
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)—**March 1, 2004**

Plains All American Pipeline, L.P.

(Exact name of Registrant as specified in its charter)

DELAWARE

(State or other jurisdiction
of incorporation or organization)

1-14569

(Commission
File Number)

76-0582150

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

**333 Clay Street, Suite 1600
Houston, Texas 77002
(713) 646-4100**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Item 2. Acquisition or Disposition of Assets

Plains All American Pipeline, L.P. has acquired the interests in certain entities owned by Shell Pipeline Company LP, which own interests in the Capline Pipe Line System, the Capwood Pipe Line System and the Patoka Pipe Line System. The purchase price of approximately \$158.4 million includes transaction and closing costs. The acquisition closed on March 1, 2004, which is also the effective date. Certain financial statements, including carve out financial statements of the businesses acquired and pro forma financial statements, have not previously been publicly disclosed, and are attached to this Form 8-K as Exhibits 99.1 and 99.2.

Item 7. Financial Statements and Exhibits

- | | |
|------|--|
| (c) | Exhibits |
| 23.1 | Consent of PricewaterhouseCoopers LLP |
| 99.1 | Capline Pipe Line Business, Capwood Pipe Line Business and Patoka Pipe Line Business, Audited Combined Financial Statements as of and for the years ended December 31, 2003 and December 31, 2002. |
| 99.2 | Unaudited Pro Forma Combined Financial Statements of Plains All American Pipeline, L.P. as of and for the year ended December 31, 2003. |
| 99.3 | Purchase and Sale Agreement, dated December 16, 2003 by and between Shell Pipeline Company LP, a Delaware limited partnership, and All American Pipeline, L.P., (now known as Plains Pipeline, L.P.), a Texas limited partnership. |
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PLAINS ALL AMERICAN PIPELINE, L.P.

Date: March 17, 2004

By: Plains AAP, L.P., its general partner

By: Plains All American GP LLC, its general partner

By: /s/ TINA L. VAL

Name: Tina L. Val

Title: Vice President—Accounting and
Chief Accounting Officer

Index to Exhibits

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 - 99.3 Purchase and Sale Agreement, dated December 16, 2003 by and between Shell Pipeline Company LP, a Delaware limited partnership, and All American Pipeline, L.P., (now known as Plains Pipeline, L.P.), a Texas limited partnership.
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[Item 7. Financial Statements and Exhibits](#)

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Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-91141, 333-54118, 333-74920) and Form S-3 (File Nos. 333-59224 and 333-68446) of Plains All American Pipeline, L.P. of our report dated March 12, 2004 relating to the combined financial statements of the Capline Pipe Line Business, Capwood Pipe Line Business and Patoka Pipe Line Business, which appear in this Current Report on Form 8-K.

PricewaterhouseCoopers LLP

Houston, Texas

March 17, 2004

QuickLinks

[Exhibit 23.1](#)

[CONSENT OF INDEPENDENT ACCOUNTANTS](#)

Capline Pipe Line Business, Capwood Pipe Line Business and Patoka Pipe Line Business

Combined Financial Statements December 31, 2003 and 2002

Report of Independent Auditors

To the Board of Directors of
Shell Pipeline Company LP

In our opinion, the accompanying combined balance sheets and the related combined statements of income and owner's net investment and cash flows of the Capline Pipe Line Business, Capwood Pipe Line Business and Patoka Pipe Line Business ("the Businesses") present fairly, in all material respects, the financial position of the Businesses at December 31, 2003 and 2002, and the results of their operations and their cash flows for the year ended December 31, 2003, and for the periods February 14, 2002, through December 31, 2002, and January 1, 2002, through February 13, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Shell Pipeline Company L.P.'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 auditing standards generally accepted in the United States of America, 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 our opinion.

As described in Note 6, the Businesses were sold on March 1, 2004, to Plains All American Pipeline L.P.

PricewaterhouseCoopers LLP

Houston, Texas
March 12, 2004

Capline Pipe Line Business, Capwood Pipe Line Business and Patoka Pipe Line Business Combined Balance Sheets December 31, 2003 and 2002

<i>(dollars in thousands)</i>	2003	2002
Assets		
Current assets		
Accounts receivable	\$ 421	\$ 679
Allowance oil inventory	4,853	8,192
Materials and supplies	357	372
Other	116	41
	5,747	9,284
Property and equipment, net	93,857	98,428
Total assets	\$ 99,604	\$ 107,712
Liabilities and Owner's Net Investment		
Current liabilities		
Property tax payable	\$ 343	\$ 91
Other	—	48
Total current liabilities	343	139
Owner's net investment	99,261	107,573
Total liabilities and owner's net investment	\$ 99,604	\$ 107,712

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

**Capline Pipe Line Business, Capwood Pipe Line Business and Patoka Pipe Line Business
Combined Statements of Income and Owner's Net Investment**

<i>(dollars in thousands)</i>	Year Ended December 31, 2003	February 14 through December 31, 2002	January 1 through February 13, 2002
Revenue			
Transportation and allowance oil revenue	\$ 34,363	\$ 43,974	\$ 6,028
Other revenue	1,492	746	102
Total revenue	35,855	44,720	6,130
Costs and expenses			
Power and fuel	5,535	7,298	1,000
Outside services	2,271	1,995	273
Salary and wages	1,769	1,346	184
Depreciation	5,264	4,589	64
Taxes other than taxes on income	657	570	78
Materials and supplies	342	460	63
Management fees	528	457	63
Pension and benefits	421	287	39
Other	326	299	40
Total costs and expense	17,113	17,301	1,804
Net income	18,742	27,419	4,326
Deemed distributions to parent company	(27,054)	(31,967)	(4,382)
Purchase price allocation	—	93,730	—
Owner's net investment			
Beginning of period	107,573	18,391	18,447
End of period	\$ 99,261	\$ 107,573	\$ 18,391

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

The post-acquisition financial statements reflect a new basis of accounting, and the pre-acquisition and post-acquisition period financial statements are presented but are not comparable (See Note 1 in the Notes to Combined Financial Statements).

**Capline Pipe Line Business, Capwood Pipe Line Business and Patoka Pipe Line Business
Combined Statements of Cash Flows**

<i>(dollars in thousands)</i>	Year Ended December 31, 2003	February 14 through December 31, 2002	January 1 through February 13, 2002
Cash flows provided by operating activities			
Net income	\$ 18,742	\$ 27,419	\$ 4,326
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	5,264	4,589	64
(Increase) decrease in working capital			
Receivables	258	237	32
Allowance oil inventory	3,339	662	90
Materials and supplies	15	33	5
Property tax payable	252	(32)	(5)
Other	(123)	48	6
Net cash provided by operating activities	27,747	32,956	4,518
Cash flows used for investing activities			
Capital expenditures	(693)	(989)	(136)
Net cash used for investing activities	(693)	(989)	(136)

Cash flows used for financing activities

Deemed distributions to parent company	(27,054)	(31,967)	(4,382)
Net cash used for financing activities	(27,054)	(31,967)	(4,382)
Net increase in cash and cash equivalents	—	—	—
Cash and cash equivalents			
Beginning of period	—	—	—
End of period	—	—	—
Nonmonetary activities			
Purchase price allocation	\$ —	\$ 93,730	\$ —

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

The post-acquisition financial statements reflect a new basis of accounting, and the pre-acquisition and post-acquisition period financial statements are presented but are not comparable (See Note 1 in the Notes to Combined Financial Statements).

Capline Pipe Line Business, Capwood Pipe Line Business and Patoka Pipe Line Business

Notes to Combined Financial Statements

1. Organization and Basis of Presentation

The accompanying combined financial statements present, in conformity with accounting principles generally accepted in the United States of America, the assets, liabilities, revenues and expenses of the historical operations of the transportation businesses comprised of the Capline Pipe Line Business, Capwood Pipe Line Business and Patoka Pipe Line Business (collectively the "Businesses") owned by Shell Pipeline Company LP ("Shell Pipeline"), formerly Equilon Pipeline Company LLC. Throughout the period covered by the financial statements, Shell Pipeline owned and managed the Businesses' operations.

Effective January 1, 1998, Shell Oil Company ("Shell Oil") and Texaco, Inc. ("Texaco") formed Equilon Enterprises LLC ("Equilon Enterprises") with 56 percent and 44 percent membership interests, respectively. Shell Pipeline is a wholly owned subsidiary of Equilon Enterprises.

In connection with the 2002 merger of Chevron Corporation and Texaco, Inc., the Federal Trade Commission required Texaco to divest its interest in Equilon Enterprises, and in early 2002 Shell Oil acquired Texaco's 44 percent interest in Equilon Enterprises, making Shell Oil the 100 percent owner of Equilon Enterprises. The acquisition by Shell Oil was accounted for using the purchase method of accounting in accordance with generally accepted accounting principles, with Shell Pipeline allocating the purchase price paid by Shell Oil to Shell Pipeline's net assets as of the acquisition date. Accordingly, the post-acquisition financial statements reflect a new basis of accounting, and the pre-acquisition period and post-acquisition period financial statements are presented but are not comparable.

The Capline Pipe Line Business ("Capline") is an undivided interest in a pipeline system consisting of 667 miles of 40-inch pipe from St. James, Louisiana to Patoka, Illinois. The Capwood Pipe Line Business ("Capwood") is an undivided interest in a pipeline system consisting of 57 miles of 20-inch pipe from Patoka, Illinois to Wood River, Illinois. The Patoka Pipe Line Business is a wholly owned pipeline system consisting of 1.2 miles of 22-inch pipe connecting Capline to storage locations in Patoka. Shell Pipeline's ownership percentages of each of the pipelines mentioned above are 22 percent, 76 percent and 100 percent, respectively. The combined financial statements include the Businesses' pro rata share of the assets, liabilities, revenues and expenses, because the undivided interests are not subject to joint control and the Businesses are only responsible for their pro rata share of direct costs.

The accompanying combined financial statements are presented on a carve-out basis to include the historical operations of the Businesses owned by Shell Pipeline viewed from a nonoperator perspective. In this context, a direct relationship existed between the carve-out operations and the operator, Shell Pipeline. Shell Pipeline's net investment in the Businesses (owner's net investment) is shown in lieu of stockholder's equity in the combined financial statements.

The combined statement of income and owner's net investment includes the pro rata share of the annual management fee charged to the undivided interests by the operator. The results of operations also include pro-rata allocations in accordance with the terms of the operating agreement, generally based on direct payroll and benefit costs.

Throughout the period covered by the combined financial statements, Shell Pipeline has provided cash management services to the Businesses through a centralized treasury function. As a result, all charges and cost allocations for the Businesses were deemed to have been paid by the Businesses to Shell Pipeline, in cash, during the period in which the cost was recorded in the combined financial statements.

All of the allocations and estimates in the combined financial statements were based on assumptions that Shell Pipeline management believes were reasonable under the circumstances. These

allocations and estimates are not necessarily indicative of the costs and expenses that would have resulted if the Businesses had been operated as a separate entity.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosures of contingent assets and liabilities. Although Shell Pipeline's management believes these estimates are reasonable, actual results could differ from these estimates.

Revenue Recognition

Revenues for the transportation of crude are recognized (1) based upon regulated tariff rates and the related transportation volumes and (2) when the delivery of crude is made to the shipper or another common carrier pipeline. Allowance oil revenue is recognized when the Businesses receive the allowance oil volumes, which are valued at current market value. Any allowance oil sold is recorded in revenue as a net amount based on the selling price less its weighted average cost. Other revenue consists of additional charges in accordance with the tariff agreement based on the viscosity of the crude oil.

Property and Equipment

Crude oil pipeline and gathering assets are carried at cost. Costs subject to depreciation are net of expected salvage values and depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets as follows:

Line pipe	20-25 years
Equipment and other pipeline assets	20-25 years
Oil tanks	20-25 years
Other	5-25 years

Acquisitions and expenditures for renewals and betterments are capitalized, while maintenance and repairs, which do not improve or extend asset life, are expensed as incurred.

Impairment of Long-Lived Assets

The Businesses have adopted Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, effective January 1, 2002. SFAS No. 144 retains the fundamental provisions of existing generally accepted accounting principles in the United States of America ("GAAP") with respect to the recognition and measurement of long-lived asset impairment contained in SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. However, SFAS No. 144 provides new guidance intended to address certain significant implementation issues associated with SFAS No. 121, including expanded guidance with respect to appropriate cash flows to be used to determine whether recognition of any long-lived asset impairment is required, and if required how to measure the amount of the impairment. SFAS No. 144 also requires that any net assets to be disposed of by sale be reported at the lower of carrying value or fair value less cost to sell, and expands the reporting of discontinued operations to include any component of any entity.

Accounts Receivable

Accounts receivable are valued at historical cost less an allowance for doubtful accounts.

Allowance Oil

A loss allowance factor of 0.2 percent on average, by volume, is incorporated into crude oil tariffs to offset evaporation and other losses in transit. The net excess of allowance quantities, calculated in accordance with the tariffs, over actual losses is valued at the average market value at the time the excess occurred and the result is recorded as allowance oil revenue. Inventories of allowance oil are carried at the lower of such value (cost) or market value with cost being determined on an average-cost basis. Gains or losses on sales of allowance oil barrels are included in transportation and allowance oil revenue.

Materials and Supplies

Inventories of materials and supplies are carried at lower of historical cost or market.

