller Specified Event, Buyer.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Platt's P+ Average" means the arithmetic average of the Platt's Prices for P-Plus WTI during a Trading Cycle.

"Platt's Difference" means the arithmetic average for a Trading Cycle of the difference between the Platt's Prices of the applicable grade of crude to be exchanged (i.e. WTS, LLS, HLS, Eugene Island, Bonito, etc.) and the prompt month WTI.

"Platt's Prices" means the average of the price range of a particular grade of crude oil as published in the Crude Price Assessments table of Platt's Oilgram Price Report.

"Purchase Price" has the meaning assigned in Section 2.4.

"Sales Price" has the meaning assigned in Section 2.4.

"Seller Specified Event" has the meaning assigned in Section 8.2.

"Specified Event" means a Buyer Specified Event or a Seller Specified Event, as the case may be.

"Trading Cycle" means for a particular month of delivery, a cycle beginning on the 26/th/ day of the second month preceding such month of delivery through the 25/th/ day of the month preceding such month of delivery.

"Trade Location" has the meaning assigned in Section 2.4(b).

ARTICLE 2
PURCHASE AND SALE

2.1 Purchase and Sale. Buyer hereby agrees to purchase and receive and Sellers hereby agree to sell and deliver all of the Crude Oil produced and owned by Sellers from properties located within the Marketing Area. Currently, such properties are set forth on Exhibit A attached hereto and incorporated herein. Exhibit A shall be promptly updated to add or delete, as the case may be, Crude Oil production dedicated to this Agreement.

2.2 Addition or Release of Properties or Sellers. Crude Oil producing properties and Sellers shall be added or released from the terms and provisions of this Agreement upon the occurrence of the following events:

(a) If a Person who owns Crude Oil producing properties within the Marketing Area becomes an Affiliate of Resources, Resources shall cause such Affiliate to become a Seller hereunder by executing and delivering a ratification of this Agreement to Buyer as soon as practicable after the date such Person became an Affiliate of Resources.

(b) If a Seller acquires additional Crude Oil properties within the Marketing Area, such additional properties and the Crude Oil owned and produced therefrom by such Seller shall become subject to this Agreement as soon as practicable after the date of acquisition of such properties.

(c) If a Seller, other than Resources, ceases to be an Affiliate of Resources, this Agreement shall terminate with respect to such Seller, its properties, and the Crude Oil produced therefrom, with such termination to be effective as soon as practicable following the date such Seller gives written notice to Buyer that it has ceased to be an Affiliate of Resources.

(d) If a Seller sells, transfers or otherwise disposes of any of its properties or the interests therein which are within the Marketing Area, such properties or interests shall cease to be subject to this Agreement as soon as practicable following the date of such sale, transfer or disposition; but in no event shall such properties or interests cease to be subject to this Agreement prior to the termination of any agreement Buyer has previously entered into for the sale of Crude Oil attributable to production from such properties or interests.

(e) If a Seller and Buyer determine that it is impracticable for Buyer to purchase Crude Oil from any property owned by such Seller within the Marketing Area, such Seller and Buyer may, by mutual written agreement with the concurrence of the Conflicts Committee, terminate this Agreement with respect to such properties. Thereafter, neither such Seller nor Buyer shall have any further obligations under this Agreement with respect to such properties.

(f) Upon the occurrence of any of the foregoing events under subparagraphs (a), (b), (c), (d) or (e) above, the affected Seller shall give written notice to Buyer as soon as practicable and Exhibit A shall be revised to reflect the effect of such event. Upon request by any Party affected by such event, all Parties hereto shall execute and deliver to the requesting Party such documents and instruments as may be reasonably necessary to evidence additions or releases of Parties or properties to this Agreement.

(g) Notwithstanding the provisions of subparagraphs (a) and (b) above, the addition of any Seller or properties to this Agreement shall be subject to any crude oil sales contract to which such Seller or properties are bound at the time such Seller or properties would otherwise

become subject to this Agreement (an "Existing Contract"). Accordingly, no Crude Oil shall be sold hereunder in contravention of an Existing Contract by such Seller or from such properties until the Existing Contract has expired or been terminated.

2.3 Delivery. Delivery shall be made from the lease tankage on the properties, or such other point as is mutually agreed to and reflected on Exhibit A (a "Delivery Point"), into transportation facilities designated by Buyer.

2.4 Price. The price to be paid by Buyer for Crude Oil sold hereunder (the "Purchase Price") shall be equal to the Sales Price for each Barrel as determined in this Section 2.4, less the sum of (i) a marketing and administrative fee of $.20 for each Barrel sold (the "Marketing and Administrative Fee") and (ii) with respect to Crude Oil which is not sold by Buyer at a Delivery Point, the reasonable out-of-pocket expenses (if any) incurred by Buyer to transport or exchange each Barrel of such Crude Oil.

(a) For Crude Oil which Buyer resells at a Delivery Point, the Sales Price shall be the price received by Buyer for each Barrel sold at the Delivery Point.

(b) For Crude Oil which Buyer either (i) transports to a location other than a Delivery Point (a "Trade Location") or (ii) exchanges for other Crude Oil at a Trade Location, the Sales Price shall be determined as follows:

(x) if such Crude Oil is not aggregated with other Crude Oil owned by Buyer, the Sales Price shall be equal to the price received by Buyer for each Barrel sold at the Trade Location; or

(y) if such Crude Oil is aggregated with other Crude Oil owned by Buyer, the Sales Price shall be equal to the sum of (i) the posted price received by Buyer for each Barrel sold at the Trade Location and (ii) a premium equal to the Platt's P+ Average and plus or minus, as applicable, the Platt's Difference at the Trade Location. If the Platt's P+ Average or the Platt's Difference is not published, then the price shall be the weighted average for each Barrel of Buyer's sales at such Trade Location.

2.5 Payment. Payments by Buyer for Crude Oil purchased hereunder shall be based on the applicable Purchase Price, the volumes delivered by Sellers, and 100% of the interest shown on Exhibit A attached hereto, less state taxes which are withheld by Buyer. All payments shall be wired to Resources for the account of the Sellers in accordance with written instructions from Resources. Such wire transfers shall be made on the twentieth day of the month following the month of actual receipt of Crude Oil; provided that, if the twentieth day of the month falls on a Sunday or a banking holiday, payment will be made on the following Business Day, or if the twentieth day of the month falls on a Saturday, payment will be made on the preceding Business Day.

2.6 General Provisions. Plains Marketing, L.P.'s General Provisions dated November 1, 1998, is attached hereto as Exhibit B and is incorporated by reference and made a part of this Agreement. If any conflict should arise between the General Provisions and the information stated herein, this Agreement shall apply.

ARTICLE 3
RENEGOTIATION

Prior to the third anniversary of this Agreement, and the end of each successive three-year period thereafter (an "Anniversary Date"), either the Sellers or Buyer may request, in writing, to renegotiate the Marketing and Administrative Fee. Any such renegotiation request must be accompanied with documentation supporting the request to either increase or decrease the Marketing and Administrative Fee, and shall be in accordance with the following procedures:

(a) At least 120 days prior to the applicable Anniversary Date, either the Sellers or Buyer may request, in writing, to renegotiate the Marketing and Administrative Fee.

(b) Sellers and Buyer shall renegotiate the Marketing and Administrative Fee in good faith. If a revised Marketing and Administrative Fee has not been agreed upon at least 75 days prior to the applicable Anniversary Date, then Sellers may enter into negotiations for the sale of their Crude Oil with any Person who is not an Affiliate of Sellers. If Sellers do not reach an agreement with such non-affiliated Person at least 30 days prior to applicable Anniversary Date, then this Agreement shall continue and the Marketing and Administrative Fee shall be revised, effective the first day after the applicable Anniversary Date, to equal the Marketing and Administrative Fee last offered by Buyer.

(c) If Sellers are successful in reaching agreement with such non-affiliated Person which provides for (i) a term of not less than one year nor more than three years; (ii) a Marketing and Administrative Fee which is less than the Marketing and Administrative Fee last offered by Buyer; and (iii) additional services substantially similar to those provided for in Article 4 below, this Agreement shall terminate. Such termination shall be effective on the next Anniversary Date and, thereafter, Sellers may sell their Crude Oil to such non-affiliated Person during the term of their agreement with such Person. Within 120 days prior to the end of the term of such other agreement, either the Sellers or Buyer may request negotiations to resume this Agreement and to negotiate a revised Marketing and Administrative Fee in accordance with the procedures set forth above.

