

**UNITED STATES
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) **August 29, 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**

(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))

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements of Certain Officers.

On August 29, 2007, Plains All American GP LLC ("GP LLC"), the general partner of Plains AAP, L.P., which is our general partner ("Plains AAP"), entered into the Third Amended and Restated Limited Partnership Agreement of Plains AAP, L.P. to authorize the issuance of up to 200,000 Class B units in Plains AAP. Up to approximately 163,000 Class B units have been issued or approved for issuance to certain members of management pursuant to individual restricted unit agreements. The Class B units were approved by the owners of our general partner to create long-term incentives for our management. Each Class B unit represents a "profits interest" in Plains AAP, which entitles the holder to participate in future profits and losses from operations, current distributions from operations, and an interest in future appreciation or depreciation in Plains AAP's asset values, but does not represent an interest in the capital of Plains AAP on the grant date of the Class B units. The Class B units are subject to restrictions on transfer and are not currently entitled to distributions. Class B units become "earned" (entitled to participate in distributions) in 25% increments when the annualized quarterly distributions on our common units equal or exceed \$3.50, \$3.75, \$4.00 and \$4.50 per unit. Upon achievement of these performance thresholds, the Class B units will be entitled to their proportionate share of all quarterly cash distributions made by Plains AAP in excess of \$11.0 million per quarter. Assuming all authorized Class B units are issued, the maximum participation would be 8% of the amount in excess of \$11 million per quarter.

Plains AAP will retain a call right to purchase any earned Class B units at a discount to fair market value, which call right will be exercisable upon the termination of a holder's employment with GP LLC and its affiliates for any reason prior to January 1, 2016 other than a termination of employment by the holder of Class B units for good reason or by GP LLC other than for cause. Upon the occurrence of a change of control (i) all earned units will vest (no longer be subject to Plains AAP's call right), and (ii) to the extent of any of the units are unearned at the time, an incremental 25% of the units originally awarded will vest. All earned Class B units will also vest if they remain outstanding as of January 1, 2016 or Plains AAP elects not to timely exercise its call rights.

The cost of the obligations represented by the Class B units will be borne solely by Plains AAP. We will not be obligated to reimburse Plains AAP for such costs and any distributions made on such Class B units will not reduce the amount of cash available for distribution to our unitholders. Under generally accepted accounting principles, however, the Class B units represent an equity compensation plan for our benefit. Accordingly, once the likelihood of achievement of a performance threshold is considered probable, we will record an expense related to the fair market value of the associated interest at the date of grant, proportionate to the relevant service period incurred through such date. Any balance will be amortized over the remaining service period through the achievement of such performance threshold. An offsetting entry will be recorded to partners' capital to reflect a capital contribution from Plains AAP equal to the amount recorded as expense in our financial statements.

Class B units were issued to the following named executive officers: Greg L. Armstrong, Harry N. Pefanis, and John P. vonBerg. The number of Class B units awarded to each such officer is as follows:

| <u>Name of Beneficial Owner</u> | <u>Number of Class B Units Granted</u> |
|---|--|
| Greg L. Armstrong Chairman and Chief Executive Officer | 40,000 |
| Harry N. Pefanis President and Chief Operating Officer | 30,000 |
| John P. vonBerg Vice President — Trading | 14,000 |

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

As mentioned above, on August, 29, 2007, GP LLC entered into the Third Amended and Restated Limited Partnership Agreement of Plains AAP to implement and facilitate the creation and issuance of the Class B units.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

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Exhibit 10.1 — Third Amended and Restated Limited Partnership Agreement of Plains AAP, L.P. dated August 29, 2007

Exhibit 10.2 — Form of Plains AAP, L.P. Class B Restricted Units Agreement

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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: August 31, 2007

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

By: Plains All American GP LLC, its general partner

By: /s/ Tim Moore

Name: Tim Moore

Title: Vice President

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EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| Exhibit 10.1 | Third Amended and Restated Limited Partnership Agreement of Plains AAP, L.P. dated August 29, 2007 |
| Exhibit 10.2 | Form of Plains AAP, L.P. Class B Restricted Units Agreement |

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PLAINS AAP, L.P.

A Delaware Limited Partnership

**THIRD AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT**

August 29, 2007

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THIRD AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

OF

PLAINS AAP, L.P.

THIS THIRD AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT (this “**Agreement**”) of Plains AAP, L.P., a Delaware limited partnership (the “**Partnership**”), is made and entered into as of this 29th day of August, 2007 by Plains All American GP LLC, a Delaware limited liability company, as the general partner, and, pursuant to Section 11.2(d) of the Second Amended and Restated Limited Partnership Agreement dated as of September 12, 2005, by and among the General Partner and the Limited Partners (the “**Second A&R Limited Partnership Agreement**”), is binding on the Persons listed as Limited Partners in Schedule I hereto, as such schedule may be amended or supplemented from time to time in accordance herewith.

This Agreement amends and restates in its entirety the Second A&R Limited Partnership Agreement.

**ARTICLE I
DEFINITIONS**

For purposes of this Agreement:

“**Acceptance Notice**” shall have the meaning set forth in Section 7.8(b).

“**Act**” means the Delaware Revised Uniform Limited Partnership Act, as amended from time to time.

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

(a) Credit to such Capital Account any amounts which such Partner is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to Regulation Sections 1.704-1(b)(2)(ii)(c), 1.704-2(g)(1) and 1.704-2(i)(5); and

(b) Debit to such Capital Account the items described in Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

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

“**Agreement**” means this Third Amended and Restated Limited Partnership Agreement, as amended from time to time in accordance with its terms.

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

“**Business**” means all Hydrocarbon gathering, transportation, terminalling, storage, and marketing and all operations related thereto, including, without limitation, (a) the acquisition, construction, installation, maintenance or remediation and operation of pipelines, gathering lines, compressors, facilities, storage facilities and equipment, and (b) the gathering of Hydrocarbons from fields, interstate and intrastate transportation by pipeline, trucks or barges, tank storage of Hydrocarbons, transferring Hydrocarbons from pipelines and storage tanks to trucks, barges or other pipelines, acquisition of Hydrocarbons at the well or bulk purchase at pipeline and terminal facilities and subsequent resale thereof.

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

“**Capital Account**” means, with respect to any Partner, a separate account established by the Partnership and maintained for each Partner in accordance with Section 3.4 hereof.

“**Capital Contribution**” means, with respect to any Partner, the amount of money, if any, and the initial Gross Asset Value of any Property (other than money), if any, contributed to the Partnership with respect to the interests purchased by such Partner pursuant to the terms of this Agreement, in return for which the Partner contributing such capital shall receive a Partnership Interest.

“**Certificate**” means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of Delaware, as amended or restated from time to time.

“**Class A Partner**” means a Limited Partner all or any portion of whose Limited Partnership Interest is evidenced by Class A Units.

“**Class A Unit**” means a Partnership Interest representing a fractional part of the Partnership Interests of all Limited Partners, and having the rights and obligations specified with respect to Class A Units in this Agreement.

“**Class B Partner**” means a Limited Partner all or any portion of whose Limited Partnership Interest is evidenced by Class B Units.

“**Class B Unit**” means a Partnership Interest representing a fractional part of the Partnership Interests of all Limited Partners, and having the rights and obligations specified with respect to Class B Units in this Agreement and the Class B Restricted Unit Agreement pursuant to which it was issued.

“**Class B Restricted Unit Agreement**” means an agreement, substantially in the form of Exhibit A hereto, between the Partnership and any Limited Partner that is issued Class B Units, as any such agreement shall be amended or modified from time to time by the parties thereto.

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

“**Contributed Unit Proceeds**” means (i) distributions attributable to the ownership by the Partnership of Contributed Units and (ii) proceeds of any Special Disposition or other disposition of Contributed Units.

“**Contributed Units**” means the subordinated units in the Master Limited Partnership contributed to the Partnership in 2001, which subordinated units converted into common units in the Master Limited Partnership in accordance with the provisions of the Master Limited Partnership Agreement.

“Contribution Percentage” means in respect of a Capital Contribution required to be made pursuant to Section 2.1(b), (i) in the case of the General Partner, 1%, (ii) in the case of a Class A Partner, 99% times a fraction, the numerator of which is the number of such Class A Partner’s Class A Units at such time, and the denominator of which is the sum of (x) the number of outstanding Class A Units at such time and (y) the product of the Conversion Factor and the aggregate number of Earned Units and Vested Units outstanding at such time, and (iii) in the case of a Class B Partner, 99% times a fraction, the numerator of which is the product of the Conversion Factor and the number of such Class B Partner’s Earned Units and Vested Units at such time, and the denominator of which is the sum of (x) the number of outstanding Class A Units at such time and (y) the product of the Conversion Factor and the aggregate number Earned Units and Vested Units outstanding at such time.

“Conversion Factor” means, as of a particular time, a fraction, the numerator of which is the regular quarterly cash distribution, if any, paid with respect to an Earned Unit or Vested Unit for the most recent quarter, and the denominator of which is the regular quarterly cash distribution paid with respect to a Class A Unit for such quarter.

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

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income tax purposes of an asset at the beginning of such Taxable Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the General Partner.

“Earned Unit” means a Class B Unit that constitutes an “Earned Unit” under the Class B Restricted Unit Agreement pursuant to which such Class B Unit was issued.

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

“EnCap” shall have the meaning set forth in Section 10.1.

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

“First Refusal Notice” shall have the meaning set forth in Section 7.8(a).

“General Partner” means Plains All American GP LLC, a Delaware limited liability company, any successor thereto, and any Persons hereafter admitted as additional general partners, each in its capacity as a general partner of the Partnership.

“Grant Date Partnership Capital” means, with respect to the Class B Partners, the amount set forth in Schedule I, which amount is equal to the aggregate Capital Account balances of the General Partner and the Class A Partners, as adjusted pursuant to the terms of this Agreement at the time of the admission of the Class B Partners to the Partnership.

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

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

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

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

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

“Hydrocarbons” means crude oil, natural gas, casinghead gas, condensate, sulphur, natural gas liquids, plant products, liquefied petroleum gas and other liquid or gaseous hydrocarbons produced in association therewith, including, without limitation, coalbed methane and gas and CO₂.

“Initial Class A Holders” means the Persons listed as such on Schedule I hereto.

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

“Kayne Anderson” shall have the meaning set forth in Section 10.1.

“Limited Partner” means, unless the context otherwise requires, each Initial Class A Holder and each additional Person that becomes a Class A Partner or a Class B Partner pursuant to the terms of this Agreement and that is shown as such on the books and records of the Partnership, in each case, in such Person’s capacity as a limited partner of the Partnership.

“Limited Partnership Interest” means the ownership interest of a Limited Partner in the Partnership, which may be evidenced by Class A Units, Class B Units or any other Partnership Security or a combination thereof or interest therein, and includes any and all benefits to which such Limited Partner is entitled as provided in this Agreement, together with all obligations of such Limited Partner to comply with the terms and provisions of this Agreement.

“Liquidating Trustee” has the meaning set forth in Section 8.3(a).

“LLC Agreement” means the Second Amended and Restated Agreement Limited Liability Company Agreement of the General Partner, dated as of September 12, 2005, by and among the members in the General Partner and any other Persons who become members in the General Partner as provided therein, as amended from time to time in accordance with the terms thereof.

“Losses” has the meaning set forth in the definition of “Profits” and “Losses”.

“Management Entity” shall mean PAA Management, L.P.

“Management Sale” shall have the meaning set forth in Section 7.9.

“Master Limited Partnership” means Plains All American Pipeline, L.P., and any successor thereto.

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“Master Limited Partnership Agreement” means the Third Amended and Restated Agreement of Limited Partnership of the Master Limited Partnership, dated as of June 27, 2001, as amended on April 15, 2004 and November 15, 2006, and as may be further amended, modified, supplemented or restated from time to time in accordance with the terms thereof.

“Member” means a record holder of a Membership Interest.

“Membership Interest” means, with respect to a Partner, such Partner’s limited liability company interest, if any, in the General Partner, which refers to all of such Partner’s rights and interests in the General Partner in such Partner’s capacity as a member thereof, all as provided in the LLC Agreement and the Delaware Limited Liability Company Act.

“Membership Transfer” shall have the meaning set forth in Section 7.1(b).

“Net Capital Transaction Proceeds” means the cash, notes, equity interests and any other consideration derived from the sale or other disposition of all or a portion of the Partnership’s assets.