Environmental and Other Accrued Liabilities

The Businesses accrue for environmental remediation and other accrued liabilities when it is probable that such liabilities exist, based on past events or known conditions, and the amount of such liability can be reasonably estimated. If the Businesses can only estimate a range of probable liabilities, the minimum future undiscounted expenditure necessary to satisfy the Businesses' future obligation is accrued.

Concentration of Credit and Other Risks

A significant portion of the Businesses' revenues and receivables are from oil and gas companies. Although collection of these receivables could be influenced by economic factors affecting the oil and gas industry, management believes the risk of significant loss is considered remote.

One customer individually represents 53, 64 and 64 percent of sales for the fiscal year ended December 31, 2003, and for the periods February 14, 2002, to December 31, 2002, and January 1, 2002, to February 13, 2002, respectively. Another customer individually represents 14 percent of sales for the fiscal year ended December 31, 2003.

Development and production of crude oil in the service area of the pipelines is subject to among other factors, prices of crude oil and federal and state energy policy, none of which are within the Businesses' control.

Income Taxes

The Businesses have not historically incurred income tax expense as the Businesses were in partnerships, which, in accordance with the provisions of the Internal Revenue Code, are not subject to U.S. Federal income taxes. Rather, each partner includes its allocated share of the partnership's income or loss in its own federal and state income tax returns.

New Accounting Standards

Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*—SFAS No. 146, issued in June 2002, addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF 94-3, *Liability Recognition for*

Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). In accordance with the requirements of the standard, the Businesses have adopted SFAS

No. 146 for exit and disposal activities initiated after December 31, 2002. The Businesses did not have exit or disposal activities and accordingly, the adoption of SFAS No. 146 did not have an effect on the Businesses' financial position, results of operations or liquidity.

FASB Interpretation No. 45 *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*—FIN No. 45, issued in November 2002, elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has provided. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Businesses have adopted FIN No. 45 and new guarantees, except those specifically excluded from the scope of the interpretation, issued after December 31, 2002, have been recognized at their fair value as a liability in accordance with the requirements of the interpretation. There were no guarantees in respect to the Businesses and accordingly, the adoption of FIN No. 45 did not have an effect on the Businesses' financial position, results of operations or liquidity.

3. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2003 and 2002:

	2003	2002
Land	\$ 533	\$ 533
Right of way	615	615
Line pipe	65,557	65,314
Equipment and other pipeline assets	25,070	24,442
Oil tanks	11,610	11,078
Construction work-in-progress	325	1,035
	<u>103,710</u>	<u>103,017</u>
Accumulated depreciation	9,853	4,589
Net property, plant and equipment	<u>\$ 93,857</u>	<u>\$ 98,428</u>

As described in Note 1, on February 13, 2002, Shell Oil acquired Texaco's 44 percent interest in Equilon Enterprises, making Shell Oil the 100 percent owner of Equilon Enterprises. The acquisition was accounted for using the purchase method of accounting in accordance with generally accepted accounting principles. Shell Oil's property, plant and equipment including the Capline, Capwood and Patoka Pipe Line Businesses was adjusted to estimated fair market value on February 14, 2002, and depreciated based on revised estimated remaining useful lives. The Businesses' accumulated depreciation balance at February 14, 2002, was eliminated pursuant to the purchase method of accounting.

4. Related Party Transactions

The Businesses have entered into transactions with Shell Oil including its affiliates. Such transactions are in the ordinary course of business, include the transportation of crude oil and petroleum products and approximate market value.

The aggregate amounts of such transactions for the year ended December 31, 2003, and for the periods ended December 31, 2002, and February 13, 2002, consisted of pipeline tariff revenues totaling approximately \$781,000, \$287,000 and \$39,000, respectively.

The Businesses have no employees and rely on the operator, Shell Pipeline, to provide personnel to perform daily operating and administrative duties on behalf of the Businesses. Accordingly, in

accordance with the terms of the operating agreement, the operator has charged the Businesses for management fees aggregating approximately \$528,000, \$427,000 and \$63,000 for the year ended December 31, 2003, and for the periods ended December 31, 2002, and February 13, 2002, respectively.

Certain of those personnel participate in the Alliance Pension Plan (a defined benefit plan) and the Alliance Savings Plan (a defined contribution plan). Also, certain of those personnel participate in Shell sponsored benefit plans that provide pensions and other postretirement benefits. A portion of these plans are unfunded, and the costs are shared by Shell Oil and its employees. The Businesses' allocated expense related to these plans was approximately \$421,000, \$288,000 and \$39,000 for the year ended December 31, 2003, and for the periods ended December 31, 2002, and February 13, 2002, respectively.

In addition, as described in Note 1, the results of operations also include allocations of salary and wages. Such allocations totaled approximately \$1,769,000, \$1,346,000 and \$184,000 for the year ended December 31, 2003, and for the periods ended December 31, 2002, and February 13, 2002, respectively.

5. Commitments and Contingencies

The Businesses lease certain real property, equipment and operating facilities under various operating leases. The Businesses also incur costs associated with leased land, rights-of-way, permits and regulatory fees, the contracts for which generally extend beyond one year but can be cancelled at any time should they not be required for operations. Future noncancellable commitments related to these items at December 31, 2003 were not significant.

Total lease expense incurred for the year ended December 31, 2003, and for the periods ended December 31, 2002, and February 13, 2002, was approximately \$136,000, \$106,000 and \$15,000, respectively.

The Businesses are subject to possible loss contingencies including actions or claims based on environmental laws, federal regulations, and other matters.

The Businesses may be obligated to take remedial action as a result of the enactment of laws or the issuance of new regulations or to correct for the effects of the Businesses' actions on the environment. The Businesses have not accrued for any liability at December 31, 2003 or 2002, for planned environmental remediation activities. In management's opinion, this is appropriate based on existing facts and circumstances.

6. Subsequent Event

On December 16, 2003, Shell Pipeline entered into a purchase and sale agreement with Plains All American Pipeline L.P. committing to sell the Businesses for approximately \$158 million excluding transaction costs and crude oil inventory and linefill requirements. The transaction closed on March 1, 2004.

QuickLinks

[Exhibit 99.1](#)

[Report of Independent Auditors](#)

[Capline Pipe Line Business, Capwood Pipe Line Business and Patoka Pipe Line Business Combined Balance Sheets December 31, 2003 and 2002](#)

[Capline Pipe Line Business, Capwood Pipe Line Business and Patoka Pipe Line Business Combined Statements of Income and Owner's Net Investment](#)

[Capline Pipe Line Business, Capwood Pipe Line Business and Patoka Pipe Line Business Combined Statements of Cash Flows](#)

[Capline Pipe Line Business, Capwood Pipe Line Business and Patoka Pipe Line Business Notes to Combined Financial Statements](#)

PLAINS ALL AMERICAN PIPELINE, L.P.
UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

Plains All American Pipeline, L.P. is a Delaware limited partnership formed in September of 1998 to acquire and operate the midstream crude oil business and assets of Plains Resources Inc. and its wholly owned subsidiaries. The following unaudited pro forma combined financial statements are presented to give effect to the transaction described below:

The acquisition of Shell Pipeline Company LP's ("SPLC") interest in certain entities. The principal assets of the entities include interests in the Capline Pipeline System, the Capwood Pipeline System and the Patoka Pipeline System (referred to in this report as "the SPLC acquisition"). The purchase price, including transaction and closing costs, was approximately \$158.4 million. The acquisition closed and was effective on March 1, 2004. The acquisition is accounted for using the purchase method of accounting.

The unaudited pro forma combined balance sheet as of December 31, 2003 and the unaudited pro forma combined statement of operations for the year ended December 31, 2003 are based upon the following, respectively:

- (1) The historical consolidated balance sheet of Plains All American Pipeline, L.P. at December 31, 2003.
- (2) The historical consolidated statement of operations of Plains All American Pipeline, L.P. for the year ended December 31, 2003 and the historical combined statement of operations for the businesses acquired in the SPLC acquisition for the same period.

The unaudited pro forma combined financial statements are not necessarily indicative of the results of the actual or future operations or financial condition that would have been achieved had the SPLC acquisition occurred at the dates assumed (as noted below). The unaudited pro forma combined financial statements should be read in conjunction with the notes thereto and the historical audited consolidated financial statements of Plains All American Pipeline, L.P. for the year ended December 31, 2003 as well as those for the businesses acquired in the SPLC acquisition for the same period.

The following unaudited pro forma combined statement of operations for the year ended December 31, 2003 has been prepared as if the SPLC acquisition described above had taken place on January 1, 2003. The unaudited pro forma combined balance sheet at December 31, 2003 assumes the SPLC acquisition was consummated on that date.

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
December 31, 2003
(in thousands)

	Plains All American Historical	Pro Forma SPLC Acquisition Adjustments	Plains All American Pro Forma
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,137	\$ 158,000 (a) (158,200)(b)	\$ 3,937
Accounts receivable, net	590,645	—	590,645
Inventory	105,967	—	105,967
Other current assets	32,225	—	32,225
Total current assets	732,974	(200)	732,774
PROPERTY AND EQUIPMENT			
Accumulated depreciation	1,272,634 (121,595)	158,400 (b) —	1,431,034 (121,595)
	1,151,039	158,400	1,309,439
OTHER ASSETS			
Pipeline linefill	122,653	—	122,653
Other, net	88,965	—	88,965
Total assets	\$ 2,095,631	\$ 158,200	\$ 2,253,831
CURRENT LIABILITIES			
Accounts payable	\$ 603,460	\$ —	\$ 603,460
Due to related parties	26,981	—	26,981
Short-term debt	127,259	—	127,259
Other current liabilities	44,219	200 (b)	44,419
Total current liabilities	801,919	200	802,119
LONG-TERM LIABILITIES			
Long-term debt under credit facilities	70,000	158,000 (a)	228,000
Senior notes, net of unamortized discount of \$1,009	448,991	—	448,991

Other long-term liabilities and deferred credits	27,994	—	27,994
Total liabilities	1,348,904	158,200	1,507,104
COMMITMENTS AND CONTINGENCIES			
PARTNERS' CAPITAL			
Common unitholders (49,502,556 units outstanding)	744,073	—	744,073
Class B common unitholder (1,307,109 units outstanding)	18,046	—	18,046
Subordinated unitholders (7,522,214 units outstanding)	(39,913)	—	(39,913)
General partner	24,521	—	24,521
Total partners' capital	746,727	—	746,727
	\$ 2,095,631	\$ 158,200	\$ 2,253,831

See notes to unaudited pro forma combined financial statements

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
For the Twelve Months Ended December 31, 2003
(in thousands, except per unit data)

	Plains All American Historical	SPLC Acquisition Historical	Pro Forma SPLC Acquisition Adjustments	Plains All American Pro Forma
REVENUES				
Crude oil and LPG sales	\$ 11,952,623	\$ —	\$ —	\$ 11,952,623
Pipeline margin activities	505,287	—	—	505,287
Pipeline tariffs and fees	99,887	35,855	—	135,742
Other	32,052	—	—	32,052
Total revenues	12,589,849	35,855	—	12,625,704
COSTS AND EXPENSES				
Crude oil and LPG purchases and related costs	11,727,355	—	—	11,727,355
Pipeline margin activities purchases	486,154	—	—	486,154
Other purchases	19,027	—	—	19,027
Operating expenses (excluding LTIP charge)	134,177	10,574	—	144,751
LTIP charge—operations	5,727	—	—	5,727
General and administrative (excluding LTIP charge)	49,969	1,275	—	51,244
LTIP charge—general and administrative	23,063	—	—	23,063
Depreciation and amortization	46,821	5,264	(5,264)(c) 3,976 (d)	50,797
Total costs and expenses	12,492,293	17,113	(1,288)	12,508,118
Gains on sales of assets	648	—	—	648
OPERATING INCOME	98,204	18,742	1,288	118,234
OTHER INCOME/(EXPENSE)				
Interest expense (net of capitalized interest of \$524)	(35,226)	—	(4,898)(e)	(40,124)
Interest income and other, net	(3,530)	—	—	(3,530)
NET INCOME	\$ 59,448	\$ 18,742	\$ (3,610)	\$ 74,580
NET INCOME—LIMITED PARTNERS	\$ 53,473			\$ 68,302
NET INCOME—GENERAL PARTNER	\$ 5,975			\$ 6,278
BASIC NET INCOME PER LIMITED PARTNER UNIT				
	\$ 1.01			\$ 1.30
DILUTED NET INCOME PER LIMITED PARTNER UNIT				
	\$ 1.00			\$ 1.28
BASIC WEIGHTED AVERAGE UNITS OUTSTANDING				
	52,743			52,743
DILUTED WEIGHTED AVERAGE UNITS OUTSTANDING				
	53,400			53,400

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

Note 1—Pro Forma Adjustments

The pro forma adjustments are as follows:

- a. Reflects the net proceeds of borrowings under the bank credit facility to fund the SPLC acquisition.
- b. Records the assets purchased in the SPLC acquisition, including the accrual of estimated transaction costs, based on the purchase method of accounting. The purchase price consists of approximately \$158.4 million including transaction and closing costs (See Note 2).
- c. To reverse historical depreciation as recorded by SPLC.
- d. Reflects depreciation on the acquired assets based on the straight-line method of depreciation over an average useful life of 40 years.
- e. Reflects the adjustment to interest expense for the increase in long term debt of \$158.0 million from a draw down on the credit facility using an average interest rate of 3.1% for the period ended December 31, 2003. The impact to interest expense of a $\frac{1}{8}\%$ change in interest rates would be approximately \$0.2 million per year.