(d) Sellers' and Buyer's right to request a renegotiation of the Marketing and Administrative Fee in order to resume this Agreement shall continue until such time that this Agreement terminates pursuant to Article 5, or until such time that Sellers have sold their Crude Oil production to a Person who is not an Affiliate of Sellers for a period of five (5) consecutive years.

Article 4
ADDITIONAL SERVICES

4.1 Additional Services. Upon request, Buyer agrees to provide Sellers with the following services which shall be provided at no additional cost to Sellers except for reimbursement of all reasonable out-of-pocket costs incurred by Buyer to provide such services:

(a) Provide Sellers with (i) historical information related to _______________ in the possession of, or accessible to, Buyer, and (ii) Buyer's assessment of crude oil and natural gas prices to assist Sellers in their hedging strategies and decisions.
(b) Execute hedges on behalf of, or for the benefit of, Sellers' crude oil and natural gas production.
(c) Assist Sellers in their evaluation of potential acquisitions of oil and gas properties.
(d) Assist Sellers in preparing information relating to their potential disposition of any of their crude oil and natural gas properties.
(e) Market the production of their natural gas and natural gas liquids produced in association with Sellers' crude oil production.
(f) Negotiate natural gas purchase agreements required for the operation of Sellers' properties.
(g) Provide royalty distribution services.

4.2 SELLERS INDEMNITY. SELLERS AGREE TO RELEASE, PROTECT, DEFEND, INDEMNIFY AND HOLD BUYER, THE GENERAL PARTNER, AND THEIR PARENTS, SUBSIDIARIES, AFFILIATES, SUCCESSORS AND ASSIGNS, AND THEIR AGENTS, OFFICERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES AND CONTRACTORS (HEREINAFTER COLLECTIVELY REFERRED TO AS THE "BUYER GROUP") HARMLESS FROM AND AGAINST ALL CLAIMS, LOSSES, COSTS, DEMANDS, DAMAGES, SUITS, JUDGMENTS, PENALTIES, LIABILITIES, DEBTS, EXPENSES AND CAUSES OF ACTION OF WHATSOEVER NATURE OR CHARACTER, INCLUDING BUT NOT LIMITED TO REASONABLE ATTORNEY'S FEES AND OTHER COSTS AND EXPENSES, WHICH IN ANY WAY ARISE OUT OF OR ARE RELATED TO THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, (I) THE PERFORMANCE OR SUBJECT MATTER OF THIS AGREEMENT, (II) THE PERFORMANCE OF THE SERVICES IN SECTION 4.1, (III) THE BREACH BY SELLERS OF ANY TERMS OF THIS AGREEMENT, OR (IV) THE INGRESS, EGRESS OR PRESENCE ON ANY PREMISES, WHETHER LAND, BUILDINGS, OR OTHERWISE, IN CONJUNCTION WITH THIS AGREEMENT (COLLECTIVELY, THE "CLAIMS"), INCLUDING CLAIMS DUE TO PERSONAL INJURY, DEATH, OR LOSS OR DAMAGE OF PROPERTY, WHETHER OR NOT CAUSED BY THE SOLE, JOINT AND/OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY OF ANY MEMBER OF THE BUYER GROUP, BUT IN NO EVENT DOES THIS INDEMNITY INCLUDE CLAIMS CAUSED BY THE BUYER GROUP'S OWN GROSS NEGLIGENCE OR WILFUL MISCONDUCT.

ARTICLE 5
TERM

The term of this Agreement shall commence on the date of this Agreement, and unless sooner terminated as provided herein, shall continue in effect until the earlier to occur of: (i) the time at which any Affiliate of Resources ceases to be the general partner of Buyer, or (ii) a Change of Control of Resources.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of Sellers. Each Seller represents and warrants to Buyer as of the date hereof that:

(a) Each Seller is a corporation or limited partnership duly organized, validly existing, and in good standing under the laws of the state of their respective formation, and has all requisite corporate or partnership power and authority to execute, deliver, and perform this Agreement.

(b) The execution, delivery, and performance by each Seller of this Agreement, and the consummation of the transactions contemplated herein, are within its corporate or partnership power and authority and have been duly authorized by all necessary corporate or partnership action.

(c) No authorization, consent, or approval of, or other action by, or notice to, or filing with, any governmental authority, regulatory body, or any other Person is required for the due authorization, execution, delivery, or performance by any Seller of this Agreement, or the consummation of the transactions contemplated herein, except those authorizations, consents, and approvals which have been obtained and remain in full force and effect, and those notices and filings which have been made and remain in full force and effect.

(d) This Agreement has been duly executed and delivered by each Seller, and is the legal, valid, and binding obligation of each Seller enforceable against it in accordance with its terms, except that enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the rights of creditors generally, and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(e) Neither the execution, delivery, or performance by any Seller of this Agreement, nor the consummation of the transactions contemplated herein, will violate any provision of any Seller's Corporate Governance Documents, or any agreement, indenture, or instrument to which any Seller is a party or by which any of its property or assets are bound, or any provision of any existing Governmental Requirement.

6.2 Representations and Warranties of Buyer. Buyer represents and warrants to Sellers as of the date hereof that:

(a) Buyer is a limited partnership duly organized, validly existing, and in good standing under the laws of the state of Delaware, and has all requisite power and authority to execute, deliver, and perform this Agreement.

(b) The execution, delivery, and performance by Buyer of this Agreement, and the consummation of the transactions contemplated herein, are within Buyer's partnership power and authority and have been duly authorized by all necessary partnership action.

(c) No authorization, consent, or approval of, or other action by, or notice to, or filing with, any governmental authority, regulatory body, or any other Person is required for the due authorization, execution, delivery, or performance by Buyer of this Agreement, or the consummation of the transactions contemplated by this Agreement, except those authorizations, consents, and approvals which have been obtained and remain in full force and effect, and those notices and filings which have been made and remain in full force and effect.

(d) This Agreement has been duly executed and delivered by Buyer, and is the legal, valid, and binding obligation of Buyer enforceable against Buyer in accordance with its terms, except that enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the rights of creditors generally, and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(e) Neither the execution, delivery, or performance by Buyer of this Agreement, nor the consummation of the transactions contemplated hereby, will violate any provision of Buyer's Corporate Governance Documents, or any agreement, indenture, or instrument to which Buyer is a party or by which any of its property or assets are bound, or any provision of any existing Governmental Requirement.

ARTICLE 7
CREDIT REQUIREMENTS

Purchases made by Buyer hereunder shall be on open account provided that:

(a) Buyer or its Affiliates are not in default in the payment when due of any of its indebtedness in excess of $2,500,000 in the aggregate; and

(b) Buyer's sales of Crude Oil hereunder are in accordance with the credit policies set forth by Resources' chief financial officer.

ARTICLE 8
SPECIFIED EVENTS

8.1 Buyer Specified Events. Each of the following shall constitute a Buyer Specified Event for all purposes of this Agreement:

(a) any amount due hereunder for the purchase of Crude Oil shall not be paid in full when due and Buyer does not cause the cure of such failure on or before the fifteenth (15th) Business Day after notice from a Seller of such failure is received by Buyer;

(b) Buyer fails to receive and purchase Crude Oil production dedicated to this Agreement for reasons other than Force Majeure or any action or inaction of a Seller, and such failure is not remedied on or before the earlier of the thirtieth (30th) day after (i) any officer of the General Partner becomes aware of such failure or (ii) a Seller has given written notice of such failure to Buyer;

(c) any representation and warranty made in Section 6.2 shall prove to have been incorrect in any material respect when made, and (i) such default or breach shall continue unremedied for a period of thirty (30) days after the earlier of (x) any officer of the General Partner becomes aware of such default or (y) a Seller has given written notice of such default to Buyer, and (ii) a Seller reasonably determines that the continuation of such default or breach may materially and adversely affect Buyer's ability to satisfy its obligations hereunder;

(d) Buyer and Sellers fail to agree upon a revised Marketing and Administrative Fee as provided in Article 3;

(e) Buyer (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment or insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within thirty (30) days of the institution or presentation thereof, (v) has a resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger); (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it, or for all or substantially all its assets; (vii) has a secured party take possession of all or substantially all of its assets or has an execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession or any such process is not dismissed, discharged, stayed or restrained in each case within thirty (30) days thereafter; (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i) to (vii) (inclusive); or (ix) takes any action in furtherance of, or indicating its consent

to, approval of, or acquiescence in, any of the foregoing acts.

