
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 31, 2007**

Plains All American Pipeline, L.P.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation)

1-14569
(Commission File Number)

76-0582150
(IRS Employer
Identification No.)

333 Clay Street, Suite 1600 Houston, Texas 77002
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(713) 646-4100**

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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TABLE OF CONTENTS

Item 9.01. Financial Statements and Exhibits
SIGNATURES
Index to Exhibits
Unaudited Consolidated Balance Sheet

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 Unaudited Consolidated Balance Sheet of Plains AAP, L.P., dated as of March 31, 2007.

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: June 18, 2007

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

99.1 Unaudited Consolidated Balance Sheet of Plains AAP, L.P., dated as of March 31, 2007.

PLAINS AAP, L.P.
INDEX TO FINANCIAL STATEMENT

Unaudited Consolidated Balance Sheet as of March 31, 2007
Unaudited Notes to the Consolidated Financial Statement

Page
F-2
F-3

F-1

PLAINS AAP, L.P.
CONSOLIDATED BALANCE SHEET
(in millions)

March 31, 2007
(unaudited)

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 16.6
Trade accounts receivable and other receivables, net	1,665.3
Inventory	968.2
Other current assets	159.4
Total current assets	2,809.5

PROPERTY AND EQUIPMENT

	4,384.3
Accumulated depreciation	(392.7)
	3,991.6

OTHER ASSETS

Pipeline linefill in owned assets	271.0
Inventory in third-party assets	76.0
Investment in unconsolidated entities	195.7
Goodwill	1,035.1
Other, net	167.0
Total assets	\$ 8,545.9

LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 1,723.3
Short-term debt	900.9
Other current liabilities	233.9
Total current liabilities	2,858.1

LONG-TERM LIABILITIES

Long-term debt under credit facilities and other	3.0
Senior notes, net of unamortized discount of \$1.9	2,623.1
Other long-term liabilities and deferred credits	92.7
Total liabilities	5,576.9

MINORITY INTEREST

2,868.9

PARTNERS' CAPITAL

Limited partners	99.2
General partner	0.9
Total partners' capital	100.1
Total liabilities and partners' capital	\$ 8,545.9

The accompanying notes are an integral part of this consolidated financial statement.

PLAINS AAP, L.P.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Note 1—Organization and Basis of Consolidation

Organization

Plains AAP, L.P. (the “Partnership”) is a Delaware limited partnership, formed on May 21, 2001 and, through a series of transactions, capitalized on June 8, 2001. Through this series of transactions, a predecessor to Vulcan Energy GP Holdings Inc. (“Vulcan Energy”) conveyed to us its general partner interest in Plains All American Pipeline, L.P. (“PAA”) and subsequently sold a portion of its interest in us to certain investors. As used in this Form 8-K, the terms “we,” “us,” “our,” “ours” and similar terms refer to Plains AAP, L.P.

In August 2005, Sable Investments, L.P. (“Sable”) sold its limited partner interest in the Partnership. The remaining owners elected to exercise their right of first refusal, such that Sable’s interest was purchased pro rata by the remaining owners. As a result of the transaction, the limited partner interest of Vulcan Energy increased from approximately 44% to approximately 54%. At closing, Vulcan Energy entered into a voting agreement that restricts its ability to unilaterally elect or remove our general partner’s independent directors, and, separately, PAA’s CEO and COO agreed to waive certain change-of-control payment rights that would otherwise have been triggered by the increase in Vulcan Energy’s ownership interest. Such waivers would terminate if Vulcan Energy breaches or terminates its voting agreement. At March 31, 2007, our ownership structure consisted of a 1% general partner interest held by Plains All American GP LLC (the “General Partner”) and the following limited partner interests (the “Partners”):