“Non-Purchasing Partner” shall have the meaning set forth in Section 7.8(d).

“Non-Selling Partner” shall have the meaning set forth in Section 7.8(b).

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

“Offer” shall have the meaning set forth in Section 7.8(a).

“Offeror” shall have the meaning set forth in Section 7.8(a).

“Option” means an option to purchase Contributed Units granted pursuant to the Option Plan, as amended.

“Option Plan” means the Plains All American 2001 Performance Option Plan, as amended, and any successor employee incentive plan funded with Contributed Units.

“Optioned Interest” shall have the meaning set forth in Section 7.8(a).

“Partner” means the General Partner or any of the Limited Partners, and “Partners” means the General Partner and all of the Limited Partners.

“Partnership” shall have the meaning set forth in the preamble hereof.

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“Partnership Interest” means a Partner’s limited partnership or general partnership interest in the Partnership which refers to all of a Partner’s rights and interests in the Partnership in such Partner’s capacity as a Partner, all as provided in this Agreement and the Act.

“Partnership Security” means any class or series of equity interest in the Partnership (but excluding any options, rights, warrants and appreciation rights relating to an equity interest in the Partnership), including without limitation, Class A Units and Class B Units.

“Permitted Transfer” shall mean:

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

(b) a Transfer of any or all of the Partnership Interest by any Partner to the Partnership;

(c) with respect to Class A Units, a Transfer of any or all of the Partnership Interest by a Partner to any Affiliate of such Partner; *provided, however*, that such transfer shall be a Permitted Transfer only so long as such Partnership Interest, or portion thereof, is held by such Affiliate or is otherwise transferred in another Permitted Transfer; and

(d) with respect to Class B Units, a Transfer permitted under the applicable Class B Restricted Unit Agreement.

Provided, however, that no Permitted Transfer shall be effective unless and until the transferee of the Partnership Interest, or portion thereof, so transferred complies with Sections 7.1(b). Except in the case of a Permitted Transfer pursuant to clause (b) above, from and after the date on which a Permitted Transfer becomes effective, the Permitted Transferee of the Partnership Interest, or portion thereof, so transferred shall have the same rights, and shall be bound by the same obligations, under this Agreement as the transferor of such Partnership Interest, or portion thereof, and shall be deemed for all purposes hereunder a Partner and such Permitted Transferee shall, as a condition to such Transfer, agree in writing to be bound by the terms of this Agreement. No Permitted Transfer shall conflict with or result in any violation of any judgment, order, decree, statute, law, ordinance, rule or regulation or require the Company, if not currently subject, to become subject, or if currently subject, to become subject to a greater extent, to any statute, law, ordinance, rule or regulation, excluding matters of a ministerial nature that are not materially burdensome to the Company.

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

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

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

(a) Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses shall be added to such taxable income or loss;

(b) Any expenditures of the Partnership described in Section 705(a)(2)(B) of the Code or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulation Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses, shall be subtracted from such taxable income or loss;

(c) In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraphs (b) or (c) of the definition of Gross Asset Value, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Gross Asset Value of the asset) or an item of loss (if the adjustment decreases the Gross Asset Value of the asset) from the disposition of such asset and shall be taken into account for purposes of computing Profits or Losses;

(d) Gain or loss resulting from any disposition of Property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the Property disposed of, notwithstanding that the adjusted tax basis of such Property differs from its Gross Asset Value;

(e) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Taxable Year, computed in accordance with the definition of Depreciation;

(f) To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulation Sections 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Partner’s interest in the Partnership, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) from the disposition of such asset and shall be taken into account for purposes of computing Profits or Losses; and

(g) Profits and Losses shall not include any items specially allocated pursuant to Section 5.3.

“Property” means all assets, real or intangible, that the Partnership may own or otherwise have an interest in from time to time.

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

“Regulatory Allocations” shall have the meaning set forth in Section 5.3(c).

“Second A&R Limited Partnership Agreement” shall have the meaning set forth in the recitals hereto.

“Selling Partner” shall have the meaning set forth in Section 7.8(a).

“Special Disposition” means (i) the delivery of Contributed Units upon the exercise of an Option when the exercise price is paid in cash, (ii) the sale of Contributed Units in a “cashless” exercise of an Option, but only to the extent the proceeds of such sale satisfy the exercise price, (iii) in the case of the exercise of an Option in which the exercise price is satisfied by “netting” the units delivered to the optionee, the sale of Contributed Units equal in number to the netted units, (iv) the sale of Contributed Units with a value substantially equivalent to the deemed aggregate exercise price for any Options cancelled and paid in cash, and (v) any other disposition of Contributed Units reasonably attributable to the payment of the exercise price of an Option.

“Strome” means Mark E. Strome.

“Strome Hedgecap” means Strome Hedgecap Fund, L.P.

“Taxable Year” shall mean the calendar year.

“Transfer” or **“Transferred”** means to give, sell, exchange, assign, transfer, pledge, hypothecate, bequeath, devise or otherwise dispose of or encumber, voluntarily or involuntarily, by operation of law or otherwise. When referring to a Partnership Interest, “Transfer” shall mean the Transfer of such Partnership Interest whether of record, beneficially, by participation or otherwise.

“Unit Percentages” means the Unit Percentages set forth on Schedule I.

“Vested Unit” means a Class B Unit that constitutes a “Vested Unit” under the Class B Restricted Unit Agreement pursuant to which such Class B Unit was issued.

“Wachovia” means Wachovia Investors, Inc.

ARTICLE II ORGANIZATION

2.1 Formation of Limited Partnership

The General Partner has previously formed the Partnership as a limited partnership pursuant to the provisions of the Act and the parties hereto hereby agree to amend and restate the original Limited Partnership Agreement of the Partnership in its entirety. The parties hereto acknowledge that they intend that the Partnership be taxed as a partnership and not as an association taxable as a corporation for federal income tax purposes. No election may be made to treat the Partnership as other than a partnership for federal income tax purposes.

2.2 Name of Partnership

The name of the Partnership is Plains AAP, L.P. or such other name as the General Partner may hereafter adopt from time to time. The General Partner shall execute and file in the proper offices such certificates as may be required by any assumed name act or similar law in effect in the jurisdictions in which the Partnership may elect to conduct business.

2.3 Principal Office; Registered Office

The principal office address of the Partnership is located at 333 Clay Street, 16th Floor, Houston, Texas 77002, or such other place as the General Partner designates from time to time. The registered office address and the name of the registered agent of the Partnership for service of process on the Partnership in the State of Delaware is as stated in the Certificate or as designated from time to time by the General Partner.

2.4 Term of Partnership

The term of the Partnership commenced on May 21, 2001 and shall continue until dissolved pursuant to Section 8.1 hereof. The legal existence of the Partnership as a separate legal entity continues until the cancellation of the Certificate.

2.5 Purpose of Partnership

The Partnership is formed for the object and purpose of, and the nature of the business to be conducted and promoted by the Partnership is, (a) acting as the general partner of the Master Limited Partnership pursuant to the Master Limited Partnership Agreement, (b) holding the GP Interest, the Incentive Distribution Rights and the Operating Partnerships GP Interests (as such terms are defined in the Transfer Agreement) and (c) engaging in any and all activities necessary or incidental to the foregoing.

2.6 Actions by Partnership

The Partnership may execute, deliver and perform all contracts, agreements and other undertakings and engage in all activities and transactions as may in the opinion of the General Partner be necessary or advisable to carry out its objects.

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2.7 Reliance by Third Parties

Persons dealing with the Partnership are entitled to rely conclusively upon the power and authority of the General Partner as herein set forth.

ARTICLE III CAPITAL

3.1 Capital Contributions

(a) As of the date hereof, there are 2,300,000 Class A Units authorized and outstanding, and 200,000 Class B Units authorized. Schedule I sets forth the ownership of outstanding Class A Units and Unit Percentages, and may be amended from time to time by the Partnership to reflect the issuance of additional Class A Units or Class B Units.

(b) Each Partner agrees to make Capital Contributions in proportion to such Partner's then-applicable Contribution Percentage for equity issuances by the Master Limited Partnership pursuant to Section 5.2(b) of the Master Limited Partnership Agreement approved by the Members pursuant to the LLC Agreement.

3.2 Additional Capital Contributions

(a) No Partner shall be required to make any additional Capital Contribution other than as required under Section 3.1.

(b) Subject to the restrictions contained in Section 3.5 of the Class B Restricted Unit Agreement, the Partnership may offer additional Partnership Interests to any Person with the approval of the General Partner. The names, addresses and Capital Contributions of the Partners shall be reflected in the books and records of the Partnership.

3.3 Loans

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

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

3.4 Maintenance of Capital Accounts

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

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(i) To each Partner's Capital Account there shall be credited (A) such Partner's Capital Contributions, (B) such Partner's share of Profits and items of income and gain allocated to such Partner pursuant to Section 5.3, and (C) the amount of any Partnership liabilities assumed by such Partner or which are secured by any Property distributed to such Partner. The principal amount of a promissory note which is not readily traded on an established securities market and which is contributed to the Partnership by the maker of the note (or a Partner related to the maker of the note within the meaning of Regulation Section 1.704-1(b)(2)(ii)(c)) shall not be included in the Capital Account of any Partner until the Partnership makes a taxable disposition of the note or until (and only to the extent) principal payments are made on the note, all in accordance with Regulation Section 1.704-1(b)(2)(iv)(d)(2);

(ii) To each Partner's Capital Account there shall be debited (A) the amount of money and the Gross Asset Value of any Property distributed or treated as an advance distribution to such Partner pursuant to any provision of this Agreement (including without limitation any distributions pursuant to Section 4.1), (B) such Partner's share of Losses and items of loss and deduction allocated to such Partner pursuant to Section 5.3, and (C) the amount of any liabilities of such Partner assumed by the Partnership or which are secured by any Property contributed by such Partner to the Partnership;

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

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

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

3.5 Capital Withdrawal Rights, Interest and Priority

Except as expressly provided in this Agreement, no Partner shall be entitled to (a) withdraw or reduce such Partner's Capital Contribution or to receive any distributions from the Partnership, or (b) receive or be credited with any interest on the balance of such Partner's Capital Contribution at any time.

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3.6 Class B Partners Profits Interests

The Class B Units have been, and may in the future be, issued for zero consideration in order to provide additional incentives for the Class B Partners to build value for the Partnership and achieve its business goals. Each Class B Unit represents an interest in the Partnership of the nature commonly referred to as a "profits interest" (as described in Revenue Procedure 93-27, 1993-2 C.B. 343 and Revenue Procedure 2001-43, 2001-2 C.B. 191), and represents an interest in future Partnership profits and losses from operations, current distributions from operations, and an interest in future appreciation or depreciation in the Partnership asset values as set forth in this Agreement, but which does not represent an interest in Partnership Capital as determined on each date the Class B Units are issued.

ARTICLE IV DISTRIBUTIONS

4.1 Distributions of Available Cash

An amount equal to 100% of Available Cash with respect to each fiscal quarter of the Partnership shall be distributed to the Partners within forty-five days after the end of such quarter as follows:

- (a) first, 1% to the General Partner and 99% to the Class A Partners, pro rata based on the number of Class A Units held, until the aggregate amount of distributions paid pursuant to this [Section 4.1\(a\)](#) in respect of such quarter equals \$11.0 million;
- (b) thereafter, 1% to the General Partner and 99% to the Class A Partners and the Class B Partners, pro rata based on the number of Class A Units, Earned Units and/or Vested Units held; and
- (c) notwithstanding any other provision of this Agreement, all distributions of Contributed Units Proceeds shall be made to the Partners in proportion to their relative Unit Percentages within forty-five days after the end of each quarter.

4.2 Intentionally Omitted

4.3 Persons Entitled to Distributions

All distributions of Available Cash to Partners for a fiscal quarter pursuant to [Section 4.1](#) shall be made to the Partners shown on the records of the Partnership to be entitled thereto as of the last day of such quarter, unless the transferor and transferee of any Partnership Interest otherwise agree in writing to a different distribution and such distribution is consented to in writing by the General Partner. For the avoidance of doubt, no distribution shall be paid with respect to any outstanding Class B Unit that is not either an Earned Unit or a Vested Unit.

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4.4 Limitations on Distributions

- (a) Notwithstanding any provision of this Agreement to the contrary, no distributions shall be made except pursuant to [Article IV](#) or [Article VIII](#).
- (b) Notwithstanding any provision of this Agreement to the contrary, no distribution hereunder shall be permitted if such distribution would violate Section 17-607 of the Act or other applicable law.