8.2 Seller Specified Events. Each of the following shall constitute a Seller Specified Event for all purposes of this Agreement:

(a) A Seller shall fail to deliver Crude Oil production subject to this Agreement and such failure is not remedied by such Seller on or before the fifteenth (15th) Business Day after notice from Buyer of such failure is received by the Seller;

(b) Any representation and warranty made in Section 6.1 shall prove to have been incorrect in any material respect when made, and (i) such default or breach shall continue unremedied for a period of thirty (30) days after the earlier of (x) any officer of a Seller becomes aware of such default or (y) Buyer has given written notice of such default to a Seller, and (ii) Buyer reasonably determines that the continuation of such default or breach may materially adversely affect Seller's ability to satisfy its obligations hereunder;

(c) A Seller (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment or insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within thirty (30) days of the institution or presentation thereof, (v) has a resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger); (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (vii) has a secured party take possession of all or substantially all of its assets or has an execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) days thereafter; (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, had an analogous effect to any of the events specified in clauses (i) to (vii) (inclusive); or (ix) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;

(d) Sellers and Buyer fail to agree upon a revised Marketing and Administrative Fee as provided in Article 3.

8.3 Early Termination. If any Specified Event shall have occurred and be continuing, then the Non-defaulting Party may by notice to the Defaulting Party designate a date (which date

shall not be earlier than 60 days after receipt of such notice) on which this Agreement shall terminate as between the Non-defaulting Party and the Defaulting Party, and this Agreement shall terminate as between the Non-defaulting Party and the Defaulting Party on such designated date whether or not such Specified Event is then continuing; provided that the provisions of Section 8.4 shall survive such termination.

8.4 Specified Damages. The Defaulting Party shall pay all damages and expenses incurred by the Non-defaulting Party as a result of the termination of this Agreement under Section 8.3 arising out of or in connection with any collection, bankruptcy, insolvency, or other enforcement proceedings resulting from the occurrence of the Specified Event giving rise to such termination. Payment of such damages and expenses shall be the Defaulting Party's only liability, and the Non-defaulting Party's sole remedy and exclusive claim, as a result of the Specified Event and the resulting termination of this Agreement under Section 8.3 as between the Non-defaulting Party and the Defaulting Party.

ARTICLE 9
FORCE MAJEURE

9.1 Excuse for Nonperformance. Subject to the other provisions of this Agreement, the obligations of a Party under this Agreement (including the obligation of Sellers to deliver Crude Oil), except the obligation to pay money to the other Party, may be suspended for a reasonable period as a result of an event of Force Majeure, to the extent that nonperformance is caused by Force Majeure, and the affected Party shall be relieved of liability for failing to perform from the inception of such event and during the continuance thereof and the time of any such suspension of obligations shall be added to the term of this Agreement.

9.2 Definition. An event of "Force Majeure" means war, riots, insurrections, fire, explosions, sabotage, strikes, and other labor or industrial disturbances, acts of God or the elements, Governmental Requirements, disruption or breakdown of production or transportation facilities, delays of pipeline carrier in receiving and delivering crude oil tendered, or any other cause, whether similar or not, reasonably beyond the control of the affected Party.

9.3 Notice and Cure. A Party affected by Force Majeure shall, as a condition to invoking Force Majeure as an excuse for nonperformance under this Agreement, promptly give notice of the occurrence of Force Majeure to the other Party, with reasonably detailed information about the event of Force Majeure and the effect it has had, and is anticipated to have, on the performance of the invoking Party, and shall confirm such notice of Force Majeure and its consequences in writing no later than two (2) Business Days after the occurrence of such event of Force Majeure. The invoking Party shall exercise due diligence in good faith to remedy the Force Majeure and resume full performance under this Agreement as soon as reasonably practicable.

ARTICLE 10
GENERAL PROVISIONS

10.1 No Survival of Representations and Warranties. Notwithstanding anything to the contrary herein, all representations and warranties provided by Sellers and Buyer in Article 6 shall not survive the termination of this Agreement.

10.2 Headings. The headings, captions, and arrangements contained in this Agreement have been inserted for convenience only and shall not be deemed in any manner to modify, explain, enlarge, or restrict any of the provisions hereof.

10.3 Rights and Remedies Cumulative. Except as provided in Section 8.4, the rights and remedies of each of the Parties under this Agreement shall be cumulative and non-exclusive of any other rights or remedies which each Party may have under any other agreement or instrument, by operation of law, or otherwise.

10.4 Entire Agreement; Supersedure. This Agreement constitutes the entire agreement of the parties relating to the matters contained herein, superseding all prior contracts or agreements, whether oral or written, relating to the matters contained herein.

10.5 Severability. If any provision of this Agreement or the application thereof to any Person or circumstance shall be held invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

10.6 Choice of Law; Submission to Jurisdiction. This Agreement shall be subject to and governed by the laws of the State of Texas, excluding any conflicts-of-law rule or principle that might refer the construction or interpretation of this Agreement to the laws of another state. Each party hereby submits to the jurisdiction of the state and federal courts in the State of Texas and to venue in Houston, Harris County, Texas.

10.7 Binding Agreement. This Agreement is entered into for the benefit of the Parties and their permitted successors and assigns. It shall be binding upon and shall inure to the benefit of such Parties and their successors and assigns.

10.8 No Agency. Except as otherwise provided in this Agreement, nothing herein shall serve to create any agency, employment, master and servant relationship, partnership, or joint venture between Sellers and Buyer, their Affiliates, or any officer, director, employee or agent thereof.

10.9 Notice. All notices or requests or consents provided for or permitted to be given pursuant to this Agreement must be in writing and must be given by depositing same in the United States mail, addressed to the Person to be notified, postpaid, and registered or certified with return

receipt requested or by delivering such notice in person or by telecopier or telegram to such party. Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by telegram or telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices to be sent to a party pursuant to this Agreement shall be sent to or made at the address set forth below, or at such other address as such party may stipulate to the other parties in the manner provided in this Section 10.9.

If to Buyer:	If to Sellers:
Plains Marketing, L.P. 500 Dallas, Suite 700 Houston, Texas 77002 Attention: President of Plains All American Inc.	Plains Resources Inc. 500 Dallas, Suite 700 Houston, Texas 77002 Attention: President

10.10 Effect of Waiver or Consent. No waiver or consent, express or implied, by any party to or of any breach or default by any Person in the performance by such Person of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such Person of the same or any other obligations of such Person hereunder. Failure on the part of a party to complain of any act of any Person or to declare any Person in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder until the applicable statute of limitations period has run.

10.11 Assignment. No party shall have the right to assign its rights or obligations under this Agreement without the consent of the other parties hereto.

10.12 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all signatory parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

10.13 Amendment or Modification. This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto. Each such instrument shall be reduced to writing and shall be designated on its face an "Amendment" or an "Addendum" to this Agreement.

10.14 Further Assurances. In connection with this Agreement and all transactions contemplated by this Agreement, each signatory party hereto agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and all such transactions.

10.15 Withholding or Granting of Consent. Each party may, with respect to any consent

or approval that it is entitled to grant pursuant to this Agreement, grant or withhold such consent or approval in its sole and uncontrolled discretion, with or without cause, and subject to such conditions as it shall deem appropriate.

10.16 U.S. Currency. All sums and amounts payable to or to be payable pursuant to the provisions of this Agreement shall be payable in coin or currency of the United States of America that, at the time of payment, is legal tender for the payment of public and private debts in the United States of America.

10.17 Laws and Regulations. Notwithstanding any provision of this Agreement to the contrary, no party hereto shall be required to take any act, or fail to take any act, under this Agreement if the effect thereof would be to cause such party to be in violation of any applicable law, statute, rule or regulation.

