UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

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

COMMISSION FILE NUMBER: 1-14569

PLAINS ALL AMERICAN PIPELINE, L.P.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	76-0582150
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

333 CLAY STREET, SUITE 2900
HOUSTON, TEXAS 77002
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)
(ZIP CODE)

(713) 646-4100
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON UNITS	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

The aggregate value of the Common Units held by non-affiliates of the registrant (treating all executive officers and directors of the registrant and holders of 10% or more of the Common Units outstanding, for this purpose, as if they may be affiliates of the registrant) was approximately $640,433,291 on March 15, 2002, based on $25.61 per unit, the closing price of the Common Units as reported on the New York Stock Exchange on such date.

At March 15, 2002, there were outstanding 31,915,939 Common Units, 1,307,190 Class B Common Units and 10,029,619 Subordinated Units.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
2001 FORM 10-K ANNUAL REPORT

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FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in this report are forward-looking statements, including, but not limited to, statements identified by the words "anticipate," "believe," "estimate," "expect," "plan," "intend" and "forecast" and similar expressions and statements regarding our business strategy, plans and objectives of our management for future operations. These statements reflect our current views and those of our general partner with respect to future events, based on what we believe are reasonable assumptions. Certain factors could cause actual results to differ materially from results anticipated in the forward-looking statements. The factors include, but are not limited to:

- abrupt or severe production declines or production interruptions in outer continental shelf production located offshore California and transported on the All American Pipeline;
- the availability of adequate supplies of and demand for crude oil in the areas in which we operate;
- the effects of competition;
- the success of our risk management activities;
- the availability (or lack thereof) of acquisition or combination opportunities;
- successful integration and future performance of acquired assets;
- our ability to receive credit on satisfactory terms;
- shortages or cost increases of power supplies, materials or labor;
- the impact of current and future laws and governmental regulations;
- environmental liabilities that are not covered by an indemnity or insurance;
- fluctuations in the debt and equity markets; and
- general economic, market or business conditions.

Other factors described herein, or factors that are unknown or unpredictable, could also have a material adverse effect on future results. See Item 7. "Management's Discussion and Analysis--Risk Factors Related to Our Business". Except as required by applicable securities laws, we do not intend to update these forward-looking statements and information.

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

GENERAL

We are a publicly traded Delaware limited partnership (the "partnership") engaged in interstate and intrastate marketing, transportation and terminalling of crude oil and marketing of liquefied petroleum gas ("LPG"). We were formed in September 1998 to acquire and operate the midstream crude oil business and assets of Plains Resources Inc. and its wholly owned subsidiaries ("Plains Resources") as a separate, publicly traded master limited partnership. We completed our initial public offering in November 1998. Immediately after our initial public offering, Plains Resources owned 100% of our general partner interest and an overall effective ownership in the partnership of 57% (including the 2% general partner interest and common and subordinated units owned by it).

In May 2001, senior management and a group of financial investors entered into a transaction with Plains Resources to acquire control of the general partner interest and a majority of the outstanding subordinated units. The transaction closed in June 2001 and, for purposes of this report, is referred to as the "General Partner Transition". As a result of this transaction, Plains Resources' ownership in the general partner interest was reduced from 100% to 44%. Additionally, as a result of this transaction and various equity offerings conducted since the initial public offering, Plains Resources' overall effective ownership has been reduced to approximately 29%. In addition, certain senior officers of the general partner that previously were also officers of Plains Resources terminated their affiliation with Plains Resources and now devote 100% of their efforts to the management of the partnership.

The general partner interest is now held by Plains AAP, L.P., a Delaware limited partnership. Plains All American GP LLC, a Delaware limited liability company, is Plains AAP, L.P.'s general partner. Our operations and activities are managed by, and our officers and personnel are employed by, Plains All American GP LLC. Unless the context otherwise requires, we use the term "general partner" to refer to both Plains AAP, L.P. and Plains All American GP LLC. We use the phrase "former general partner" to refer to the subsidiary of Plains Resources that formerly held the general partner interest.

Our operations are concentrated in Texas, Oklahoma, California and Louisiana and in the Canadian provinces of Alberta, Saskatchewan and Manitoba, and can be categorized into two primary business activities:

- Crude Oil Pipeline Transportation. We own and operate over 3,000 miles of gathering and mainline crude oil pipelines located throughout the United States and Canada. Our activities from pipeline operations generally consist of transporting crude oil for a fee.

- Terminalling and Storage Activities and Gathering and Marketing Activities. In connection with our terminalling and storage activities, we own and operate approximately 11.5 million barrels of above-ground crude oil terminalling and storage facilities, including the state-of-the-art, 3.1 million barrel crude oil terminalling and storage facility at Cushing, Oklahoma (the "Cushing Terminal"). Cushing is the largest crude oil trading hub in the United States and the designated delivery point for New York Mercantile Exchange, or NYMEX, crude oil futures contracts (the "Cushing Interchange"). Our terminalling and storage operations generate revenue through a combination of storage and throughput charges to third parties. We also utilize our storage tanks to counter-cyclically balance our gathering and marketing operations and to execute different hedging strategies to lock in profits and reduce the negative impact of crude oil market volatility. See "--Crude Oil Volatility; Counter-Cyclical Balance; Risk Management".

Our gathering and marketing operations include:

- the purchase of crude oil at the wellhead and the bulk purchase of crude oil at pipeline and terminal facilities;

- the transportation of crude oil on trucks, barges or pipelines, including our own;

- the subsequent resale or exchange of crude oil at various points along the crude oil distribution chain; and

- The purchase of LPG from producers, refiners and other marketers, and sale of LPG to end users and retailers.

BUSINESS STRATEGY

Our business strategy is to capitalize on the regional crude oil supply and demand imbalances that exist in the United States and Canada by combining the strategic location and unique capabilities of our transportation and terminalling assets with our extensive marketing and distribution expertise to generate sustainable earnings and cash flow.

We intend to execute our business strategy by:

- increasing and optimizing throughput on our various pipeline and gathering assets and realizing cost efficiencies through operational improvements and potential strategic alliances;

- utilizing and expanding our Cushing Terminal and our other assets to service the needs of refiners and to profit from merchant activities that take advantage of crude oil pricing and quality differentials;

- pursuing strategic and accretive acquisitions of crude oil transportation assets and businesses, including pipelines, gathering systems, terminalling and storage facilities, gathering and marketing entities and other assets that complement our existing asset base and distribution capabilities; and

- optimizing and expanding our Canadian operations to take advantage of anticipated increases in the volume and qualities of crude oil produced in, and exported from, Canada.

FINANCIAL STRATEGY

We believe that a major factor in our continued success will be our ability to maintain a low cost of capital and access to capital markets. Since our inception in 1998, we have consistently communicated to the financial community our intention to maintain a strong credit profile that we believe is consistent with our goal of achieving and maintaining an investment grade credit rating. We have targeted a general credit profile with the following attributes:

- an average long-term debt-to-total capitalization ratio of approximately 60% or less;

- an average long-term debt-to-EBITDA ratio of approximately 3.5x or less; and

- an average EBITDA-to-interest coverage ratio of approximately 3.3x or better.

As of December 31, 2001, we were within our targeted credit profile. In order for us to maintain our target credit profile and achieve growth through acquisitions, our strategy is to fund acquisitions using approximately equal proportions of equity and debt. Because it is likely that acquisitions will initially be financed using indebtedness and it is difficult to predict the actual timing of accessing the market to raise equity, we may be temporarily, from time to time, outside the parameters of our target credit profile until such time as the equity is raised.

COMPETITIVE STRENGTHS

We believe we are well positioned to successfully execute our business strategy due to the following competitive strengths:

- Our pipeline assets are strategically located and have additional capacity. Our primary crude oil pipeline transportation and gathering assets are located in prolific oil producing regions and are connected, directly or indirectly, with our terminalling and storage assets that service major North American refinery and distribution markets, where we have strong business relationships. These assets are strategically positioned to maximize the value of our crude oil by transporting it to major trading locations and premium markets. Our pipeline networks possess additional capacity to respond to increased demand.

- Our Cushing Terminal is strategically located, operationally flexible and readily expandable. Our Cushing Terminal interconnects with the Cushing Interchange's major inbound and outbound pipelines, providing access to both foreign and domestic crude oil. The Cushing Terminal is the most modern terminalling and storage facility at the Cushing Interchange, incorporating (1) operational enhancements designed to safely and efficiently terminal, store, blend and segregate large volumes and multiple varieties of crude oil and (2) extensive environmental safeguards.

- Our business activities are counter-cyclically balanced. We believe that our terminalling and storage activities and our gathering and marketing activities are counter-cyclical. We believe that this balance of activities, combined with the long-term nature of our pipeline transportation contracts, has a stabilizing effect on our cash flow from operations.

- We possess specialized crude oil market knowledge. We believe our business relationships with participants in all phases of the crude oil distribution chain, from crude oil producers to refiners, as well as our own industry expertise, provide us with a comprehensive understanding of the North American crude oil markets.

- We have the financial flexibility to pursue expansion and acquisition opportunities. We believe we have significant resources to finance strategic expansion and acquisition opportunities, including our ability to issue additional partnership units and to borrow under our bank credit facility.

- We have an experienced management team whose interests are aligned with those of all of our stakeholders. Our executive management team has an average of more than 20 years of industry experience, with an average of over 15 years with us or our predecessors and affiliates, during which time there was significant growth in our operations and profitability. As part of the General Partner Transition, members of our senior management team acquired a 4% interest in our general partner. In addition, through restricted unit grants and options, members of our senior management team have significant contingent equity incentives that will vest only if we achieve specified performance objectives.

PARTNERSHIP STRUCTURE AND MANAGEMENT

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. Our domestic operating limited partnerships are Plains Marketing, L.P. and All American Pipeline, L.P. Our operations and activities are managed by, and our officers and personnel are employed by, our general partner. Our general partner does not receive a management fee or any other compensation in connection with its management of our business, but it is reimbursed for all direct and indirect expenses incurred on our behalf, including employee compensation costs. Our Canadian operating limited partnership is Plains Marketing Canada, L.P. Canadian personnel are employed by its general partner, PMC (Nova Scotia) Company.

Our general partner has responsibility for conducting our business and managing our operations, and owns all of the incentive distribution rights. These rights provide that our general partner receives an increasing percentage of cash distributions (in addition to its 2% general partner interest) as distributions reach and exceed certain threshold levels. See Item 5. "Market for the Registrant's Common Units and Related Unitholder Matters".

The chart below depicts the current organization and ownership of Plains All American Pipeline, the operating partnerships and the subsidiaries.

[organization chart appears here]

ACQUISITIONS AND DISPOSITIONS

Coast/Lantern Acquisition

In March 2002, we completed the acquisition of substantially all of the domestic crude oil pipeline, gathering, and marketing assets of Coast Energy Group and Lantern Petroleum, divisions of Cornerstone Propane Partners, L.P. for approximately $8.2 million in cash plus transactions costs. The principal assets acquired, which are located in West Texas, include several gathering lines, crude oil contracts and a small truck and trailer fleet.

Butte Acquisition

In February 2002, we acquired an approximate 22% equity interest in Butte Pipe Line Company from Murphy Ventures, a wholly owned subsidiary of Murphy Oil Corporation. The total cost of the acquisition, including various transaction and related expenses, was approximately $8.0 million. Butte Pipe Line Company owns the 373-mile Butte Pipeline System, principally a mainline transmission system, that runs from Baker, Montana to Guernsey, Wyoming. At the time of acquisition, the Butte Pipeline System transported approximately 60,000 barrels per day of crude oil. The remaining 78% interest in the Butte Pipe Line Company is owned by Equilon Pipeline Company LLC.

Wapella Acquisition

In December 2001, we completed the acquisition of the Wapella Pipeline System from private investors for approximately $12.0 million including transaction costs. In 2001, the Wapella Pipeline System delivered approximately 11,000 barrels per day of crude oil to the Enbridge Pipeline at Cromer, Manitoba. The system is located in southeastern Saskatchewan and southwestern Manitoba. The acquisition also includes approximately 21,500 barrels of crude oil storage capacity located along the system as well as a truck terminal.