ARTICLE V ALLOCATIONS

5.1 Profits

Subject to Section 8.3, Profits for any Taxable Year shall be allocated:

- (a) first, to the General Partner to which Losses have previously been allocated pursuant to [Section 5.2\(e\)](#) so as to bring the General Partner's Capital Account to zero;

(b) second, to the Partners in the amount of and in proportion to the Losses which have previously been allocated pursuant to Section 5.2(d) to such Partners;

(c) third, to the Partners in the amount and in proportion to the Losses which have previously been allocated pursuant to Section 5.2(c) to such Partners;

(d) fourth, to the Class B Partners, pro rata based on the number of Class B Units held, in an amount equal to any distributions of Available Cash made to the Class B Partners pursuant to Section 4.1(b); and

(e) fifth, any remaining Profits shall be allocated 1% to the General Partner and 99% to the Class A Partners pro rata based on the number of Class A Units held.

5.2 Losses

Subject to Section 8.3, Losses for any Taxable Year shall be allocated:

(a) first, to the General Partner and the Class A Partners in proportion to and to the extent of the Profits which have previously been allocated pursuant to Section 5.1(e) to such Partners;

(b) second, to the Class B Partners in proportion to and to the extent of the Profits which have previously been allocated pursuant to Section 5.1(d) to such Partners;

(c) third, 1% to the General Partner and 99% to the Class A Partners pro rata based on the number of Class A Units held, provided; however, that no Partner shall be allocated any loss pursuant to this Section 5.2(c) which would result in a negative Capital Account balance for such Partner;

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(d) fourth, to Partners in proportion to and to the extent of their positive Capital Account balances until such Capital Account balances have been reduced to zero; and

(e) fifth, any remaining Losses shall be allocated to the General Partner.

5.3 Regulatory Allocations

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

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

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

(d) Contributed Units Special Allocations. Notwithstanding any other provision of this Agreement, but subject to Section 5.4, all income, gain, loss and deduction related to the Contributed Units shall be allocated to the Partners in proportion to their relative Unit Percentages.

5.4 Tax Allocations: Code Section 704(c)

(a) Except as otherwise provided herein, for federal income tax purposes, (i) each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 5.1

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and 5.2, and (ii) each tax credit shall be allocated to the Partners in the same manner as the receipt or expenditure giving rise to such credit is allocated pursuant to Section 5.1 or 5.2.

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

definition herein of “Gross Asset Value”). The Partnership shall use the remedial method of allocations specified in Treas. Reg. §1.704-3(d), or successor regulations, unless otherwise required by law.

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

(d) Any elections or other decisions relating to such allocations shall be made by the General Partner in any manner that reasonably reflects the purpose and intention of this Agreement; provided, that the Partnership, in the discretion of the General Partner, may make, or not make, “curative” or “remedial” allocations (within the meaning of the Regulations under Code Section 704(c)) including, but not limited to, “curative” allocations which offset the effect of the “ceiling rule” for a prior Taxable Year (within the meaning of Regulation Section 1.704-3(c)(3)(ii)) and “curative” allocations from disposition of contributed property (within the meaning of Regulation Section 1.704-3(c)(3)(iii)(B)). Allocations pursuant to this Section 5.4 are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Partner’s Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision of this Agreement.

5.5 Change in Partnership Interest

In the event that the Partners’ interests in the Partnership change during a Taxable Year, allocations shall be made taking into account the Partners’ varying interests for such Taxable Year, determined on a daily, monthly or other basis as determined by the General Partner, using any permissible method under Code Section 706 and the Regulations thereunder.

5.6 Withholding

Each Partner hereby authorizes the Partnership to withhold from income or distributions allocable to such Partner and to pay over any taxes payable by the Partnership or any of its Affiliates as a result of such Partner’s participation in the Partnership; if and to the extent that the Partnership shall be required to withhold any such taxes, such Partner shall be deemed for all purposes of this Agreement to have received a distribution from the Partnership as of the time such withholding is required to be paid, which distribution shall be deemed to be a distribution to such Partner to the extent that the Partner is then entitled to receive a distribution. To the extent that the aggregate of such distributions in respect of a Partner for any period exceeds the distributions to which such Partner is entitled for such period, the amount of such excess shall be

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considered a demand loan from the Partnership to such Partner, with interest at the rate of interest per annum that Citibank, N.A., or any successor entity thereto, announces from time to time as its prime lending rate, which interest shall be treated as an item of Partnership income, until discharged by such Partner by repayment, which may be made in the sole discretion of the General Partner out of distributions to which such Partner would otherwise be subsequently entitled. The withholdings referred to in this Section 5.6 shall be made at the maximum applicable statutory rate under applicable tax law unless the General Partner shall have received an opinion of counsel or other evidence, satisfactory to the General Partner, to the effect that a lower rate is applicable, or that no withholding is applicable.

ARTICLE VI MANAGEMENT

6.1 Duties and Powers of the General Partner

(a) The business and affairs of the Partnership shall be managed by the General Partner. Except for situations in which the approval of the Limited Partners is expressly required by this Agreement or by nonwaivable provisions of applicable law, the General Partner shall have 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. Without limiting the generality of the foregoing, the General Partner has full power and authority to execute, deliver and perform such contracts, agreements and other undertakings on behalf of the Partnership, without the consent or approval of any other Partner, and to engage in all activities and transactions, as it may deem necessary or advisable for, or as may be incidental to, the conduct of the business and affairs of the Partnership.

(b) Each Limited Partner agrees to cooperate with the General Partner and to execute and deliver such documents, agreements and instruments, and do all such further acts, as deemed necessary or advisable by the General Partner to give effect to the exercise of the General Partner’s powers under this Section 6.1. Without limiting the foregoing, each Limited Partner hereby irrevocably appoints the General Partner as its proxy and attorney-in-fact (with full power of substitution and resubstitution) to vote or act by written consent with respect to its Partnership Interest as a Limited Partner as determined by the General Partner on all matters requiring the vote, approval or consent of the Limited Partners. The Partners acknowledge that such proxy is coupled with an interest and is irrevocable.

(c) The General Partner is the tax matters partner for purposes of Section 6231 of the Code and analogous provisions of state law. The tax matters partner has the exclusive authority and discretion to make any elections required or permitted to be made by the Partnership under any provisions of the Code or any other applicable laws.

6.2 No Liability to Limited Partners

Except in case of gross negligence or willful malfeasance of the person (the General Partner or any of the Members, managers, directors, officers, agents or employees of the General Partner) who is sought to be held liable, neither the General Partner nor the Members, managers, directors,

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officers, agents or employees of the General Partner will be liable to any Limited Partner or the Partnership (i) for any action taken with respect to the Partnership which is not in violation of the provisions of this Agreement, or (ii) for any action taken by any Member, manager, director, officer, agent or employee of the General Partner.

6.3 Indemnification of General Partner

The Partnership shall indemnify the General Partner, the members, managers, directors, officers, agents and employees of the General Partner against any losses, liabilities, damages and expenses to which any of such persons may become subject, including attorneys' fees, judgments and amounts paid in settlement, actually and reasonably incurred by them, and advance all expenses to them, in connection with any threatened, pending or completed action, suit or proceeding to which any of them was or is a party or is threatened to be made a party by reason of the direct or indirect association by them with the Partnership to the maximum extent permitted by applicable law.

6.4 Rights of Limited Partners

The Limited Partners will not be personally liable for any obligations of the Partnership nor will they have any obligation to make contributions to the Partnership in excess of their respective Capital Contributions required under Section 3.1 or have any liability for the repayment or discharge of the debts and obligations of the Partnership except to the extent provided herein or as required by law. The Limited Partners in their capacities as such shall take no part in the management, control or operation of the Partnership's business and shall have no power to bind the Partnership and no right or authority to act for the Partnership or to vote on matters other than the matters set forth in this Agreement or as required by applicable law.

6.5 Class B Partners

Except as expressly provided in this Agreement, the Class B Partners, in their capacities as such, shall have no voting rights or rights to participate in the management of the Partnership.

6.6 Contributed Units

The General Partner may in its discretion dispose of any or all of the Contributed Units in connection with the administration of the Option Plan, including without limitation any exercise of cancellation of an Option or any termination of the Plan. Proceeds of any Special Disposition shall be distributed in accordance with Section 4.1(c). Proceeds of any other disposition of Contributed Units may be disbursed at the discretion of the General Partner.

ARTICLE VII TRANSFERS OF PARTNERSHIP INTERESTS

7.1 Transfer of Limited Partnership Interests

(a) No Limited Partner may Transfer all or any part of such Partner's Partnership Interest to any Person except (i) to a Permitted Transferee pursuant to Section 7.2, or (ii) pursuant to the terms of Section 7.8; provided, however, any such Transfer under (i) or (ii) above shall comply

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with the terms of Section 7.1(b). Any purported Transfer of a Partnership Interest or a portion thereof in violation of the terms of this Agreement shall be null and void and of no force and effect. Except upon a Transfer of all of a Limited Partner's Partnership Interest in accordance with Section 7.1, no Limited Partner shall have the right to withdraw as a Partner of the Partnership.

(b) As a condition to a Transfer by a Class A Partner of all or any part of such Partner's Partnership Interest to a transferee as permitted under Section 7.1(a)(i) or (ii) (a "**Partnership Transfer**"), such Partner shall simultaneously Transfer (the "**Membership Transfer**") to such transferee an amount of such Partner's Membership Interest equal to: (i) such Partner's Membership Interest, multiplied by (ii) a percentage equal to (1) the portion of such Partner's Partnership Interest (as evidenced by Class A Units) to be Transferred to such transferee, divided by (2) such Partner's Partnership Interest (as evidenced by Class A Units) immediately before such Transfer. Similarly, in connection with any Partnership Transfer, such Partner shall simultaneously transfer (the "**Unit Percentage Transfer**") a proportionate share of such Partner's Unit Percentage. If for any reason the Membership Transfer and Unit Percentage Transfer does not occur simultaneously with the Partnership Transfer, then the Partnership Transfer shall be null and void and of no force and effect.

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

7.2 Permitted Transferees

(a) Notwithstanding the provisions of Section 7.8, each Limited Partner shall, subject to Section 7.1(b), have the right to Transfer (but not to substitute the transferee as a substitute Partner in such Partner's place, except in accordance with Section 7.3), by a written instrument, all or any part of a Limited Partner's Partnership Interest to a Permitted Transferee. Notwithstanding the previous sentence, if the Permitted Transferee is such because it was an Affiliate of the transferring Limited Partner at the time of such Transfer or the Transfer was a Permitted Transfer under clause (a) of the definition herein of "Permitted Transfer" and, at any time after such Transfer, such Permitted Transferee ceases to be an Affiliate of such Limited Partner or such Transfer or such Permitted Transferee ceases to qualify under such clause (a) (a "**Non-Qualifying Transferee**"), such Transfer shall be deemed to not be a Permitted Transfer and shall be subject to Section 7.8. Pursuant to Section 7.8, such transferring Limited Partner or such transferring Limited Partner's legal representative shall deliver the First Refusal Notice promptly after the time when such transferee ceases to be an Affiliate of such transferring Limited Partner or such Transfer or such Permitted Transferee ceases to qualify under clause (a) of the definition herein of "Permitted Transfer", and such transferring Limited Partner shall otherwise comply with the terms of Section 7.8 with respect to such Transfer; provided, that the purchase price for such Transfer for purposes of Section 7.8 shall be an amount agreed upon by such transferring Limited Partner and the General Partner or, if such Limited Partner and the General Partner cannot agree on a price within five (5) Business Days after delivery of the First Refusal Notice, such price shall be the fair market value of the Partnership Interest transferred pursuant to the Transfer as of the date the transferee ceased to be an Affiliate of such transferring Limited Partner or such Transfer or such Permitted Transferee ceases to qualify under clause (a) of the definition herein of "Permitted Transfer" (such date, the "**Non-Qualifying Date**"), as

determined at the Partnership's expense by a nationally recognized investment banking firm mutually selected by such transferring Limited Partner and the General Partner. If such transferring Limited Partner and the General Partner are unable, within ten (10) days after the expiration of such five (5) Business Day period, to mutually agree upon an investment banking firm, then each of such transferring Limited Partner and the General Partner shall choose a nationally recognized investment banking firm and the two investment banking firms so chosen shall choose a third nationally recognized investment banking firm which shall determine the fair market value of the Partnership Interest transferred pursuant to such Transfer at the Partnership's expense. The determination of fair market value shall be based on the value that a willing buyer with knowledge of all relevant facts would pay a willing seller for all the outstanding equity securities of the Partnership in connection with an auction for the Partnership as a going concern and shall not take into account any acquisitions made by the Partnership or its Affiliates or any other events subsequent to the Non-Qualifying Date and shall not be subject to any discount for a sale of a minority interest. If such transferring Limited Partner fails to comply with all the terms of Section 7.8, such Transfer shall be null and void and of no force and effect. No Non-Qualifying Transferee shall be entitled to receive any distributions from the Partnership on or after the Non-Qualifying Date and any distributions made in respect of the Partnership Interests on or after the Non-Qualifying Date and held by such Non-Qualifying Transferee shall be paid to the Limited Partner who transferred such Partnership Interests or otherwise to the rightful owner thereof as reasonably, determined by the General Partner.