10.18 Construction of Agreement. In construing this Agreement:

(a) no consideration shall be given to the fact or presumption that one Party had a greater or lesser hand in drafting this Agreement;

(b) examples shall not be construed to limit, expressly or by implication, the matter they illustrate;

(c) the word "includes" and its derivatives means "includes, but is not limited to" and corresponding derivative expressions;

(d) a defined term has its defined meaning throughout this Agreement, regardless of whether it appears before or after the place where it is defined;

(e) the plural shall be deemed to include the singular, and vice versa;

(f) each gender shall be deemed to include the other genders;

(g) each reference to an article, section, or subsection refers to an article, section, or subsection of this Agreement unless expressly otherwise provided; and

(h) all references to a party shall include all successors and permitted assigns of such party.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date and year first above written.

BUYER:

PLAINS MARKETING, L.P.
By: Plains All American Inc.,
its General Partner

By: ____________________________________
Name: ____________________________________
Title: ____________________________________

SELLERS:

PLAINS RESOURCES INC.

By: ____________________________________
Name: ____________________________________
Title: ____________________________________

PLAINS ILLINOIS, INC.

By: ____________________________________
Name: ____________________________________
Title: ____________________________________

STOCKER RESOURCES, L.P.
By: Stocker Resources, Inc., its General Partner

By: ____________________________________
Name: ____________________________________
Title: ____________________________________

CALUMET FLORIDA, INC.

By: ____________________________________
Name: ____________________________________
Title: ____________________________________

EXHIBIT A

Sellers' Crude Oil Producing Properties
Within Marketing Area

Seller	Field	State	Delivery Point
Stocker Resources, L.P.	Inglewood (including San Vicente at Packard drillsites)	California	Lease Tankage
	Montebello	California	Lease Tankage
	Arroyo Grande	California	Lease Tankage
Plains Illinois, Inc.	Elnora	Indiana	Lease Tankage
	Lawrence	Illinois	Lease Tankage
	St. James	Illinois	Lease Tankage
	West Kenner	Illinois	Lease Tankage
Calumet Florida, Inc.	Racoon Point Sunniland Bear Island South Bear Island Sunoco West Felda	Florida (all fields)	Coastal Fuels Terminal at Point Everglades (all fields)

EXHIBIT B

PLAINS OPERATING, L.P.
GENERAL PROVISIONS
November 1, 1998

SPECIFIC TERMS: The General Provisions set forth herein are incorporated by reference and made a part of that certain Crude Oil Marketing Agreement dated November __, 1998, by and among Buyer and Sellers (the "Agreement"). In the event there is any inconsistency between these General Provisions and the Agreement, the Agreement shall prevail. All capitalized terms not otherwise defined in this Exhibit B shall have the meaning set forth for them in the Agreement.

WARRANTY/INDEMNIFICATION: The Sellers warrant good title to or the right to sell all Crude Oil delivered pursuant to the Agreement and warrant that such shall be free from all royalties, liens, encumbrances, and all applicable foreign, federal, state and local taxes that are imposed upon the production and/or removal of Crude Oil from the premises through the Delivery Point. Sellers also warrant that such Crude Oil has been produced, handled and transported to the Delivery Point in accordance with all applicable laws, rules and regulations of all local, state and federal authorities. Sellers further warrant that all Crude Oil will be merchantable. Sellers further agree to indemnify, defend and hold harmless Buyer, the General Partner, and their parents, subsidiaries, Affiliates, successors and assigns, and their agents, officers, directors, employees, representatives and contractors from and against all loss, costs, damages or expenses of any nature by or on account of Buyer, the General Partner, or their parents, subsidiaries, Affiliates, successors and assigns, and their agents, officers, directors, employees, representatives or contractors having made (i) 100% payment to Sellers or (ii) payment to interest owners on behalf of Sellers based on information provided by Sellers.

TAXES: Sellers shall be responsible for all production, severance and other related taxes incurred prior to delivery, provided that Buyer is hereby authorized to withhold such taxes from payments to Sellers and remit such taxes to the proper regulatory authority. Buyer shall be responsible for the payment of any and all taxes now in effect or hereafter imposed on the Crude Oil after the Delivery Point.

TITLE AND RISK OF LOSS: Title to, possession of and risk of loss of Crude Oil shall pass to the Buyer as the Crude Oil passes from equipment owned or controlled by the Sellers, or owned or controlled by a party designated to make delivery on behalf of the Sellers, into equipment owned or controlled by Buyer, or owned or controlled by a party designated to take delivery on behalf of Buyer. Provided, however, that in cases of in line transfers, title to, possession of and risk of loss of Crude Oil shall pass to Buyer as the Crude Oil is deemed transferred. Such shall be deemed transferred to Buyer upon completion of each in line transfer with quantity determined, when available, in accordance with the transfer statement or other receipt issued by the carrier or storage facility.

EQUAL DELIVERIES: For purposes of determining price, Crude Oil delivered during any given month hereunder shall be deemed to have been delivered in equal daily quantities during such month except as follows: Deliveries of Crude Oil at lease locations based on meter tickets shall be deemed

to have been delivered in equal daily quantities during the period covered by the meter ticket and deliveries of Crude Oil at lease locations based on run tickets, shall be deemed to have been delivered on the date recorded on each run ticket issued by the designated carrier.

MEASUREMENTS AND TESTS: All measurements hereunder shall represent one hundred percent (100%) volume with such volume and gravity adjusted to sixty degrees (60) Fahrenheit temperature. Procedures for measuring and testing, except for deliveries through positive displacement-type liquid meters, shall be according to latest ASTM published methods then in effect. Procedures for such metered-type delivery shall be according to the latest ASME-API published methods then in effect. The Crude Oil delivered hereunder shall be merchantable and acceptable to the carriers involved and full deduction shall be made for all BS&W content according to the latest ASTM standard method then in effect. Any Party shall have the right to have a representative present to witness all gauges, tests and measurements; however, should any Party hereto fail to have a representative present during such measuring and testing, the measurements and tests of the other Party will be accepted.

CONFIRMATION OF DELIVERY: Confirmation of delivery shall be based on run tickets evidencing such delivery or allocation statements issued by the carriers involved.

DIVISION ORDERS: In the event any Party signs a division order in favor of the other Party pertaining to the object of the Agreement, terms of the Agreement shall supersede the terms of such division order to the extent that there may be a conflict between the two.

DISPUTE-WITHHOLDING OF FUNDS: If a suit is filed that affects the interest of a Seller, written notice shall be given to Buyer by such Seller together with a copy of the complaint or petition filed. In the event of a claim or dispute that affects title to the division interest credited to such Seller, Buyer is authorized to withhold payments accruing to such interest, without interest unless otherwise required by applicable statute, until the claim of dispute is settled.

NOTICES: Sellers agree to notify Buyer in writing of any change of Payee, including changes of interest contingent on payment of money or expiration of time. No change is binding on Buyer until the recorded copy of the instrument of change or documents satisfactorily evidencing such change are furnished to Buyer at the time the change occurs. Any change shall be made effective on the first day of the month following receipt of such notice by Buyer.

SET-OFF: In the event any Party shall fail to make timely delivery of any Crude Oil, or other applicable products due and owing to the other Party, or in the event any Party shall fail to make timely payment of any monies due and owing to the other Party, the other Party may offset any deliveries or payments due under this or any other agreement between the parties.

AUDIT: Any Party and their duly authorized representatives shall have access to the accounting records and other documents maintained by the other Party which relate to the Agreement, and shall have the right to audit such records at any reasonable time or times within twenty-four (24) months of the date a statement is rendered.

EXHIBIT 10.8

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OMNIBUS AGREEMENT

among

PLAINS RESOURCES INC.
PLAINS ALL AMERICAN PIPELINE, L.P.
PLAINS MARKETING, L.P.
ALL AMERICAN, L.P.

and

PLAINS ALL AMERICAN INC.

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OMNIBUS AGREEMENT

THIS OMNIBUS AGREEMENT is entered into on, and effective as of, the Closing Date among Plains Resources Inc., a Delaware corporation ("Plains Resources"), Plains All American Pipeline, L.P., a Delaware limited partnership (the "MLP"), Plains All American Inc., a Delaware corporation ("PAAI"), Plains Marketing, L.P., a Delaware limited partnership ("Operating OLP"), and All American, L.P., a Delaware limited partnership ("All American OLP" and, together with Operating OLP, the "OLPs").