- Vulcan Energy GP Holdings Inc.—53.778%
- KAFU Holdings, L.P.—20.066%
- E-Holdings III, L.P.—8.910%
- E-Holdings V, L.P.—2.090%
- Mark E. Strome—2.608%
- PAA Management L.P.—4.889%
- Strome MLP Fund, L.P.—1.303%
- Wachovia Investors, Inc.—4.134%
- Lynx Holdings I, LLC—1.222%

The General Partner manages the business and affairs of the Partnership. Except for situations in which the approval of the limited partners is expressly required by the partnership agreement, or by non-waivable provisions of applicable law, the General Partner has full and complete authority, power and discretion to manage and control the business, affairs and property of the Partnership, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Partnership’s business, including the execution of contracts and management of litigation. Our General Partner (or, in the case of PAA’s Canadian operations, PMC (Nova Scotia) Company) employs all officers and personnel involved in the operation and management of PAA and its subsidiaries.

Basis of Consolidation and Presentation

In June 2005, the Emerging Issues Task Force released Issue No. 04-05 (“EITF 04-05”), “Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights.” EITF 04-05 states that if the limited partners do not have substantive ability to dissolve (liquidate) or have substantive participating rights then the general partner is presumed to control that partnership and would be required to consolidate the limited partnership. We adopted this standard prospectively on January 1, 2006 under Transition Method A. Because the limited partners do not have the

substantive ability to dissolve or have substantive participating rights in regards to PAA, the adoption of this standard resulted in the consolidation of PAA and its consolidated subsidiaries in our consolidated financial statement. The consolidation of PAA resulted in the recognition of minority interest of \$2.9 billion as of March 31, 2007, which is comprised entirely of the proportionate interest in the book value of PAA limited partner units owned by other parties.

Our investment in PAA exceeds our share of the underlying equity in the net assets of PAA. This excess is related to the fair value of PAA's crude oil pipelines and other assets at the time of inception and is amortized on a straight-line basis over the estimated useful life of 30 years. At March 31, 2007, the unamortized portion of this excess was approximately \$32.9 million and is included in Property and Equipment in our consolidated balance sheet.

The accompanying consolidated balance sheet includes the accounts of the Partnership and PAA and all of PAA's consolidated subsidiaries. Investments in 50% or less owned affiliates, over which PAA has significant influence, are accounted for by the equity method. All significant intercompany transactions have been eliminated. The consolidated balance sheet and accompanying notes of the Partnership dated as of March 31, 2007 should be read in conjunction with the consolidated financial statements and notes thereto presented in the Plains All American Pipeline, L.P. Annual Report on Form 10-K for the annual period ended December 31, 2006 and the Plains All American Pipeline, L.P. Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007.

As of March 31, 2007, we own a 2% general partner interest in PAA as well as incentive distribution rights, the ownership of which entitles us to receive incentive distributions if the amount that PAA distributes with respect to any quarter exceeds the minimum quarterly distribution of \$0.45 per unit as specified in the PAA partnership agreement (see Note 3 regarding the Partnership's incentive distribution rights reduction). We also own, as of March 31, 2007, a limited partner interest consisting of 173,444 common units of PAA (see Note 2). PAA is a publicly traded Delaware limited partnership, formed in 1998 and engaged in the transportation, storage, terminalling and marketing of crude oil, refined products and liquefied petroleum gas and other natural gas-related petroleum products. We refer to liquefied petroleum gas and other natural gas related petroleum products collectively as "LPG." PAA owns an extensive network of pipeline transportation, terminalling, storage and gathering assets in key oil producing basins, transportation corridors and at major market hubs in the United States and Canada. In addition, through its 50% equity ownership in PAA/Vulcan Gas Storage, LLC ("PAA/Vulcan"), PAA develops and operates natural gas storage facilities. PAA's operations can be categorized into three primary business activities:

1) Transportation

As of March 31, 2007, PAA owned active gathering and mainline crude oil and refined products pipelines located throughout the United States and Canada. Its activities from transportation operations generally consist of (i) transporting crude oil and refined products for a fee; (ii) third-party leases of pipeline capacity and (iii) the transportation of crude oil for third parties for a fee using its trucks and barges. These barge transportation services are provided through our 50% owned entity, Settoon Towing. PAA's transportation segment also includes its equity in earnings from its minority interests in the Butte and Frontier pipeline systems.