(b) Unless and until admitted as a substitute Limited Partner pursuant to Section 7.3, a transferee of a Limited Partner's Partnership Interest, in whole or in part, shall be an assignee with respect to such Transferred Partnership Interest and shall not be entitled to become, or to exercise the rights of, a Limited Partner, including the right to vote, the right to require any information or accounting of the Partnership's business, or the right to inspect the Partnership's books and records. Such transferee shall only be entitled to receive, to the extent of the Partnership Interest Transferred to such transferee, the share of distributions and profits, including distributions representing the return of Capital Contributions, to which the transferor would otherwise be entitled with respect to the Transferred Partnership Interest. Subject to the provisions of Section 6.1(b), the transferor shall have the right to vote such Transferred Partnership Interest until the transferee is admitted to the Partnership as a substitute Limited Partner with respect to the Transferred Partnership Interest.

7.3 Substitute Limited Partners

No transferee of all or part of a Limited Partner's Partnership Interest shall become a substitute Limited Partner in place of the transferor unless and until:

- (a) such Transfer is in compliance with the terms of Section 7.1;
- (b) the transferee has executed an instrument in form and substance reasonably satisfactory to the General Partner accepting and adopting, and agreeing to be bound by, the terms and provisions of the Certificate and this Agreement; and
- (c) the transferee has caused to be paid all reasonable expenses of the Partnership in connection with the admission of the transferee as a substitute Limited Partner.

Upon satisfaction of all the foregoing conditions with respect to a particular transferee, the General Partner shall cause the books and records of the Partnership to reflect the admission of the transferee as a substitute Limited Partner to the extent of the Transferred Partnership Interest held by such transferee.

7.4 Effect of Admission as a Substitute Limited Partner

A transferee who has become a substitute Limited Partner has, to the extent of the Transferred Partnership Interest, all the rights, powers and benefits of, and is subject to the obligations, restrictions and liabilities of a Partner under, the Certificate, this Agreement and the Act. Upon admission of a transferee as a substitute Limited Partner, the transferor of the Partnership Interest so held by the substitute Limited Partner shall cease to be a Partner of the Partnership to the extent of such Transferred Partnership Interest.

7.5 Consent

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

7.6 No Dissolution

If a Limited Partner Transfers all of its Partnership Interest pursuant to this Article VII and the transferee of such Partnership Interest is admitted as a Limited Partner pursuant to Section 7.3, such Person shall be admitted to the Partnership as a Partner effective on the effective date of the Transfer and the Partnership shall not dissolve pursuant to Section 8.1.

7.7 Additional Limited Partners

Subject to Section 3.2, any Person acceptable to the General Partner may become an additional Limited Partner of the Partnership for such consideration as the General Partner shall determine, provided that such additional Limited Partner complies with all the requirements of a transferee under Section 7.3(b) and (c).

7.8 Right of First Refusal

The Class A Partners shall have the following right of first refusal:

(a) If at any time any of the Class A Partners (a “**Selling Partner**”) has received and wishes to accept a *bona fide* offer (the “**Offer**”) for cash from a third party (the “**Offeror**”) for all or part of such Selling Partner’s Partnership Interest (and a proportionate amount of such Selling Partner’s Membership Interest and Unit Percentage in accordance with Section 7.1(b)), such Selling Partner shall give Notice thereof (the “**First Refusal Notice**”) to each of the other Partners, other than any Non-Purchasing Partners (as hereinafter defined) and any Class B Partners, and the Partnership. The First Refusal Notice shall state the portion of the Selling Partner’s Partnership Interest and Membership Interest that the Selling Partner wishes to sell (the “**Optioned Interest**”), the price and all other material terms of the Offer, the name of the Offeror, and certification from the Selling Partner affirming that the Offer is *bona fide* and that the

description thereof is true and correct, and that the Offeror has stated that it will purchase the Optioned Interest if the rights of first refusal herein described are not exercised.

(b) Each of the Class A Partners other than the Selling Partner, any Non-Purchasing Partner (the “**Non-Selling Partners**”) shall have the right exercisable by Notice (an “**Acceptance Notice**”) given to the Selling Partner and the Partnership within twenty (20) days after receipt of the First Refusal Notice, to agree that it will purchase up to 100% of the Optioned Interest on the terms set forth in the First Refusal Notice; provided, however, if the Non-Selling Partners in the aggregate desire to purchase more than 100% of the Optioned Interest, each such Non-Selling Partner’s right to purchase the Optioned Interest shall be reduced (pro rata based on the percentage of the Optioned Interest for which such Non-Selling Partner has exercised its right to purchase hereunder compared to all other Non-Selling Partners, but not below such Non-Selling Partner’s pro rata share (based on the number of Class A Units held by such Non-Selling Partner and the aggregate number of Class A Units held by all Non-Selling Partners who have exercised their right to purchase) so that such Non-Selling Partners purchase no more than 100% of the Optioned Interest. If a Non-Selling Partner does not submit an Acceptance Notice within the twenty (20) day period set forth in this Section 7.8(b), such Non-Selling Partner shall be deemed to have rejected the offer to purchase any portion of the Optioned Interest.

(c) If the Non-Selling Partners do not in the aggregate exercise the right to purchase all of the Optioned Interest by the expiration of the twenty (20) day period set forth in Section 7.8(b), then any Acceptance Notice shall be void and of no effect, and the Selling Partner shall be entitled to complete the proposed sale at any time in the thirty (30) day period commencing on the date of the First Refusal Notice, but only upon the terms set forth in the First Refusal Notice. If no such sale is completed in such thirty (30) day period, the provisions hereof shall apply again to any proposed sale of the Optioned Interest.

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

(e) Notwithstanding anything in this Agreement to the contrary, no Class B Partner shall have any right to Transfer any Class B Units or to purchase any Class A Units pursuant to this Section 7.8.

ARTICLE VIII DISSOLUTION AND LIQUIDATION

8.1 Dissolution of Partnership

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

-
- (i) the written election of the General Partner, in its sole discretion, to dissolve the Partnership;
 - (ii) the occurrence of any event that results in the General Partner ceasing to be the general partner of the Partnership under the Act, provided that the Partnership will not be dissolved and required to be wound up in connection with any such event if (A) at the time of the occurrence of such event there is at least one remaining general partner of the Partnership who is hereby authorized to and does carry on the business of the Partnership, or (B) within 90 days after the occurrence of such event, all of the Class A Partners agree in writing to continue the business of the Partnership and to the appointment, effective as of the date of such event, if required, of one or more additional general partners of the Partnership;
 - (iii) the Transfer of all or substantially all of the assets of the Partnership and the receipt and distribution of all the proceeds therefrom;
 - (iv) at any time that there are no limited partners of the Partnership, unless the business of the Partnership is continued in accordance with the Act; and
 - (v) the entry of a decree of judicial dissolution under Section 17-802 of the Act.

(b) The withdrawal, death, dissolution, retirement, resignation, expulsion, liquidation or bankruptcy of a Partner, the admission to the Partnership of a new General Partner or Limited Partner, the withdrawal of a Partner from the Partnership, or the transfer by a Partner of its Partnership Interest to a third party shall not, in and of itself, cause the Partnership to dissolve.

8.2 Final Accounting

Upon dissolution and winding up of the Partnership, an accounting will be made of the accounts of the Partnership and each Partner and of the Partnership's assets, liabilities and operations from the date of the last previous accounting to the date of such dissolution.

8.3 Distributions Following Dissolution and Termination

(a) Liquidating Trustee. Upon the dissolution of the Partnership, such party as is designated by the General Partner will act as liquidating trustee of the Partnership (the "Liquidating Trustee") and proceed to wind up the business and affairs of the Partnership in accordance with the terms of this Agreement and applicable law. The Liquidating Trustee will use its reasonable best efforts to sell all Partnership assets (except cash) in the exercise of its best judgment under the circumstances then presented, that it deems in the best interest of the Partners. The Liquidating Trustee will attempt to convert all assets of the Partnership to cash so long as it can do so consistently with prudent business practice. The Partners and their respective designees will have the right to purchase any Partnership property to be sold on liquidation, provided that the terms on which such sale is made are no less favorable than would otherwise be available from third parties. The gains and losses from the sale of the Partnership

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assets, together with all other revenue, income, gain, deduction, expense, loss and credit during the period, will be allocated in accordance with Article V. A reasonable amount of time shall be allowed for the period of winding up in light of prevailing market conditions and so as to avoid undue loss in connection with any sale of Partnership assets. This Agreement shall remain in full force and effect during the period of winding up. In addition, upon request of the General Partner and if the Liquidating Trustee determines that it would be imprudent to dispose of any non-cash assets of the Partnership, such assets may be distributed in kind to the Partners in lieu of cash, proportionately to their right to receive cash distributions hereunder.

(b) Accounting. The Liquidating Trustee will then cause proper accounting to be made of the Capital Account of each Partner, including recognition of any unrealized gain or loss on any asset to be distributed in kind as if such asset had been sold for consideration equal to the fair market value of the asset at the time of the distribution.

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

- (i) to creditors of the Partnership (including Partners) in the order of priority as provided by law whether by payment or the making of reasonable provision for payment thereof, and in connection therewith there shall be withheld such reasonable reserves for contingent, conditioned or unconditioned liabilities as the Liquidating Trustee in its reasonable discretion deems adequate, such reserves (or balances thereof) to be held and distributed in such manner and at such times as the Liquidating Trustee, in its discretion, deems reasonably advisable; provided, however, that such amounts be maintained in a separate bank account and that any amounts in such bank account remaining after three years be distributed to the Partners or their successors and assigns as if such amount had been available for distribution under Section 8.3(c)(ii); and then
- (ii) (A) First, an amount equal to Partnership Capital, 1% to the General Partner and 99% to the Class A Partners pro rata based on the number of Class A Units held; and

(B) Second, any remaining amounts, 1% to the General Partner and 99% to the Class A Partners and the Class B Partners, pro rata, based on the number of Class A Units, Earned Units and/or Vested Units held.
- (iii) Any distribution to the Partners in liquidation of the Partnership shall be made by the later of the end of the taxable year in which the liquidation occurs or 90 days after the date of such liquidation. For purposes of the preceding sentence, the term "liquidation" shall have the same meaning as set forth in Regulation Section 1.704-2(b)(2)(ii) as in effect at such time and liquidating distributions shall be further deemed to be made pursuant to this Agreement upon the event of a liquidation as defined in such Regulation for which no actual liquidation occurs with a deemed recontribution by the

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Partners of such deemed liquidating distributions to the continuing Partnership pursuant to this Agreement.

(d) Profits and Losses arising from the dissolution and termination of the Partnership shall be allocated among the Partners so that after such allocations and the other allocations under this Agreement, to the maximum extent possible, the final Capital Account balances of the Member are at levels which would permit liquidating distributions, if made in accordance with such final Capital Account balances, to be equal to the distributions to be made under Section 8.3(c)(ii).

(e) No Third Party Benefit. The provisions of this Agreement, including, without limitation, this Section 8.3, are intended solely to benefit the Partners and, to the fullest extent permitted by law, shall not be construed as conferring any benefit upon any creditor of the Partnership, and no such creditor of the Partnership shall be a third-party beneficiary of this Agreement, and no Partner shall have any duty or obligation to any creditor of the Partnership to issue any call for capital pursuant to this Agreement.