R E C I T A L S:

1. Plains Resources, the MLP, the OLPs and PAAI, in its capacity as the general partner of the MLP and the OLPs, desire by their execution of this Agreement to evidence their understanding, as more fully set forth in Article II of this Agreement, with respect to (a) those business opportunities that Plains Resources will not avail itself of during the Applicable Period unless each of the MLP and the OLPs has declined to engage in such business opportunity for its own account and (b) the procedures whereby such business opportunities are to be offered to the MLP and the OLPs and accepted or declined.

2. Plains Resources, PAAI, the MLP and the OLPs desire by their execution of this Agreement to evidence their understanding, as more fully set forth in Article III of this Agreement, with respect to certain indemnification obligations of Plains Resources and PAAI in favor of the MLP and the OLPs.

In consideration of the premises and the covenants, conditions, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 DEFINITIONS. (a) Capitalized terms used herein but not defined shall have the meanings given them in the MLP Agreement.

(b) As used in this Agreement, the following terms shall have the respective meanings set forth below:

"Affiliate" shall have the meaning attributed to such term in the MLP Agreement.

"Agreement" shall mean this Omnibus Agreement, as it may be amended, modified, or supplemented from time to time.

"Applicable Period" shall mean the period commencing on the Closing Date and terminating on the date on which PAAI (or any Affiliate of Plains Resources) ceases to be the general partner of the MLP and the OLPs.

"Change of Control" shall have the meaning attributed to such term in Section 2.4.

"Closing Date" shall mean the date of the closing of the initial public offering of common units representing limited partner interests in the MLP.

"Conflicts Committee" shall have the meaning attributed to such term in the MLP Agreement.

"Conveyance and Contribution Agreement" shall have the meaning attributed to such term in the MLP Agreement.

"Environmental Laws" shall mean any federal, state or local law, rule, regulation, or enforceable order, as in effect as of the date of this Agreement, that regulates or imposes liability with respect to the health, environment, ecology, or work place.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"General Partner" shall mean PAAI and its successors as general partner of the MLP and the OLPs, unless the context otherwise requires.

"Hazardous Materials" shall mean those materials in any way regulated by any Environmental Law.

"Losses" shall have the meaning attributed to such term in Section 2.3.

"Marketing Agreement" shall mean that Crude Oil Marketing Agreement dated as of the date hereof among Plains Resources, Plains Illinois Inc., Stocker Resources, L.P., Calumet Florida, Inc. and Operating OLP.

"MLP Agreement" shall mean the Amended and Restated Agreement of Limited Partnership of the MLP, dated as of the Closing Date, as such agreement is in effect on the Closing Date, to which reference is hereby made for all purposes of this Agreement. No amendment or modification to the MLP Agreement subsequent to the Closing Date shall be given effect for the purposes of this Agreement unless consented to by each of the parties to this Agreement.

"NonAffiliate Purchaser" shall have the meaning attributed to such term in Section 2.3.

"Offer" shall have the meaning attributed to such term in Section 2.3.

"Partnership Entities" shall mean the General Partner, the MLP, the OLPs and any Affiliate controlled by the General Partner, the MLP or the OLPs.

"Partnership Group" shall mean the MLP, the OLPs and any subsidiary of any such entities.

"Person" shall mean an individual, corporation, partnership, joint venture, trust, limited liability company, unincorporated organization or any other entity.

"Plains Entities" shall mean Plains Resources and any of its Affiliates, other than the Partnership Entities.

"Plains Facility" shall mean any storage or terminalling facility or gathering line or system constituting part of the Plains Real Property.

"Plains Leased Property" shall mean all of the real and personal properties leased by Plains Resources or the Plains Midstream Subsidiaries, including rights-of-way, which leases were conveyed or assigned to the OLPs by the Conveyance and Contribution Agreement.

"Plains Midstream Subsidiaries" shall mean Plains Marketing & Transportation Inc., a Delaware corporation, Plains Terminal & Transfer Corporation, a Delaware corporation, PLX Crude Lines Inc., a Delaware corporation, and PLX Ingleside Inc., a Delaware corporation, each a wholly-owned subsidiary of Plains Resources prior to their merger into Plains Resources as of the date hereof.

"Plains Real Property" shall mean all of the real properties, including the land, improvements and buildings located thereon, owned in fee simple by Plains Resources or the Plains Midstream Subsidiaries, which properties were conveyed to the OLPs by the Conveyance and Contribution Agreement.

"Restricted Business" shall have the meaning attributed to such term in Section 2.1.

"Second Offer" shall have the meaning attributed to such term in Section 2.3.

"Voting Stock" means securities of any class of Plains Resources entitling the holders thereof to vote on a regular basis in the election of members of the board of directors of Plains Resources.

"Wingfoot" shall have the meaning attributed to such term in Section 3.1.

"Wingfoot Agreement" shall have the meaning attributed to such term in Section 3.1.

ARTICLE II
BUSINESS OPPORTUNITIES

2.1 RESTRICTED BUSINESSES. During the Applicable Period, each of the Plains Entities shall be prohibited from engaging in or acquiring any business engaged in the following activities (a "Restricted Business"): (a) crude oil storage, terminalling and gathering activities in any state in the United States, except for Alaska and Hawaii, for any Person other than a Plains Entity or Partnership Entity, (b) crude oil marketing activities, and (c) transportation of crude oil by pipeline in any state in the United States, except for Alaska and Hawaii, for any Person other than a Plains Entity. A Restricted Business shall not include any activities required to be performed by a Plains Entity as the operator pursuant to any operating agreement entered into by such Plains Entity with respect to oil and gas properties owned jointly with other Persons.

2.2 PERMITTED EXCEPTIONS. Notwithstanding any provision of Section 2.1 to the contrary, a Plains Entity may engage in a Restricted Business under the following circumstances:

(a) The Restricted Business was engaged in by the Plains Entity on the date of this Agreement.

(b) The Restricted Business is conducted pursuant to and in accordance with the terms of the Marketing Agreement or any other arrangement entered into with the MLP or either of the OLPs with the concurrence of the Conflicts Committee.

(c) The value of the assets acquired in a transaction that comprise a Restricted Business does not exceed $10 million, as determined by the Board of Directors of Plains Resources.

(d) (i) The value of the assets acquired in a transaction that comprise a Restricted Business exceed $10 million, as determined by the Board of Directors of Plains Resources and (ii) the General Partner (with the approval of the Conflicts Committee) has elected not to cause a member of the Partnership Group to pursue such opportunity in accordance with the procedures set forth in Section 2.3.

2.3 PROCEDURES. In the event that a Plains Entity acquires a Restricted Business comprised of assets valued in excess of $10 million, as determined by the Board of Directors of Plains Resources, then not later than 30 days after the consummation of the acquisition by such Plains Entity of the Restricted Business, such Plains Entity shall notify the General Partner of such purchase and offer the Partnership the opportunity to purchase such Restricted Business. As soon as practicable, but in any event, within 30 days after receipt of such notification, the General Partner shall notify the Plains Entity that either (i) the General Partner has elected, with the approval of the Conflicts Committee, not to cause a member of the Partnership Group to purchase such Restricted

Business, in which event the Plains Entity shall be free to continue to engage in such Restricted Business, or (ii) the General Partner has elected to cause a member of the Partnership Group to purchase such Restricted Business, in which event the following procedures shall be followed:

(a) The Plains Entity shall submit a good faith offer to the General Partner to sell the Restricted Business (the "Offer") to any member of the Partnership Group on the terms and for the consideration stated in the Offer.

(b) The Plains Entity and the General Partner shall negotiate in good faith, for 60 days after receipt of such Offer by the General Partner, the terms on which the Restricted Business will be sold to a member of the Partnership Group. The Plains Entity shall provide all information concerning the business, operations and finances of such Restricted Business as may be reasonably requested by the General Partner.

(i) If the Plains Entity and the General Partner agree on such terms within 60 days after receipt by the General Partner of the Offer, a member of the Partnership Group shall purchase the Restricted Business on such terms as soon as commercially practicable after such agreement has been reached.

(ii) If the Plains Entity and the General Partner are unable to agree on the terms of a sale during such 60-day period, the Plains Entity shall attempt to sell the Restricted Business to a Person that is not an Affiliate of the Plains Entity (a "NonAffiliate Purchaser") within nine months of the termination of such 60-day period. Any such sale to a NonAffiliate Purchaser must be for a purchase price, as determined by the Board of Directors of Plains Resources, not less than 95% of the purchase price last offered by a member of the Partnership Group.