2) Facilities

As of March 31, 2007, PAA owned active above-ground crude oil, refined products and LPG storage tanks, of which approximately half are included in the facilities segment. The remaining tanks are associated with pipeline systems and are utilized in the transportation segment. At March 31, 2007, PAA was in the process of constructing additional above-ground terminalling and storage facilities, which are expected to be placed in service during the remainder of 2007 and during 2008. The facilities segment operations generally consist of fee-based activities associated with providing storage, terminalling and throughput services for crude oil, refined products and LPG, as well as LPG fractionation and isomerization services. PAA also generates fees through a combination of month-to-month and multi-year leases and processing arrangements with third parties and its marketing segment. PAA's facilities segment also includes its equity earnings from its investment in PAA/Vulcan.

3) Marketing

PAA's revenues from marketing activities reflect the sale of gathered and bulk-purchased crude oil, refined products and LPG volumes, as well as marketing of natural gas liquids, plus the sale of additional barrels exchanged through buy/sell arrangements entered into to supplement the margins of the gathered and bulk-purchased volumes.

Note 2—Contribution of Subordinated Units

On June 8, 2001, certain of our limited partners contributed to us an aggregate of 450,000 subordinated units of PAA, all of which subsequently converted into common units. These 450,000 units (the “Option Units”) were intended for use in connection with an option plan pursuant to which certain members of the management of our General Partner, subject to the satisfaction of vesting criteria, have a right to purchase a portion of such Option Units. See Note 4 for a discussion of the terms of these options.

Until the exercise of the options, we will continue to own and receive any distributions paid by PAA with respect to the Option Units, and any distributions we make as a result of the receipt of distributions on the Option Units will be paid to our limited partners in proportion to their original contribution of the Option Units, as adjusted subsequent to the Sable transaction described in Note 1. In certain instances, grantees under the plan have exercised options utilizing a cashless exercise provision whereby a grantee exchanges a portion of their vested options in satisfaction of the strike price associated with an exercise. As a result of cashless exercises, the Option Units we hold exceed the remaining outstanding options. From time to time these surplus units are sold with the resulting proceeds distributed back to the limited partners in the same manner as distributions paid by PAA on the Option Units described above. These surplus Option Units may also be sold to the General Partner and used to satisfy obligations with respect to awards that vested under the General Partner’s Long-Term Incentive Plan (“LTIP”). Since inception of the option plan, 26,718 Option Units have been sold to the General Partner for this purpose.

Through March 31, 2007, we have had the following Option Unit activity (in thousands):

Original contribution	450
Used to settle options	(250)
Sold with proceeds distributed back to original contributors	(27)
Option Units remaining as of March 31, 2007 ⁽¹⁾	<u>173</u>

(1) Includes approximately 11,900 Option Units in excess of outstanding options (see Note 4).

Note 3—Partners’ Capital

We distribute all of the cash received from PAA distributions, less reserves established by management, on a quarterly basis. Generally, distributions are paid to the Partners in proportion to their percentage interest in the Partnership. Included in partners’ capital is our proportionate share of accumulated other comprehensive income of approximately \$4.7 million.

We recognize a change of interest gain or loss at the time of each PAA equity transaction involving the issuance of PAA common units. Such gains or losses reflect the change in the book value of our limited partner equity in PAA compared to our proportionate share of the change in the underlying net assets of PAA caused by the equity transaction. Additionally, in connection with each PAA equity transaction, we are required to make a capital contribution to PAA to maintain our 2% general partner interest in PAA. Funding for our required capital contributions is provided by our General Partner and limited partners based on their respective ownership interest. PAA did not issue any common units during the quarter ended March 31, 2007.