CANPET Energy Group, Inc.

In July 2001, we purchased substantially all of the assets of CANPET Energy Group Inc., a Calgary-based Canadian crude oil and liquefied petroleum gas marketing company, for approximately $42.0 million plus $25.0 million for additional inventory owned by CANPET at the closing of the transaction. Approximately $24.0 million of the purchase price, plus $25.0 million for the additional inventory, was paid in cash at closing, and the remainder, which is subject to various performance standards, will be paid in common units in April 2004 if the performance standards are met. The principal assets acquired include a crude oil handling facility, a 130,000-barrel tank facility, LPG facilities, existing business relationships and working capital of approximately $8.6 million.

Murphy Oil Company Ltd. Midstream Operations

In May 2001, we completed the acquisition of substantially all of the Canadian crude oil pipeline, gathering, storage and terminalling assets of Murphy Oil Company Ltd. for approximately $161.0 million in cash including financing and transaction costs. The purchase price included $6.5 million for excess inventory in the systems. The principal assets acquired include approximately 450 miles of crude oil and condensate mainlines (including dual lines on which condensate is shipped for blending purposes and blended crude is shipped in the opposite direction) and associated gathering and lateral lines, approximately 1.1 million barrels of crude oil storage and terminalling capacity located primarily in Kerrobert, Saskatchewan, approximately 254,000 barrels of pipeline linefill and tank inventories, an inactive 108-mile mainline system and 121 trailers used primarily for crude oil transportation. We have reactivated the 108-mile mainline system and began shipping volumes in May of 2001.

Scurlock Acquisition

In May 1999, we completed the acquisition of Scurlock Permian LLC and certain other pipeline assets from Marathon Ashland Petroleum LLC. Including working capital adjustments and closing and financing costs, the cash purchase price was approximately $141.7 million. Financing for the acquisition was provided through $117.0 million of borrowings and the sale of 1.3 million Class B Common Units to our former general partner for total cash consideration of $25.0 million.

Scurlock, previously a wholly owned subsidiary of Marathon Ashland Petroleum, was engaged in crude oil transportation, gathering and marketing. The assets acquired included approximately 2,300 miles of active pipelines, numerous storage terminals and a fleet of trucks. The largest asset is an approximately 920-mile pipeline and gathering system located in the Spraberry Trend in West Texas that extends into Andrews, Glasscock, Martin, Midland, Regan and Upton Counties, Texas. The assets we acquired also included approximately one million barrels of crude oil linefill.

West Texas Gathering System Acquisition

In July 1999, we completed the acquisition of the West Texas Gathering System from Chevron Pipe Line Company for approximately $36.0 million, including transaction costs. Financing for the amounts paid at closing was provided by a draw under a previous credit facility. The assets acquired include approximately 420 miles of crude oil transmission mainlines, approximately 295 miles of associated gathering and lateral lines, and approximately 2.9 million barrels of tankage located along the system.

All American Pipeline Linefill Sale and Asset Disposition

In March 2000, we sold to a unit of El Paso Corporation ("El Paso") for $129.0 million the segment of the All American Pipeline that extends from Emidio, California to McCamey, Texas. Except for minor third-party volumes, one of our subsidiaries, Plains Marketing, L.P., was the sole shipper on this segment of the pipeline since its predecessor acquired the line from the Goodyear Tire & Rubber Company in July 1998. We realized net proceeds of approximately $124.0 million after the associated transaction costs and estimated costs to remove equipment. We used the proceeds from the sale to reduce outstanding debt. We recognized a gain of approximately $20.1 million in connection with the sale.

We had suspended shipments of crude oil on this segment of the pipeline in November 1999. At that time, we owned approximately 5.2 million barrels of crude oil in the segment of the pipeline. We sold this crude oil from November 1999 to February 2000 for net proceeds of approximately $100.0 million, which were used for working capital purposes. We recognized gains of approximately $28.1 million and $16.5 million in 2000 and 1999, respectively, in connection with the sale of the linefill.

PIPELINE OPERATIONS

We describe below our principal pipeline assets. All of our pipeline systems are operated from one of two central control rooms with computer systems designed to continuously monitor real-time operational data including measurement of crude oil quantities injected in and delivered through the pipelines, product flow rates and pressure and temperature variations. This monitoring and measurement technology allows us to efficiently batch differing crude oil types with varying characteristics through the pipeline systems. The systems are designed to enhance leak detection capabilities, to sound automatic alarms in the event of operational conditions outside of pre-established parameters and to provide for remote-controlled shut-down of pump stations on the pipeline systems. Pump stations, storage facilities and meter measurement points along the pipeline systems are linked by telephone, satellite or radio communication systems for remote monitoring and control, which reduces our requirement for full time site personnel at most of these locations.

We perform scheduled maintenance on all of our pipeline systems and make repairs and replacements when necessary or appropriate. We attempt to control corrosion of the mainlines through the use of corrosion inhibiting chemicals injected into the crude stream, external coatings and cathodic protection systems. Maintenance facilities containing equipment for pipe repairs, spare parts and trained response personnel are strategically located along the pipelines and in concentrated operating areas. We believe that all of our pipelines have been constructed and are maintained in all material respects in accordance with applicable federal, state and local laws and regulations, standards prescribed by the American Petroleum Institute and accepted industry practice. See "--Regulation".

U. S. Pipeline Assets

All American Pipeline. The segment of the All American Pipeline that we retained following the sale of the line to El Paso is a common carrier crude oil pipeline system that transports crude oil produced from Outer Continental Shelf ("OCS") fields offshore California to locations in California. See "--All American Pipeline Linefill Sale and Asset Disposition". This segment is subject to tariff rates regulated by the Federal Energy Regulatory Commission ("FERC") (see "--Regulation-- Transportation Regulation"). As a common carrier, the All American Pipeline offers transportation services to any shipper of crude oil, provided that the crude oil tendered for transportation satisfies the conditions and specifications contained in the applicable tariff.

We own and operate the segment of the system that extends approximately 10 miles from ExxonMobil's onshore facilities at Las Flores on the California coast to Plains Resources' onshore facilities at Gaviota, California (24-inch diameter pipe) and continues from Gaviota approximately 130 miles to our station in Emidio, California (30-inch pipe). Between Gaviota and our Emidio Station, the All American Pipeline interconnects with our San Joaquin Valley ("SJV") Gathering System as well as various third-party intrastate pipelines, including the Unocap Pipeline System, the Equilon Pipeline System and the Pacific Pipeline.

The All American Pipeline currently transports OCS crude oil received at the onshore facilities of the Santa Ynez field at Las Flores, California and the onshore facilities of the Point Arguello field located at Gaviota, California. ExxonMobil, which owns all of the Santa Ynez production, and Plains Resources, Texaco and Sun Operating L.P., which together own approximately one-half of the Point Arguello production, have entered into transportation agreements committing to transport all of their production from these fields on the All American Pipeline. These agreements, which expire in August 2007, provide for a minimum tariff with annual escalations based on specific composite indices. The producers from the Point Arguello field who do not have contracts with us currently have no other efficient means of transporting their production and, therefore, ship their volumes on the All American Pipeline at the posted tariffs. Volumes attributable to Plains Resources are purchased and sold to a third party under our marketing agreement with Plains Resources before such volumes enter the All American Pipeline. See Item 13. "Certain Relationships and Related Transactions--Transactions with Related Parties." The third party pays the same tariff as required in the transportation agreements. At December 31, 2001, the tariffs averaged $1.54 per barrel for deliveries to connecting pipelines in California. The tariff was increased by approximately 11% effective January 9, 2002. The agreements do not require these owners to transport a minimum volume. For the year ended December 31, 2001, approximately $27.5 million, or 19.3% of our gross margin was attributable to the Santa Ynez field and approximately $9.5 million, or 6.7%, was attributable to the Point Arguello field. Transportation of volumes commenced from the Point Arguello field on the All American Pipeline in 1991 and from the Santa Ynez field in 1994.

The table below sets forth the historical volumes received from both of these fields for the last five years.

	YEAR ENDED DECEMBER 31,				
	2001	2000	1999	1998	1997
	(BARRELS IN THOUSANDS)				
Average daily volumes received from					
Point Arguello (at Gaviota)	18	18	20	26	30
Santa Ynez (at Las Flores)	51	56	59	68	85
Total	69	74	79	94	115

A wholly owned subsidiary of Plains Resources is the operator of record for the Point Arguello Unit. All of the volumes attributable to Plains Resources' interests are committed for transportation on the All American Pipeline and are subject to our marketing agreement with Plains Resources. We expect that there will continue to be natural production declines from each of these fields as the underlying reservoirs are depleted. See Item 13. "Certain Relationships and Related Transactions--Transactions with Related Parties--General".

A significant portion of the Partnership's gross margin is derived from pipeline transportation margins associated with these two fields. The relative contribution to our gross margin from these fields has decreased from approximately 46% in the second half of 1998 to 26% in 2001, as the partnership has grown and diversified through acquisitions and organic expansions and as a result of declines in volumes produced and transported from these fields, offset somewhat by an increase in pipeline tariffs. Over the last several years, transportation volumes received from the Santa Ynez and Point Arguello fields have declined from 92,000 and 60,000 average daily barrels, respectively, in 1995 to 51,000 and 18,000 average daily barrels, respectively, for the year ended December 31, 2001. Although the rate of decline has decreased over the last three years, we expect that there will continue to be natural production declines from each of these fields as the underlying reservoirs are depleted. A 5,000 barrel per day decline in volumes shipped from these fields would result in a decrease in annual pipeline tariff revenues of approximately $2.8 million.

SJV Gathering System. The SJV Gathering System is a proprietary pipeline system that runs through the heart of the San Joaquin Valley. As a proprietary pipeline, the SJV Gathering System is not subject to common carrier regulations. The SJV Gathering System was constructed in 1987 with a design capacity of approximately 140,000 barrels per day. The system consists of a 16-inch pipeline that originates at the Belridge station and extends 45 miles south to a connection with the All American Pipeline at the Pentland station.

The San Joaquin Valley is one of the most prolific oil producing regions in the continental United States, producing approximately 552,000 barrels per day of crude oil during the first nine months of 2001, which accounted for approximately 77% of total California production (excluding OCS) and 11% of the total production in the lower 48 states.

The following table reflects the historical production for the San Joaquin Valley as well as total California production (excluding OCS volumes) as reported by the California Division of Oil and Gas for the past five years.

	YEAR ENDED DECEMBER 31,				
	2001(1)	2000	1999	1998	1997
	(BARRELS IN THOUSANDS)				
Average daily volumes					
San Joaquin Valley production (2)	552	570	562	592	584
Total California production (excluding OCS volumes)	716	741	734	781	781

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(1) Reflects information through September 2001.

(2) Consists of production from California Division of Oil and Gas District IV.

The SJV Gathering System is connected to several fields, including the South Belridge, Elk Hills and Midway Sunset fields, three of the seven largest producing fields in the lower 48 states. We lease a pipeline that provides us access to the Lost Hills field. The SJV Gathering System also includes approximately 630,000 barrels of tank capacity, which can be used to facilitate movements along the system as well as to support our other activities.

The table below sets forth the historical volumes received into the SJV Gathering System for the past five years.

	YEAR ENDED DECEMBER 31,				
	2001	2000	1999	1998	1997
	(BARRELS IN THOUSANDS)				
Total average daily volumes	61	60	84	85	91

West Texas Gathering System. The West Texas Gathering System is a common carrier crude oil pipeline system located in the heart of the Permian Basin producing area. The West Texas Gathering System has lease gathering facilities in Crane, Ector, Upton, Ward and Winkler counties. The West Texas Gathering System was originally built by Gulf Oil Corporation in the late 1920's, expanded during the late 1950's and updated during the mid 1990's. The West Texas Gathering System provides us with considerable flexibility, as major segments are bi-directional and allow us to move crude oil between three of the major trading locations in West Texas. The West Texas Gathering System has the capability to transport approximately 190,000 barrels per day.