8.4 Termination of the Partnership

The Partnership shall terminate when all assets of the Partnership, after payment or due provision for all debts, liabilities and obligations of the Partnership, shall have been distributed to the Partners in the manner provided for in this Article VIII, and the Certificate shall have been canceled in the manner required by the Act.

8.5 No Action for Dissolution

The Limited Partners acknowledge that irreparable damage would be done to the goodwill and reputation of the Partnership if any Limited Partner should bring an action in court to dissolve the Partnership under circumstances where dissolution is not required by Section 8.1. Accordingly, except where the General Partner has failed to cause the liquidation of the Partnership as required by Section 8.1 and except as specifically provided in Section 17-802, each Limited Partner hereby to the fullest extent permitted by law waives and renounces his right to initiate legal action to seek dissolution of the Partnership or to seek the appointment of a receiver or trustee to wind up the affairs of the Partnership, except in the cases of fraud, violation of law, bad faith, gross negligence, willful misconduct or willful violation of this Agreement.

ARTICLE IX ACCOUNTING; BOOKS AND RECORDS

9.1 Fiscal Year and Accounting Method

The fiscal year and taxable year of the Partnership shall be the calendar year. The Partnership shall use an accrual method of accounting.

9.2 Books and Records

The Partnership shall maintain at its principal office, or such other office as may be determined by the General Partner, all the following:

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

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

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

(d) The financial statements of the Partnership; and

(e) The Partnership's books and records.

9.3 Delivery to Partners; Inspection

Upon the request of any Limited Partner, for any purpose reasonably related to such Partner's interest as a partner of the Partnership, the General Partner shall cause to be made available to the requesting Partner the information required to be maintained by clauses (a) through (e) of Section 9.2 and such other information regarding the business and affairs and financial condition of the Partnership as any Partner may reasonably request.

9.4 Financial Statements

The General Partner shall cause to be prepared for the Partners at least annually, at the Partnership's expense, financial statements of the Partnership, and its subsidiaries, prepared in accordance with generally accepted accounting principles and audited by a nationally recognized accounting firm. The financial statements so furnished shall include a balance sheet, statement of income or loss, statement of cash flows, and statement of Partners' equity. In addition, the General Partner shall provide on a timely basis to the Partners monthly and quarterly financials, statements of cash flow, any available internal budgets or forecast or other available financial reports, as well as any reports or notices as are provided by the Partnership, or any of its Subsidiaries to any financial institution. The requirements of Section 9.2(d) and this Section 9.4 shall be deemed satisfied so long as (i) the Master Limited Partnership files annual reports on Form 10-K and quarterly reports on Form 10-Q, (ii) the Master Limited Partnership files or furnishes "guidance" 8-K's on a quarterly basis and (iii) the Master Limited Partnership annually files an 8-K attaching a balance sheet of the Partnership.

9.5 Filings

At the Partnership's expense, the General Partner shall cause the income tax returns for the Partnership to be prepared and timely filed with the appropriate authorities and to have prepared and to furnish to each Partner such information with respect to the Partnership as is necessary (or as may be reasonably requested by a Partner) to enable the Partners to prepare their

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Federal, state and local income tax returns. The General Partner, at the Partnership's expense, shall also cause to be prepared and timely filed, with appropriate Federal, state and local regulatory and administrative bodies, all reports required to be filed by the Partnership with those entities under then current applicable laws, rules, and regulations. The reports shall be prepared on the accounting or reporting basis required by the regulatory bodies.

9.6 Non-Disclosure

Each Limited Partner agrees that, except as otherwise consented to by the General Partner in writing, all non-public and confidential information furnished to it pursuant to this Agreement will be kept confidential and will not be disclosed by such Partner, or by any of its agents, representatives, or employees, in any manner whatsoever, in whole or in part, except that (a) each Partner shall be permitted to disclose such information to those of its agents, representatives, and employees who need to be familiar with such information in connection with such Partner's investment in the Partnership (collectively,

“Representatives”) and are apprised of the confidential nature of such information, (b) each Partner shall be permitted to disclose information to the extent required by law, legal process or regulatory requirements, so long as such Partner shall have used its reasonable efforts to first afford the Partnership with a reasonable opportunity to contest the necessity of disclosing such information, (c) each Partner shall be permitted to disclose such information to possible purchasers of all or a portion of the Partner’s Partnership Interest, provided that such prospective purchaser shall execute a suitable confidentiality agreement in a form approved by the General Partner and containing terms not less restrictive than the terms set forth herein, and (d) each Partner shall be permitted to disclose information to the extent necessary for the enforcement of any right of such Partner arising under this Agreement. Each Partner shall be responsible for any breach of this Section 9.6 by any of its Representatives.

ARTICLE X NON-COMPETITION

10.1 Non-Competition

Each of the Limited Partners hereby acknowledges that the Partnership and the Master Limited Partnership operate in a competitive business and compete with other Persons operating in the midstream segment of the oil and gas industry for acquisition opportunities. Each of the Limited Partners agrees that during the period that it is a Limited Partner, it shall not, directly or indirectly, use any of the confidential information it receives as a Limited Partner to compete, or to engage in or become interested financially in as a principal, employee, partner, shareholder, agent, manager, owner, advisor, lender, guarantor of any Person that competes in North America with the business conducted by the General Partner, the Partnership and the Master Limited Partnership. Each of the Limited Partners also acknowledges that EnCap Investments L.L.C. and Persons that it controls (“*EnCap*”), Kayne Anderson Capital Advisors L.P. and its Affiliates (“*Kayne Anderson*”) and Wachovia and its affiliates make and manage investments in the energy industry in the ordinary course of business (such investments “*Institutional Investments*”). The Limited Partners agree that EnCap, Kayne Anderson and Wachovia and its affiliates may make Institutional Investments, even if such Institutional Investments are competitive with the Partnership’s and its Subsidiaries’ business, so long as such Institutional

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Investments are not in violation of the provisions of Section 9.6 or the second sentence of this Section 10.1 or obligations owed to the Partnership under applicable law with respect to usurpation of an opportunity legally belonging to the Partnership or its Subsidiaries. Each of the Limited Partners confirms that the restrictions in this Section 10.1 are reasonable and valid and all defenses to the strict enforcement thereof are hereby waived by each of the Limited Partners.

10.2 Damages

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

10.3 Limitations

In the event that a court of competent jurisdiction decides that the limitations set forth in Section 10.1 hereof are too broad, such limitations shall be reduced to those limitations that such court deems reasonable.

ARTICLE XI GENERAL PROVISIONS

11.1 Waiver of Default

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

11.2 Amendment of Partnership Agreement

(a) Except as otherwise expressly provided elsewhere in this Agreement, this Agreement shall not be altered, modified or changed except by an amendment approved by the General Partner. Without limiting the generality of the foregoing, this Agreement may be amended without the consent or approval of any Limited Partner, including any Class B Partner.

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

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

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(d) Any modification or amendment to this Agreement or the Certificate made in accordance with this Section 11.2 shall be binding on all Partners.

11.3 No Third Party Rights

Except as provided in Section 6.2 and Section 6.3, none of the provisions contained in this Agreement shall be for the benefit of or enforceable by any third parties, including creditors of the Partnership.

11.4 Severability

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

11.5 Nature of Interest in the Partnership

A Partner's Partnership Interest shall be personal property for all purposes.

11.6 Binding Agreement

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

11.7 Headings

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

11.8 Word Meanings

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

11.9 Counterparts

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

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11.10 Entire Agreement

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

11.11 Partition

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

11.12 Governing Law; Consent to Jurisdiction and Venue

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

SIGNATURE PAGE

IN WITNESS WHEREOF, the General Partner has executed this Agreement as of the day and year first above written.

GENERAL PARTNER:

PLAINS ALL AMERICAN GP LLC

By: /s/ Tim Moore
Name: Tim Moore
Title: Vice President



**PLAINS AAP, L.P. CLASS B
RESTRICTED UNITS AGREEMENT**

This **PLAINS AAP, L.P. CLASS B RESTRICTED UNITS AGREEMENT** (this “**Agreement**”) is entered into as of August 29, 2007 (the “**Grant Date**”) by and between **PLAINS AAP, L.P.**, a Delaware limited partnership (the “**Partnership**”), and (the “**Executive**”).

RECITALS:

WHEREAS, to provide an incentive to Executive to enhance the profitability and growth of the Partnership and its Affiliates and to encourage Executive to remain employed by the Partnership or its Affiliates, the Partnership desires to grant to Executive Class B Units (the “**Granted Units**”) on the Grant Date, which Granted Units shall have such rights, designations and preferences as are set forth in this Agreement and the Partnership Agreement;

WHEREAS, as of the date hereof, the Partnership has 2,300,000 Class A Units outstanding and 200,000 Class B Units authorized for issuance (including the Class B Units being issued under this Agreement);

WHEREAS, the Partnership and Executive desire to enter into this Agreement to evidence certain terms and conditions that relate to the grant, ownership and transfer of the Granted Units; and

NOW, THEREFORE, in consideration of the mutual agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Partnership and Executive agree as follows:

**ARTICLE 1
DEFINITIONS AND CONSTRUCTION**

1.1 Construction. Unless the context requires otherwise: (a) the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine, and neuter; (b) references to Sections refer to sections of this Agreement; (c) references to Exhibits refer to the Exhibits attached to this Agreement, each of which is made a part hereof for all purposes; (d) references to money refer to legal currency of the United States of America; and (e) the word “including” means “including without limitation.”

1.2 Definitions. Capitalized terms used in this Agreement (including Exhibit A attached hereto) that are not defined in this Section 1.2 or in the body of this Agreement shall have the meanings given to them in the Partnership Agreement.

“**Affiliate**” of a person means any person controlling, controlled by, or under common control with such person. As used herein, the terms “controlling”, “controlled by” and “under common control with” mean the possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or any

partnership or other ownership interest, by contract or otherwise) of a person. For the purposes of the preceding sentence, control shall be deemed to exist when a person possesses, directly or indirectly, through one or more intermediaries (a) in the case of a corporation, more than 50% of the outstanding voting securities thereof; (b) in the case of a limited liability company, partnership, limited partnership or venture, the right to more than 50% of the voting membership, general partner or equivalent interest therein; or (c) in the case of any other person, more than 50% of the economic or beneficial interest therein.

“**Applicable Class B Units**” means at a particular time, collectively, the Vested Units and the Earned Units then outstanding, and the “**Earned Units**” and “**Vested Units**” then outstanding under all Other Class B Restricted Unit Agreements.

“**Board**” means the Board of Directors or governing board or committee of the Company.

“**Call Event**” means, with respect to an Earned Unit, the termination of Executive’s employment with the Company and its Affiliates for any reason (including death or disability) prior to January 1, 2016, other than (i) a termination of employment by Executive for a Good Reason or (ii) a termination of Executive’s employment by the Company and its Affiliates other than for Cause.

“**Call Option**” means the Partnership’s option to repurchase Earned Units upon or following a Call Event, as provided in Exhibit A.

“**Call Value**” of an Earned Unit means:

(a) if neither the Class A Units or the IPO Entity Class A Units are publicly traded on the date of the Call Event, the product of (1) the value (in U.S. dollars) of a Class A Unit on the date of such Call Event that would reasonably be expected to be realized in an open market sale on arm’s length terms to a person who is not an Affiliate of the seller or the buyer, having regard to all relevant factors, but without regard to (x) the availability or lack of availability of a market for such Class A Units or (y) any minority discount that would otherwise be applicable to such Class A Units (the “**Class A Unit Value**”), and (2) the Conversion Factor.

For purposes of the foregoing, the “**Class A Unit Value**” shall be determined as follows:

(i) During the ten-day period following the date on which a Call Event occurs, upon the request of the Partnership, Executive and the Partnership shall each submit to the other such party’s respective written proposal as to the Class A Unit Value. If the higher proposal is not more than 10% higher than the lower proposal, then the Class A Unit Value shall be equal to the average of such proposals.

(ii) In the event that one of the proposals submitted under clause (i) above is more than 10% higher than the other proposal, then within ten business days after the submission of such proposals, the Partnership and Executive shall jointly select and retain a managing director in an independent nationally

recognized investment bank (the “Appraiser”). In the event that such parties fail to jointly select the Appraiser within such time period, then at the request of the Partnership or Executive, the American Arbitration Association shall provide them with a list of at least five Appraiser candidates and each of the Partnership and Executive shall be allowed to strike not more than two names from the list and rank the remaining Appraiser candidates in order of acceptance within three business days of receipt of the list. The highest ranking Appraiser candidate who remains on the list shall serve as the Appraiser. The Appraiser shall be requested to make his determination within a period of 30 days after the deadline for submissions to be made by the Partnership and Executive pursuant to clause (i) above, or as soon as practicable thereafter.