Note 2—Purchase Price Allocation

The SPLC acquisition presented in these pro forma statements has been accounted for using the purchase method of accounting and the purchase price has been allocated in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations". The purchase consists of the acquisition of Shell Pipeline Company LP's ("SPLC") interest in two entities. The principal assets of the entities include interests in certain businesses from Shell Pipeline Company, including its interests in the Capline Pipe Line System, the Capwood Pipe Line System and the Patoka Pipe Line System. No working capital was included in the acquisition. The purchase price of approximately \$158.4 million includes transaction and closing costs. The acquisition closed and was effective on March 1, 2004. The total purchase price is preliminary as the ultimate amount of transaction costs are based on estimates at this time. We do not expect the final allocation to differ materially from the allocation presented below. The purchase price allocation is as follows (in thousands):

Crude oil pipeline assets	\$ 152,146
Crude oil storage facilities	5,145
Land	411
Other property and equipment	698
	<hr/>
Total	\$ 158,400
	<hr/>

QuickLinks

[Exhibit 99.2](#)

[PLAINS ALL AMERICAN PIPELINE, L.P. UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS](#)

[PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS](#)

**PURCHASE AND SALE AGREEMENT
(PACKAGE 1)**

THIS PURCHASE AND SALE AGREEMENT (the "Agreement"), is entered into effective the 16th day of December, 2003, by and between Shell Pipeline Company LP ("Seller"), a Delaware limited partnership, and All American Pipeline, L.P. ("Buyer"), a Texas limited partnership. Seller and Buyer are hereinafter sometimes referred to individually as a "Party" or collectively as the "Parties." Other definitions used in this Agreement are found in Annex A attached hereto and made a part hereof.

For and in consideration of the mutual covenants, obligations and benefits made and contained herein, the Parties agree as follows:

**Article 1
Purchase and Sale**

A. *Included Assets.* Subject to the terms and conditions set forth below, Seller agrees to sell, grant, transfer, assign and convey, and Buyer agrees to purchase, acquire, pay for and accept all of Seller's right, title and interest in and to the following real and personal property interests, other than the Excluded Assets (the "Property"):

- (1) The crude oil pipeline systems shown or described on Exhibits "A" and "A-1" through "A-4", attached hereto and made a part hereof (the "Pipelines");
- (2) All real property interests described and shown on Exhibits "B-1" through "B-4" attached hereto and made a part hereof ("Real Property");
- (3) Rights-of-Way and Permits appurtenant to or associated with the Pipelines as further described on Exhibits "C-1" through "C-4", attached hereto and made a part hereof;
- (4) The Assigned Contracts as further described on Exhibits "D-1" through "D-4" attached hereto and made a part hereof;
- (5) Any and all pipe, pumps, motors, valves, fittings, miscellaneous equipment and facilities, and buildings associated with the Pipelines as further described on Exhibits "E-1" through "E-4" attached hereto and made a part hereof ("Equipment");
- (6) The Books and Records; and
- (7) All of the ownership interests in SPLC Capline Company and SPLC Capwood Company which own the underlying pipeline systems as shown or described on Exhibits "A-1" and "A-3" (the "Companies") and which shall be assigned to Buyer by means of a mutually agreed to form of assignment.

B. *Excluded Assets.* The Property shall not include any real or personal property interests described on the attached Exhibits "F-1" through "F-4" (the "Excluded Assets"). In particular, Seller is not selling to Buyer any of its allowance oil or other oil held in inventory for Seller in any of the Property. In addition, Seller is not selling to Buyer any oil held in any of the Property for the account of shippers. For all of the Excluded Assets, Buyer grants Seller a sixty (60) day right of access, commencing at the Effective Time, to remove such assets from the Property. The Property does not include any FCC licenses.

C. *Signage.* Buyer acknowledges that it shall have no rights with respect to the use of the names "Shell Pipeline Company LP", "Shell Oil Products US" or any and all variations and derivatives thereof, all trademarks, service marks and logos associated therewith, nor any "Goodwill" associated with any of the foregoing. Within sixty (60) days after the Effective Time, Buyer shall remove or cause to be removed, all such names, marks or logos from wherever they may appear on the Property, including the removal of all Shell Pipeline Company LP or Shell Oil Products US line markers.

D. *One-Call.* Except with respect to the Pipelines which shall continue to be operated by Seller after the Closing Date, Buyer will promptly, but in no event later than ninety (90) days after the Effective Time, contact every appropriate one-call agency in the vicinity of any of the Property and have the contact information for one-calls changed from Seller's name to Buyer's name. This obligation of Buyer shall include sending revised maps to the one-call agencies where appropriate or required. Buyer shall send Seller a letter, to the Notices address contained in Article 26 of this Agreement, when the one-call notification information has been changed. Should Buyer fail to have the one-call information and maps changed to Buyer's name within sixty (60) days of the Effective Time, then Buyer shall pay to Seller one hundred dollars (\$100.00) for each one-call received by Seller for any of the Property on or after the ninetieth (90th) day after the Effective Time.

**Article 2
Purchase Price**

A. *Price.* The price to be paid by Buyer to Seller for the Property shall be One Hundred Fifty Eight Million and No/100ths Dollars (\$158,000,000.00) (the "Purchase Price") payable at Closing (as defined below) less the Earnest Money held by Seller, by wire transfer in immediately available funds to an account to be designated by Seller.

B. *Earnest Money.* As evidence of Buyer's ability to perform this Agreement and good faith intent to comply with the terms hereof, Buyer has deposited with Seller an amount equal to ten percent (10%) of the Purchase Price as Earnest Money (hereinafter "Earnest Money"). The Earnest Money shall accrue interest at a per annum rate calculated on a daily basis using the three month treasury bill rate published in The Wall Street Journal for any applicable day (with the rate for any day for which a rate is not published being the rate most recently published). All references to Earnest Money shall include interest on the Earnest Money as calculated by using the preceding sentence.

C. *Distribution of Earnest Money.* The Earnest Money shall be distributed as follows:

- (1) If the Closing occurs, then the Earnest Money shall be applied to and credited against the Purchase Price at Closing.
- (2) In the event the transaction fails to close because any of the conditions to Closing contained in Section 3A is not satisfied and this Agreement is terminated, Seller will refund the Earnest Money to Buyer, and Buyer and Seller shall each be relieved of all liability hereunder.
- (3) In the event the transaction fails to close because any of the conditions to Closing contained in Section 3A is not satisfied because Buyer has violated the terms of this Agreement, Seller shall be entitled to retain the Earnest Money, as liquidated damages and not as a penalty, and Buyer and Seller shall each be relieved of all further liability hereunder.

Article 3 Closing

Closing shall take place on the first day of the month immediately following the month in which the waiting period(s) of the HSR Act expire but no later than April 1, 2004, at Seller's offices in Houston, Texas ("Closing"), or at such other time and place as agreed to in writing by the Parties. Control of operations, risk of loss, and transfer of title to the Property from Seller to Buyer shall be effective as of 7:00 a.m. local time on the Closing Date.

A. *Conditions to Closing.* Except as expressly waived by the Parties, the obligations of the Parties to close this transaction are subject to the complete satisfaction, prior to Closing, of each of the

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following conditions, which conditions the Parties intend to be conditions precedent to Seller's obligation to convey the Property and to Buyer's obligation to pay the Purchase Price:

- (1) All representations of the Parties set forth in this Agreement shall be true in all material respects as of the Closing Date as if made on the Closing Date, and the Parties shall have performed all covenants and conditions required by this Agreement to be performed at or prior to Closing and shall have taken all other actions reasonably necessary to close this transaction.
- (2) No Law shall exist or shall have been enacted restricting or substantially delaying this transaction.
- (3) Neither Party shall have exercised any right it may have to terminate or refuse to close under this Agreement.
- (4) If in the judgment of either Seller or Buyer, the pre-merger notification requirements of the HSR Act are applicable to this transaction, then both Seller and Buyer shall file with the Federal Trade Commission and the Department of Justice their respective Notification and Report Forms and supplemental information, if any, and will comply with the requirements of the HSR Act. The respective obligations of the Parties to consummate this transaction are expressly made subject to satisfactory compliance with the HSR Act, including the expiration of any waiting period(s) required thereunder.
- (5) If applicable, each Party shall have complied with the requirements of federal and state securities Laws.
- (6) No Casualty Loss shall have occurred prior to Closing unless Buyer notifies Seller that it is willing to close despite the Casualty Loss. The term "Casualty Loss" shall mean any single event of loss or damage to the Property or any portion thereof which causes a Material Adverse Environmental Condition or a Material Defect.
- (7) Each Party shall have received a certificate, dated as of the Closing Date, signed by the other Party's Secretary or Assistant Secretary certifying the incumbency of the officers executing this Agreement on behalf of such Party and any documents to be executed and delivered by it at the Closing.
- (8) Seller shall have executed and delivered to Buyer the Conveyance Documents.
- (9) Seller shall have received a guarantee of Buyer's performance from Plains All American Pipeline, L.P. in substantially the form attached hereto as Exhibit "Q".

B. *Termination.* If any condition to a Party's obligation to close this transaction has not been satisfied or waived, and Closing has not occurred by the close of business on the Closing Date, such Party may terminate this Agreement immediately upon the giving of written notice of termination to the other Party. If this Agreement is terminated, Buyer shall return all records, maps, files, papers, and other property of Seller then in its possession, and neither Party shall hereafter have any liability under this Agreement. This provision shall not, however, apply to limit the liability of a Party in the event of a violation of this Agreement that would allow the other Party to terminate this Agreement.

Article 4 Allocation of Proceeds and Purchase Price

A. *Proceeds from Operations.* All proceeds attributable to the operation, ownership, use or maintenance of or otherwise relating to the Property prior to the Effective Time shall be the property of Seller and to the extent received by Buyer or its Affiliates, Buyer shall promptly and fully disclose, account for and transmit same to Seller. All proceeds attributable to the operation, ownership, use, or maintenance of or otherwise relating to the Property on and after the Effective Time shall be the

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property of Buyer and to the extent received by Seller or its Affiliates, Seller shall promptly and fully disclose, account for and transmit same to Buyer.

B. *Purchase Price Allocation.* The Purchase Price for the Property shall be allocated by the Parties' mutual agreement in substantially the same form attached hereto as Exhibit "G" which will represent a reasonable determination in good faith of the fair market value of the Property. Buyer and Seller agree that they shall use these allocations to prepare, on a consistent basis, and file as required, Form 8594 (Asset Acquisition Statement) under Section 1060 of the Code

and not to take any position inconsistent therewith upon examination of any Tax return, in any refund claim, in any litigation, investigation or otherwise, unless required by applicable Laws or with the consent of the other Party.

Article 5

Responsibility For Contractual Payments and Obligations

A. *Contractual Payments, Taxes, Employee Obligations.* Seller shall be responsible for all rentals, contractual payments, compensation owed to employees, operating costs, expenses, fees, vendor and contractor invoices, billings, Taxes, charges, any claims for overcharges or rate discrimination or other complaints under or pertaining to Seller's tariffs (including rates and regulations), assessments and other indebtedness and obligations arising from the ownership, operation, use or maintenance of the Property prior to the Effective Time. Buyer shall be responsible for all such payments and obligations arising from the ownership, operation, use or maintenance of the Property on and after the Effective Time. Seller shall be responsible for all Taxes arising from the ownership, operation, use or maintenance of the Property on or before the Closing Date, and Buyer shall be responsible for all Taxes arising from the ownership, operation or maintenance of the Property first arising after the Closing Date. The Parties agree that the Buyer is not the successor employer to any employee of Seller whether or not hired by Buyer, and Buyer does not assume any obligations or liabilities of Seller to such employees which arose or occurred prior to the Closing Date.

B. *Obligations Relating to the Property.* On and after the Effective Time, Buyer shall assume and perform all obligations and implied covenants of Seller relating to the Property (whether such obligations are to a grantor, a governmental body or any other Person) to the extent the same are attributable to periods of time on and after the Effective Time, including, but not limited to, any obligations arising with respect to the abandonment, or removal (as the case may be) of any existing facilities, Pipelines, appurtenant or associated Equipment or other personal property located on or included in the Property; provided, however, such assumed obligations shall exclude, and Seller agrees to retain and perform all obligations relating to the Property to the extent the same arise out of any Contracts which are not assigned to the Buyer as shown on Exhibit "D" hereto, all obligations that relate to the Excluded Assets and all obligations of Seller under Article 12 hereof. For clarification, the obligations of Seller under this Article 5 shall not be subject to or governed by Article 12 or Article 13. For any of Seller's employees who do not continue employment with Seller, Seller will be responsible for any possible severance payments to those employees who accept employment with Buyer and any possible employee benefit claims or other employment claims made by those same employees arising during the time period prior to the Effective Time. Buyer will be responsible for any possible employee benefit claims or other employment claims arising from Buyer's interviewing, hiring, or refusing to hire Seller's employees or by any of Seller's employees hired by Buyer arising out of employment with Buyer on and after the Effective Time.

C. *Adjustments Regarding Utilities.* To the extent utilities have not been placed in Buyer's name as of the Effective Time, charges and credits for water, electricity, sewage, gas, and all other utilities shall be adjusted and apportioned between Seller and Buyer through the Effective Time. If Buyer receives invoices for utilities for any period of time prior to the Effective Time, Buyer will forward the invoices to Seller for payment. Likewise, if Seller receives invoices for utilities for any period of time on or after the Effective Time, (but except for the Capline System if Seller remains operator) Seller will forward

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the invoices to Buyer for payment. If Seller remains operator of the Capline System then Buyer shall be billed its pro rata share only.