Total system volumes were approximately 82,000 barrels per day in 2001. System volumes include lease volumes, volumes from connecting carriers and volumes from truck injection stations. Lease volumes gathered into the system averaged approximately 39,000 barrels per day in 2001. Chevron USA has agreed to transport its equity crude oil production from fields connected to the West Texas Gathering System on the system through July 2011 (currently representing approximately 22,000 barrels per day, or 56% of total system gathering volumes and 27% of the total system volumes). Other large producers connected to the gathering system include Burlington Resources, Devon Energy, Anadarko, Oxy, Bass, and TotalFinaElf. Volumes from connecting carriers, including ExxonMobil and Phillips, average approximately 30,000 barrels per day. At the time of the acquisition, truck injection stations were limited and provided less than 1,000 barrels per day. We have since installed 16 truck injection stations on the West Texas Gathering System. Truck injection stations provided an average of 13,000 barrels per day in 2001. Our trucks are used to pick up crude oil produced in the areas adjacent to the West Texas Gathering System and deliver these volumes into the pipeline. These additional injection stations have allowed us to reduce the distance of our truck hauls in this area, increase the utilization of our pipeline assets and reduce our operating costs. The West Texas Gathering System also includes approximately 2.5 million barrels of tank capacity located along the pipeline system.

Sabine Pass Pipeline System. The Sabine Pass Pipeline System, acquired in the Scurlock acquisition, is a common carrier crude oil pipeline system. The primary purpose of the Sabine Pass Pipeline System is to gather crude oil from onshore facilities of offshore production near Johnson's Bayou, Louisiana, and deliver it to tankage and barge loading facilities in Sabine Pass, Texas. The Sabine Pass Pipeline System consists of approximately 34 miles of pipe ranging from 4 to 10 inches in diameter and has a throughput capacity of approximately 26,000 barrels of Louisiana light sweet crude oil per day. In 2001, the system transported approximately 20,000 barrels of crude oil per day. The Sabine Pass Pipeline System also includes 245,000 barrels of tank capacity located along the pipeline.

Ferriday Pipeline System. The Ferriday Pipeline System, acquired in the Scurlock acquisition, is a common carrier crude oil pipeline system located in eastern Louisiana and western Mississippi. The Ferriday Pipeline System consists of approximately 570 miles of pipe ranging from 2 inches to 12 inches in diameter. In 2001, the Ferriday Pipeline System delivered approximately 11,500 barrels per day of crude oil (including truck volumes rerouted from a third-party pipeline undergoing modifications) to third-party pipelines that supplied refiners in the Midwest. The Ferriday Pipeline System also includes approximately 332,000 barrels of tank capacity located along the pipeline.

In November 1999, we completed the construction of an 8-inch pipeline underneath the Mississippi River that connects our Ferriday Pipeline System in western Mississippi with the portion of the system located in eastern Louisiana. This connection provides us with bi-directional capability to access additional markets and enhances our ability to service our pipeline customers and take advantage of additional high margin merchant activities.

Dollarhide Pipeline System. The Dollarhide Pipeline System, acquired from Unocal Pipeline Company in October 2001, is a common carrier pipeline system that is located in West Texas. In 2001, the Dollarhide Pipeline System delivered approximately 5,000 barrels of crude oil per day into the West Texas Gathering System. The system also includes approximately 215,000 barrels of crude oil storage capacity along the system and in Midland.

Spraberry Pipeline System. The Spraberry Pipeline System, acquired in the Scurlock acquisition, is a proprietary pipeline system that gathers crude oil from the Spraberry Trend of West Texas and transports it to Midland, Texas, where it interconnects with the West Texas Gathering System and other pipelines. The Spraberry Pipeline System consists of approximately 920 miles of pipe of varying diameter, and has a throughput capacity of approximately 50,000 barrels of crude oil per day. The Spraberry Trend is one of the largest producing areas in West Texas, and we are one of the largest gatherers in the Spraberry Trend. The Spraberry Pipeline System gathered approximately 38,000 barrels per day of crude oil in 2001. The Spraberry Pipeline System also includes approximately 173,000 barrels of tank capacity located along the pipeline. The margins that we generate using the system are included in our Marketing, Gathering, Terminalling and Storage segment.

East Texas Pipeline System. The East Texas Pipeline System, acquired in the Scurlock acquisition, is a proprietary crude oil pipeline system. In 2001, it gathered approximately 21,000 barrels per day of crude oil in East Texas and transported approximately 23,000 barrels per day of crude oil to Crown Central's refinery in Longview, Texas. The deliveries to Crown Central are subject to a throughput and deficiency agreement, which extends through 2004. The East Texas Pipeline System also includes approximately 221,000 barrels of tank capacity located along the pipeline. The margins that we generate from the gathered barrels on the system are included in our Marketing, Gathering, Terminalling and Storage segment.

Illinois Basin Pipeline System. The Illinois Basin Pipeline System, acquired with the Scurlock acquisition, consists of common carrier pipeline and gathering systems and truck injection facilities in southern Illinois. The Illinois Basin Pipeline System consists of approximately 80 miles of pipe of varying diameter. In 2001, the system delivered approximately 4,100 barrels per day of crude oil to third-party pipelines that supplied refiners in the Midwest. Approximately 3,300 barrels per day of the supply on this system are from fields operated by Plains Resources.

Canadian Pipeline Assets

Manito Pipeline System. The Manito Pipeline System, acquired in the Murphy acquisition, is a National Energy Board ("NEB") regulated system located in Saskatchewan, Canada. The Manito Pipeline System is a 101-mile crude oil pipeline and a parallel 101-mile condensate pipeline that connects the North Saskatchewan Pipeline System and multiple gathering lines to the Enbridge system at Kerrobert. The Manito Pipeline System volumes were approximately 66,000 barrels per day of crude oil in 2001.

Milk River Pipeline System. The Milk River Pipeline System, acquired in the Murphy acquisition, is an NEB-regulated system located in Alberta, Canada. The Milk River Pipeline System consists of three parallel 11-mile crude oil pipelines that connect the Bow River Pipeline in Alberta to the Centex Pipeline at the United States border. The Milk River Pipeline System transported approximately 91,000 barrels per day of crude oil in 2001.

North Saskatchewan Pipeline System. The North Saskatchewan Pipeline System, acquired in the Murphy acquisition, is an NEB-regulated system located in Saskatchewan, Canada. The North Saskatchewan Pipeline System is a 34-mile crude oil pipeline and a parallel 34-mile condensate pipeline that connects to the Manito Pipeline at Dulwich. In 2001, the North Saskatchewan Pipeline System delivered approximately 6,500 barrels per day of crude oil into the Manito pipeline. Our ownership interest in the North Saskatchewan Pipeline System is approximately 36%.

Cactus Lake/Bodo Pipeline System. The Cactus Lake/Bodo Pipeline System, acquired in the Murphy acquisition, is an NEB-regulated system located in Alberta and Saskatchewan, Canada. The Cactus Lake/Bodo Pipeline System is a 55-mile crude oil pipeline and a parallel 55-mile condensate pipeline that connects to our storage and terminalling facility at Kerrobert. In 2001, the Cactus Lake/Bodo Pipeline System transported approximately 33,000 barrels per day of crude oil. Our ownership interest in the Cactus Lake/Bodo Pipeline System varies from a low of 13.125% to a high of 76.25%, depending upon the particular segment of the system.

Wascana Pipeline System. The Wascana Pipeline System, acquired in the Murphy acquisition, is a common carrier system located in Saskatchewan, Canada. The Wascana Pipeline System is a 108-mile crude oil pipeline that connects to the Equilon Pipeline at Raymond, Montana. In 2001, the Wascana Pipeline System transported approximately 13,000 barrels per day of crude oil.

Wapella Pipeline System. The Wapella Pipeline System is an NEB-regulated system located in southeastern Saskatchewan and southwestern Manitoba. In 2001, the Wapella Pipeline System delivered approximately 11,000 barrels per day of crude oil to the Enbridge Pipeline at Cromer, Manitoba. The system also includes approximately 21,500 barrels of crude oil storage capacity.

TERMINALLING, STORAGE, MARKETING AND GATHERING OPERATIONS

Terminalling and Storage Activities

We own approximately 11.5 million barrels of terminalling and storage assets, including tankage associated with our pipeline and gathering systems. Our storage and terminalling operations increase the margins in our business of purchasing and selling crude oil and also generate revenue through a combination of storage and throughput fees from third parties. Storage fees are generated when we lease tank capacity to third parties. Terminalling fees, also referred to as throughput fees, are generated when we receive crude oil from one connecting pipeline and redeliver crude oil to another connecting carrier in volumes that allow the refinery to receive its crude oil on a ratable basis throughout a delivery period. Both terminalling and storage fees are generally earned from:

- refiners and gatherers that segregate or custom blend crudes for refining feedstocks;
- pipeline operators, refiners or traders that need segregated tankage for foreign cargoes;
- traders who make or take delivery under NYMEX contracts; and
- producers and resellers that seek to increase their marketing alternatives.

The tankage that is used to support our arbitrage activities positions us to capture margins in a contango market (when the oil prices for future deliveries are higher than current prices) or as the market switches from contango to backwardation (when the oil prices for future deliveries are lower than current prices). See "--Crude Oil Volatility; Counter-Cyclical Balance; Risk Management".

Our most significant terminalling and storage asset is our Cushing Terminal. The terminal was constructed in 1993, and expanded by approximately 55% in 1999, to capitalize on the crude oil supply and demand imbalance in the Midwest. The imbalance was caused by the continued decline of regional production supplies, increasing imports and an inadequate pipeline and terminal infrastructure. The Cushing Terminal is also used to support and enhance the margins associated with our merchant activities relating to our lease gathering and bulk trading activities. See "--Gathering and Marketing Activities--Bulk Purchases".

The Cushing Terminal currently has total storage capacity of approximately 3.1 million barrels. We have recently announced the 1.1 million barrel Phase II and the 1.1 million barrel Phase III expansions of our Cushing Terminal facility. We expect the Phase II expansion will be completed in mid-2002 and the Phase III expansion will be completed in late 2002 or early 2003. Giving effect to these expansions, the capacity of the Cushing Terminal will increase approximately 71% to a total of approximately 5.3 million barrels. Upon completion of the Phase II and Phase III expansion projects, the Cushing Terminal will consist of fourteen 100,000 barrel tanks, four 150,000 barrel tanks and twelve 270,000 barrel tanks, which are used to store and terminal crude oil. The Cushing Terminal also includes a pipeline manifold and pumping system that has an estimated daily throughput capacity of approximately 800,000 barrels per day. The pipeline manifold and pumping system is designed to support more than ten million barrels of tank capacity. The Cushing Terminal is connected to the major pipelines and other terminals in the Cushing Interchange through pipelines that range in size from 10 inches to 24 inches in diameter.

The Cushing Terminal is a state-of-the-art facility designed to serve the needs of refiners in the Midwest. Since its original construction in 1993, we have experienced an increase in the volumes as well as the varieties of foreign and domestic crude oil transported through the Cushing Interchange. Anticipating these increases, we incorporated certain attributes into the design of the Cushing Terminal including:

- multiple, smaller tanks to facilitate simultaneous handling of multiple crude varieties in accordance with normal pipeline batch sizes;

- dual header systems connecting most tanks to the main manifold system to facilitate efficient switching between crude grades with minimal contamination;

- bottom drawn sumps that enable each tank to be efficiently drained down to minimal remaining volumes to minimize crude contamination and maintain crude integrity during changes of service;

- mixer(s) on each tank to facilitate blending crude grades to refinery specifications; and

- a manifold and pump system that allows for receipts and deliveries with connecting carriers at their maximum operating capacity.

As a result of incorporating these attributes into the design of the Cushing Terminal, we believe we are favorably positioned to serve the needs of Midwest refiners and to handle the increase in varieties of crude transported through the Cushing Interchange.

The Cushing Terminal also incorporates numerous environmental and operational safeguards. We believe that our terminal is the only one at the Cushing Interchange in which each tank has a secondary liner (the equivalent of double bottoms), leak detection devices, secondary seals and above-ground pipelines. Each tank is cathodically protected. Like the pipeline systems we operate, the Cushing Terminal is operated by a computer system designed to monitor real time operational data. In addition, each tank is equipped with an audible and visual high level alarm system to prevent overflows; a double seal floating roof designed to minimize air emissions and prevent the possible accumulation of potentially flammable gases between fluid levels and the roof of the tank; and a foam dispersal system that, in the event of a fire, is fed by a fully-automated fire water distribution network.