(iii) Within five business days of the appointment of the Appraiser, each of the Partnership and Executive shall submit to the Appraiser (A) his or its proposed determination of the Class A Unit Value provided to the other party pursuant to clause (i) above, (B) a list of factors that he or it believes to be relevant in the determination of the Class A Unit Value, and (C) the reasons for that proposed value. In addition, each of the Partnership and Executive shall at the same time deliver to the other a copy of any submission or information supplied by the Partnership and Executive to the Appraiser.

(iv) The Appraiser shall then make his own determination (having requested such further information from the Partnership, Executive and/or the Company as it shall require) of the Class A Unit Value.

(v) The Appraiser shall certify to each of the Partnership, Executive and the Company (A) that, having considered the respective submissions of the Partnership and Executive, he has made his own determination of the Class A Unit Value according to the principles of the definition of Class A Unit Value in this Agreement and (B) the proposed value of either the Partnership or Executive that he has determined to be closer to the Class A Unit Value as determined by the Appraiser (the “Closest Value”). The Closest Value, whether proposed by the Partnership and Executive, as so certified by the Appraiser shall thereupon be deemed to be the Class A Unit Value for purposes of this Agreement, unless the Floor Value, as determined below in item (vii), is higher, in which event the Floor Value shall be the Class A Unit Value for purposes of this Agreement. Notwithstanding anything to the contrary set forth herein, at any time prior to the Appraiser’s certification of the Closest Value pursuant to this clause (v), either the Executive or the Partnership may deliver written notice to the other party accepting such party’s written proposal as to the Class A Unit Value, and the value of such party’s proposal shall thereupon be deemed to be the Class A Unit Value for purposes of this Agreement.

(vi) The fees and expenses of the Appraiser shall be paid by the Partnership. The Appraiser shall act as an expert and not as an arbitrator and his determination shall be final and binding upon the Partnership and Executive in the

absence of manifest error. The Appraiser shall have no liability to any of the Partnership, Executive, the Company in respect of his determination.

(vii) The Floor Value shall be equal to the product of (1) multiplied by (2) where:

(1) is the average of the “trading multiples” of the five most comparable publicly traded general partner units (the five most comparable publicly traded general partners units shall be determined in good faith by the Board). A “trading multiple” shall be calculated by dividing (i) the closing sales price per unit on the Call Event date by (ii) the product of four and the amount of the most recent quarterly cash distributions made on a per unit basis on or prior to the Call Event Date; and

(2) is the most recent quarterly distribution paid with respect to a Class A Unit on or prior to the Call Event date, multiplied by four.

(b) if either the Class A Units or the IPO Entity Class A Units are publicly traded on the date of the Call Event, the product of (1) the Conversion Factor, and (2) the closing sales price of a publicly traded Class A Unit (or IPO Entity Class A Unit, as the case may be) on the Call Event date.

“**Capital Call**” means the occurrence of an event that requires the partners to make a cash contribution to the Partnership pursuant to Section 3.1(b) of the Partnership Agreement.

“**Capital Call Amount**” means, with respect to a particular Capital Call, the aggregate amount of the cash contributions required to be made to the Partnership by its partners in connection therewith.

“**Cause**” means the termination of Executive’s employment with the Partnership and its Affiliates by the Board upon (i) a finding by the Board that Executive has substantially failed to perform the duties and responsibilities of his position at an acceptable level and after written notice specifying such failure in detail and after a reasonable period under the circumstances (determined by the Board in good faith) such failure has continued without full correction by Executive, (ii) Executive’s conviction of or guilty plea to the committing of an act or acts constituting a felony under the laws of the United States or any state thereof or any misdemeanor involving moral turpitude or (iii) any action by Executive involving personal dishonesty, theft or fraud in connection with Executive’s duties as an employee of the Company or any of its Affiliates.

“**Change in Control**” means the determination by the Board that one of the following events has occurred:

(a) prior to a GP IPO:

(i) the Company ceases to retain direct or indirect control over the Partnership;

(ii) the Persons who own member interests in the Company on the Grant Date and the respective Affiliates of such Persons (such owners and Affiliates being referred to as the “Owner Affiliates”) cease to own directly or indirectly at least 50% of the member interest of the Company;

(iii) a “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) becomes after the Grant Date the “beneficial owner” (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 50% of the member interest of the Company; or

(iv) a transfer, sale, exchange or other disposition in a single transaction or series of transactions (whether by merger or otherwise) of all or substantially all of the assets of the Partnership or the MLP to one or more persons who are not Affiliates of the Partnership, other than a transaction in which the Owner Affiliates become the “beneficial owners”, directly or indirectly, of more than 50% of the voting power of such person or persons immediately following such transaction;

provided, however, that no Change of Control shall be deemed to have occurred in connection with a restructuring or reorganization related to a GP IPO if the Owner Affiliates retain direct or indirect control over the IPO Entity and the Company; and

(b) from and after the consummation of a GP IPO:

(i) the Owner Affiliates cease to retain direct or indirect control over the IPO Entity or the Partnership;

(ii) (x) a “person” or “group” other than the Owner Affiliates becomes the “beneficial owner” directly or indirectly of 25% or more of the member interest in the general partner of the IPO Entity, and (y) the member interest beneficially owned by such “person” or “group” exceeds the aggregate member interest in the general partner of the IPO Entity beneficially owned, directly or indirectly, by the Owner Affiliates; or

(iii) a direct or indirect transfer, sale, exchange or other disposition in a single transaction or series of transactions (whether by merger or otherwise) of all or substantially all of the assets of the IPO Entity or the MLP to one or more persons who are not Affiliates of the IPO Entity (“third party or parties”), other than a transaction in which the Owner Affiliates continue to beneficially own, directly or indirectly, more than 50% of the voting power of such third party or parties immediately following such transaction.

“**Class A Unit**” means a Class A common unit of the Partnership.

“**Class B Unit**” means a Class B common unit of the Partnership.

“**Company**” means Plains All American GP LLC, a Delaware limited liability company and the general partner of the Partnership.

“**Conversion Factor**” means, as of a particular time, a fraction, the numerator of which is the most recent regular quarterly cash distribution paid with respect to an Earned Unit or Vested Unit, and the denominator of which is the most recent regular quarterly cash distribution paid with respect to a Class A Unit or, following a GP IPO, an IPO Entity Class A Unit.

“**Earned Unit**” means, as of any date, a Granted Unit that has become “earned,” as provided in Section 2.2(b), subject to the proviso to Section 2.2(a).

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Forfeiture Event**” means, with respect to a Restricted Unit, the termination of Executive’s employment with the Company and its Affiliates for any reason (including death or disability).

“**Good Reason**” means any one of the following acts or omissions by the Partnership or the Company (or any successor thereto):

(a) any material breach by the Partnership of this Agreement;

(b) any requirement by the Company that Executive relocate outside of a radius of 25 miles from the Partnership’s principal executive offices as of the date hereof;

(c) the failure of any successor to the Partnership to assume this Agreement;

(d) any material overall reduction in Executive’s authority, responsibilities, or duties (taking into account additional authority, responsibilities or duties associated with the overall growth of the Partnership or MLP or associated with a promotion or lateral transfer accepted by Executive); or

(e) the assignment to Executive of any duties materially inconsistent with his then current position, other than in connection with a promotion or lateral transfer accepted by Executive.

Unless Executive gives written notice to the Board that an act or omission constitutes Good Reason within 30 days of the date Executive becomes aware of such act or omission, or reasonably should have become aware of such act or omission, such act or omission shall not constitute Good Reason.

“**GP IPO**” means an initial registered public offering of equity interests in an entity that owns directly or indirectly at least 75% of the incentive distribution rights issued by the MLP.

“**IPO Entity**” means, with respect to a GP IPO, the entity that is registering its equity interests under the Securities Act of 1933 in connection with such GP IPO.

“**IPO Entity Class A Unit**” means, with respect to a GP IPO, the equity interests of the IPO Entity that are sold in such GP IPO.

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

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“**MLP Quarterly Distribution**” means the amount of the quarterly cash distribution made with respect to a common unit of the MLP on the relevant quarterly distribution date for the MLP.

“**Other Class B Restricted Unit Agreement**” means any Class B Restricted Unit Agreement (other than this Agreement) entered into between the Partnership and any person on terms that are substantially similar to those set forth in this Agreement (other than as to (i) the number of “Granted Units” granted thereunder, which may differ from the number of Granted Units hereunder, (ii) any date set forth in such agreement, which may differ from the corresponding date set forth in this Agreement and (iii) the schedule set forth in Section 2.2(b), which may differ as to “MLP Quarterly Distribution per MLP Common Unit” and/or “Percentage of Initially Granted Units that Become Earned Units”), as such agreement may be amended or restated from time to time.

“**Partial Participation GP IPO**” means a GP IPO where less than 100% of the Class A Units are converted into or exchanged for similar equity interests in the IPO Entity.

“**Partnership Agreement**” means that certain Third Amended and Restated Agreement of Limited Partnership of Plains AAP, L.P. dated as of August 29, 2007, as such agreement may be amended or restated from time to time.

“**Partnership Distribution**” means the product of (i) that portion, if any, of the Partnership’s quarterly cash distributions in excess of \$11.0 million, multiplied by (ii) 100% less the percentage (if any) of any such quarterly distributions payable to GP LLC in accordance with the Partnership Agreement.

“**Profits Percentage**” means Executive’s share of Partnership Distributions calculated, at the time of the Partnership Distribution, as the percentage obtained by dividing (i) the total number of Executive’s Earned Units and Vested Units at such time by (ii) the sum of (A) the number of Class A Units outstanding at such time and (B) the total number of Applicable Class B Units at such time.

“**Restricted Unit**” means, as of any date, a Granted Unit that is not an Earned Unit or a Vested Unit.

“**Surrender Obligation**” means the obligation to surrender and transfer to the Partnership (i) Restricted Units upon a Forfeiture Event and (ii) Earned Units upon the exercise of a Call Option by the Partnership.

“**Transfer**” means any direct or indirect transfer, assignment, sale, gift, pledge, hypothecation or other encumbrance, or any other disposition (whether voluntary, involuntary or by operation of law other than to the estate of Executive in the event of death), of Restricted Units, Earned Units or Vested Units, including derivative or similar transactions or arrangements whereby a portion or all of the economic interest in, risk of loss or opportunity for gain with respect to, or voting or other rights, of such units are transferred or shifted to another person.

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“**Vested Unit**” means (i) an Earned Unit that is no longer subject to the Partnership’s Call Option or (ii) an Earned Unit or a Restricted Unit that becomes a “Vested Unit” pursuant to Section 2.2(c), subject to the proviso to Section 2.2(a).

ARTICLE 2 GRANT; FORFEITURE OF RESTRICTED UNITS AND EARNED UNITS; DISTRIBUTIONS

2.1 Grant. The Partnership hereby grants to Executive the Granted Units effective as of the Grant Date. Unless Class A Units are uncertificated, the Partnership shall issue Executive a certificate representing the Granted Units, and such certificate shall bear such legends as provided for in the Partnership Agreement and such additional legends as may be determined by the Board to reflect the Surrender Obligation, the Call Option, and the other terms and conditions of this Agreement and to comply with applicable securities laws. To insure the availability for delivery of Executive’s Restricted Units upon a Forfeiture Event, Executive hereby appoints the Secretary of the Company, or any other person designated by the Partnership as escrow agent, as Executive’s attorney-in-fact to sell, assign and transfer unto the Partnership such Restricted Units or Earned Units, if any, and upon execution of this Agreement, Executive delivers and deposits with the Secretary of the Company, or such other person designated by the Partnership, the certificates representing the Granted Units, together with the unit assignment duly endorsed in blank, attached hereto as Exhibit B. The Granted Units and unit assignment shall be held by the Secretary (or any other person designated by the Partnership as escrow agent) in escrow, pursuant to the Joint Escrow Instructions of the Partnership and Executive attached as Exhibit C hereto, until such time as the Surrender Obligation has lapsed with respect to the Granted Units. Upon the lapse of the Surrender Obligation, Earned Units shall become Vested Units. Once the Surrender Obligation has lapsed with respect to any Granted Unit, unless Class A Units are uncertificated, the Partnership shall issue and deliver to Executive a new certificate or certificates evidencing the ownership of the Vested Units. Upon issuance of the new certificate evidencing the ownership of the Vested Units, the certificate deposited with the escrow agent shall be marked “Exchanged and Cancelled” and returned to the partnership unit transfer book of the Partnership and the Partnership shall deliver a replacement certificate to the escrow agent to reflect any remaining Restricted Units and Earned Units. Any new certificate issued to evidence the ownership of Vested Units shall bear such legends as may be determined by the Board to reflect the terms and conditions of this Agreement (other than the Surrender Obligation) and the Partnership Agreement and to comply with applicable securities laws.