D. *Operation of Capline.* Seller will remain the operator of the Capline System and as such all of the Rights-of-Way, Real Property and Permits and most of the Contracts for the Capline System, other than the Assigned Contracts, will remain in the name of the Seller. If, as and when Seller shall cease to be the operator of the Capline System, Seller shall execute and deliver a conveyance of the System to the Successor Operator (together with "System" as defined in the Capline Agreement) as required by Section 2.9 of the Capline Agreement. Similarly, payments for operating expenses for the Capline System will be paid by Seller as the operator of the Capline System and then charged to the Buyer and the other owners of the Capline System under the Capline Agreement.

E. The obligations of Seller under this Article 5 shall not be subject to or governed by Article 12 or Article 13.

Article 6

Taxes and Related Matters

A. *Cooperation.* Buyer and Seller agree to furnish, or cause to be furnished, to each other, upon request, as promptly as practicable, such information and assistance relating to the Property as is reasonably necessary for the filing of all Tax returns, the preparation for any audit by any taxing authority, and the prosecution or defense of any Proceeding relating to any Tax return. Seller and Buyer shall cooperate with each other in the conduct of any audit or other Proceeding related to Taxes involving the Property and each shall execute and deliver such documents as are necessary to carry out the intent of this article.

B. *Property Taxes.* All real estate, ad valorem and personal property taxes shall be prorated between Buyer and Seller as of the Closing Date. For purposes of this Agreement, general property Taxes in respect to the ownership or use of the Property for the calendar year in which the Effective Time occurs shall be prorated between Buyer and Seller as of the Effective Time regardless of when such general property Taxes are actually billed and payable. At Closing, Seller's portion of such general property Taxes attributable to the period prior to the Effective Time shall be deducted from the proceeds to be paid to Seller. Buyer shall actually pay to the taxing authority all general property Taxes for the year of Closing. Notwithstanding anything in this Agreement to the contrary, no further adjustment shall be made for such general property Taxes, and Buyer hereby agrees to assume the payment of all such general property Taxes upon Closing.

C. *Documentary Transfer Taxes.* Buyer shall pay and bear all documentary transfer Taxes, realty transfer Taxes and charges or fees with respect to the transfer of real property or to the recordation of the documents necessary for the transfer of real property that may be required.

D. *Other Transfer Taxes.* Buyer shall pay and be responsible for any other applicable transfer Taxes incurred in connection with the purchase and sale of the Property, including, without limitation, any federal, state or local sales, use, or excise Taxes, whether levied on Seller or Buyer. Buyer shall be responsible for, and will file all necessary Tax returns and other documentation with respect to all such Taxes and remit, upon the request of Seller, copies of the portions of such returns relevant to this Agreement and any necessary documentation to Seller.

E. *Confidential Tax Information.* Notwithstanding anything to the contrary in this Agreement, neither Party shall be required at any time to disclose to the other Party, or to any other Person, absent legal constraint, any Tax return or other confidential Tax information.

F. *Deferred Like-Kind Exchange Cooperation.* If so requested by Seller, Buyer shall, at no cost or obligation to Buyer, cooperate in structuring and completing all or a portion of this transaction for Seller so as to effect a disposition of "relinquished property" in connection with a multiple party

deferred like-kind exchange pursuant to Section 1031 of the Code. In particular, Buyer hereby consents to the assignment of an interest in the Property to a "qualified intermediary" prior to the Closing hereunder and the assignment by Seller to such "qualified intermediary" of Seller's right to receive the Purchase Price hereunder. The terms "qualified intermediary," and "relinquished property" as used herein shall have the meanings ascribed to them in Treasury Regulations Section 1.1031(k)-1. Buyer shall not incur any delays, unreimbursed Third Person costs, expenses, fees or liabilities as a result of or connected with the exchange. Any actions taken by the Parties in conformance with this Section 6 F. will be at the cost of the Seller, and such documents will not relieve the Seller of any of its obligations or liabilities under this Agreement.

G. *Certification of Non-Foreign Status.* On the Closing Date, Seller shall deliver to the Buyer a certificate in the form attached hereto as Exhibit "O" ("Certification of Non-Foreign Status") signed under penalty of perjury (i) stating that it is not a foreign corporation, foreign partnership, foreign trust or foreign estate, (ii) providing its U.S. Employer Identification Number, and (iii) providing its address, all pursuant to Section 1445 of the Code.

Article 7 Seller's Representations

Seller represents the following as of the date of this Agreement and as of the Closing Date:

A. EXCEPT AS SET FORTH HEREIN AND IN THE CONVEYANCE DOCUMENTS: (1) SELLER IS SELLING THE PROPERTY ON AN "AS IS", "WHERE IS" BASIS AND DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES CONCERNING THE PROPERTY, (2) SELLER MAKES NO REPRESENTATION OR WARRANTY OF TITLE OR FITNESS WITH REGARD TO THE PROPERTY AND SELLER EXPRESSLY DISCLAIMS ANY WARRANTIES (EXPRESS, IMPLIED OR STATUTORY), WHETHER OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE, COVERING THE PROPERTY, AND (3) SELLER DOES NOT WARRANT TITLE, DESCRIPTION, VALUE, QUALITY, CONDITION, MERCHANTABILITY OR FITNESS FOR PURPOSE OF ANY OF THE FACILITIES, PIPELINES, APPURTENANT OR ASSOCIATED EQUIPMENT OR OTHER REAL OR PERSONAL PROPERTY LOCATED ON OR INCLUDED IN THE PROPERTY.

B. Seller makes no representations concerning the present or future value of the possible income, costs or profits, if any, to be derived from the Property.

C. Seller has not incurred any obligation or liability, contingent or otherwise, nor made any agreement with respect to any broker or finder's fees arising out of or in any way related to the transaction contemplated by this Agreement.

D. Seller is a limited partnership duly organized, validly existing and in good standing under the Laws of the State of Delaware and is duly qualified to carry on business in the states in which its business requires it to be qualified. The Companies will be limited partnerships duly organized and validly existing under the laws of the State of Delaware. The Companies have not yet been organized, and will not, prior to the Closing, engage in any business activities or have any liabilities or assets other than the ownership interests in Capline or Capwood pipeline systems that will be transferred to the Companies which are to be conveyed to Buyer pursuant to Section 1 A.

E. Seller has the power and authority necessary to enter into and perform this Agreement and the transaction contemplated hereby, and the execution, delivery and performance of this Agreement by Seller, and the transaction contemplated hereby, will not, with the passage of time or the giving of notice or both: (1) violate any provision of the formation documents of Seller, (2) violate any material agreement or instrument to which Seller is a party or by which Seller is bound, (3) violate any judgment, order, ruling or decree applicable to Seller as a party in interest, (4) violate any Law

applicable to Seller or to this Agreement or (5) result in the creation or imposition of any Lien on any of the Property.

F. The execution, delivery, and performance by Seller of this Agreement and the consummation of the transaction contemplated hereby have been duly authorized by all requisite action on the part of Seller. This Agreement has been duly executed and delivered on behalf of Seller, and, at the Closing, all documents and instruments required hereunder to be executed and delivered by Seller shall have been duly executed and delivered by Seller. This Agreement does, and such documents and instruments shall, constitute legal, valid and binding obligations of Seller enforceable in accordance with their terms, subject, however, to the effect of bankruptcy, insolvency, reorganization, moratorium and similar Laws from time to time in effect relating to the rights and remedies of creditors, as well as to general principles of equity (regardless of whether such enforceability is considered in a Proceeding in equity or at law).

G. Seller is not (1) an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended or (2) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended or (3) a "foreign person" within the meaning of Section 1445 of the Code.

H. Except as set forth in the Disclosure Schedule, to Seller's knowledge, Seller is not in violation of or in default under any Law or governmental certification requirement.

I. Except as set forth in the Disclosure Schedule, to Seller's knowledge, Seller and the Companies have filed in a timely manner all required federal, state, and local income, sales, use, property, and franchise Tax returns related to the Property or the Companies, and have paid (except amounts being diligently contested in good faith by appropriate Proceedings and disclosed in Section 7I of the Disclosure Schedule) all required Tax or similar assessments arising from or related to the Property, including any interest, penalties or additions attributable thereto shown as due on all such filings. Except as set forth in the Disclosure Schedule, no Proceeding or other actions which are pending, threatened or open seek the assessment or collection of additional Taxes of any kind from Seller or the Companies specifically relating to any portion of the Property or the Companies, and no other examination by the Internal Revenue Service or any other taxing authority affecting any portion of the Property or the Companies is now pending. Taxes which Seller or the Companies were required by Law to withhold or collect in respect to the Property have been withheld or collected and have been paid over to the proper Governmental Authorities or are properly held by Seller or the Companies for such payment when due and payable. The Companies each are and have at all times been treated (or, if not yet formed, will be treated) as disregarded entities under Treasury Regulation sections 7701-2 and 7701-3 and have not elected (or, if not yet formed, will not elect) to be treated as

associations taxable as corporations under Treasury Regulation sections 7701-2 and 7701-3. None of the Property (including assets held or to be held by the Companies at Closing) constitutes an interest in a partnership for federal income tax purposes.

J. Except as set forth in the Disclosure Schedule, to Seller's knowledge (1) Seller has all Permits necessary for the operation of the Property as currently conducted, (2) each such Permit is in full force and effect, (3) Seller is in compliance with all its obligations with respect to those necessary Permits, and (4) no event has occurred which allows, or upon the giving of notice or the passage of time, or both, would allow the revocation or termination of any Permit.

K. Except for the Excluded Assets and any title gaps for which Buyer has assumed the risk under Section 9D, and except as set forth in the Disclosure Schedule, to Seller's knowledge, the Pipelines, Real Property, Rights-of-Way, and Equipment constitute all of the properties and assets necessary for the operation of the Pipelines as the Pipelines are currently used and operated. Except for any title

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gaps for which Buyer has assumed the risk under Section 9D, and except as disclosed in the Disclosure Schedule, to Seller's knowledge, the Pipelines, Real Property, Rights-of-Way, and Equipment are free and clear of all Liens (except for Permitted Encumbrances) created by, through or under Seller, but not otherwise.

L. Except as set forth in the Disclosure Schedule, to Seller's knowledge, Seller has not received (1) any written notice from any Governmental Authority of any actual or potential non-compliance with the terms and conditions of any Permits with respect to any portion of the Property; or (2) any written notice of any civil, criminal or administrative Proceeding involving any portion of the Property relating in any way to applicable Environmental Laws.

M. Except as set forth in the Disclosure Schedule, to Seller's knowledge, (1) there is no pending or threatened Proceeding involving Seller or any of the Property, at law or in equity, by or before any Governmental Authority or any arbitrator or mediator which on the date hereof is still pending or threatened, and which, if adversely determined, would impair or prohibit the consummation of the transaction contemplated hereby and (2) there are no material orders, writs, judgments, stipulations, injunctions, decrees, determinations, awards or other decisions of any Governmental Authority, or any arbitrator or mediator, outstanding against Seller pertaining to any portion of the Property.

N. Seller owns, or will own at Closing, title to One Hundred percent (100%) of the ownership interests in each of the Companies and such ownership interests will be assigned and transferred to Buyer at Closing free and clear of any encumbrance, security agreement, voting agreement, restriction, preferential right, lien or charge of any kind or character.

O. Except for Seller's allowance oil and except as set forth in the Disclosure Schedule, no Affiliate of Seller has, or is required, or has been required within the last 12 months, to provide line fill in either the Capline or Capwood pipeline systems.

Article 8 Covenants of Seller

A. Seller covenants with Buyer that in addition to the manner in which Articles 5, 6, 7 and 13 of this Agreement would otherwise apply, the provisions of Articles 5, 6, 7 and 13 shall be applied to the assets and liabilities of the Companies without regard to their separate existence and shall be interpreted and applied as if such separate existence did not exist.

B. Seller agrees to cooperate, including the execution of customary documents, substantially in the form attached hereto as Exhibit "N", with Buyer's efforts to obtain the necessary consents, renewals or reissuances referenced in Section 9D.

C. Seller agrees that it will move its allowance oil remaining in the Pipeline at the Effective Time out of the Pipeline in a ratable manner of not more than fifty thousand (50,000) barrels per month and that it will pay Buyer's posted tariff rates for such movements (movements include withdrawals or drawdowns of inventory or working stock owned by Seller).

Article 9 Buyer's Representations

Buyer represents the following as of the date of this Agreement and as of the Closing Date:

A. BUYER HAS CONDUCTED OR WILL CONDUCT ITS OWN EVALUATION OF THE PHYSICAL CONDITION OF THE PROPERTY AND IS ACQUIRING THE PROPERTY ON AN "AS IS", "WHERE IS" BASIS, PURSUANT TO BUYER'S INDEPENDENT INSPECTIONS, ESTIMATES, COMPUTATIONS, REPORTS, STUDIES, AND EVALUATIONS OF THE PREMISES. FURTHER, BUYER ACKNOWLEDGES THAT THE PROPERTY HAS BEEN USED

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FOR THE TRANSPORTATION OF CRUDE OIL AND MAY HAVE BEEN THE SUBJECT OF ONE OR MORE RELEASES OF CRUDE OIL AS A RESULT OF ITS USE.

B. Buyer is acquiring the Property for its own benefit and account and not with the intent of distributing fractional undivided interests thereof as would be subject to regulation by federal or state securities Laws.