The Cushing Interchange is the largest wet barrel trading hub in the U.S. and the delivery point for crude oil futures contracts traded on the NYMEX. The Cushing Terminal has been designated by the NYMEX as an approved delivery location for crude oil delivered under the NYMEX crude oil futures contract. As the NYMEX delivery point and a cash market hub, the Cushing Interchange serves as a primary source of refinery feedstock for the Midwest refiners and plays an integral role in establishing and maintaining markets for many varieties of foreign and domestic crude oil.

The following table sets forth throughput volumes for our terminalling and storage operations, and quantity of tankage leased to third parties from 1997 through 2001.

	YEAR ENDED DECEMBER 31,				
	2001	2000	1999	1998	1997
	(BARRELS IN THOUSANDS)				
Throughput volumes (average daily volumes)					
Cushing Terminal	94	59	72	69	69
Ingleside Terminal	5	8	11	11	8
Total	99	67	83	80	77
Storage leased to third parties (average monthly volumes)					
Cushing Terminal	2,136	1,437	1,743	890	414
Ingleside Terminal	220	220	232	260	254
Total	2,356	1,657	1,975	1,150	668

Gathering and Marketing Activities

Crude Oil. The majority of our gathering and marketing activities are in Texas, Louisiana and California and the provinces of Alberta, Saskatchewan and Manitoba. These activities include:

- purchasing crude oil from producers at the wellhead and in bulk from aggregators at major pipeline interconnects and trading locations;

- transporting this crude oil on our own assets or, when necessary or cost effective, assets owned and operated by third parties;

- exchanging this crude oil for another grade of crude oil or at a different geographic location, as appropriate, in order to maximize margins or meet contract delivery requirements; and

- marketing crude oil to refiners or other resellers.

We purchase crude oil from many independent producers and believe that we have established broad-based relationships with crude oil producers in our areas of operations. For the year ended December 31, 2001, we purchased approximately 375,000 barrels per day of crude oil directly at the wellhead. Gathering and marketing activities are characterized by large volumes of transactions with lower margins relative to pipeline and terminalling and storage operations.

In the period immediately following the disclosure of our unauthorized trading losses in 1999, a significant number of our suppliers and trading partners reduced or eliminated the open credit previously extended to us. Consequently, the amount of letters of credit we needed to support the level of our crude oil purchases then in effect increased significantly. In addition, the cost of letters of credit increased under our credit facility, and some of our purchase contracts were terminated. For the year 2001, we believe that the effects of the loss on our cost of credit and operations were minimal and the requirement for us to issue letters of credit has reduced to levels lower than existed before the unauthorized trading loss. See "--Unauthorized Trading Losses."

The following table shows the average daily volume of our lease gathering and bulk purchases from 1997 through 2001.

	YEAR ENDED DECEMBER 31,				
	2001 (2)	2000	1999 (1)	1998	1997
	(BARRELS IN THOUSANDS)				
Lease Gathering	375	262	265	88	71
Bulk Purchases	54	28	138	98	49
Total	429	290	403	186	120

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(1) Includes average daily volumes from Scurlock Permian since May 1, 1999, extrapolated for the entire year.

(2) Includes average daily volumes from the Murphy acquisition and the CANPET acquisition since April 1 and July 1, respectively, extrapolated for the entire year.

Crude Oil Purchases. We purchase crude oil from producers under contracts that range in term from a thirty-day evergreen to three years. In a typical producer's operation, crude oil flows from the wellhead to a separator where the petroleum gases are removed. After separation, the crude oil is treated to remove water, sand and other contaminants and is then moved into the producer's on-site storage tanks. When the tank is full, the producer contacts our field personnel to purchase and transport the crude oil to market. We use our truck fleet, gathering pipelines, third-party pipelines and barges to transport the crude oil to market. We own or lease approximately 300 trucks used for gathering crude oil.

We have a marketing agreement with Plains Resources under which we are the exclusive marketer/purchaser for all of Plains Resources' equity crude oil production. The marketing agreement provides that we will purchase for resale at market prices all of Plains Resources' equity crude oil production for which we charge a fee of $0.20 per barrel. This fee is subject to adjustment every three years based upon then-existing market conditions. The marketing agreement will terminate upon a "change of control" of Plains Resources or our general partner. In November 2001, the marketing agreement automatically extended for an additional three-year period. See Item 13. "Certain Relationships and Related Transactions--Transactions with Related Parties."

Bulk Purchases. In addition to purchasing crude oil at the wellhead from producers, we purchase crude oil in bulk at major pipeline terminal points. This production is transported from the wellhead to the pipeline by major oil companies, large independent producers or other gathering and marketing companies. We purchase crude oil in bulk when we believe additional opportunities exist to realize margins further downstream in the crude oil distribution chain. The opportunities to earn additional margins vary over time with changing market conditions. Accordingly, the volumes and margins associated with our bulk purchases will fluctuate from period to period.

Crude Oil Sales. The marketing of crude oil is complex and requires detailed current knowledge of crude oil sources and end markets and a familiarity with a number of factors including grades of crude oil, individual refinery demand for specific grades of crude oil, area market price structures for the different grades of crude oil, location of customers, availability of transportation facilities and timing and costs (including storage) involved in delivering crude oil to the appropriate customer. We sell our crude oil to major integrated oil companies, independent refiners and other resellers in various types of sale and exchange transactions, at market prices for terms ranging generally from one month to three years.

We establish a margin for crude oil we purchase by selling crude oil for physical delivery to third party users, such as independent refiners or major oil companies, or by entering into a future delivery obligation with respect to futures contracts on the NYMEX. Through these transactions, we establish on a monthly basis a position that is substantially balanced between crude oil purchases and sales and future delivery obligations. From time to time, we enter into fixed price delivery contracts, floating price collar arrangements, financial swaps and crude oil futures and options contracts as hedging devices. Except for pre-defined inventory positions as discussed under "--Crude Oil Volatility; Counter-Cyclical Balance; Risk Management" below, our policy is generally (i) to purchase only crude oil for which we have a market, (ii) to structure our sales contracts so that crude oil price fluctuations do not materially affect the gross margin we receive and (iii) not to acquire and hold crude oil, futures contracts or other derivative products for the purpose of speculating on crude oil price changes that might expose us to indeterminable losses. See "--Crude Oil Volatility; Counter-Cyclical Balance; and Risk Management". In November 1999, we discovered that this policy was violated, and we incurred $174.0 million in unauthorized trading losses, including estimated associated costs and legal expenses. In 2000, we recognized an additional $7.0 million charge for litigation related to the unauthorized trading losses. See "--Unauthorized Trading Losses".

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

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

Liquefied Petroleum Gas. We also gather and market LPG throughout the United States and Canada, concentrated primarily in Washington, California, Kansas, Michigan, Texas, Montana, Nebraska and the Canadian provinces of Alberta and Ontario. These activities include:

- purchasing LPG (propane and butane) from producers at gas plants and in bulk at major pipeline terminal points and storage locations;
- transporting the LPG via common carrier pipelines, railcars and trucks to our own terminals and our customers' facilities for subsequent resale to retail and wholesale customers; and
- exchanging product to other locations to maximize margins and/or to meet contract delivery requirements.

We purchase LPG from many producers and believe that we have established long-term, broad based relationships with LPG producers in our areas of operation. We purchase LPG directly from gas plants, major pipeline interconnects and storage locations. Gathering and marketing activities for LPG typically consist of smaller transactions in terms of volume, but generate higher margins per barrel relative to crude oil transactions.

LPG Purchases. We purchase LPG from producers, refiners, and other LPG marketing companies under contracts that range from immediate delivery to one year in term. In a typical producer's or refiner's operation, LPG that is produced at the gas plant or refinery is fractionated into propane and butanes and then purchased by us for movement via tank truck, railcar or pipeline.

In addition to purchasing LPG at the gas plant or refinery from producers, we also purchase LPG in bulk at major pipeline terminal points and storage facilities from major oil companies, large independent producers or other LPG marketing companies. We purchase LPG in bulk when we believe additional opportunities exist to realize margins further downstream in our LPG distribution chain. The opportunities to earn additional margins vary over time with changing market conditions. Accordingly, the margins associated with our bulk purchases will fluctuate from period to period. Our bulk purchasing activities are concentrated in Kansas, Texas, Alberta and Ontario.

LPG Sales. The marketing of LPG is complex and requires detailed current knowledge of LPG sources and end markets and a familiarity with a number of factors including the various modes and availability of transportation, area market prices and timing and costs of delivering LPG to customers.

We sell LPG primarily to end users and retailers, and limited volumes to other marketers. Propane is sold to the small independent retailers who then transport the product via bobtail truck to the residential consumer for home heating and to some light industrial users such as forklift operators. Butane is used by refiners for gasoline blending and as a diluent for the movement of conventional heavy oil production. Butane demand for use as heavy oil diluent has increased as supplies of Canadian condensate have declined.

We establish a margin for LPG that we purchase by taking the propane component and transporting it in large volume, via various transportation modes, to our controlled terminals where we deliver the propane to our retailer customers for subsequent delivery to their individual heating customers. We also create margin by selling propane for future physical delivery to third party users, such as retailers and industrial users. Through these transactions, we seek to maintain a position that is substantially balanced between propane purchases and sales and future delivery obligations. From time to time, we enter into floating price collar arrangements, financial swaps and crude oil and LPG-related futures contracts as hedging devices. Our policy is generally to purchase only LPG for which we have a market, and to structure our sales contracts so that LPG fluctuations do not materially affect the gross margin we receive. Margin is created on the butane purchased by delivering large volumes during the short refinery blending season through the use of our extensive leased railcar fleet and the use of third party storage facilities. We also create margin on butane by capturing the difference in price between condensate and butane when butane is used to replace condensate as a diluent for the movement of heavy oil production.

LPG Exchanges. We pursue exchange opportunities to enhance margins throughout the gathering and marketing process. When opportunities arise to increase our margin or to acquire a volume of LPG that more nearly matches our physical delivery requirement or the preferences of our customers, we exchange physical LPG with third parties. These exchanges are affected through contracts called exchange or buy-sell agreements. Through an exchange agreement, we agree to buy LPG that differs in terms of geographic location, type of LPG or physical delivery schedule from LPG we have available for sale. Generally, we enter into exchanges to acquire LPG at locations that are closer to our end markets in order to meet the delivery specifications of our physical delivery contracts.

Credit. Our merchant activities involve the purchase of crude oil for resale and require significant extensions of credit by our suppliers of crude oil. In order to assure our ability to perform our obligations under crude oil purchase agreements, various credit arrangements are negotiated with our crude oil suppliers. Such arrangements include open lines of credit directly with us and standby letters of credit issued under our letter of credit facility. At December 31, 2001, we had letters of credit outstanding aggregating approximately $30.1 million. Generally, letters of credit are issued for a period of up to 70 days. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

When we market crude oil, we must determine the amount, if any, of the line of credit to be extended to any given customer. If we determine that a customer should receive a credit line, we must then decide on the amount of credit that should be extended. Since our typical sales transactions can involve tens of thousands of barrels of crude oil, the risk of nonpayment and nonperformance by customers is a major consideration in our business. We believe our sales are made to creditworthy entities or entities with adequate credit support.

We also have credit risk with respect to our sales of LPG; however, because our sales are typically in relatively small amounts to individual customers, we do not believe that we have material concentration of credit risk. Typically, we enter into annual contracts to sell LPG on a forward basis, as well as sell LPG on a current basis to local distributors and retailers. In certain cases our customers prepay for their purchases, in amounts ranging from 10% to 100% of their contracted amounts. Generally, sales of LPG are settled within seven days of the sale.

Crude Oil Volatility; Counter-Cyclical Balance; Risk Management

Crude oil prices have historically been very volatile and cyclical, with NYMEX benchmark prices ranging from as high as $40.00 per barrel to as low as $10.00 per barrel over the last 12 years. Gross margin from terminalling and storage activities is dependent on the throughput volume of crude oil stored, capacity leased to third parties, capacity that we use, and the level of other fees generated at our terminalling and storage facilities. Gross margin from our gathering and marketing activities is dependent on our ability to sell crude oil at a price in excess of our aggregate cost. These operations are not directly affected by the absolute level of crude oil prices, but are affected by overall levels of supply and demand for crude oil and relative fluctuations in market-related indices.