2.2 Forfeitures and Calls of Restricted Units and Earned Units.

(a) *Forfeiture of Restricted Units.* If a Forfeiture Event occurs, then Executive shall, for no consideration, automatically forfeit to the Partnership as of the date such event occurs all then Restricted Units of Executive on such date, and neither the Executive nor any of his successors, heirs, assigns, or personal representatives shall thereafter have any further rights or interests in such Restricted Units or the certificates representing such Restricted Units; provided, however, if such Forfeiture Event is termination of Executive's employment by the Company or any of its Affiliates without Cause, or by Executive for Good Reason, then for all purposes of this Agreement, such Forfeiture Event shall be suspended and shall not be deemed to occur until the 180th day after the date of such termination unless, during such 180-day period, (x) Executive shall breach in any material respect any confidentiality obligation to the Company or any of its Affiliates or (y) any of the events described in clause (ii) or (iii) of the definition of "Cause" shall occur, in which case (1) for all purposes of this Agreement, such Forfeiture Event shall be deemed to have occurred on the date of such termination (but after giving effect to any Earned Units becoming Vested Units as a result of such termination) and (2) any Granted Unit which otherwise would have become an Earned Unit or a Vested Unit during such suspension period shall be deemed to be a Restricted Unit for all purposes under this Agreement and, for the avoidance of doubt, shall (together with all other Restricted Units) be forfeited to the Partnership, for no consideration, effective as of such date of termination.

(b) *Earned Units.* A percentage of Granted Units shall become Earned Units in accordance with the following schedule:

| MLP Quarterly Distribution per MLP Common Unit | Percentage of Initially Granted Units that Become Earned Units |
|--|--|
| Less than \$.875 | 0% |
| \$.875, but less than \$.9375 | 25% |
| \$.9375, but less than \$1.00 | 50% |
| \$1.00, but less than \$1.125 | 75% |
| \$1.125 or greater | 100% |

Once a Granted Unit has become an Earned Unit pursuant to the above schedule, the Earned Unit shall remain an Earned Unit thereafter until it either becomes a Vested Unit or is purchased by the Partnership pursuant to the exercise of its Call Option.

(c) *Change in Control.* All Earned Units automatically shall become Vested Units upon a Change in Control. If prior to the Change in Control 0% of the Granted Units have become Earned Units, then 25% of the Granted Units automatically shall become Vested Units upon the Change in Control. If prior to the Change in Control only 25% of the Granted Units have become Earned Units, then an additional 25% of the Granted Units automatically shall become Vested Units upon the Change in Control. If prior to the Change in Control only 50% of the Granted Units have become Earned Units, then an additional 25% of the Granted Units automatically shall become Vested Units upon the Change in Control. If prior to the Change in Control 75% of the Granted Units have become Earned Units, then all remaining Granted Units automatically shall become Vested Units upon the Change in Control. Unless and except to the extent specifically provided otherwise by the Partnership upon or in connection with such

Change in Control, Executive shall, for no consideration, automatically forfeit to the Partnership as of the date such Change in Control occurs all Restricted Units of Executive that do not vest upon such Change in Control as provided herein, and neither Executive nor any of his successors, heirs, assigns, or personal representatives shall thereafter have any further rights or interests in such Restricted Units or the certificates representing such Restricted Units.

(d) *Purchase of Earned Units.* The Partnership shall have a Call Option with respect to Earned Units as provided in Section 2 of Exhibit A.

2.3 Partnership Distributions. Executive shall not be entitled to, and shall not receive, any Partnership Distributions with respect to Restricted Units. Executive shall be entitled to receive his Profits Percentage of any Partnership Distributions made as of the relevant distribution date. Partnership Distributions, to the extent payable to Executive with respect to an Earned Unit or Vested Unit, shall be paid to Executive at the same time that such Partnership Distributions are paid to holders of Class A Units.

2.4 Capital Calls. In the event of a Capital Call, Executive shall be required to pay to the Partnership his or her allocable share of the associated Capital Call Amount, which allocable share shall be determined in accordance with Section 3.1(b) of the Partnership Agreement.

ARTICLE 3 ACKNOWLEDGEMENT; RESTRICTIONS; ELECTIONS; ANTI-DILUTION PROVISIONS

3.1 Acknowledgment; Conflicts. Executive agrees that the Granted Units shall be subject to the Partnership Agreement. Executive (a) hereby accepts and adopts, and agrees to be bound by, the terms and provisions of the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of Delaware, as amended or restated, and the Partnership Agreement to the same extent as if Executive had executed the Partnership Agreement and (b) agrees that the Granted Units shall be bound by the terms and conditions of such agreement, including, but not limited to, the transfer restrictions, if any, set forth therein, provided however, that in the event of any conflict between the provisions of such agreement and the provisions of this Agreement, the provisions of this Agreement shall govern.

3.2 Company Acts. Subject to the anti-dilution provisions set forth in Section 3.5, the existence of the Restricted Units, Earned Units or Vested Units shall not affect in any way the right or power of the Board or the holders of Class A Units to make or authorize any adjustment, recapitalization, reorganization or other change in the Partnership's capital structure or its business, any merger, consolidation, equity exchange or other business combination of the Partnership with or into any other entity (and, where necessary or appropriate (as determined by the Board in good faith), the conversion or exchange of Class A Units and Class B Units into other securities or interests in the Partnership or any other entity in connection therewith, provided that the relative economic rights and preferences of the Class A Units and the Class B Units are affected proportionately, taking into account their current terms), any issue of debt or equity securities, the dissolution or liquidation of the Partnership or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other act or proceeding.

3.3 Transfer Restrictions; Call Options. The Restricted Units and Earned Units shall be subject to the Transfer restrictions, Call Options and other terms and conditions set forth or described in Exhibit A attached hereto, as applicable. Vested Units shall be subject only to the provisions of Sections 1, 3 and 4 of Exhibit A. Executive agrees that Executive will, at any time and from time to time as requested by the Partnership, execute and deliver to the Partnership such other documents and instruments, if any, as the Board, in its discretion, may require to evidence Executive's agreement to be bound by the terms of Exhibit A. The terms and conditions of Exhibit A shall survive the termination of this Agreement. The restrictions set forth in Exhibit A shall not apply to the transfer of Restricted Units or Earned Units pursuant to a plan of reorganization of the Partnership, but the Class A Units, securities or other property received in exchange therefor shall also become subject to the Transfer restrictions, Call Options and Surrender Obligation to the same extent as the Restricted Units, Earned Units and Vested Units exchanged therefor and the certificates, if any, representing such Class A Units, securities or other property shall be legended to show such restrictions.

3.4 Tax Withholding; §83(b) Election.

(a) To the extent that the receipt of the Restricted Units, Earned Units, Vested Units, the lapse of the Surrender Obligations, or any other event pursuant to this Agreement results in compensation income or wages to Executive for federal, state or local tax purposes, Executive shall deliver to the Partnership at the time of such receipt, lapse or event, as the case may be, such amount of money as the Partnership may require to meet its minimum withholding obligation under applicable tax laws, and if Executive fails to do so, the Partnership is authorized to withhold from any cash or other remuneration (including withholding and cancelling any Restricted Units, Earned Units or Vested Units distributable to Executive under this Agreement) then or thereafter payable to Executive any tax required to be withheld by reason of such resulting compensation income or wages.

(b) Within 30 days after the date of issuance of the Restricted Units, Executive shall make an election authorized by section 83(b) of the Code with respect to such Restricted Units and Executive shall submit to the Partnership a copy of the statement filed by Executive to make such election. The form of such election shall be in such form as approved by the Partnership and delivered to the Executive following the issuance of the Restricted Units.

(c) Executive acknowledges and agrees that he is not relying upon any written or oral statement or representation of the Partnership, its Affiliates, or any of their respective Executives, directors, officers, attorneys or agents regarding the tax effects associated with the Restricted Units, Earned Units, Vested Units or the execution of this Agreement. Executive acknowledges and agrees that in deciding to enter into this Agreement, Executive is relying on his own judgment and the judgment of the professionals of his choice with whom he has consulted.

3.5 Anti-Dilution Provisions.

(a) If after the date of this Agreement, the Class A Units shall be changed or proposed to be changed into a different number or class of units by reason of the occurrence of any reclassification, recapitalization, split-up, combination, exchange of shares or similar

readjustment, or a unit dividend thereon shall be paid, appropriate proportional adjustments shall be made to the Class B Units, as determined by the Board in good faith. Notwithstanding the foregoing, no repurchase of Class A Units for fair value (as determined by the Board in good faith) shall require any adjustment under this Section 3.5(a).

(b) If the Partnership issues any additional Class A Units for less than fair value (other than in a transaction or arrangement described in Section 3.5(a), as to which this Section 3.5(b) shall not apply), then if the holders of at least 75% of the Applicable Class B Units outstanding at the time of such issuance object in writing to such issuance within five business days after written notice of such issuance is given to the holders of the Applicable Class B Units, appropriate proportional adjustments shall be made to the Class B Units, as determined by the Board in good faith. For purposes of the preceding sentence, the fair value of any Class A Units being issued shall be determined by the Board in good faith; provided, however, that in connection with any transaction in which all of the Class A Units are being issued to members of the Company (or Affiliates thereof), if the holders of at least 75% of the Applicable Class B Units outstanding at the time of such issuance object in writing to the Board's determination of fair value within five business days after written notice of such issuance is given to the holders of the Applicable Class B Units, the fair value of such Class A Units shall be determined in the same manner as the "Class A Unit Value", except that for these purposes all references to "Executive" in the definition thereof shall be deemed to be references to "the holders of the Applicable Class B Units (as a group), acting at the direction of the holders of at least a majority of the Applicable Class B Units outstanding at such time". The fair value of any property contributed to the Partnership in respect of the issuance of any Class A Units shall be as determined by the Board in good faith; provided, however, that in the event that the Partnership shall issue any additional Class A Units in respect of the contribution to the Partnership of any MLP Common Units, the value of such MLP Common Units shall be deemed to equal the closing price of such MLP Common Units on the date of such contribution. No dispute or determination of fair value under this Section 3.5(b) shall delay the issuance of any additional Class A Units, it being agreed that the adjustment, if any, necessitated by the resolution of such dispute or determination of fair value shall be made retroactive to the date of issuance of such additional Class A Units. Notwithstanding anything in this Agreement to the contrary, this Section 3.5(b) shall not apply from and after consummation of a GP IPO.

(c) Prior to consummation of a GP IPO, if the Partnership proposes to issue any partnership interests or other equity securities other than (i) additional Class B Units (up to an aggregate number of outstanding Class B Units (including the Class B Units issued pursuant to this Agreement) that does not exceed the number of Class B Units authorized in the Partnership Agreement as in effect on the date hereof; provided that the foregoing limitation shall not apply to additional Class B Units issued pursuant to Section 3.5(a)), (ii) additional Class A Units issued in accordance with Section 3.5(b) or (iii) partnership interests or other equity securities with such rights, powers and preferences as shall be determined by the Board to be issued in connection with a GP IPO; provided that in the case of this clause (iii) the Class A Units and Class B Units are diluted proportionately (based on relative distributions) by such additional partnership interests or other equity securities, it shall first give written notice of such proposed issuance to the holders of the Applicable Class B Units then outstanding. If the holders of at least 75% of such Applicable Class B Units object in writing to such issuance within five business days after such notice is given, then the Partnership shall not issue such partnership interests or equity

securities unless a substantially contemporaneous pro-rata increase in the Restricted Units, Earned Units and Vested Units, if any, is made (as determined in good faith by the Board). In the absence of such objection, no such increase shall be required. Notwithstanding anything in this Agreement to the contrary, this Section 3.5(c) shall not apply from and after consummation of a GP IPO.