C. By reason of Buyer's knowledge and experience in the evaluation, acquisition and operation of similar properties, Buyer has evaluated the merits and risks of purchasing the Property and has formed an opinion based solely upon Buyer's knowledge and experience and not upon the Information Memoranda or any information provided by Seller with or in the Information Memoranda or any representations by Seller other than as specifically set forth herein.

D. Buyer assumes the risk of any transfer restrictions, renegotiation requirements or expiration of any easements, licenses, Rights-of-Way, Permits, franchises or other agreements applicable to the Property.

E. Buyer shall comply with all applicable Laws and shall promptly obtain, or have transferred to its name, and maintain all permits or consents required by public or private parties in connection with the Property purchased.

F. Buyer is a limited partnership duly organized, validly existing and in good standing under the Laws of the State of Texas and is duly qualified to carry on business in the states in which the ownership of the Property requires it to be qualified.

G. Buyer has not incurred any obligation or liability, contingent or otherwise, nor has it made any agreement with respect to any broker or finder's fees arising out of or in any way related to the transaction contemplated by this Agreement.

H. Buyer has the power and authority necessary to enter into and perform this Agreement and the transaction contemplated hereby, and the execution, delivery and performance of this Agreement by Buyer, and the transaction contemplated hereby, do not violate (1) any provision of the formation documents of Buyer, (2) any material agreement or instrument to which Buyer is a party or by which Buyer is bound, (3) any judgment, order, ruling or decree applicable to Buyer as a party in interest or (4) any Law applicable to Buyer or to this Agreement.

I. The execution, delivery, and performance by Buyer of this Agreement and the consummation of the transaction contemplated hereby have been duly authorized by all requisite action on the part of Buyer. This Agreement has been duly executed and delivered on behalf of Buyer, and, at the Closing, all documents and instruments required hereunder to be executed and delivered by Buyer shall have been duly executed and delivered by Buyer. This Agreement does, and such documents and instruments shall, constitute legal, valid and binding obligations of Buyer enforceable in accordance with their terms, subject, however, to the effect of bankruptcy, insolvency, reorganization, moratorium and similar Laws from time to time in effect relating to the rights and remedies of creditors, as well as to general principles of equity (regardless of whether such enforceability is considered in a Proceeding in equity or at law).

J. Buyer is not (1) an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended or (2) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended or (3) a "foreign person" within the meaning of Section 1445 of the Code.

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K. Buyer's management responsible for the consummation of this transaction has no knowledge that there exists any wrong or inaccurate information, omissions, misrepresentations or mistakes on the Disclosure Schedule.

Article 10 Pre-Acquisition Review

A. *Review Period.* During the period commencing on the date of this Agreement and ending thirty (30) days prior to Closing (the "Review Period"), but in any event for a period of not less than 45 days from the date of this Agreement, Buyer and its Affiliates, and the employees, agents and consultants of either, shall have the right to do the following, at Buyer's expense and with the cooperation and assistance of Seller, subject to Buyer's executed confidentiality agreement ("Confidentiality Agreement"), and also subject to Buyer supplying to Seller, at least thirty (30) days prior to Closing, copies of any reports and/or assessments prepared by Buyer or its Affiliates, or the consultants of either, concerning the condition of the Property and allowing Seller to discuss the reports or assessments with the Person who prepared them:

1. Enter all or part of the Property with Seller's representative, including all or any easements, to view the Pipelines, facilities, Equipment, and other operations conducted thereon prior to Closing, and to conduct a surface only inspection and assessment, inventory, study and examination of the same, independently of any documents, data or information furnished by Seller hereunder; and

2. Inspect and review the Books and Records, including all non-privileged files, records, documents and data related to the above matters, including, but not limited to, pipeline maintenance and construction records. Buyer acknowledges that it shall not have access to Seller's Pipeline Manuals used in the operation of the Pipelines, which are considered by Seller to be proprietary property.

B. *No Sampling.* Buyer shall not have the right to perform any sampling of any kind in connection with any site assessment, including, but not limited to, any phase II site assessment, on any portion of the Property.

C. *Information is Confidential.* Except as required by Law, all information acquired by Buyer in any inspection, inventory, study, or examination of the Property, and the results of any analysis thereof, shall be kept confidential by Buyer from anyone other than Seller in accordance with Buyer's executed Confidentiality Agreement. Should Buyer be required by any Law to disclose any information concerning the Property, Buyer shall notify Seller at least five (5) business days prior to the Buyer's disclosure of such information.

D. *Indemnity.* Buyer shall indemnify, defend and hold harmless Seller and its Affiliates and their respective owners, officers, directors, employees, attorneys, and agents from any and all losses, liabilities, attorneys' fees, court costs, liens, or encumbrances for labor or materials, claims and causes of action arising out of any injury to or death of any Persons or damage to property occurring to or on the Property as a result of the exercise of Buyer's rights under this article, except to the extent the indemnified event or occurrence arises from or is caused by the sole negligence or fault of Seller. Seller shall have the right at all times to participate in the preparation for and conducting of any hearing or trial related to this indemnification provision, as well as the right to appear on its own behalf or to retain separate counsel to represent itself at any such hearing or trial.

E. *Termination Option.* Except as hereinafter provided, Buyer shall have the option of terminating this Agreement by providing written notice to Seller on or before the last day of the Review Period, in the event Buyer determines during the Review Period that the Property is subject to any: (1) Material Adverse Environmental Condition, or (2) Material Defect. To be effective, any such notice shall

specifically identify and describe the basis for such termination, and shall include substantial evidence thereof. Neither (i) a minor deviation in the location of a Pipeline, relative to a defined Right-of-Way in an easement, (ii) a gap in a Right-of-Way, nor (iii) an encroachment onto a Right-of-Way shall be deemed to constitute a Material Defect for purposes of this Agreement.

F. *Seller's Remedy.* Notwithstanding the delivery of a notice of termination by Buyer to Seller, this Agreement shall not be terminated if, within fifteen (15) days after Seller's receipt of such notice: (1) Seller remedies or agrees to remedy, to a degree which is mutually agreed during the referenced fifteen (15) day period, such Material Adverse Environmental Condition or Material Defect; or (2) Seller and Buyer mutually agree on an adjustment to the Purchase Price.

G. *Buyer's Termination.* Notwithstanding the above, if Buyer can provide substantial evidence that the Property is subject to Material Adverse Environmental Conditions or Material Defects that, when totaled together would (i) cost more than five percent (5%) of the Purchase Price to remedy or cure Seller's ownership percentage of the condition or defect, or (ii) expose Buyer to claims, damages, penalties, assessments or costs in excess of five percent (5%) of the Purchase Price for Seller's ownership percentage of the condition or defect, then Buyer, in its sole discretion, may terminate this Agreement.

H. *Negotiations with Agencies.* If Seller agrees to remedy any specific Material Adverse Environmental Condition or Material Defect in the Property, then all negotiations and contacts with state, federal and local agencies for approval and review of such remedial action shall be made by Seller, and Buyer shall make no independent contacts with any of the agencies relative to such remedial action. Buyer shall receive copies of all correspondence between Seller and any agencies regarding such remedial action.

Article 11

Title

A. *Conveyances.* At Closing, Seller shall grant, transfer, assign, convey, and deliver to Buyer, and Buyer shall accept from Seller, title to the Property by means of the Conveyance Documents. In the case of the Real Property, it shall be free and clear at Closing of any lawful claims (except for Permitted Encumbrances) of any third party claiming by, through or under Seller, but not otherwise and transfer shall be by means of a Special Warranty Deed.

B. *Title Examination.* During the period commencing on the date of this Agreement and ending twenty (20) days before Closing ("Title Examination Period"), Buyer and its Affiliates and their employees, agents and contractors shall have full access to and the right (subject to the executed Confidentiality Agreement) to examine all of Seller's title records relating to the Property, including but not limited to, those listed on Exhibit "C" attached hereto.

C. *Notice of Significant Title Defect.* On or before the last day of the Title Examination Period, Buyer shall give Seller written notice of the land and property interests included in the Property that have a Significant Title Defect. Neither (i) a minor deviation in the location of a Pipeline, relative to a defined Right-of-Way in an easement, (ii) a gap in a Right-of-Way nor (iii) an encroachment onto a Right-of-Way shall be deemed to constitute a Significant Title Defect for purposes of this Agreement. If any Significant Title Defect cannot be cured by Seller prior to the Effective Time, Buyer may, at its election, in writing: (1) terminate this Agreement without further obligation or liability by giving written notice to Seller any time prior to Closing; (2) offer to acquire the Property, including the portion affected by the Significant Title Defect, subject to the terms of this Agreement, but at a reduced Purchase Price, which offer Seller may accept or reject in its sole discretion; or (3) acquire the Property, including the portion affected by the Significant Title Defect, without adjustment to the Purchase Price.

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Article 12

Seller's Responsibility for Claims Relating to the Property

A. Seller's Environmental Responsibilities shall be as follows:

(1) *Environmental Indemnity.* For a period of five (5) years following the Effective Time, Seller shall indemnify Buyer for known and unknown Environmental Conditions (relating to Seller's ownership percentage of the Property) that exceed Three Million Dollars (\$3,000,000) in the aggregate (the "Environmental Deductible"). Seller's liability hereunder shall not exceed Twenty Million Dollars (\$20,000,000) in the aggregate ("Seller's Environmental Cap"). In addition, individual items which are less than One Hundred Thousand Dollars (\$100,000) (the "Environmental Threshold") shall not be included in determining whether the Environmental Deductible has been met.

(2) *Post Closing Assessment.* Buyer, and its Affiliates and transferees, are prohibited from conducting post Closing environmental assessments except in those cases where a reasonably prudent pipeline operator, not afforded the indemnities provided in this Agreement, would conduct such assessments (i) in the ordinary course of business, (ii) where required or directed by a Governmental Authority having jurisdiction or (iii) due to any legal or contractual requirements related to the Property. Notwithstanding anything to the contrary herein, should Buyer, or its Affiliates or transferees, conduct a post Closing environmental assessment (i) which is not in accordance with the provisions this Agreement, (ii) in a case where a reasonably prudent pipeline operator, not afforded the indemnities provided in this Agreement, would not conduct such an assessment in the ordinary course of business, (iii) where not required or directed by a Governmental Authority having jurisdiction or (iv) not due to any legal or contractual requirement related to the Property, the Buyer, its Affiliates and transferees, shall indemnify, defend and hold harmless Seller Indemnitees from any and all Claims arising out of such post Closing environmental assessment.

(3) *LIMITATION ON SELLER'S ENVIRONMENTAL INDEMNITIES.* THE INDEMNITIES CONTAINED IN SECTION 12A.(1) SHALL APPLY TO MATTERS ACCRUING OR ARISING PRIOR TO THE EFFECTIVE TIME FOR WHICH SELLER HAS RECEIVED NOTICE FROM BUYER WITHIN FIVE (5) YEARS AFTER THE EFFECTIVE TIME AND ARE SUBJECT TO:

- (a) THE ENVIRONMENTAL DEDUCTIBLE;
- (b) THE ENVIRONMENTAL THRESHOLD IN DETERMINING WHETHER INDIVIDUAL ITEMS WILL BE INCLUDED IN THE ENVIRONMENTAL DEDUCTIBLE; AND
- (c) THE SELLER'S ENVIRONMENTAL CAP.

IN NO EVENT SHALL SELLER BE LIABLE TO ANY PERSON OR COMBINATION OF PERSONS UNDER SECTION 12A.(1) FOR MORE THAN SELLER'S ENVIRONMENTAL CAP. EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, SELLER SHALL HAVE NO LIABILITY UNDER SECTION 12A.1 AFTER THE EXPIRATION OF FIVE (5) YEARS FOLLOWING THE EFFECTIVE TIME.

B. *SELLER'S GENERAL INDEMNITY OF BUYER.* SELLER HEREBY AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS BUYER AND ITS AFFILIATES AND THE DIRECTORS, OFFICERS, SHAREHOLDERS, OWNERS, EMPLOYEES, TENANTS, CONTRACTORS, ATTORNEYS, AGENTS, SUCCESSORS AND ASSIGNS OF ANY OF THEM ("BUYER INDEMNITEES") FROM ANY AND ALL LOSSES, LIABILITIES, LIENS, ENCUMBRANCES, DAMAGES, JUDGMENTS, DEMANDS, SUITS, CLAIMS, ASSESSMENTS,

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CHARGES, FINES, PENALTIES OR EXPENSES, INCLUDING ATTORNEYS' FEES AND OTHER COSTS OF LITIGATION WHICH RESULT FROM INJURIES TO OR DEATH OF ANY PERSONS, OR DAMAGES TO PROPERTY OF ANY KIND OR CHARACTER WHICH OCCUR PRIOR TO THE EFFECTIVE TIME AND WHICH ARISE OUT OF, IN CONNECTION WITH, OR RESULT FROM: (1) THE OWNERSHIP, POSSESSION, OPERATION, USE OR MAINTENANCE OF THE PROPERTY BY SELLER BEFORE THE EFFECTIVE TIME TO THE EXTENT OF SELLER'S OWNERSHIP PERCENTAGE OF THE ASSET; OR (2) THE MATERIAL BREACH BY SELLER OF ANY OF ITS OBLIGATIONS OR REPRESENTATIONS HEREUNDER. SUCH INDEMNIFICATION SHALL APPLY EVEN THOUGH THE INDEMNIFIED EVENT OR OCCURRENCE ARISES FROM OR IS CAUSED BY THE CONCURRENT OR CONTRIBUTORY NEGLIGENCE, OR BOTH (WHETHER ACTIVE OR PASSIVE OR OF ANY KIND OR NATURE) OR FAULT OF BUYER, BUT SUCH INDEMNIFICATION SHALL NOT APPLY IF CAUSED BY THE GROSS NEGLIGENCE OF BUYER. THIS PARAGRAPH SHALL NOT APPLY TO ENVIRONMENTAL LIABILITIES AS SET OUT IN SECTION 12A.(1).