During periods when the demand for crude oil is weak on a relative basis (as was the case in the first quarter of 1999 and the last nine months of 2001), the market for crude oil is often in contango, meaning that the price of crude oil for future deliveries is higher than current prices. A contango market has a generally negative impact on marketing margins, but is favorable to the storage business, because storage owners at major trading locations (such as the Cushing Interchange) can simultaneously purchase production at current prices for storage and sell at higher prices for future delivery.

When there is a higher demand than supply of crude oil in the near term (as was the case in the last nine months of 1999, 2000 and the first quarter of 2001), the market is backwardated, meaning that the price of crude oil for future deliveries is lower than current prices. A backwardated market has a positive impact on marketing margins because crude oil gatherers can capture a premium for prompt deliveries. In this environment, there is little incentive to store crude oil as current prices are above future delivery prices.

The periods in between a backwardated market and a contango market are referred to as transition periods. Depending on the overall duration of these transition periods, how we have allocated our assets to particular strategies and the time length of our crude oil purchase and sale contracts and storage lease agreements, these transition periods may have either an adverse or beneficial affect on our aggregate gross margin. A prolonged transition from a backwardated market to a contango market (essentially a market that is neither in pronounced backwardation or contango) represents the most difficult environment for our gathering, marketing, storage and terminalling activities. When the market is in contango, we will use our tankage to improve our gathering margins by storing crude we have purchased for delivery in future months that are selling at a higher price. In a backwardated market, we use and lease less storage capacity but increased marketing margins provide an offset to this reduced cash flow. We believe that the combination of our terminalling and storage activities and gathering and marketing activities provides a counter-cyclical balance that has a stabilizing effect on our operations and cash flow. References to counter-cyclical balance elsewhere in this report are referring to this relationship between our terminalling and storage activities and our gathering and marketing activities in transitioning crude oil markets.

As use of the financial markets for crude oil has increased by producers, refiners, utilities, other users of energy and trading entities, risk management strategies, including those involving price hedges using NYMEX futures contracts and derivatives, have become increasingly important in creating and maintaining margins. Such hedging techniques require significant resources dedicated to managing these positions. Our risk management policies and procedures are designed to monitor both NYMEX and over-the-counter positions and physical volumes, grades, locations and delivery schedules to ensure that our hedging activities are implemented in accordance with such policies. We have a risk management function that has direct responsibility and authority for our risk policies and our trading controls and procedures and certain other aspects of corporate risk management.

Our policy is to purchase only crude oil for which we have a market, and to structure our sales contracts so that crude oil price fluctuations do not materially affect the gross margin we receive. Except for inventory transactions not to exceed 500,000 barrels, we do not acquire and hold crude oil futures contracts or other derivative products for the purpose of speculating on crude oil price changes that might expose us to indeterminable losses.

As a result of production and delivery variances associated with our lease purchase activities, from time to time we experience net unbalanced positions. In connection with managing these positions and maintaining a constant presence in the marketplace, both necessary for our core business, we engage in this controlled trading program for up to 500,000 barrels. This activity is monitored independently by our risk management function and must take place within predefined limits and authorizations. In order to hedge margins involving our physical assets and manage risks associated with our crude oil purchase and sale obligations we use derivative instruments, including futures and over-the-counter instruments. In analyzing our risk management activities, we draw a distinction between enterprise-level risks and trading-related risks. Enterprise-level risks are those that underlie our core businesses and may be managed based on whether there is value in doing so. Conversely, trading-related risks (the risks involved in trading in the hopes of generating an increased return) are not inherent in the core business; rather, the risks arise as a result of engaging in the trading activity. We have a Risk Management Committee that approves all new risk management strategies through a formal process. With the partial exception of the limited program not to exceed 500,000 barrels, our approved strategies are intended to mitigate enterprise-level risks that are inherent in our core businesses of gathering and marketing and storage.

Although the intent of our risk-management strategies is to hedge our margin, not all of our derivatives qualify for hedge accounting. In such instances, changes in the fair values of these derivatives will receive mark-to-market treatment in current earnings, and result in greater potential for earnings volatility than in the past. This accounting treatment is discussed further under Notes 2 and 9 of "Notes to Consolidated Financial Statements".

GEOGRAPHIC DATA

Prior to 2001, all of our revenues were derived from, and our assets located in, the United States. During 2001, we expanded into Canada. See "--Acquisitions and Dispositions." Set forth below is a table of 2001 revenues and long-lived assets attributable to these geographic areas (in thousands):

REVENUES	
United States	$6,149,788
Canada	$ 718,427
LONG-LIVED ASSETS	
United States	$ 567,551
Canada	$ 188,207

OPERATING ACTIVITIES

For information with respect to our pipeline activities and terminalling and storage and gathering and marketing activities, see "--Pipeline Operations", "--Terminalling, Storage, Marketing and Gathering Operations" and Note 16 in the Notes to Consolidated Financial Statements appearing elsewhere in this report.

CUSTOMERS

Customers accounting for more than 10% of sales for the periods indicated are as follows:

	PERCENTAGE YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Marathon Ashland Petroleum	11%	12%	-
Sempra Energy Trading Corporation	-	-	22%
Koch Oil Company	-	-	19%

All of the customers above pertain to our marketing, gathering, terminalling and storage segment. We believe that the loss of the customer included above for 2001 would have only a short-term impact on our operating results. There can be no assurance, however, that we would be able to identify and access a replacement market at comparable margins.

COMPETITION

Competition among pipelines is based primarily on transportation charges, access to producing areas and demand for the crude oil by end users. We believe that high capital requirements, environmental considerations and the difficulty in acquiring rights of way and related permits make it unlikely that competing pipeline systems comparable in size and scope to our pipeline systems will be built in the foreseeable future. However, to the extent there are already third-party owned pipelines with excess capacity in the vicinity of our operations, we will be exposed to significant competition based on the incremental cost of moving an incremental barrel of crude oil.

We face intense competition in our terminalling and storage activities and gathering and marketing activities. Our competitors include other crude oil pipelines, the major integrated oil companies, their marketing affiliates and independent gatherers, brokers and marketers of widely varying sizes, financial resources and experience. Some of these competitors have capital resources many times greater than ours and control substantially greater supplies of crude oil.

REGULATION

Our operations are subject to extensive regulations. Many federal, state, provincial and local departments and agencies are authorized by statute to issue and have issued laws and regulations binding on the oil pipeline industry and its individual participants. The failure to comply with such rules and regulations can result in substantial penalties. The regulatory burden on the oil pipeline industry increases our cost of doing business and, consequently, affects our profitability. However, we do not believe that we are affected in a significantly different manner by these laws and regulations than are our competitors. Due to the myriad of complex federal, state, provincial and local regulations that may affect us, directly or indirectly, you should not rely on the following discussion of certain laws and regulations as an exhaustive review of all regulatory considerations affecting our operations.

Pipeline Regulation

Our petroleum pipelines in the United States are subject to regulation by the U.S. Department of Transportation ("DOT") with respect to the design, installation, testing, construction, operation, replacement, and management of pipeline facilities. In addition, we must permit access to and copying of records, and must make certain reports available and provide information as required by the Secretary of Transportation. Comparable regulation exists in some states in which we conduct intrastate common carrier or private pipeline operations.

Pipeline safety issues are currently receiving significant attention in various political and administrative arenas at both the state and federal levels. For example, recent federal rule changes require pipeline operators to: (i) develop and maintain a written qualification program for individuals performing covered tasks on pipeline facilities, and (ii) establish pipeline integrity management programs. In particular, during 2000, the DOT adopted new regulations requiring operators of interstate pipelines to develop and follow an integrity management program that provides for continual assessment of the integrity of all pipeline segments that could affect so-called "high consequence areas", including high population areas, drinking water areas and ecological resource areas that are unusually sensitive to environmental damage from a pipeline release, and commercially navigable waterways. Segments of our pipelines are located in high consequence areas. Under this new rule, we are required to evaluate pipeline conditions by means of periodic internal inspection, pressure testing, or other equally effective assessment means and to correct identified anomalies. If, as a result of our evaluation process, we determine that there is a need to provide further protection to high consequence areas, then we will be required to implement additional prevention and mitigation risk control measures for our pipelines, including enhanced damage prevention programs, corrosion control program improvements, leak detection system enhancements, installation of emergency flow restricting devices, and emergency preparedness improvements. Under this new rule, we will also be required to evaluate and, as necessary, improve our management and analysis processes for integrating available integrity-related data relating to our pipeline segments and to remediate potential problems found as a result of the required assessment and evaluation process. Based on currently available information, our preliminary estimate of the costs to implement this program over the next five years ranges between $5 million and $10 million. Although we believe that our pipeline operations are in substantial compliance with applicable Pipeline Safety Act requirements, these developments renew the prospect of incurring significant expenses if additional safety requirements are imposed that exceed our current pipeline control system capabilities.

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

Transportation Regulation

General Interstate Regulation. Our interstate common carrier pipeline operations are subject to rate regulation by the Federal Energy Regulatory Commission ("FERC") under the Interstate Commerce Act. The Interstate Commerce Act requires that tariff rates for petroleum pipelines, which includes crude oil, as well as refined product and petrochemical pipelines, be just and reasonable and non-discriminatory.

State Regulation. Our intrastate pipeline transportation activities are subject to various state laws and regulations, as well as orders of regulatory bodies.

Canadian Regulation. The Partnership's Canadian pipeline assets are subject to regulation by the National Energy Board and by provincial agencies in Saskatchewan and Alberta. With respect to a pipeline over which it has jurisdiction, each of these agencies has the power, upon application by a third party, to determine the rates we are allowed to charge for transportation on such pipeline. In such circumstances, if the relevant regulatory agency determines that the applicable terms and conditions of service are not just and reasonable, the agency can amend the offending provisions of an existing transportation contract.

Energy Policy Act of 1992 and Subsequent Developments. In October 1992, Congress passed the Energy Policy Act of 1992 (the "Act"), which among other things, required the FERC to issue rules establishing a simplified and generally applicable ratemaking methodology for petroleum pipelines and to streamline procedures in petroleum pipeline proceedings. The FERC responded to this mandate by issuing several orders, including Order No. 561. Beginning January 1, 1995, Order No. 561 enables petroleum pipelines to change their rates within prescribed ceiling levels that are tied to an inflation index. Rate increases made pursuant to the indexing methodology are subject to protest, but such protests must show that the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline's increase in costs. If the indexing methodology results in a reduced ceiling level that is lower than a pipeline's filed rate, Order No. 561 requires the pipeline to reduce its rate to comply with the lower ceiling. A pipeline must, as a general rule, utilize the indexing methodology to change its rates. The FERC, however, retained cost-of-service ratemaking, market-based rates, and settlement as alternatives to the indexing approach, which alternatives may be used in certain specified circumstances.

The Act deemed petroleum pipeline rates in effect for the 365-day period ending on the date of enactment of the Act or that were in effect on the 365th day preceding enactment and had not been subject to complaint, protest or investigation during the 365-day period to be just and reasonable under the Interstate Commerce Act. Generally, complaints against such "grandfathered" rates may only be pursued if the complainant can show that a substantial change has occurred since enactment in either the economic circumstances or the nature of the services which were a basis for the rate or that a provision of the tariff is unduly discriminatory or preferential.

In a proceeding involving Lakehead Pipe Line Company, Limited Partnership (Opinion No. 397), FERC concluded that there should not be a corporate income tax allowance built into a petroleum pipeline's rates to reflect income attributable to noncorporate partners since noncorporate partners, unlike corporate partners, do not pay a corporate income tax. On January 13, 1999, the FERC issued Opinion No. 435 in a proceeding involving SFPP, L.P., which, among other things, affirmed Opinion No. 397's determination that there should not be a corporate income tax allowance built into a petroleum pipeline's rates to reflect income attributable to noncorporate partners. On rehearing, the FERC affirmed its position; however, additional rehearing requests on other matters remain pending. Petitions for review of Opinion No. 435 and subsequent FERC opinions in the case are before the D.C. Circuit Court of Appeals, but are being held in abeyance pending FERC action on the remaining rehearing requests. Once the rehearing process is completed, the FERC's position on the income tax allowance and on other rate issues could be subject to judicial review.