3.6 *Drag-Along Provisions.*

(a) Prior to a GP IPO, in the event of a sale of all or substantially all of the assets or equity of the Partnership in a bona fide arms' length transaction, then the Board shall have the right to require Executive to transfer all of his Earned Units and Vested Units (including any Granted Units that vest pursuant to Section 2.2(c) hereof) in such transaction in exchange for consideration per transferred Class B Unit that is equal to the Conversion Factor times the consideration to be received per Class A Unit in such transaction.

(b) Following a GP IPO, in the event of a sale of all or substantially all of the assets or equity of the IPO Entity, then the Board shall have the right to require Executive to transfer all of his Vested Units (including any Granted Units that vest pursuant to Section 2.2(c) hereof) in such transaction in exchange for consideration per transferred Class B Unit that is equal to the Conversion Factor times the consideration to be received per IPO Entity Class A Unit in such transaction.

(c) In connection with any transfer required pursuant to this Section 3.6, Executive shall deliver the certificates representing his Class B Units duly endorsed or accompanied by written instruments of transfer, in form and substance reasonably satisfactory to the Board, free and clear of any liens, together with any other documents reasonably required to be executed in connection with such transaction, as directed by the Board.

(d) Class B Units subject to this Section 3.6 will be included in a proposed sale pursuant hereto and be subject to any agreement with the purchaser in such transaction relating thereto, on the same terms and subject to the same conditions applicable to the Class A Units or IPO Entity Class A Units, as the case may be. Such terms and conditions shall be determined in the sole discretion of the Board, and shall include (i) the consideration to be paid (including without limitation the form and the aggregate amount thereof) and (ii) the provision of information, representations, warranties, covenants and requisite indemnifications; *provided, however*, that Executive shall not be required to make any representations and warranties, other than those relating specifically to Executive's execution and delivery of any transaction agreement (including absence of conflicts), and title to the Class B Units, and any indemnification provided by Executive shall be on a several, not joint, basis and shall be based on (and shall not exceed) Executive's pro rata share of the aggregate consideration paid in such transaction. For purposes of this Section 3.6 "Executive" includes any Permitted Transferee (as defined in the Partnership Agreement).

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ARTICLE 4 GENERAL PROVISIONS

4.1 Notices. For purposes of this Agreement, notices and all other communications provided for herein shall be given in the same manner as indicated in the Partnership Agreement.

4.2 Employment Relationship. For purposes of this Agreement (including Exhibit A attached hereto), Executive shall be considered to be in the employment of the Partnership as long as Executive remains an employee of an Affiliate of the Partnership. Without limiting the scope of the preceding sentence, it is expressly provided that Executive shall be considered to have terminated employment with the Partnership at the time the entity or other organization that employs Executive is no longer an Affiliate of the Partnership. Any question as to whether and when there has been a termination of such employment or association, and the cause of such termination, shall be determined by the Board and its determination shall be final.

4.3 Entire Agreement; Amendment. This Agreement and the Partnership Agreement constitute the entire agreement, and supersede all previous agreements and discussions relating to the same or similar subject matters between Executive and the Partnership or any Affiliate and constitute the entire agreement between Executive and the Partnership and any Affiliate with respect to the subject matter of this Agreement. Without limiting the scope of the preceding sentence, except for this Agreement and the Partnership Agreement, all prior and contemporaneous understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. Except as provided below, any modification of this Agreement shall be effective only if it is in writing and signed by both Executive and the Partnership as authorized by the Board. Notwithstanding the foregoing, the Partnership may unilaterally amend this Agreement in any manner that the Board determines in good faith is necessary or advisable to facilitate the consummation of a GP IPO, such amendment to become effective on the fifth business day after the day on which notice thereof is given to the holders of the Applicable Class B Units then outstanding, unless prior to such fifth business day, the holders of at least 75% of such Applicable Class B Units object in writing to such amendment, in which case such proposed amendment shall not become effective; provided, however, that the holders of the Applicable Class B Units shall not be entitled to object to any such amendment (and such amendment shall automatically become effective regardless of any purported objection by the holders of the Applicable Class B Units) if (i) all Other Class B Restricted Unit Agreements are amended in substantially the same way, (ii) the Class A Units and Class B Units are diluted proportionately (based on relative distributions) by any partnership interests or other equity securities issued to Persons (other than members of the Company (or Affiliates thereof)) in connection therewith and (iii) immediately after giving effect to the GP IPO, the economic interest in the Partnership or its successor or assign or (or the entity the securities or equity interests of which the Class B Units are converted into or exchanged for) represented by the Class B Units (and/or any securities or equity interests into which such Class B Units are converted or exchanged) is not diluted by any partnership interests or other equity securities issued to members of the Company (or any Affiliate thereof) in connection therewith. For the avoidance of doubt, notwithstanding anything in this Agreement to the contrary, in the event of a GP IPO, the Board shall be entitled (but not required) to make such adjustments as the Board shall determine in good faith to be equitable, including without limitation causing all or a portion of the Class B Units not to be converted into or exchanged for similar equity interests in

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the IPO Entity, and to remain outstanding as Class B Units of the Partnership. Notwithstanding anything in this Agreement to the contrary, if the Board determines that (i) the provisions of section 409A of the Code apply to this Agreement or the Class B Units and that the terms of this Agreement or such units do not, in whole or in part, satisfy the requirements of such section, or (ii) any provision of this Agreement or the effect or operation thereof would produce

material adverse tax consequences to Executive, then the Partnership, in the sole discretion of the Board, may unilaterally modify this Agreement in such manner as the Board deems appropriate to comply with such section 409A and any regulations or guidance issued thereunder or to mitigate or avoid such adverse tax consequences..

4.4 Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Partnership and all permitted transferees of any Transfer made in compliance with Exhibit A and other persons lawfully claiming under Executive.

4.5 Governing Law. This Agreement is governed by and shall be construed in accordance with the laws of the State of Delaware, excluding any conflict-of-laws rule or principle that might refer the governance or the construction of this Agreement to the laws of another jurisdiction. If any provision of this Agreement or the application thereof to any person or circumstance is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other persons or circumstances is not affected thereby and that provision shall be enforced to the greatest extent permitted by law.

4.6 Injunctive Relief. Executive acknowledges that a remedy at law for any breach or attempted breach of this Agreement will be inadequate, agrees that the Partnership may be entitled to specific performance and injunctive and other equitable relief to be implemented by a court of competent jurisdiction in case of any such breach or attempted breach, and further agrees to waive any requirement for the securing or purchasing of any bond in connection with the obtaining of any such injunctive or any other equitable relief. Executive agrees that the Partnership’s right to injunctive relief will be in addition to any other rights the Partnership may have.

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective for all purposes as of the Grant Date.

**PLAINS AAP, L.P., by its general partner,
PLAINS ALL AMERICAN GP LLC**

By: _____
Name: _____
Title: _____

EXECUTIVE

[Name]

**EXHIBIT A TO
RESTRICTED UNITS AGREEMENT**

**PROVISIONS RELATING TO TRANSFERS;
CALL OPTIONS; AND CONVERSIONS**

Capitalized terms used in this Exhibit that are not defined in this Exhibit shall have the meaning assigned to such terms in the Restricted Units Agreement to which this Exhibit is attached (the “**Agreement**”). Unless the context requires otherwise, all references in this Exhibit to Sections refer to the Sections of this Exhibit.

1. **No Transfers.** Executive may not Transfer all or any portion of the Restricted Units or any Earned Units, and any attempted Transfer shall be, and is hereby declared, null and void for all purposes; provided, however that Executive shall be entitled to Transfer any Earned Units to a Permitted Transferee (as defined in the Partnership Agreement), by will or the laws of descent and distribution, provided that any such permitted Transfer shall be made in accordance with, and subject to, Section 7.2 of the Partnership Agreement. In addition to the other restrictions set forth herein, each Restricted Unit, Earned Unit and Vested Unit shall be subject to the restrictions on Transfer (as defined in the Partnership Agreement) set forth in the Partnership Agreement.

2. **Partnership Call Option.** Upon the occurrence of a Call Event, the Partnership, at its option (exercisable at any time during the 60-day period following the date of such Call Event or, if later, five business days after receipt of certification of the Closest Value from the Appraiser under clause (v) of the definition of “Call Value”), may (but the Partnership shall have no obligation to) purchase all (or any portion elected by the Partnership in its sole discretion) of the Earned Units held by Executive (or by Executive’s estate), for a purchase price per Earned Unit equal to (i) 50% of the Call Value, if the Call Event occurs before January 1, 2013, and (ii) 75% of such Call Value if the Call Event occurs after December 31, 2012 and before January 1, 2016. If the Partnership wishes to exercise the Call Option granted herein, it must provide written notice within such 60-day period (or, if later, such five business day period) to Executive (or his estate) specifying the number of such Earned Units it elects to purchase. Within 10 days after the exercise of the Call Option by the Partnership or, if later, within five business days after receipt of certification of the Closest Value from the Appraiser under clause (v) of the definition of “Call Value,” the Executive (or estate) shall deliver the certificates, if any, representing the applicable Earned Units to the Partnership, duly endorsed and together with appropriate assignment and transfer instruments, free and clear of all adverse charges, liens, claims and encumbrances, in consideration for the purchase price specified above paid in the form of a single, lump sum cash payment from the Partnership. Delivery of the Earned Units and related transfer and assignment instruments by the holder shall constitute a representation to the Partnership that such Earned Units are free and clear of all adverse charges, liens, claims and encumbrances. If the Partnership does not timely exercise its Call Option, the Earned Units shall become Vested Units at the end of the period for exercising the

Call Option (and, in any event, no later than days after the Call Event so long as, in the event that the Class A Unit Value is to be determined by an Appraiser pursuant to the definition of Call Value, the Executive has not failed to meet any of the deadlines applicable to the Executive as part of such determination process) and shall cease to be subject to this Call Option.

3. Executive Elective Exchange of Vested Units for IPO Entity Class A Units.

If at any time after December 31, 2015 the IPO Entity Class A Units are publicly-traded, the Executive may, upon written notice to the Company, request to exchange his Vested Units for IPO Entity Class A Units. The Company will use commercially reasonable efforts to cause such exchange to occur. The number of IPO Entity Class A Units the Executive shall receive upon such exchange shall be determined by the Board in good faith based on the Conversion Factor as applied to the number of Vested Units being exchanged, with any fractional IPO Entity Class A Unit resulting being rounded down.

4. Unit Legend.

(a) In addition to any other legend that may be required by law, each certificate, if any, for Restricted Units and Earned Units shall bear a legend in substantially the following form:

THE UNITS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND MAY NOT BE OFFERED OR SOLD UNLESS THEY HAVE BEEN REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE (AND IN SUCH CASE, AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE PARTNERSHIP SHALL HAVE BEEN DELIVERED TO THE PARTNERSHIP TO THE EFFECT THAT SUCH OFFER OR SALE IS NOT REQUIRED TO BE REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS). THE UNITS REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE RESTRICTED UNITS AGREEMENT DATED AS OF AUGUST 29, 2007, AS AMENDED OR RESTATED FROM TIME TO TIME, COPIES OF WHICH MAY BE OBTAINED UPON REQUEST FROM THE PARTNERSHIP. THE UNITS REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT

UNDER CERTAIN CIRCUMSTANCES TO MANDATORY TRANSFER AS SET FORTH IN THE RESTRICTED UNITS AGREEMENT DATED AS OF AUGUST 29, 2007, AS AMENDED OR RESTATED FROM TIME TO TIME, COPIES OF WHICH MAY BE OBTAINED UPON REQUEST FROM THE PARTNERSHIP.

(b) In addition to any other legend that may be required by law, each certificate, if any, for Vested Units shall bear a legend in substantially the following form:

THE UNITS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND MAY NOT BE OFFERED OR SOLD UNLESS THEY HAVE BEEN REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE (AND IN SUCH CASE, AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE PARTNERSHIP SHALL HAVE BEEN DELIVERED TO THE PARTNERSHIP TO THE EFFECT THAT SUCH OFFER OR SALE IS NOT REQUIRED TO BE REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS). THE UNITS REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT UNDER CERTAIN CIRCUMSTANCES TO MANDATORY TRANSFER AS SET FORTH IN THE RESTRICTED UNITS AGREEMENT DATED AS OF AUGUST 29, 2007, AS AMENDED OR RESTATED FROM TIME TO TIME, COPIES OF WHICH MAY BE OBTAINED UPON REQUEST FROM THE PARTNERSHIP.