(c) If, after the expiration of such nine-month period, the Plains Entity has not sold the Restricted Business to a NonAffiliate Purchaser, it shall submit another Offer (the "Second Offer") to the General Partner within seven days after the expiration of such nine-month period. The Plains Entity shall provide all information concerning the business, operations and finances of such Restricted Business as may be reasonably requested by the General Partner.

(i) If the General Partner, with the concurrence of the Conflicts Committee, elects not to cause a member of the Partnership Group to pursue the Second Offer, the Plains Entity shall be free to continue to engage in such Restricted Business.

(ii) If the General Partner shall elect to cause a member of the Partnership Group to purchase such Restricted Business, then the General Partner and the Plains Entity shall negotiate the terms of such purchase for 60 days. If the Plains Entity and the General Partner agree on such terms within 60 days after receipt by the General Partner of the Second Offer, a member of the Partnership Group shall purchase the Restricted Business on such terms as soon as commercially practicable after such agreement has been reached.

(iii) If during such 60-day period, no agreement has been reached between the Plains Entity and the General Partner or a member of the Partnership, the Plains Entity and the General Partner will engage an independent investment banking firm with a national reputation to determine the value of the Restricted Business. Such investment banking firm will determine the value of the Restricted Business within 30 days and furnish the Plains Entity and the General Partner its opinion of such value. The Plains Entity will pay the fees and expenses of such investment banking firm. Upon receipt of such opinion, the General Partner will have the option, subject to the approval of the Conflicts Committee, to (A) cause a member of the Partnership Group to purchase the Restricted Business for an amount equal to the value determined by such investment banking firm or (B) decline to purchase such Restricted Business, in which event the Plains Entity will be free to continue to engage in such Restricted Business.

2.4 TERMINATION. The provisions of this Article II may be terminated by Plains Resources upon a "Change of Control" of Plains Resources. A Change of Control of Plains Resources shall be deemed to have occurred upon the occurrence of one or more of the following events: (i) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Plains Entities to any Person and its Affiliates unless immediately following such sale, lease, exchange or other transfer such assets are owned, directly or indirectly, by the Plains Entities; (ii) the consolidation or merger of Plains Resources with or into another Person pursuant to a transaction in which the outstanding Voting Stock of Plains Resources is changed into or exchanged for cash, securities or other property, other than any such transaction where (a) the outstanding Voting Stock of Plains Resources is changed into or exchanged for Voting Stock of the surviving corporation or its parent and (b) the holders of the Voting Stock of Plains Resources immediately prior to such transaction own, directly or indirectly, not less than a majority of the Voting Stock of the surviving corporation or its parent immediately after such transaction; and (iii) a "person" or "group" (within the meaning of Sections 13(d) or 14(d)(2) of the Exchange Act) being or becoming the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of more than 50% of all Voting Stock of Plains Resources, then outstanding, except in a merger or consolidation which would not constitute a Change of Control under clause (ii) above.

2.5 SCOPE OF RESTRICTED BUSINESS PROHIBITION. Except as provided in this Article II and the Partnership Agreement, each Plains Entity shall be free to engage in any business activity whatsoever, including those that may be in direct competition with any Partnership Entity.

2.6 ENFORCEMENT. The Plains Entities agree and acknowledge that the Partnership Group does not have an adequate remedy at law for the breach by the Plains Entities of the covenants and agreements set forth in this Article II, and that any breach by the Plains Entities of the covenants and agreements set forth in Article II would result in irreparable injury to the Partnership Group. The Plains Entities further agree and acknowledge that any member of the Partnership Group may, in addition to the other remedies which may be available to the Partnership Group, file a suit in equity to enjoin the Plains Entities from such breach, and consent to the issuance of injunctive relief hereunder.

ARTICLE III
INDEMNIFICATION

3.1 WINGFOOT INDEMNIFICATION. PAAI shall indemnify, defend and hold harmless the MLP and the OLPs from and against Losses (as hereinafter defined) to the extent that PAAI is entitled to and receives indemnification from Wingfoot Ventures Seven, Inc., a Delaware corporation ("Wingfoot"), pursuant to Article VIII of the Stock Purchase Agreement, dated as of March 15, 1998, among Plains Resources, PAAI and Wingfoot, as amended and in effect from time to time (the "Wingfoot Agreement"). "Losses" shall have the meaning set forth in the Wingfoot Agreement.

3.2 PLAINS RESOURCES INDEMNIFICATION. Plains Resources shall indemnify, defend and hold harmless the General Partner, the MLP and the OLPs from and against Losses that are caused by, arise out of or are attributable to:

(a) Any enforcement proceeding under any federal, state or local Environmental Law to the extent arising out of any action or omission to act by Plains Resources or any of the Plains Midstream Subsidiaries prior to the date of this Agreement with respect to any Plains Real Property, Plains Leased Property, or Plains Facility, whether such proceeding arises before or after the date of this Agreement.

(b) Any disposal, release, spill or leakage of Hazardous Materials to the soil or surface or ground water to the extent that it has occurred prior to the date of this Agreement (i) on any Plains Real Property during the period owned by Plains Resources or any of the Plains Midstream Subsidiaries and (ii) on any Plains Leased Property during the period Plains Resources or any of the Plains Midstream Subsidiaries has been in possession of such Plains Leased Property.

(c) Any release, spill, leakage or migration of Hazardous Materials onto, under or upon the property of any Person (other than property owned, leased or used by Plains Resources or any of the Plains Midstream Subsidiaries) to the extent that it has occurred prior to the date of this Agreement as a result of the operations of Plains Resources or any of the Plains Midstream Subsidiaries.

(d) Hazardous Materials to the extent that they are demonstrated to have been present on any Plains Real Property or Plains Leased Property on the date of this Agreement.

(e) Hazardous Materials to the extent transported prior to the date of this Agreement by Plains Resources or any of the Plains Midstream Subsidiaries to any waste treatment, storage, disposal, reclaiming, or recycling site other than (i) any site located on any Plains Real Property or any Plains Leased Property, (ii) any site located on any property owned, leased or used by any Partnership Entity, or (iii) any site used (whether before or after the date of this Agreement) by any Partnership Entity, or (iv) any site used by Plains Resources or any of the Plains Midstream Subsidiaries after the date of this Agreement.

3.3 LIMITATIONS REGARDING INDEMNIFICATION. Plains Resources shall have no indemnification obligation under Section 3.2 for claims made after the third anniversary of the date of this Agreement. The aggregate liability of Plains Resources in respect of all Losses under Section 3.2 shall not exceed $3 million (including up to $500,000 of reserves included in the MLP's working capital upon closing of the MLP's initial public offering).

3.4 INDEMNIFICATION PROCEDURES.

(a) The Partnership Entities agree that within a reasonable period of time after they become aware of facts giving rise to a claim for indemnification pursuant to Section 3.2, they will provide notice thereof in writing to Plains Resources specifying the nature of and specific basis for such claim.

(b) Plains Resources shall have the right to control all aspects of the defense of (and any counterclaims with respect to) any claims brought against the Partnership Entities that are covered by the indemnification set forth in Section 3.2, including, without limitation, the selection of counsel, determination of whether to appeal any decision of any court and the settling of any such matter or any issues relating thereto; provided, however, that no such settlement shall be entered into without the consent of the Partnership Entities unless it includes a full release of the Partnership Entities from such matter or issues, as the case may be.

(c) The Partnership Entities agree, at their own cost and expense, to cooperate fully with Plains Resources with respect to all aspects of the defense of any claims covered by the indemnification set forth in Section 3.2, including, without limitation, the prompt furnishing to Plains of any correspondence or other notice relating thereto that the General Partner or the Partnership Entities may receive, permitting the names of the General Partner and the Partnership Entities to be utilized in connection with such defense, the making available to Plains Resources of any files, records or other information of the General Partner or the Partnership Entities that Plains Resources considers relevant to such defense and the making available to Plains Resources of any employees of the Partnership Entities or the General Partner; provided, however, that in connection therewith Plains Resources agrees to use reasonable efforts to minimize the impact thereof on the operations of such Partnership Entities. In no event shall the obligation of the Partnership Entities to cooperate with Plains Resources as set forth in the immediately preceding sentence be construed as imposing upon the Partnership Entities an obligation to hire and pay for counsel in connection with the defense of any claims covered by the indemnification set forth in this Article III; provided, however, that the Partnership Entities may, at their own option, cost and expense, hire and pay for counsel in connection with any such defense. Plains Resources agrees to keep any such counsel hired by the Partnership Entities reasonably informed as to the status of any such defense, but Plains Resources shall have the right to retain sole control over such defense.