Our Pipelines. The FERC generally has not investigated rates on its own initiative when those rates have not been the subject of a protest or complaint by a shipper. Substantially all of our gross margins on transportation are produced by rates that are either grandfathered or set by agreement of the parties. Rates for OCS crude are set by transportation agreements with shippers that do not expire until 2007 and provide for a minimum tariff with annual escalation. The FERC has twice approved the agreed OCS rates, although application of the indexing method would have required their reduction. When these OCS agreements expire in 2007, they will be subject to renegotiation or to any of the other methods for establishing rates under Order No. 561. As a result, we believe that the rates now in effect can be sustained, although no assurance can be given that the rates currently charged would ultimately be upheld if challenged. In addition, we do not believe that an adverse determination on the tax allowance issue in the SFPP, L.P. proceeding would have a detrimental impact upon our current rates.

Trucking Regulation

We operate a fleet of trucks to transport crude oil and oilfield materials as a private, contract and common carrier. We are licensed to perform both intrastate and interstate motor carrier services. As a motor carrier, we are subject to certain safety regulations issued by the Department of Transportation. The trucking regulations cover, among other things, driver operations, maintaining log books, truck manifest preparations, the placement of safety placards on the trucks and trailer vehicles, drug and alcohol testing, safety of operation and equipment, and many other aspects of truck operations. We are also subject to the Occupational Safety and Health Act, as amended ("OSHA"), with respect to our trucking operations.

The Partnership's trucking assets in Canada are subject to regulation by provincial agencies in the provinces in which they are operated. These regulatory agencies do not set freight rates, but do establish and administer rules and regulations relating to other matters including equipment and driver licensing, equipment inspection, hazardous materials and safety.

ENVIRONMENTAL REGULATION

General

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

Water

The Oil Pollution Act, as amended ("OPA"), was enacted in 1990 and amends provisions of the Federal Water Pollution Control Act of 1972, as amended ("FWPCA"), and other statutes as they pertain to prevention and response to oil spills. The OPA subjects owners of facilities to strict, joint and potentially unlimited liability for containment and removal costs, natural resource damages, and certain other consequences of an oil spill, where such spill is into navigable waters, along shorelines or in the exclusive economic zone of the U.S. The OPA establishes a liability for onshore facilities of $350.0 million; however, a party cannot take advantage of this liability limit if the spill is caused by gross negligence or willful misconduct or resulted from a violation of a federal safety, construction, or operating regulation. If a party fails to report a spill or cooperate in the cleanup, the liability limits likewise do not apply. In the event of an oil spill into navigable waters, substantial liabilities could be imposed upon us. States in which we operate have also enacted similar laws. Regulations have been or are currently being developed under OPA and state laws that may also impose additional regulatory burdens on our operations. We believe that we are in substantial compliance with applicable OPA requirements.

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

Some states maintain groundwater protection programs that require permits for discharges or operations that may impact groundwater conditions. We believe that we are in substantial compliance with these state requirements.

Air Emissions

Our operations are subject to the Federal Clean Air Act, as amended, and comparable state and local statutes. We believe that our operations are in substantial compliance with these statutes in all states in which we operate.

Amendments to the Federal Clean Air Act enacted in late 1990 (the "1990 Federal Clean Air Act Amendments") as well as recent or soon to be adopted changes to state implementation plans for controlling air emissions in regional non-attainment areas require or will require most industrial operations in the U.S. to incur capital expenditures in order to meet air emission control standards developed by the U.S. Environmental Protection Agency (the "EPA") and state environmental agencies. In addition, the 1990 Federal Clean Air Act Amendments include a new operating permit for major sources ("Title V permits"), which applies to some of our facilities. We will be required to incur certain capital expenditures in the next several years for air pollution control equipment in connection with obtaining or maintaining permits and approvals addressing air emission related issues. Although we can give no assurances, we believe implementation of the 1990 Federal Clean Air Act Amendments will not have a material adverse effect on our financial condition or results of operations.

Solid Waste

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

Hazardous Substances

The Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), also known as "Superfund", and comparable state laws impose liability, without regard to fault or the legality of the original act, on certain classes of persons that contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of the site or sites where the release occurred and companies that disposed of, or arranged for the disposal of, the hazardous substances found at the site. Under CERCLA, such persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources, and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment. In the course of our ordinary operations, we may generate waste that falls within CERCLA's definition of a "hazardous substance". We may be jointly and severally liable under CERCLA for all or part of the costs required to clean up sites at which such hazardous substances have been disposed of or released into the environment.

We currently own or lease, and have in the past owned or leased, properties where hydrocarbons are being or have been handled. Although we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties owned or leased by us or on or under other locations where these wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes was not under our control. These properties and wastes disposed thereon may be subject to CERCLA, RCRA and analogous state laws. Under such laws, we could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including contaminated groundwater) or to perform remedial plugging operations to prevent future contamination. We are currently involved in remediation activities at a number of sites, which involve potentially significant expense. See "--Environmental Remediation".

OSHA

We are subject to the requirements of OSHA, and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that certain information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and citizens. We believe that our operations are in substantial compliance with OSHA requirements, including general industry standards, record keeping requirements and monitoring of occupational exposure to regulated substances.

Endangered Species Act

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

Hazardous Materials Transportation Requirements

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

ENVIRONMENTAL REMEDIATION

In connection with our acquisition of Scurlock Permian, we identified a number of areas of potential environmental exposure. Under the terms of our acquisition agreement, Marathon Ashland is fully indemnifying us for areas of environmental exposure which were identified at the time of the acquisition, including any and all liabilities associated with two superfund sites at which it is alleged Scurlock Permian deposited waste oils as well as any potential liability for hydrocarbon soil and water contamination at a number of Scurlock Permian facilities. For environmental liabilities which were not identified at the time of the acquisition but which occurred prior to the closing, we have agreed to pay the costs relating to matters that are under $25,000. Our liabilities relating to matters discovered prior to May 2003 and that exceed $25,000, is currently limited to an aggregate of $0.5 million, with Marathon Ashland indemnifying us for any excess amounts. Marathon Ashland's indemnification obligations for identified sites extend indefinitely while its obligations for non-identified sites extend to matters discovered within four years of the date of acquisition (May 12, 1999) of Scurlock Permian. While we do not believe that our liability, if any, for environmental contamination associated with our Scurlock Permian assets will be material, there can be no assurance in that regard. In any event, should we be found liable, we believe that our indemnification from Marathon Ashland should prevent such liability from having a material adverse effect on our financial condition, results of operations or cash flows.

In connection with our acquisition of the West Texas Gathering System, we agreed to be responsible for pre-acquisition environmental liabilities up to an aggregate amount of $1.0 million, while Chevron Pipe Line Company agreed to remain solely responsible for liabilities which are discovered prior to July 2002 which exceed this $1.0 million threshold. During our pre-acquisition investigation, we identified a number of sites along our West Texas Gathering System on which there are hydrocarbon contaminated soils. While the total cost of remediation of these sites has not yet been determined, we believe our indemnification arrangement with Chevron Pipe Line Company should prevent such costs from having a material adverse effect on our financial condition, results of operations or cash flows.

From 1994 to 1997 (prior to our acquisition in 1999), our Venice, Louisiana terminal experienced several releases of crude oil and jet fuel into the soil. The Louisiana Department of Environmental Quality has been notified of the releases. Marathon Ashland has performed some soil remediation related to the releases and retained liability for these conditions. The extent of the contamination at the sites is uncertain and there is a potential for groundwater contamination. We do not expect expenditures related to this terminal to be material, although we can provide no assurances in that regard.

During 1997, the All American Pipeline experienced a leak in a segment of its pipeline in California which resulted in an estimated 12,000 barrels of crude oil being released into the soil. Immediate action was taken to repair the pipeline leak, contain the spill and to recover the released crude oil. We have expended approximately $400,000 to date in connection with this spill and do not expect any additional expenditures to be material, although we can provide no assurances in that regard.

Prior to being acquired by our predecessor in 1996, the Ingleside Terminal experienced releases of refined petroleum products into the soil and groundwater underlying the site due to activities on the property. We are undertaking a voluntary state-administered remediation of the contamination on the property to determine the extent of the contamination. We have spent approximately $140,000 to date in investigating the contamination at this site. We do not anticipate the total additional costs related to this site to exceed $250,000, although no assurance can be given that the actual cost could not exceed such estimate.

We may experience future releases of crude oil into the environment from our pipeline and storage operations, or discover releases that were previously unidentified. While we maintain an extensive inspection program designed to prevent and, as applicable, to detect and address such releases promptly, damages and liabilities incurred due to any future environmental releases from our assets may substantially affect our business.

OPERATIONAL HAZARDS AND INSURANCE

A pipeline, terminal or other facilities may experience damage as a result of an accident or natural disaster. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. We maintain insurance of various types that we consider to be adequate to cover our operations and properties. The insurance covers all of our assets in amounts considered reasonable. The insurance policies are subject to deductibles that we consider reasonable and not excessive. Our insurance does not cover every potential risk associated with operating pipelines, terminals and other facilities, including the potential loss of significant revenues. Consistent with insurance coverage generally available to the industry, our insurance policies provide limited coverage for losses or liabilities relating to pollution, with broader coverage for sudden and accidental occurrences. The events of September 11 and their overall effect on the insurance industry may have a general adverse impact on availability and cost of coverage. We currently maintain insurance for acts of terrorism on the majority of our assets and operations. Many of our current policies expire on June 1, 2002. Due to the events of September 11, 2001, we believe that many insurers will exclude acts of terrorism from future insurance policies or make the cost for this coverage prohibitive.

Since the terrorist attacks, the United States Government has issued warnings that energy assets (including our nation's pipeline infrastructure) may be a future target of terrorist organizations. These developments expose our operations and assets to increased risks. Any future terrorist attacks on our facilities, those of our customers and, in some cases, those of our competitors, could have a material adverse effect on our business.

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

TITLE TO PROPERTIES

Substantially all of our pipelines are constructed on rights-of-way granted by the apparent record owners of such property and in some instances the rights-of-way are revocable at the election of the grantor. In many instances, lands over which rights-of-way have been obtained are subject to prior liens that have not been subordinated to the right-of-way grants. In some cases, not all of the apparent record owners have joined in the right-of-way grants, but in substantially all such cases, signatures of the owners of majority interests have been obtained. We have obtained permits from public authorities to cross over or under, or to lay facilities in or along water courses, county roads, municipal streets and state highways, and in some instances, the permits are revocable at the election of the grantor. We have also obtained permits from railroad companies to cross over or under lands or rights-of-way, many of which are also revocable at the grantor's election. In some cases, property for pipeline purposes was purchased in fee. All of the pump stations are located on property owned in fee or property under long-term leases. In certain states and under certain circumstances, we have the right of eminent domain to acquire rights-of-way and lands necessary for our common carrier pipelines.

Some of the leases, easements, rights-of-way, permits and licenses transferred to us, upon our formation in 1998 and in connection with acquisitions we have made since that time, required the consent of the grantor to transfer such rights, which in certain instances is a governmental entity. We believe that we have obtained the third-party consents, permits and authorizations as are sufficient for the transfer to us of the assets necessary for us to operate our business in all material respects as described in this report. With respect to any consents, permits or authorizations that have not yet been obtained, we believe that the consents, permits or authorizations will be obtained within a reasonable period, or that the failure to obtain the consents, permits or authorizations will have no material adverse effect on the operation of our business.

We believe that we have satisfactory title to all of our assets. Although title to such properties are subject to encumbrances in certain cases, such as customary interests generally retained in connection with acquisition of real property, liens related to environmental liabilities associated with historical operations, liens for current taxes and other burdens and minor easements, restrictions and other encumbrances to which the underlying properties were subject at the time of acquisition by our predecessor or us, we believe that none of such burdens will materially detract from the value of such properties or from our interest therein or will materially interfere with their use in the operation of our business.