In November 2006, PAA completed its acquisition of Pacific Energy Partners, L.P. In accordance with the acquisition agreement, we agreed to reduce the amount of our incentive distributions as follows: (i) \$5 million per quarter for the first four quarters, (ii) \$3.75 million per quarter for the next eight quarters, (iii) \$2.5 million per quarter for the next four quarters, and (iv) \$1.25 million per quarter for the final four quarters. The total reduction in incentive distributions will be \$65 million. Pursuant to this agreement, the first reduction was with respect to the incentive distribution paid to us on February 14, 2007, which was reduced by \$5 million. Additionally, the incentive distribution paid to us on May 15, 2007 was reduced by \$5 million (see Note 5).

Note 4—Incentive Compensation

SFAS 123(R), “Share Based Payment,” establishes the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This statement requires that the cost resulting from all share-based payment transactions be recognized in the financial statements at fair value.

Performance Option Plan

In June 2001, the Performance Option Plan (the "Plan") was approved by our General Partner to grant options to purchase up to 450,000 Option Units (see Note 2) of PAA to employees of the General Partner for services provided to the General Partner. All available options under the Plan have been issued. The options were granted with an exercise price per unit of \$22.00, less 80% of any distribution on an Option Unit from June 2001 until the date of exercise. As of March 31, 2007, the exercise price had been reduced to \$10.91 for distributions made since June 2001.

At March 31, 2007, there were 161,500 vested options outstanding. A summary of the options issued by the Plan at March 31, 2007 is as follows (in thousands):

Vested options outstanding ⁽¹⁾	162
Exercised or cancelled	<u>288</u>
Total options issued	<u>450</u>

(1) Substantially all outstanding options vested in August 2005 due to a change in the ownership structure of the Partnership (see Note 1).

These options are considered performance awards, which are accounted for at fair value and are revalued at each financial statement date based on a Black-Scholes option valuation model. At March 31, 2007, the estimated fair value of \$46.70 per outstanding option resulted in a liability of approximately \$7.5 million, and is reflected as a component of Other current liabilities on the accompanying consolidated balance sheet. We intend to use Option Units (see Note 2) to settle these awards when they are exercised. PAA does not have any obligation to reimburse us for the units underlying these awards. The remaining outstanding options, the majority of which vested in or prior to 2005, expire in 2011 and 2012.

The valuation assumptions used in the Black-Scholes Model at March 31, 2007 were as follows (options in thousands):

		<u>Assumptions</u>			
<u>Options Outstanding</u>	<u>Options Vested</u>	<u>Weighted Average Interest Rate</u>	<u>Weighted Average Expected Life</u>	<u>Weighted Average Expected Volatility</u>	<u>Weighted Average Expected Dividend Yield (1)</u>
162	162	4.7%	2.6	17.5%	1.7%

(1) Reflects 20% of anticipated dividend yield to provide for the reduction in the exercise price of the options equal to 80% of distributions.

During the first quarter of 2007, 9,500 options were exercised, resulting in the conveyance of 8,000 Option Units after netting for the exercise price. In conjunction with the exercise, we recorded gains of approximately \$0.2 million, which represents the difference between the accrued liability associated with the options on a fair value basis and the book value of the Option Units.

Note 5—Subsequent Event

Distribution

PAA paid cash distributions to the Partnership of \$18.5 million for the first quarter of 2007. The distribution consisted of (i) \$1.8 million for its general partner interest; (ii) \$21.7 million for its incentive distribution interest; (iii) \$0.1 million for its limited partner interest resulting from the Option Units; (iv) less \$5.0 million as a result of our incentive distribution right reduction and (v) less \$0.1 million for cash reserves. The distribution, which was declared on April 17, 2007, was received on May 15, 2007. As a result of this distribution of \$0.8125 per unit, the exercise price associated with our outstanding options was reduced to \$10.26.