C. *LIMITATION ON SELLER'S GENERAL INDEMNITIES.* THE INDEMNITIES CONTAINED IN SECTION 12B. SHALL APPLY TO MATTERS WHICH ACCRUED OR AROSE PRIOR TO THE EFFECTIVE TIME:

(1) FOR WHICH SELLER HAS RECEIVED NOTICE FROM BUYER WITHIN THREE (3) YEARS AFTER THE EFFECTIVE TIME;

(2) AS TO WHICH THE FIRST ONE HUNDRED THOUSAND DOLLARS (\$100,000) OF INDIVIDUAL CLAIMS PAID BY BUYER SHALL NOT BE INCLUDED (THE "DEDUCTIBLE");

(3) AS TO WHICH THERE SHALL BE A TOTAL AGGREGATE CAP OF ALL AMOUNTS TO BE PAID BY SELLER OF FIVE MILLION DOLLARS (\$5,000,000.00). IN NO EVENT SHALL SELLER BE LIABLE TO ANY PERSON OR COMBINATION OF PERSONS UNDER SECTION 12B., FOR MORE THAN FIVE MILLION DOLLARS (\$5,000,000.00) ("SELLER'S SECTION 12B. CAP"); AND

(4) SELLER SHALL HAVE NO LIABILITY UNDER SECTION 12B. AFTER THE EXPIRATION OF THREE (3) YEARS AFTER THE EFFECTIVE TIME.

D. *NO PUNITIVE DAMAGES.* THE FOREGOING INDEMNITIES BY SELLER UNDER THIS ARTICLE 12 SHALL NOT COVER OR INCLUDE ANY PUNITIVE, INCIDENTAL, SPECIAL, CONSEQUENTIAL, INDIRECT OR EXEMPLARY DAMAGES EXCEPT TO THE EXTENT THAT SUCH DAMAGES ARE AWARDED TO A THIRD PERSON CLAIMANT UNDER ANY CLAIM FOR WHICH SELLER HAS AN INDEMNITY OBLIGATION TO BUYER.

E. *NO TRANSFER OF INDEMNITIES.* SELLER'S INDEMNITIES CONTAINED IN THIS AGREEMENT ARE PERSONAL TO BUYER AND MAY NOT BE ASSIGNED TO ANOTHER PERSON. SHOULD BUYER SELL ANY ASSET PURCHASED UNDER THIS AGREEMENT, SELLER'S INDEMNITY RELATING TO THAT ASSET WILL BE IMMEDIATELY EXTINGUISHED.

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Article 13
Buyer's Responsibility for Claims Relating to the Property

A. Buyer's Environmental Responsibility shall be as follows:

(1) *Future Remediation Sites.* Except for costs which would be covered by Seller's Environmental Indemnity under Section 12A.(1), regardless of when the release causing the Environmental Condition occurred, Buyer agrees to accept full responsibility for all costs, including capital, operating and maintenance costs, incurred in connection with (i) any investigation or monitoring of Environmental Conditions or (ii) any clean-up, remedial, removal or restoration work of those Environmental Conditions, if any, either of which may be necessary on or after the Effective Time and required by any Governmental Authority with applicable jurisdiction because of the presence, suspected presence, release or suspected release of Hazardous Substances in the air, soil, surface water, or groundwater on or emanating from the Property (hereinafter the "Future Remedial Work"). All Future Remedial Work and the disposal of all waste generated by the Future Remedial Work will be in accordance with all applicable Laws. It is understood that no Future Remedial Work shall be considered under or included in the indemnity cap or deductible amounts set out in Section 12C.

(2) *ENVIRONMENTAL INDEMNITY.* AFTER GIVING EFFECT TO SECTION 12A., BUYER HEREBY AGREES TO INDEMNIFY, DEFEND AND HOLD SELLER AND ITS AFFILIATES AND THE DIRECTORS, OFFICERS, SHAREHOLDERS, OWNERS, EMPLOYEES, TENANTS, CONTRACTORS, ATTORNEYS, AGENTS, SUCCESSORS AND ASSIGNS OF ANY OF THEM ("SELLER INDEMNITEES") HARMLESS FROM ANY CLAIMS (INCLUDING WITHOUT LIMITATION THIRD PARTY CLAIMS FOR PERSONAL INJURY, INCLUDING EXPOSURE, OR REAL OR PERSONAL PROPERTY DAMAGE), ACTIONS, ADMINISTRATIVE PROCEEDINGS (INCLUDING INFORMAL PROCEEDINGS), JUDGMENTS, DAMAGES, PENALTIES, FINES, COSTS, LIABILITIES (INCLUDING SUMS PAID IN SETTLEMENT OF CLAIMS), INTEREST OR LOSSES, CONSULTANT FEES, ATTORNEYS' FEES AND EXPERT FEES THAT ARISE DIRECTLY OR INDIRECTLY FROM OR AS A RESULT OF (i) THE EXISTENCE OF ENVIRONMENTAL CONDITIONS OR (ii) VIOLATION OF APPLICABLE ENVIRONMENTAL LAW

EITHER OF WHICH IS IN CONNECTION WITH THE OPERATION OF THE PIPELINES BY BUYER ON OR AFTER THE EFFECTIVE TIME. THIS SECTION 13A.(2) SHALL SURVIVE IN PERPETUITY FROM AND AFTER THE EFFECTIVE TIME.

(3) *BUYER'S FURTHER ENVIRONMENTAL INDEMNITY.* BUYER FURTHER AGREES TO INDEMNIFY, DEFEND AND HOLD SELLER INDEMNITEES HARMLESS FROM ANY CLAIMS (INCLUDING WITHOUT LIMITATION THIRD PARTY CLAIMS FOR PERSONAL INJURY, INCLUDING EXPOSURE, OR REAL OR PERSONAL PROPERTY DAMAGE) ACTIONS, ADMINISTRATIVE PROCEEDINGS, (INCLUDING SUMS PAID IN SETTLEMENT OF CLAIMS), INTEREST OR LOSSES, CONSULTANT FEES, ATTORNEYS' FEES AND EXPERT FEES (i) WHICH ARE LESS THAN THE ENVIRONMENTAL DEDUCTIBLE (ii) FOR WHICH SELLER DID NOT RECEIVE NOTIFICATION WITHIN FIVE (5) YEARS AFTER THE EFFECTIVE DATE OR (iii) WHICH ARE IN EXCESS OF SELLER'S ENVIRONMENTAL CAP SET OUT IN SECTION 12A.(3). THIS SECTION 13C SHALL SURVIVE IN PERPETUITY FROM AND AFTER THE EFFECTIVE TIME.

B. *BUYER'S GENERAL INDEMNITY OF SELLER.* BUYER HEREBY AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS SELLER INDEMNITEES FROM ANY AND ALL LOSSES, LIABILITIES, LIENS, ENCUMBRANCES, DAMAGES, JUDGMENTS, DEMANDS, SUITS, CLAIMS, ASSESSMENTS, CHARGES, OR EXPENSES (INCLUDING ATTORNEYS'

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FEES AND OTHER COSTS OF LITIGATION), WHICH RESULT FROM INJURIES TO OR DEATH OF ANY PERSONS, OR DAMAGES TO PROPERTY OF ANY KIND OR CHARACTER WHICH FIRST OCCUR ON OR AFTER THE EFFECTIVE TIME AND WHICH ARISE OUT OF, IN CONNECTION WITH, OR RESULT FROM: (1) THE OWNERSHIP, POSSESSION, OPERATION, USE OR MAINTENANCE OF THE PROPERTY BY BUYER ON AND AFTER THE EFFECTIVE TIME; OR (2) THE MATERIAL BREACH BY BUYER OF ANY OF ITS OBLIGATIONS OR REPRESENTATIONS HEREUNDER. SUCH INDEMNIFICATION SHALL APPLY EVEN THOUGH THE INDEMNIFIED EVENT OR OCCURRENCE ARISES FROM OR IS CAUSED BY THE CONCURRENT OR CONTRIBUTORY NEGLIGENCE, OR BOTH (WHETHER ACTIVE OR PASSIVE OR OF ANY KIND OR NATURE) OR FAULT OF SELLER, BUT SUCH INDEMNIFICATION SHALL NOT APPLY IF CAUSED BY THE GROSS NEGLIGENCE OF SELLER. THIS PARAGRAPH SHALL NOT APPLY TO ENVIRONMENTAL LIABILITIES AS SET OUT IN SECTION 13A.(2). THIS SECTION 13B. SHALL SURVIVE IN PERPETUITY FROM AND AFTER THE EFFECTIVE TIME.

C. *BUYER'S FURTHER GENERAL INDEMNITY.* AFTER GIVING EFFECT TO SECTION 12B., AND SECTION 12C., BUYER FURTHER AGREES TO INDEMNIFY, DEFEND AND HOLD SELLER INDEMNITEES HARMLESS FROM ANY CLAIMS (INCLUDING WITHOUT LIMITATION THIRD PARTY CLAIMS FOR PERSONAL INJURY, INCLUDING EXPOSURE, OR REAL OR PERSONAL PROPERTY DAMAGE) ACTIONS, ADMINISTRATIVE PROCEEDINGS, (INCLUDING INFORMAL PROCEEDINGS) JUDGMENTS, DAMAGES, COSTS, LIABILITIES (INCLUDING SUMS PAID IN SETTLEMENT OF CLAIMS), INTEREST OR LOSSES, CONSULTANT FEES, ATTORNEYS' FEES AND EXPERT FEES FOR WHICH SELLER DID NOT RECEIVE NOTIFICATION WITHIN THREE (3) YEARS AFTER THE EFFECTIVE TIME, WHICH ARE WITHIN BUYER'S PER CLAIM DEDUCTIBLE IN SECTION 12C.(2), OR WHICH ARE IN EXCESS OF SELLER'S SECTION 12B. CAP AS SET OUT IN SECTION 12C.(3). THIS SECTION 13C. SHALL SURVIVE IN PERPETUITY FROM AND AFTER THE EFFECTIVE TIME.

D. *PUNITIVE DAMAGES.* THE FOREGOING INDEMNITIES BY BUYER UNDER THIS ARTICLE 13 SHALL NOT COVER OR INCLUDE ANY PUNITIVE INCIDENTAL, SPECIAL, CONSEQUENTIAL, INDIRECT OR EXEMPLARY DAMAGES EXCEPT TO THE EXTENT THAT SUCH DAMAGES ARE AWARDED TO A THIRD PERSON CLAIMANT UNDER ANY CLAIM FOR WHICH BUYER HAS AN INDEMNITY OBLIGATION TO SELLER.

E. *Subrogation.* For any liability assumed by Buyer pursuant to this Agreement or upon payment of the amount of any liability or claim (including attorneys' fees and other costs of litigation) by Buyer pursuant to or as a result of this Agreement, Seller shall assign to Buyer and subrogate Buyer to, without payment of any further consideration, all rights and remedies of Seller (other than those against Seller and its Affiliates, insurers, sureties and similar parties) in respect of the payment and shall provide all reasonable cooperation and assistance required by Buyer in making and prosecuting a claim for recovery against any Person to the extent that payment is made by Buyer. Seller shall not knowingly take any action to impair any such right or remedy of Buyer to recover any such payment made by Buyer.

Article 14 Claims Procedure

All claims for indemnification by a Party under Articles 12 or 13 (the Party claiming indemnification and the Party against whom such claims are asserted being herein called the "Indemnified Party" and the "Indemnifying Party", respectively) shall be asserted and resolved as follows.

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A. *Claim Notice.* In the event that any Claim for which an Indemnifying Party would be liable to an Indemnified Party hereunder is asserted against or sought to be collected from such Indemnified Party by a Third Person, such Indemnified Party shall, within forty-five (45) calendar days of the receipt thereof, give notice (the "Claim Notice") to the Indemnifying Party of such Claim specifying the nature of and specific basis for such Claim and the estimated amount thereof, to the extent then feasible, which estimate shall not be binding upon the Indemnified Party in its effort to collect the final amount of such Claim. The failure to give any such notice shall not affect the rights of the Indemnified Party to indemnification hereunder unless the Indemnified Party has proceeded to contest, defend or settle the Claim with respect to which it has failed to give prior notice to the Indemnifying Party. Additionally, to the extent the Indemnifying Party is prejudiced thereby, the failure to so notify the Indemnifying Party of any such Claim shall relieve the Indemnifying Party from liability that it may have to the Indemnified Party under the indemnification provisions contained in Article 12 or Article 13, as applicable, but only to the extent of the loss directly attributable to such failure to notify and shall not relieve the Indemnifying Party from any liability that it may have to the Indemnified Party otherwise.