EMPLOYEES

To carry out our operations, our general partner or its affiliates employed approximately 1,000 employees at December 31, 2001. None of the employees of our general partner were represented by labor unions, and our general partner considers its employee relations to be good.

SUMMARY OF TAX CONSIDERATIONS

The tax consequences of ownership of common units depends in part on the owner's individual tax circumstances. However, the following is a brief summary of material tax consequences of owning and disposing of common units.

Partnership Status; Cash Distributions

We are classified for federal income tax purposes as a partnership based upon our meeting certain requirements imposed by the Internal Revenue Code (the "Code") which we must meet each year. The owners of common units are considered partners in the partnership so long as they do not loan their common units to others to cover short sales or otherwise dispose of those units. Accordingly, we pay no federal income taxes, and a common unitholder is required to report on the unitholder's federal income tax return the unitholder's share of our income, gains, losses and deductions. In general, cash distributions to a common unitholder are taxable only if, and to the extent that, they exceed the tax basis in the common units held.

PARTNERSHIP ALLOCATIONS

In general, our income and loss is allocated to the general partner and the unitholders for each taxable year in accordance with their respective percentage interests in the partnership (including, with respect to the general partner, its incentive distribution right), as determined annually and prorated on a monthly basis and subsequently apportioned among the general partner and the unitholders of record as of the opening of the first business day of the month to which they relate, even though unitholders may dispose of their units during the month in question. A unitholder is required to take into account, in determining federal income tax liability, the unitholder's share of income generated by us for each taxable year of the partnership ending within or with the unitholder's taxable year, even if cash distributions are not made to the unitholder. As a consequence, a unitholder's share of our taxable income (and possibly the income tax payable by the unitholder with respect to such income) may exceed the cash actually distributed to the unitholder by us. At any time distributions are made on the common units in excess of distributions on the subordinated units, or incentive distributions are made to the general partner, gross income will be allocated to the recipient to the extent of those distributions.

Basis of Common Units

A unitholder's initial tax basis for a common unit is generally the amount paid for the common unit. A unitholder's basis is generally increased by the unitholder's share of our income and decreased by the unitholder's share of our losses and distributions.

Limitations on Deductibility of Partnership Losses

In the case of taxpayers subject to the passive loss rules (generally, individuals and closely held corporations), any partnership losses are only available to offset future income generated by us and cannot be used to offset income from other activities, including passive activities or investments. Any losses unused by virtue of the passive loss rules may be fully deducted if the unitholder disposes of all of the unitholder's common units in a taxable transaction with an unrelated party.

Section 754 Election

We have made the election provided for by Section 754 of the Code, which will generally result in a unitholder being allocated income and deductions calculated by reference to the portion of the unitholder's purchase price attributable to each asset of the partnership.

Disposition of Common Units

A unitholder who sells common units will recognize gain or loss equal to the difference between the amount realized and the adjusted tax basis of those common units. A unitholder may not be able to trace basis to particular common units for this purpose. Thus, distributions of cash from us to a unitholder in excess of the income allocated to the unitholder will, in effect, become taxable income if the unitholder sells the common units at a price greater than the unitholder's adjusted tax basis even if the price is less than the unitholder's original cost. A portion of the amount realized (whether or not representing gain) will be ordinary income.

Foreign, State, Local and Other Tax Considerations

In addition to federal income taxes, unitholders will likely be subject to other taxes, such as foreign, state and local income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which a unitholder resides or in which we do business or own property. We own property and conduct business in five provinces in Canada as well as in most states in the United States. All but four of those states and all of the provinces currently impose a personal income tax that would generally require a unitholder to file a return and pay taxes in that state or province, as well as in Canada. Of the states in which we primarily do business, only Texas does not have a personal income tax. In certain states, tax losses may not produce a tax benefit in the year incurred (if, for example, we have no income from sources within that state) and also may not be available to offset income in subsequent taxable years. Some states may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a unitholder. Withholding, the amount of which may be more or less than a particular unitholder's income tax liability owed to the state, may not relieve the nonresident unitholder from the obligation to file an income tax return. Amounts withheld may be treated as if distributed to unitholders for purposes of determining the amounts distributed by us.

It is the responsibility of each prospective unitholder to investigate the legal and tax consequences, under the laws of Canada and those states and localities, of the unitholder's investment in us. Further, it is the responsibility of each unitholder to file all U.S. federal, Canadian, state and local tax returns that may be required of the unitholder.

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

An investment in common units by tax-exempt organizations (including IRAs and other retirement plans), regulated investment companies (mutual funds) and foreign persons raises issues unique to such persons. Virtually all of our income allocated to a unitholder that is a tax-exempt organization is unrelated business taxable income and, thus, is taxable to such a unitholder. Furthermore, no significant amount of our gross income is qualifying income for purposes of determining whether a unitholder will qualify as a regulated investment company, and a unitholder who is a nonresident alien, foreign corporation or other foreign person is regarded as being engaged in a trade or business in the United States as a result of ownership of a common unit and, thus, is required to file federal income tax returns and to pay tax on the unitholder's share of our taxable income. Finally, distributions to foreign unitholders are subject to federal income tax withholding.

Tax Shelter Registration

The Code generally requires that "tax shelters" be registered with the Secretary of the Treasury. We are registered as a tax shelter with the Secretary of the Treasury. Our tax shelter registration number is 99061000009. Issuance of the registration number does not indicate that an investment in the partnership or the claimed tax benefits has been reviewed, examined or approved by the IRS.

Unauthorized Trading Losses

Background

In November 1999, we discovered that a former employee had engaged in unauthorized trading activity, resulting in losses of approximately $174.0 million, which includes estimated associated costs and legal expenses. A full investigation into the unauthorized trading activities by outside legal counsel and independent accountants and consultants determined that the vast majority of the losses occurred from March through November 1999, and the impact warranted a restatement of previously reported financial information for 1999 and 1998. Approximately $7.1 million of the unauthorized trading losses was recognized in 1998 and the remainder in 1999. In 2000, we recognized an additional $7.0 million charge for litigation related to the unauthorized trading losses.

Normally, as we purchase crude oil, we establish a margin by selling crude oil for physical delivery to third parties, or by entering into future delivery obligations with respect to futures contracts. The employee in question violated our policy of maintaining a substantially balanced position between purchases and sales (or future delivery obligations) by negotiating one side of a transaction without negotiating the other, leaving the position "open". The trader concealed his activities by hiding open trading positions, by rolling open positions forward using off-market, inter-month transactions, and by providing to counter-parties forged documents that purported to authorize such transactions. An "inter-month" transaction is one in which the receipt and delivery of crude oil are scheduled in different months. An "off-market" transaction is one in which the price is higher or lower than the prices available in the market on the day of the transaction. By matching one side of an inter-month transaction with an open position, and using off-market pricing to match the pricing of the open position, the trader could present documentation showing both a purchase and a sale, creating the impression of compliance with our policy. The offsetting side of the inter-month transaction became a new, hidden open position.

Investigation; Enhancement of Procedures

Upon discovery of the violation and related losses, we engaged an outside law firm to lead the investigation of the unauthorized trading activities. The law firm retained specialists from an independent accounting firm to assist in the investigation. In parallel effort with the investigation mentioned above, the role of the accounting firm specialists was expanded to include reviewing and making recommendations for enhancement of our systems, policies and procedures. As a result, we have developed and adopted a new written policy document and manual of procedures designed to enhance our processes and procedures and improve our ability to detect any activity that might occur at an early stage. See "Terminalling, Storage, Marketing and Gathering Operations--Crude Oil Volatility; Counter-Cyclical Balance; Risk Management."

To specifically address the methods used by the trader to conceal the unauthorized trading, in January 2000, we sent a notice to each of our material counter-parties that no person at Plains All American Pipeline, L.P. was authorized to enter into off-market transactions. In addition, we have taken the following actions:

- We have communicated our hedging and trading strategies and risk tolerance to our traders by more clearly and specifically defining approved strategies and risk limits in our written procedures.

- The new procedures require (i) more comprehensive and frequent reporting that will allow our officers to evaluate risk positions in greater detail, and (ii) enhanced procedures to check compliance with these reporting requirements and to confirm that trading activity was conducted within guidelines.

- The procedures provide a system to educate each employee who is involved, directly or indirectly, in our crude oil transaction activities with respect to policies and procedures, and impose an obligation to notify the Risk Manager directly of any questionable transactions or failure of others to adhere to the policies, practices and procedures.

- Finally, following notification to each of our material counter-parties that off-market trading is against our policy and that any written evidence to the contrary is unauthorized and false, the Risk Manager and our other representatives have also communicated our policies and enhanced procedures to our counter-parties to advise them of the information we will routinely require from them to assure timely recording and confirmation of trades.

We can give no assurance that the above steps will serve to detect and prevent all violations of our trading policy; we believe, however, that such steps substantially reduce the possibility of a recurrence of unauthorized trading activities, and that any unauthorized trading that does occur would be detected before any material loss could develop.

Effects of the Loss

The unauthorized trading and associated losses resulted in a default of certain covenants under our then-existing credit facilities and significant short-term cash and letter of credit requirements.

In December 1999, we executed amended credit facilities and obtained default waivers from all of our lenders. We paid approximately $13.7 million to our lenders in connection with the amended credit facilities. In connection with the amendments, our former general partner loaned us approximately $114.0 million.

On May 8, 2000, we entered into new bank credit agreements to refinance our existing bank debt and repay the $114.0 million owed to our former general partner. The new bank credit agreements also provided us with additional flexibility for working capital, capital expenditures and other general corporate purposes. At closing, we had $256.0 million outstanding under a senior secured revolving credit facility. We also had at closing letters of credit of approximately $173.8 million and borrowings of approximately $20.3 million outstanding under a separate senior secured letter of credit and borrowing facility. We have since refinanced the bank credit facilities we entered into on May 8, 2000. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources".

In the period immediately following the disclosure of the unauthorized trading losses, a significant number of our suppliers and trading partners reduced or eliminated the open credit previously extended to us. Consequently, the amount of letters of credit we needed to support the level of our crude oil purchases then in effect increased significantly. In addition, the cost of letters of credit increased under our credit facility. Some of our purchase contracts were terminated. For the year 2001, we believe that the effects of the loss on our cost of credit and operations were minimal and the requirement for us to issue letters of credit has reduced to levels lower than existed before the unauthorized trading loss.

After the public announcement of the trading losses, class action lawsuits were filed against us and Plains Resources. Derivative lawsuits have also been filed in the United States District Court for the Southern District of Texas and the Delaware Chancery Court, Newcastle County. All of the cases have been settled or are in the process of being settled. See Item 3. "Legal Proceedings".

ITEM 3. LEGAL PROCEEDINGS

Texas Securities Litigation. On November 29, 1999, a class action lawsuit was filed in the United States District Court for the Southern District of Texas entitled Di Giacomo v. Plains All American Pipeline, L.P., et al. The suit alleged that Plains All American and certain of our former general partner's officers and directors violated federal securities laws, primarily in connection with unauthorized trading by a former employee. An additional nineteen cases were filed in the Southern District of Texas, some of which named our former general partner and Plains Resources as additional defendants. All of the federal securities claims were consolidated into two actions. The first consolidated action is that filed by purchasers of Plains Resources' common stock and options, and is captioned Koplovitz v. Plains Resources Inc., et al. The second consolidated action is that filed by purchasers of our common units, and is captioned Di Giacomo v. Plains All American Pipeline, L.P., et al. Plaintiffs alleged that the defendants were liable for securities fraud violations under Rule 10b-5 and Section 20(a) of the Securities Exchange Act of 1934 and for making false registration statements under Sections 11 and 15 of the Securities Act of 1933.

We and Plains Resources reached an agreement with representatives for the plaintiffs for the settlement of all of the class actions, and in January 2001, we deposited approximately $30.0 million under the terms of the settlement agreement. The total cost of the settlement to us and Plains Resources, including interest and expenses and after insurance reimbursements, was $14.9 million. Of that amount, $1.0 million was allocated to Plains Resources by agreement between special independent committees of the board of directors of our former general partner and the board of directors of Plains Resources. All such amounts were reflected in our financial statements at December 31, 2000. The settlement was approved by the court on December 19, 2001. The order became final on January 18, 2002. The settlement agreement does not affect the Texas Derivative Litigation and Delaware Derivative Litigation described below.