(d) In determining the amount of any loss, liability or expense for which any of the Partnership Entities are entitled to indemnification under this Agreement, the gross amount thereof will be reduced by any insurance proceeds realized or to be realized by the Partnership

Entities, and such correlative insurance benefit shall be net of any insurance premium that becomes due as a result of such claim.

ARTICLE IV
MISCELLANEOUS

4.1 CHOICE OF LAW; SUBMISSION TO JURISDICTION. This Agreement shall be subject to and governed by the laws of the State of Texas, excluding any conflicts-of-law rule or principle that might refer the construction or interpretation of this Agreement to the laws of another state. Each party hereby submits to the jurisdiction of the state and federal courts in the State of Texas and to venue in Houston, Harris County, Texas.

4.2 NOTICE. All notices or requests or consents provided for or permitted to be given pursuant to this Agreement must be in writing and must be given by depositing same in the United States mail, addressed to the Person to be notified, postpaid, and registered or certified with return receipt requested or by delivering such notice in person or by telecopier or telegram to such party. Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by telegram or telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices to be sent to a party pursuant to this Agreement shall be sent to or made at the address set forth below such party's signature to this Agreement, or at such other address as such party may stipulate to the other parties in the manner provided in this Section 4.2.

4.3 ENTIRE AGREEMENT; SUPERSEDURE. This Agreement constitutes the entire agreement of the parties relating to the matters contained herein, superseding all prior contracts or agreements, whether oral or written, relating to the matters contained herein.

4.4 EFFECT OF WAIVER OR CONSENT. No waiver or consent, express or implied, by any party to or of any breach or default by any Person in the performance by such Person of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such Person of the same or any other obligations of such Person hereunder. Failure on the part of a party to complain of any act of any Person or to declare any Person in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder until the applicable statute of limitations period has run.

4.5 AMENDMENT OR MODIFICATION. This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto; provided, however, that the MLP and the OLPs may not, without the prior approval of the Conflicts Committee, agree to any amendment or modification of this Agreement that, in the reasonable discretion of the General Partner, will adversely affect the holders of Common Units. Each such instrument shall be reduced to writing and shall be designated on its face an "Amendment" or an "Addendum" to this Agreement.

4.6 ASSIGNMENT. No party shall have the right to assign its rights or obligations under this Agreement without the consent of the other parties hereto.

4.7 COUNTERPARTS. This Agreement may be executed in any number of counterparts with the same effect as if all signatory parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

4.8 SEVERABILITY. If any provision of this Agreement or the application thereof to any Person or circumstance shall be held invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

4.9 GENDER, PARTS, ARTICLES AND SECTIONS. Whenever the context requires, the gender of all words used in this Agreement shall include the masculine, feminine and neuter, and the number of all words shall include the singular and plural. All references to Article numbers and Section numbers refer to Parts, Articles and Sections of this Agreement.

4.10 FURTHER ASSURANCES. In connection with this Agreement and all transactions contemplated by this Agreement, each signatory party hereto agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and all such transactions.

4.11 WITHHOLDING OR GRANTING OF CONSENT. Each party may, with respect to any consent or approval that it is entitled to grant pursuant to this Agreement, grant or withhold such consent or approval in its sole and uncontrolled discretion, with or without cause, and subject to such conditions as it shall deem appropriate.

4.12 U.S. CURRENCY. All sums and amounts payable to or to be payable pursuant to the provisions of this Agreement shall be payable in coin or currency of the United States of America that, at the time of payment, is legal tender for the payment of public and private debts in the United States of America.

4.13 LAWS AND REGULATIONS. Notwithstanding any provision of this Agreement to the contrary, no party hereto shall be required to take any act, or fail to take any act, under this Agreement if the effect thereof would be to cause such party to be in violation of any applicable law, statute, rule or regulation.

4.14 NEGOTIATION OF RIGHTS OF LIMITED PARTNERS, ASSIGNEES, AND THIRD PARTIES. The provisions of this Agreement are enforceable solely by the parties to this Agreement, and no Limited Partner, Assignee or other Person shall have the right, separate and apart from the MLP or the OLP, to enforce any provision of this Agreement or to compel any party to this Agreement to comply with the terms of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on, and effective as of, the Closing Date.

PLAINS RESOURCES INC.

By: ____
Name:
Title:

Address for Notice:

500 Dallas, Suite 700
Houston, Texas 77002
Telecopy Number: (713) 654-1523

PLAINS ALL AMERICAN PIPELINE, L.P.

By: PLAINS ALL AMERICAN INC., its sole general partner

By: _____________________________________
Name:
Title:

Address for Notice:

500 Dallas, Suite 700
Houston, Texas 77002
Telecopy Number: (713) 652-2730

PLAINS MARKETING, L.P.

By: PLAINS ALL AMERICAN INC., its sole general partner

By: ____________________________________
Name:
Title:

Address for Notice:

500 Dallas, Suite 700
Houston, Texas 77002
Telecopy Number: (713) 652-2730

ALL AMERICAN, L.P.

By: PLAINS ALL AMERICAN INC., its sole general partner

By: ______________________________________
Name:
Title:

Address for Notice:

500 Dallas, Suite 700
Houston, Texas 77002
Telecopy Number: (713) 652-2730

PLAINS ALL AMERICAN INC.

By: ____
Name:
Title:

Address for Notice:

500 Dallas, Suite 700
Houston, Texas 77002
Telecopy Number: (713) 652-2730

EXHIBIT 10.11

Deferred Payment

TRANSACTION GRANT AGREEMENT

[Plains All American, Inc. Letterhead]

_________________________, 199__

____
____
____

Re: Grant of MLP Phantom Units

Dear _________________:

I am pleased to inform you that the Company hereby grants to you ___________ MLP Phantom Units, with an equal number of distribution equivalent rights ("DERs"). A MLP Phantom Unit is a right to receive, following vesting as provided below, a Common Unit of Plains All American Pipeline, L.P. (the "MLP") and a DER is a right to receive an amount in cash from the Company equal to the distributions made by MLP with respect to a Common Unit during the period ending on the earlier of December 31, 2003 or the date the tandem MLP Phantom Unit is paid to you or forfeited. The terms of this grant are set forth below.

1. Subject to the further vesting provisions below, the MLP Phantom Units will become vested (nonforfeitable) as follows:

(a) on December 31, 1999, (i) 2/9ths of the total number of MLP Phantom Units granted you (the "Total Units") shall become vested if the Operating Surplus of the MLP for 1999 equals or exceeds the sum of the Minimum Quarterly Distributions ("MQDs") for such year with respect to the Common Units, and (ii) an additional 1/9th of the Total Units shall become vested if the Adjusted Operating Surplus of the MLP for 1999 equals or exceeds the sum of the MQDs with respect to the Common Units and Subordinated Units for 1999;

(b) on December 31, 2000, (i) an additional 2/9ths of the Total Units shall become vested if the Operating Surplus of the MLP for 2000 equals or exceeds the sum of the MQDs for such year with respect to the Common Units, and (ii) an additional 1/9th of the Total Units shall become vested if the Adjusted Operating Surplus of the MLP for 2000 equals or exceeds the sum of the MQDs with respect to the Common Units and Subordinated Units for 2000;

(c) on December 31, 2001, (i) an additional 2/9ths of the Total Units shall become vested if the Operating Surplus of the MLP for 2001 equals or exceeds the sum of the MQDs for such year with respect to the Common Units, and (ii) an additional 1/9th of the Total Units shall become vested if the Adjusted Operating Surplus of the MLP for 2001 equals or exceeds the sum of the MQDs with respect to the Common Units and Subordinated Units for 2001;

(d) the MLP Phantom Units that would have vested at the end of 1999, 2000, or 2001 had the MQDs been paid such year(s) shall become vested on the date any arrearages in MQDs for such year(s) are paid; and

(e) any MLP Phantom Units which have not vested pursuant subparagraphs (a)(ii), (b)(ii), or (c)(ii) above as of December 31, 2001 shall become vested upon, and in the same proportion as, the conversion of Subordinated Units to Common Units.