B. *Defense of Claim.* The Indemnifying Party shall be given the opportunity, at its cost and expense, to contest and defend, by all appropriate legal Proceedings, any Claim with respect to which it is called upon to indemnify the Indemnified Party under the provisions of this Agreement; provided, however, that notice of the intention to so contest and defend shall be delivered by the Indemnifying Party to the Indemnified Party within thirty (30) calendar days following receipt of the Claim Notice. If the Indemnifying Party does not give notice to the Indemnified Party of its election to contest and defend any such Claim within such period then the Indemnifying Party shall be bound by the result obtained with respect thereto by the Indemnified Party and shall be responsible for all costs incurred in connection therewith. The Claim which the Indemnifying Party elects to contest and defend may be conducted in the name and on behalf of the

Indemnifying Party or the Indemnified Party as may be appropriate. Such Claim shall be conducted by counsel employed by the Indemnifying Party who shall be reasonably satisfactory to the Indemnified Party and the Indemnified Party shall have the right to participate in such Claim and to be represented by counsel of its own choosing at its own cost and expense. If the Indemnified Party joins in any such Claim, the Indemnifying Party shall have full authority to determine all action to be taken with respect thereto; provided that if the Indemnifying Party reserves its rights with respect to its indemnification obligations under this Agreement as to such Claim, then the Indemnified Party shall have full authority to determine all action to be taken with respect thereto. At any time after the commencement of defense of any Claim, the Indemnifying Party may request the Indemnified Party to agree in writing to the abandonment of such contest or to the payment or compromise by the Indemnifying Party of the asserted Claim provided the Indemnifying Party agrees in writing to be solely liable for all Losses relating to such Claim, whereupon such action shall be taken unless the Indemnified Party determines that the contest should be continued and notifies the Indemnifying Party in writing within fifteen (15) calendar days of such request from the Indemnifying Party. In the event that the Indemnified Party determines that the contest should be continued, the amount for which the Indemnifying Party would otherwise be liable hereunder shall not exceed the amount which the Indemnifying Party had agreed to pay in payment or consideration of such Claim, provided the other party to the contested Claim had agreed in writing to accept such amount in payment or compromise of the Claim as of the time the Indemnifying Party made request therefor to the Indemnified Party, and further provided that under such proposed compromise, the Indemnified Party would be fully and completely released from any further liability or obligation with respect to the matters which are the subject of such contested Claim.

C. *Cooperation.* If requested by the Indemnifying Party, the Indemnified Party agrees, at the Indemnifying Party's expense, to cooperate with the Indemnifying Party and its counsel in contesting any Claim that the Indemnifying Party elects to contest, or, if appropriate and related to the Claim in question, in making any counterclaim against the Person asserting the Third Person Claim, or any cross-complaint against any Person other than an Affiliate of the Indemnified Party.

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D. *Third Party Claim.* If any Indemnified Party should have a Claim against the Indemnifying Party hereunder that does not involve a Claim being asserted against or sought to be collected from it by a Third Person, the Indemnified Party shall send a Claim Notice with respect to such Claim to the Indemnifying Party. If the Indemnifying Party disputes such Claim, such dispute shall be resolved in the manner set forth in Article 34 hereof.

E. *Presence at Conferences.* The Indemnified Party agrees to afford the Indemnifying Party and its counsel the opportunity, at the Indemnifying Party's expense, to be present at, and to participate in, conferences with all Persons asserting any Claim against the Indemnified Party and conferences with representatives of, or counsel for, such Persons.

Article 15 Incidental Contamination and NORM

Buyer acknowledges that the Property may contain *inter alia* asbestos in pipe coating, undisplaced petroleum hydrocarbon products in Pipelines, coats of lead-based paints, PCB's in transformers, mercury in electrical switches, and Naturally Occurring Radioactive Material ("NORM") in various potential forms. Buyer also expressly understands that special procedures may be required for the remediation, removal, transportation and disposal of these affixed or attached substances from the inside or outside of the piping, Equipment or the Property. Notwithstanding any contrary provision or definition contained herein, in connection with these substances affixed to the inside or outside of the piping, Equipment or the Property, Buyer expressly assumes all liability for or in connection with the future abandonment and removal of the Pipelines, Equipment and other personal property included in the Property and the assessment, remediation, removal, transportation and disposal of any such Pipelines, Equipment and personal property and associated activities in accordance with all relevant rules, regulation and requirements of Governmental Authorities.

Article 16 Tariffs and Oil Held in the Pipelines

A. *Adoption of Tariffs.* Buyer agrees that, for a Pipeline which has tariffs on file with a Governmental Authority, it will either adopt the Seller's tariff or file its own to be effective as of the Effective Time, as prescribed by the rules and regulations of the applicable Governmental Authority. Seller will be responsible for all regulatory agency and Third Person contacts.

B. *Oil Held in the Pipelines.* The Pipelines contain crude oil which is held for the account of shipper(s). It is understood that title to the contents of the Pipelines will remain with the shipper(s) and that Buyer assumes the obligation to handle such contents in accordance with applicable published tariff provisions. Further, to the extent that such crude oil has been tendered for shipment in the Pipelines under an applicable published tariff, but not yet delivered, Buyer shall receive that crude oil for transportation in accordance with applicable published tariffs.

Article 17 Cooperation

The Parties shall execute and deliver such additional documents and shall use all Reasonable Efforts: (1) to take or cause to be taken all such actions as may be necessary or advisable to close and make effective this transaction and (2) upon the request of Buyer, after Closing, Seller shall assist in obtaining consents from Third Persons which are necessary or appropriate to transfer any portion of the Property. It shall be Buyer's responsibility to obtain all governmental and Third Person consents and approvals necessary for the issuance, reissuance or transfer of environmental and land use permits, applications, Rights-of-Way, authorities to construct, Permits to operate, authorizations and licenses used or held by Seller or otherwise required in connection with the ownership, operation, use and

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maintenance of the Property. After Closing, each Party, at the request of the other Party, and without additional consideration, shall execute and deliver, from time to time, such additional documents of conveyance and transfer as may be necessary to accomplish the orderly transfer of the Property to Buyer in the manner contemplated in this Agreement.

Article 18
Survival of Provisions

All representations and indemnification obligations of the Parties set forth in this Agreement shall survive in accordance with the provisions of this Agreement.

Article 19
Costs and Expenses

Except as otherwise expressly provided herein, each Party shall bear and pay its own costs and expenses, including but not limited to attorneys' fees, incurred in connection with this transaction.

Article 20
Risk of Loss

The risk of damage, destruction, or other Casualty Loss to or of the Property shall remain with Seller from and after the execution of this Agreement until the Effective Time, at which time Seller shall place Buyer in possession of the Property; and from and after the Effective Time, all risks of damage, destruction, or other Casualty Loss to or of the Property shall be borne solely by Buyer.

Article 21
Joint Venture, Partnership and Agency

Nothing contained in this Agreement shall be deemed to create a joint venture, partnership, Tax partnership or agency relationship between the Parties.

Article 22
Files and Records

Not later than sixty (60) calendar days after Closing, Seller shall deliver to Buyer originals of the files, records, documents and data described in Section 1A.6. Buyer understands that there may be certain voluminous documents included within the Books and Records, especially data from Seller's control center. Seller will retain the control center data, on behalf of Buyer, for the applicable Department of Transportation ("DOT") record retention required period and will print the data and deliver it to Buyer in a timely manner when Buyer needs the data for a DOT audit. Buyer will give Seller reasonable notice of its need for the data. If this transaction is not closed as to any portion of the Property, all originals or copies of files, records and documents described in Section 1A.6, obtained from Seller in connection with the exercise of Buyer's Pre-Acquisition Review, and related solely to that portion of the Property not transferred as contemplated herein, shall be returned to Seller within five (5) calendar days after Closing.

Article 23
Publicity

Seller and Buyer shall, and each shall use its reasonable efforts to cause its Affiliates to, cooperate in the development and distribution of all news releases and other public disclosures, irrespective of the form of communication, relating to the proposed transaction described in this Agreement, and to ensure that no such releases or disclosures are made without prior notice to, and the consent of, the other Party; provided, however, no news release or other disclosure whatsoever may disclose the terms

of this Agreement unless both Parties agree to the form and content of such disclosure, including electronic communications, each being under no obligation to agree and having the right to withhold agreement for any reason; provided, however, that either Party may make all disclosures which, in the written opinion of counsel, are required under applicable Law, including, but not limited to, regulations of the Securities and Exchange Commission, with the Party making the disclosure giving the other Party as much advance notice thereof as is feasible.

Article 24
Recording and Filing

Except as may be required by Law, this Agreement shall not be recorded or filed by either Party, or their successors or assigns, in or with any public or government office, officer, agency or records repository without the prior written consent of the other Party.

Article 25
Confidentiality

Seller and Buyer (and their respective Affiliates) each acknowledge that the information and material, in whatever form, including, but not limited to, this Agreement and the Exhibits, Annex and Disclosure Schedule (collectively, the "Confidential Information") disclosed or made available to it by, and relating to the other (and its Affiliates) prior to the Effective Time is confidential. Buyer and its Affiliates further acknowledge that this Agreement is subject to the Confidentiality Agreement previously executed by the Seller and the Buyer on March 12, 2003. Seller and Buyer (and their respective Affiliates) each further agree that it shall use reasonable efforts not to make disclosure of the Confidential Information to any Person, irrespective of the form of communication, other than its members or owners, officers, employees, advisers and representatives to whom such disclosure is necessary or convenient for (i) the completion of the transaction contemplated by this Agreement, (ii) as required to convey title, (iii) as required by Law, including regulations of the Securities and Exchange Commission (iv) in an arbitration proceeding as described in Article 34 or (v) as may be required by a court of competent jurisdiction. Seller and Buyer (and their respective Affiliates) shall each appropriately notify each officer, employee, adviser and representative to whom any such disclosure is made, that such disclosure is made in confidence and shall be kept in confidence.

Article 26
Notices

All notices and consents required or authorized hereunder shall be in writing and shall be deemed to have been duly given by one Party if delivered personally, faxed with receipt acknowledged, mailed by registered or certified mail, delivered by a recognized commercial courier or otherwise actually received by the other Party at the address set forth below, or such other address as one Party shall have designated by ten (10) calendar days prior written notice to the other Party:

Buyer's Address:

All American Pipeline, L.P.
333 Clay Street, Suite 1600
Houston, Texas 77002
Attn: Harry N. Pefanis, President
Telephone: (713) 646-4242
Fax: (713) 646-4378

Seller's Address:

Shell Pipeline Company LP
777 Walker Street
Houston, Texas 77002
Attn: Arlene Warden
Telephone: (713) 241-4492
Fax: (713) 241-7643

With copy to:

L.J. Dreyfuss, Associate General Counsel
Fax: (713) 646-4216

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Article 27
Time of Performance

Time is of the essence in the performance of all covenants and obligations under this Agreement.

Article 28
Entire Agreement

This Agreement and the Confidentiality Agreement constitute the entire agreement between the Parties with respect to this transaction and supersede all prior negotiations, statements, representations, discussions, correspondence, offers, agreements, and understandings relating to this transaction. This Agreement may be modified, amended or supplemented only upon the prior written agreement of the Parties.

Article 29
Assignment

Buyer may not sell, assign, transfer, convey, option, mortgage, pledge or hypothecate its rights and obligations hereunder without the prior written consent of Seller, which consent shall not be unreasonably withheld except that Buyer may request any conveyance, assignment or bill of sale to be assigned to an Affiliate of Buyer provided Buyer remains liable to Seller hereunder with respect to such assignments. Upon any authorized sale, assignment, transfer, conveyance, option, mortgage, pledge or hypothecation hereunder, all of the terms, covenants and conditions of this Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of Buyer, but Buyer shall remain liable for the performance of its obligations hereunder.

Article 30
Crude Oil Inventory

The Pipelines will be gauged at 7:00 a.m. local time on the Effective Time, at which time the custody of all shippers' oil will be transferred to Buyer, and Buyer shall become responsible to each shipper for oil in Buyer's custody. At Closing, Seller shall furnish Buyer with information regarding each shipper's inventory as reflected in Seller's current records by means of a document substantially in the form of Exhibit "P". The inventory will be determined by the Inventory Determination Procedure attached hereto as Exhibit "K" and the quantity and quality of the crude oil in Seller's possession shall be accurately set forth on the final shipper's statements. At the time of the transfer of custody of the shippers' oil, Seller shall become a shipper of any allowance oil or other oil held in inventory for Seller which remains in the Pipelines at the Effective Time.

Article 31
Applicable Law

THIS AGREEMENT, OTHER DOCUMENTS EXECUTED AND DELIVERED PURSUANT HERETO, AND THE LEGAL RELATIONS BETWEEN THE PARTIES WITH RESPECT TO THIS AGREEMENT, SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO RULES CONCERNING CONFLICTS OF LAW. THIS AGREEMENT SHALL BE PERFORMED IN HARRIS COUNTY, TEXAS.

Article 32
Headings

The headings used in this Agreement are inserted for convenience only and shall be disregarded in construing it.