The terms Adjusted Operating Surplus and Minimum Quarterly Distribution shall have their meanings as set forth in the Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P.

2. In the event of your termination of employment with the Company and its affiliates prior to any of the vesting dates for any reason other than your death or a disability that entitles you to benefits under the long-term disability plan of the Company ("Disability"), all of your MLP Phantom Units not then vested shall automatically be forfeited unpaid as of your date of termination.

3. In the event of your termination of employment with the Company and its affiliates due to your death or Disability, your MLP Phantom Units shall continue to vest as provided in paragraph 1 above.

4. Vested MLP Phantom Units will be paid by the Company as soon as reasonably practicable following December 31, 2001 (and any subsequent vesting date) or your termination of employment, whichever occurs first.

5. DERs with respect to the MLP Phantom Units will be credited (without interest) to a Company ledger account (the "DER Account") for your benefit and upon payment of any vested MLP Phantom Units, the amounts then credited to your DER Account with respect to such vested units will be paid to you in cash. Any amount credited to the DER Account with respect to unvested MLP Phantom Units will be forfeited if and whenever such MLP Phantom Units are forfeited.

6. The Company will withhold any taxes due from your compensation as required by law, which, in the sole discretion of the Committee, may include withholding a number of MLP Common Units otherwise payable to you.

[We look forward to...etc.]

[COMPANY]

By:______________________

EXHIBIT 10.12

Payment on Vesting

TRANSACTION GRANT AGREEMENT

[Plains All American, Inc. Letterhead]

_________________________, 199__

____
____
____

Re: Grant of MLP Phantom Units

Dear _________________:

I am pleased to inform you that the Company hereby grants to you ___________ MLP Phantom Units, with an equal number of distribution equivalent rights ("DERs"). A MLP Phantom Unit is a right to receive, upon vesting as provided below, a Common Unit of Plains All American Pipeline, L.P. (the "MLP") and a DER is a right to receive an amount in cash from the Company equal to the distributions made by MLP with respect to a Common Unit during the period ending on the earlier of December 31, 2003 or the date the tandem MLP Phantom Unit is paid to you or forfeited. The terms of this grant are set forth below.

1. Subject to the further vesting provisions below, the MLP Phantom Units will become vested (nonforfeitable) as follows:

(a) on December 31, 1999, (i) 2/9ths of the total number of MLP Phantom Units granted you (the "Total Units") shall become vested if the Adjusted Operating Surplus of the MLP for 1999 equals or exceeds the sum of the Minimum Quarterly Distributions ("MQDs") for such year with respect to the Common Units, and (ii) an additional 1/9th of the Total Units shall become vested if the Adjusted Operating Surplus of the MLP for 1999 equals or exceeds the sum of the MQDs with respect to the Common Units and Subordinated Units for 1999;

(b) on December 31, 2000, (i) an additional 2/9ths of the Total Units shall become vested if the Adjusted Operating Surplus of the MLP for 2000 equals or exceeds the sum of the MQDs for such year with respect to the Common Units, and (ii) an additional 1/9th of the Total Units shall become vested if the Adjusted Operating Surplus of the MLP

for 2000 equals or exceeds the sum of the MQDs with respect to the Common Units and Subordinated Units for 2000;

(c) on December 31, 2001, (i) an additional 2/9ths of the Total Units shall become vested if the Adjusted Operating Surplus of the MLP for 2001 equals or exceeds the sum of the MQDs for such year with respect to the Common Units, and (ii) an additional 1/9th of the Total Units shall become vested if the Adjusted Operating Surplus of the MLP for 2001 equals or exceeds the sum of the MQDs with respect to the Common Units and Subordinated Units for 2001;

(d) the MLP Phantom Units that would have vested at the end of 1999, 2000, or 2001 had the MQDs been paid such year(s) shall become vested on the date any arrearages in MQDs for such year(s) are paid; and

(e) any MLP Phantom Units which have not vested pursuant subparagraphs (a)(ii), (b)(ii), or (c)(ii) above as of December 31, 2001 shall become vested upon, and in the same proportion as, the conversion of Subordinated Units to Common Units.

The terms Adjusted Operating Surplus and Minimum Quarterly Distribution shall have their meanings as set forth in the Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P.

2. In the event of your termination of employment with the Company and its affiliates for any reason other than your death or a disability that entitles you to benefits under the long-term disability plan of the Company ("Disability"), all of your MLP Phantom Units not then vested shall automatically be forfeited unpaid as of your date of termination.

3. In the event of your termination of employment with the Company and its affiliates due to your death or Disability, your MLP Phantom Units shall continue to vest as provided in paragraph 1 above.

4. Vested MLP Phantom Units will be paid by the Company as soon as reasonably practicable following each vesting date.

5. DERs with respect to the MLP Phantom Units will be credited (without interest) to a Company ledger account (the "DER Account") for your benefit and upon payment of any vested MLP Phantom Units, the amounts then credited to your DER Account with respect to such vested units will be paid to you in cash. Any amount credited to the DER Account with respect to unvested MLP Phantom Units will be forfeited if and whenever such MLP Phantom Units are forfeited.

6. The Company will withhold any taxes due from your compensation as required by law, which, in the sole discretion of the Committee, may include withholding a number of MLP Common Units otherwise payable to you.

[We look forward to...etc.]

[COMPANY]

By:_____________________________

EXHIBIT NO. 15.1

Securities and Exchange Commission

450 Fifth Street, N.W.

Washington, D.C. 20549

Ladies and Gentlemen:

We are aware that Plains All American Pipeline, L.P. has included our report dated October 30, 1998 (issued pursuant to the provisions of Statement on Auditing Standards No. 71) in the Prospectus constituting part of its Registration Statement on Form S-1 to be filed on or about November 2, 1998. In addition, we are aware that Plains All American Pipeline, L.P. has included our report dated October 31, 1998 on the pro forma consolidated balance sheet as of September 30, 1998 and the pro forma consolidated income statements for the nine-month periods ended September 30, 1997 and 1998 in the same Registration Statement on Form S-1. We are also aware of our responsibilities under the Securities Act of 1933.

Yours very truly,

PricewaterhouseCoopers LLP

Houston, Texas

November 2, 1998

EXHIBIT NO. 15.2

Securities and Exchange Commission

450 Fifth Street, N.W.

Washington, D.C. 20549

Ladies and Gentlemen:

We are aware that Plains All American Pipeline, L.P. has included our report dated September 23, 1998 (issued pursuant to the provisions of Statement on Auditing Standards No. 71) in the Prospectus constituting part of its Registration Statement on Form S-1 to be filed on or about November 2, 1998. We are also aware of our responsibilities under the Securities Act of 1933.

Yours very truly,

PricewaterhouseCoopers LLP

San Francisco, California

November 2, 1998

Exhibit 21.1

List of Subsidiaries of Plains All American Pipeline, L.P.

Plains Marketing, L.P., a Delaware limited partnership

All American, L.P., a Texas limited partnership

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Amendment No. 1 to the Registration Statement on Form S-1 of Plains All American Pipeline, L.P. of our reports dated September 14, 1998, October 31, 1998, October 31, 1998 and September 16, 1998 relating to the balance sheet of Plains All American Inc., the balance sheet of Plains All American Pipeline, L.P., the pro forma consolidated income statement of Plains All American Pipeline, L.P., and the combined financial statements of Plains Resources Inc. Midstream Subsidiaries, respectively, which appear in such Prospectus. We also consent to the reference to us under the heading "Experts" in such Prospectus.

PRICEWATERHOUSECOOPERS LLP

Houston, Texas

November 2, 1998

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Amendment No. 1 to the Registration Statement on Form S-1 of Plains All American Pipeline, L.P. of our report dated July 27, 1998 relating to the consolidated financial statements of Wingfoot Ventures Seven, Inc., which appears in such Prospectus. We also consent to the reference to us under the heading "Experts" in such Prospectus.

PRICEWATERHOUSECOOPERS LLP

San Francisco, California

November 2, 1998

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE PLAINS ALL AMERICAN PIPELINE, L.P.'S BALANCE SHEET AS OF OCTOBER 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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