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Article 33
Exhibits

The Exhibits, Annex, and Schedule listed below are attached to this Agreement and by this reference are fully incorporated herein:

Annex A
Exhibits "A" and "A-1" through "A-4"

Definitions
Pipelines

Exhibits "B-1" through "B-4"
Exhibits "C-1" through "C-4"
Exhibits "D-1" through "D-4"
Exhibits "E-1" through "E-4"
Exhibits "F-1" through "F-4"
Exhibit "G"
Exhibit "H"
Exhibit "I"
Exhibit "J"
Exhibit "K"
Exhibit "L"
Exhibit "M"
Exhibit "N"
Exhibit "O"
Exhibit "P"
Exhibit "Q"

Real Property
Rights-of-Way and Permits
Assigned Contracts
Equipment
Excluded Assets
Purchase Price Allocation
Assignment [Partial Assignment]
Special Warranty Deed
Bill of Sale
Inventory Determination Procedure
Assignment of Contracts
Transition Services Agreement
Consent Document
Certification of Non-Foreign Status
Shipper Statement
Performance Guarantee

Disclosure Schedule

Article 34 Dispute Resolution

Any dispute, controversy or claim ("Dispute"), whether based on contract, tort, statute or other legal or equitable theory (including, but not limited to, any Dispute concerning any question of validity or effect of this Agreement, including this clause) arising out of or related to this Agreement (including any amendments or extensions) the breach or termination hereof or thereof, shall be settled by arbitration in accordance with the then current CPR Institute for Dispute Resolution Rules for Non-Administered Arbitration of Business Disputes and this provision The arbitration shall be governed by the United States Arbitration Act 9 U.S.C. §§1-16 to the exclusion of any provision of state Law inconsistent therewith or which would produce a different result and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction.

Article 35 Other Provisions

A. *Transition Services.* Seller will assist and cooperate with Buyer in order to effectuate an orderly transition. Upon Buyer's request, at Closing the Parties shall enter into a Transition Services Agreement substantially in the form of Exhibit "M" attached hereto.

B. *Records.* Notwithstanding the inclusion of certain records, files and other data in the Property under Article 1, Seller shall have the right to copy and retain any copies of records, files and other data relating to the Property for which it has, or may have, any business, technical or legal need. To the extent that those records, files and other data or any other information made available to Buyer before or after the Closing contain proprietary business or technical information of Seller or its Affiliates,

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Buyer agrees to hold such records, files and other data in confidence and limit their use to the Property.

Buyer shall not destroy or otherwise dispose of any records, files and other data acquired hereunder for a period of four (4) years following the Closing (except as to Tax records for which the period shall be the applicable statute of limitations) except upon thirty (30) days prior written notice to Seller. During such periods, Buyer shall make such records, files and other data available to Seller or its authorized representatives for any business, legal or technical need in a manner which does not unreasonably interfere with Buyer's business operations.

C. *No Third Person Beneficiaries.* Except to the extent a Third Person is expressly given rights herein, any agreement contained, expressed or implied in this Agreement shall be only for the benefit of the Parties hereto and their respective legal representatives, successors and permitted assigns, and such agreements shall not inure to the benefit of the obligees of any indebtedness of either Party hereto, it being the intention of the Parties hereto that no Person shall be deemed a Third Person beneficiary of this Agreement, except to the extent a Third Person is expressly given rights herein. Notwithstanding anything herein to the contrary, nothing herein shall be deemed to create any rights with respect to any employee of either Party or any employee of any Affiliate of a Party, except as expressly provided herein with respect to an Indemnified Party under Article 12 or Article 13.

D. *Counterparts and Facsimiles.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. A facsimile transmission of a signed copy of this Agreement shall be deemed an original and shall have the same valid and binding affect thereof.

E. *Governing Agreement.* In the event of a conflict between the terms of this Agreement and the terms of any other documents (including the Conveyance Documents) delivered pursuant to the terms hereto, this Agreement shall prevail and the terms of this Agreement shall not be merged into or superseded by any Conveyance Documents.

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IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

SHELL PIPELINE COMPANY LP

**BY ITS GENERAL PARTNER
SHELL PIPELINE GP LLC**

By: /s/ STACY P. METHVIN

Name: Stacy P. Methvin

Title: President

**ALL AMERICAN PIPELINE, L.P.
BY PLAINS MARKETING GP INC.
ITS GENERAL PARTNER**

By: /s/ JIM HESTER

Name: Jim Hester

Title: Vice President—Acquisitions

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**ANNEX A
Attached to and Made Part of
Purchase and Sale Agreement
Dated December 16, 2003 between
Shell Pipeline Company LP
and
All American Pipeline, L.P.**

Definitions

As used herein and in the Agreement, the following terms shall have the meanings defined below:

Affiliate shall mean, when used with respect to a specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with the specified Person as of the time or for the time periods during which such determination is made. For purposes of this definition "control", when used with respect to any specified Person, means the power to direct the management and policies of the Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have the meanings correlative to the foregoing.

Agreement shall mean this Purchase and Sale Agreement, including this Annex, the Exhibits and the Disclosure Schedule attached hereto, as amended, modified and supplemented from time to time.

Assigned Contracts shall mean those Contracts that are a part of the Property and are described on Exhibits "D-1" through "D-4", as the same have been amended, modified and supplemented prior to the Closing and assigned by means of Exhibit "L".

Books and Records shall mean all non-privileged original files, records and data (excluding any legal opinions) relating to the Property, including, but not limited to, lease, land, and title records (including abstracts of title, title opinions and title curative documents), contracts, purchasing records, communications to and from any Governmental Authorities; Tax, accounting, and permitting files, health, safety and environmental records, and engineering and operating records relating to the Pipelines. In the event that Seller claims that a document is privileged, Seller shall notify Buyer of that fact in writing prior to Closing. Files relating to litigation concerning the Property and Shell Pipeline Manuals used in the operation of the Pipelines shall not be considered to be Books and Records.

Buyer Indemnitees shall have the meaning given such term in Article 12.

Casualty Loss shall have the meaning set forth in Section 3A.(7).

Chemical Substance shall mean any chemical substance, including, but not limited to, any sort of pollutants, contaminants, chemicals, raw materials, intermediates, products, industrial or solid substances, materials, wastes, or petroleum products, including crude oil or any component or refraction hereof.

Claim shall mean any demand, claim, notice of noncompliance or violation, loss, cost (including investigatory costs and attorneys' fees), damage, expense, action, suit, Proceeding, judgment, or liability of any nature whatsoever, except that the term Claim shall not include any costs related to Future Remedial Work.

Claim Notice shall have the meaning set forth in Section 14A.

Closing shall mean the Closing of the purchase and sale of the Property as contemplated by this Agreement.

Closing Date shall mean the date set for the Closing in accordance with Article 3.

Code shall mean the Internal Revenue Code of 1986, as amended.

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Companies shall have the meaning set forth in Section 1A.(7).

Confidential Information shall have the meaning set forth in Article 25.

Confidentiality Agreement shall have the meaning set forth in Section 10A.

Contracts shall mean any agreement, contract, commitment, lease, or instrument, including all amendments, modifications and supplements thereto.

Conveyance Documents shall mean all deeds, bills of sale, assignments and other good and sufficient instruments of transfer, conveyance and assignment, in such form as attached to the Agreement as Exhibits "H", "I", and "J".

Disclosure Schedule shall mean the disclosure schedule of even date with this Agreement prepared, and delivered to Buyer, by Seller.

Dispute shall have the meaning set forth in Article 34.

Earnest Money shall have the meaning set forth in Section 2B.

Effective Time shall mean 7:00 a.m. (local time), on the Closing Date.

Environmental Condition shall mean any Hazardous Substance or Chemical Substance which is on or affects the Property or which is released, emitted, or discharged from the Property.

Environmental Law shall include, but shall not be limited to, CERCLA, RCRA, the Federal Water Pollution Control Act, 33 U.S.C. §1251 et seq., the Clean Air Act, 42 U.S.C., §8401, et seq., and the regulations thereunder, and any other local, state, and/or federal Laws or regulations, whether currently in effect, or promulgated or amended in the future, that govern:

- The existence, cleanup and/or remedy of contamination on the Property;
- The protection of the environment from spilled, deposited or otherwise emplaced contamination;
- The control of hazardous wastes; or
- The use, generation, transport, treatment, disposal, removal or recovery of Hazardous Substances or Chemical Substances, including building materials.

Equipment shall have the meaning set forth in Section 1A.(5).

Excluded Assets shall mean those assets and properties listed or described on Exhibits "F-1" through "F-4".

Future Remediation Sites shall have the meaning set forth in Section 13A.(1).

Governmental Authority shall mean any entity of or pertaining to government, including any federal, state, local, foreign, other governmental or administrative authority, agency, court, tribunal, arbitrator, commission, board or bureau.

Hazardous Substance shall mean any substance which at any time shall be listed as "hazardous" or "toxic" in the regulations implementing the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") 43 U.S.C. 6901 et seq., the Resource Conservation and Recovery Act ("RCRA") 42 U.S.C.A. 6901 et. seq., the Toxic Substances Control Act ("TSCA") 15 U.S.C.A. 2601 et. seq., or the Emergency Planning and Community Right to Know Act ("EPCRA") 42 U.S.C.A. 11001 et seq. or which has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance and/or a threat to human health and/or the environment and regulated under applicable Law. The term "Hazardous Substance" shall also include, for purposes of this Agreement, without limitation, the products of any manufacturing or other activities on the subject Property.

HSR Act shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Indemnified Party shall have the meaning set forth in Article 14.

Indemnifying Party shall have the meaning set forth in Article 14.

Information Memoranda shall mean the confidential information memoranda previously provided to Buyer.

Law shall mean all applicable local, state, federal and foreign laws and rules, regulations, codes, and ordinances promulgated thereunder, as well as case law, judgments, orders, consent orders, or decrees.

Lien shall mean any lien, mortgage, pledge, security interest, clouds-on-title, options, or imperfections of title, other than Permitted Encumbrances.

Losses shall mean any and all damages, losses, liabilities, payments, obligations, penalties, assessments, costs, disbursements or expenses (including interest, awards, judgments, settlements, fines, costs of redemption, diminutions in value, fees, disbursements and expenses of attorneys, accountants and other professional advisors and of expert witnesses and costs of investigation and preparation of any kind or nature whatsoever).

Material Adverse Environmental Condition shall mean a single Environmental Condition which is not set forth on the Disclosure Schedule and which requires the expenditure, for Seller's ownership percentage of the asset, of in excess of One Million Dollars (\$1,000,000) to cure or remedy.

Material Defect shall mean a single defect in the Property (other than a title defect) which: (1) will significantly impair the operating functions, safety, conversion, or use of the Property; and (2) would cost, for Seller's ownership percentage of the asset, in excess of One Million Dollars (\$1,000,000) to cure or remedy and (3) is not set forth on the Disclosure Schedule.

Party and Parties shall have the meaning set forth in the preamble.

Permit shall mean any license, permit, concession, franchise, authority, consent or approval granted by any Governmental Authority.

Permitted Encumbrances shall mean (a) the Liens described in Section 7K of the Disclosure Schedule, and (b) Liens for current Taxes which are not yet due and payable or which Seller is contesting in good faith.

Person shall mean any individual, corporation, partnership, joint venture, association, joint stock company, limited partnership, trust, unincorporated organization, Governmental Authority.

Pipeline Manuals shall mean the manuals developed by Seller, or its predecessors, and used in the operation of its pipeline systems.

Pipelines shall have the meaning set forth in Section 1A.(1).

Proceeding shall mean any action, suit, claim, investigation, review or other proceeding, at law or in equity, before any Governmental Authority or any arbitrator, board of arbitration or similar entity.

Property shall have the meaning set forth in Section 1A. of the Agreement.

Purchase Price shall have the meaning set forth in Article 2.

Real Property shall have the meaning set forth in Section 1A.(2).

Reasonable Efforts shall mean efforts in accordance with reasonable commercial practice and without the incurrence of unreasonable expense.

Review Period shall have the meaning set forth in Section 10A.

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Right-of-Way shall mean any right-of-way, easement, license or prescriptive right that is listed on Exhibit "C".

Seller Indemnitees shall have the meaning set forth in Article 13.

Significant Title Defect as used in this Agreement, includes, but is not limited to, any single reservation, exception, limitation, restriction, lien, encumbrance, or other defect which is not set forth on the Disclosure Schedule and which results in or could result in Buyer having to expend, for Seller's ownership percentage of the asset, in excess of One Million Dollars (\$1,000,000) to cure or remedy. Neither (i) a minor deviation in the location of a Pipeline, relative to a defined Right-of-Way in an easement, (ii) a gap in a Right-of-Way nor (iii) an encroachment onto a Right-of-Way shall be deemed to constitute a Significant Title Defect for purposes of this Agreement.

Tax shall mean, as relating to any of the Property, any federal, state or local income tax, ad valorem tax, excise tax, sales tax, use tax, franchise tax, real or personal property tax, transfer tax, gross receipts tax, or other tax, assessment, duty, fee, levy or other governmental charge, together with and including, without limitation, any and all interest, fines, penalties, assessments and additions to tax resulting from, relating to, or incurred in connection with any such tax or any contest or dispute thereof.

Third Person shall mean any Person other than Seller or Buyer or their Affiliates.

Title Examination Period shall have the meaning set forth in Section 11B.

Other Terms. Other terms may be defined elsewhere in the text of the Agreement and shall have the meaning indicated throughout the Agreement.

Other Definitional Provisions

1. The words "hereof", "herein", and "hereunder" and words of similar import, when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.
2. The terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa.
3. Whenever a statement is qualified by the term "knowledge", or similar term or phrase, it is intended to indicate actual knowledge, or the possession of information, data or documents that would give actual knowledge, on the part of a Person or its officers, directors or employees with direct responsibility for the matter.
4. Whenever the Parties have agreed that any approval or consent shall not be "unreasonably withheld", such phrase shall also include the Parties' agreement that the approval or consent shall not be unreasonably delayed or conditioned.

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[Exhibit 99.3](#)