Delaware Derivative Litigation. On December 3, 1999, two derivative lawsuits were filed in the Delaware Chancery Court, New Castle County, entitled Susser v. Plains All American Inc., et al and Senderowitz v. Plains All American Inc., et al. These suits, and three others which were filed in Delaware subsequently, named our former general partner, its directors and certain of its officers as defendants, and allege that the defendants breached the fiduciary duties that they owed to Plains All American Pipeline, L.P. and its unitholders by failing to monitor properly the activities of its employees. The court consolidated all of the cases under the caption In Re Plains All American Inc. Shareholders Litigation, and has designated the complaint filed in Susser v. Plains All American Inc. as the complaint in the consolidated action.

The plaintiffs in the Delaware derivative litigation seek, among other things, to cause the defendants to account for all losses and damages allegedly sustained by Plains All American from the unauthorized trading losses; to establish and maintain effective internal controls ensuring that our affiliates and persons responsible for our affairs do not engage in wrongful practices detrimental to Plains All American; and to pay for the plaintiffs' costs and expenses in the litigation, including reasonable attorneys' fees, accountants' fees and experts' fees.

We have reached an agreement in principle with the plaintiffs to settle the Delaware litigation for approximately $1.1 million. On March 6, 2002, the Delaware court approved the settlement.

Texas Derivative Litigation. On July 11, 2000, a derivative lawsuit was filed in the United States District Court of the Southern District of Texas entitled Fernandes v. Plains All American Inc., et al, naming our former general partner, its directors and certain of its officers as defendants. This lawsuit contains the same claims and seeks the same relief as the Delaware derivative litigation, described above. We have reached an agreement in principle with the plaintiffs, subject to approval by the District Court, to settle the Texas litigation for approximately $112,500.

Other. We, in the ordinary course of business, are a claimant and/or a defendant in various other legal proceedings. We do not believe that the outcome of these other legal proceedings, individually and in the aggregate, will have a materially adverse effect on our financial condition, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the security holders, through solicitation of proxies or otherwise, during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON UNITS AND RELATED UNITHOLDER MATTERS

The common units, excluding the Class B common units, are listed and traded on the New York Stock Exchange under the symbol "PAA". On March 15, 2002, the market price for the common units was $25.61 per unit and there were approximately 17,300 recordholders and beneficial owners (held in street name).

The following table sets forth high and low sales prices for the common units as reported on the New York Stock Exchange Composite Tape, and the cash distributions paid per common unit for the periods indicated:

	COMMON UNIT PRICE RANGE HIGH	LOW	CASH DISTRIBUTIONS
2000			
1st Quarter	$ 16.56	$ 13.00	$ 0.4500
2nd Quarter	18.63	15.25	0.4625
3rd Quarter	19.75	18.00	0.4625
4th Quarter	20.06	18.00	0.4625
2001			
1st Quarter	$ 23.59	$ 19.50	$ 0.4750
2nd Quarter	27.86	22.26	0.5000
3rd Quarter	29.50	23.47	0.5125
4th Quarter	27.46	24.76	0.5125

The Class B common units are pari passu with common units with respect to quarterly distributions, and are convertible into common units upon approval of a majority of the common unitholders. The Class B unitholders may request that we call a meeting of common unitholders to consider approval of the conversion of Class B units into common units. If the approval of a conversion by the common unitholders is not obtained within 120 days of a request, each Class B unitholder will be entitled to receive distributions, on a per unit basis, equal to 110% of the amount of distributions paid on a common unit, with such distribution right increasing to 115% if such approval is not secured within 90 days after the end of the 120-day period. Except for the vote to approve the conversion, the Class B units have the same voting rights as the common units. As of March 15, 2002, there was one Class B unitholder. We have also issued and outstanding 10,029,619 subordinated units, for which there is no established public trading market.

Cash Distribution Policy

We distribute on a quarterly basis all of our available cash. Available cash generally means, for any of our fiscal quarters, all cash on hand at the end of the quarter less the amount of cash reserves that is necessary or appropriate in the reasonable discretion of our general partner to:

- provide for the proper conduct of our business;
- comply with applicable law, any of our debt instruments or other agreements; or
- provide funds for distributions to unitholders and our general partner for any one or more of the next four quarters.

Minimum quarterly distributions are $0.45 for each full fiscal quarter. Distributions of available cash to the holders of subordinated units are subject to the prior rights of the holders of common units to receive the minimum quarterly distributions for each quarter during the subordination period, and to receive any arrearages in the distribution of minimum quarterly distributions on the common units for prior quarters during the subordination period. The subordination period will end if certain financial tests contained in the partnership agreement are met for three consecutive four-quarter periods (the "testing period"), but no sooner than December 31, 2003. During the first quarter after the end of the subordination period, all of the subordinated units will convert into Common Units. Early conversion of a portion of the subordinated units may occur if the testing period is satisfied before December 31, 2003. We have determined that the first four-quarter period of the testing period was satisfied as of September 30, 2001. Although we cannot give assurance in that regard, if we continue to meet the requirements, 25% of the subordinated units will convert into common units in the fourth quarter of 2003 and the remainder will convert in the first quarter of 2004. Our ability to meet these requirements is subject to a number of economic and operational contingencies. See "Management's Discussion and Analysis--Risk Factors Related to our Business" and "--Forward Looking Statements".

In addition to distributions on its 2% general partner interest, our general partner is entitled to receive incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement.

Under the quarterly incentive distribution provisions, generally our general partner is entitled to 15% of amounts we distribute in excess of $0.450 per unit, 25% of the amounts we distribute in excess of $0.495 per unit and 50% of amounts we distribute in excess of $0.675 per unit.

Under the terms of our bank credit agreement and letter of credit and borrowing facility, we are prohibited from declaring or paying any distribution to unitholders if a default or event of default (as defined in such agreements) exists. See Item 7. "Management's Discussion and Analysis --Liquidity and Capital Resources".

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

On November 23, 1998, we completed our initial public offering and the transactions whereby we became the successor to the business of our predecessor (the midstream subsidiaries of Plains Resources). The historical financial information below for Plains All American Pipeline was derived from our audited consolidated financial statements as of December 31, 2001, 2000, 1999 and 1998, and for the years ended December 31, 2001, 2000 and 1999 and for the period from November 23, 1998, through December 31, 1998. The financial information below for our predecessor was derived from the audited combined financial statements of our predecessor, as of December 31, 1997, and for the period from January 1, 1998, through November 22, 1998, and for the year ended December 31, 1997, including the notes thereto. The operating data for all periods is derived from our records as well as those of our predecessor. Commencing April 1, 2001, July 1, 2001, and October 1, 2001, respectively, the results of operations of the Murphy, CANPET and Wapella acquisitions are included in our results of operations. Commencing May 1, 1999, the results of operations of the Scurlock Permian businesses are included in our results of operations. Commencing July 30, 1998, the results of operations of the All American Pipeline and the SJV Gathering System are included in the results of operations of our predecessor and Plains All American Pipeline. The selected financial data should be read in conjunction with the consolidated financial statements, including the notes thereto, included elsewhere in this report, and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	YEAR ENDED DECEMBER 31,			NOVEMBER 23 TO DECEMBER 31,	PREDECESSOR JANUARY 1 TO NOVEMBER 22,	PREDECESSOR YEAR ENDED DECEMBER 31,
	2001	2000	1999	1998	1998	1997
	(in thousands except per unit data)					
STATEMENT OF OPERATIONS DATA:						
Revenues	$ 6,868,215	$ 6,641,187	$ 10,910,423	$ 398,918	$ 3,118,353	$ 2,815,278
Cost of sales and operations	6,720,970	6,506,504	10,800,109	391,419	3,087,372	2,802,798
Unauthorized trading losses and related expenses (1)	-	6,963	166,440	2,400	4,700	-
Inventory valuation adjustment	4,984	-	-	-	-	-
Gross margin	142,261	127,720	(56,126)	5,099	26,281	12,480
General and administrative expenses (2)	46,586	40,821	23,211	771	4,526	3,529
Depreciation and amortization	24,307	24,523	17,344	1,192	4,179	1,165
Restructuring expense	-	-	1,410	-	-	-
Total expenses	70,893	65,344	41,965	1,963	8,705	4,694
Operating income (loss)	71,368	62,376	(98,091)	3,136	17,576	7,786
Interest expense	(29,082)	(28,691)	(21,139)	(1,371)	(11,260)	(4,516)
Gain on sale of assets (3)	984	48,188	16,457	-	-	-
Interest and other income (4)	401	10,776	958	12	572	138
Income (loss) before provision (benefit) in lieu of income taxes, extraordinary item and cumulative effect of accounting change	43,671	92,649	(101,815)	1,777	6,888	3,408
Provision (benefit) in lieu of income taxes	-	-	-	-	2,631	1,268
Income (loss) before extraordinary item and cumulative effect of accounting change	$ 43,671	$ 92,649	$ (101,815)	$ 1,777	$ 4,257	$ 2,140
Basic and diluted net income (loss) per limited partner unit before extraordinary item and cumulative effect of accounting change (5)	$ 1.12	$ 2.64	$ (3.16)	$ 0.06	$ 0.25	$ 0.12
Weighted average number of limited partner units outstanding	37,528	34,386	31,633	30,089	17,004	17,004

(table continued on following page)

	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999	NOVEMBER 23 TO DECEMBER 31, 1998	PREDECESSOR JANUARY 1 TO NOVEMBER 22, 1998	PREDECESSOR YEAR ENDED DECEMBER 31, 1997
	(in thousands except per unit data)					
BALANCE SHEET DATA:						
(AT END OF PERIOD):						
Working capital (6)	$ 52,922	$ 47,111	$ 101,539	$ 2,231	N/A	$ 2,017
Total assets	1,261,251	885,801	1,223,037	607,186	N/A	149,619
Related party debt - Long-term	-	-	114,000	-	N/A	28,531
Total debt (7)	456,159	321,300	368,819	184,750	N/A	18,000
Partners' capital	402,797	213,999	192,973	270,543	N/A	-
Combined equity	-	-	-	-	N/A	5,975
OTHER DATA:						
Adjusted EBITDA (8)	$ 109,595	$ 103,048	$ 89,074	$ 6,740	$ 27,027	$ 9,089
Maintenance capital expenditures (9)	3,401	1,785	1,741	200	1,508	678
Net cash provided by (used in) operating activities (10)	(29,953)	(33,511)	(71,245)	7,218	21,384	(12,869)
Net cash provided by (used in) investing activities	(249,491)	211,001	(186,093)	(3,089)	(399,611)	(1,854)
Net cash provided by (used in) financing activities	279,529	(227,832)	305,603	1,374	386,154	14,321
OPERATING DATA:						
Volumes (barrels per day)(11):						
All American						
Tariff (12)	69,300	73,800	102,700	110,200	113,700	N/A
Margin (13)	60,600	60,000	54,100	50,900	49,100	N/A
Canada	223,300	N/A	N/A	N/A	N/A	N/A
Other	124,200	106,500	61,400	-	-	N/A
Total pipeline	477,400	240,300	218,200	161,100	162,800	N/A
Lease gathering (14)	375,300	262,600	264,700	126,200	87,100	71,400
Bulk purchases (15)	54,200	27,700	138,200	133,600	94,700	48,500
Total	429,500	290,300	402,900	259,800	181,800	119,900
Terminal throughput (16)	99,000	67,000	83,300	61,900	81,400	76,700

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(1) In November 1999, we discovered that a former employee had engaged in unauthorized trading activity, resulting in losses of approximately $174.0 million, including estimated associated costs and legal expenses of which $166.4 million and $7.1 million was recognized in 1999 and 1998, respectively. In 2000, we recognized an additional $7.0 million charge for litigation related to the unauthorized trading losses. See Items 1 and 2. "Business and Properties -- Unauthorized Trading Losses".

(2) General and administrative expenses for 2001 and 2000 include a $1.0 million charge and a $5.0 million charge, respectively, to reserve potentially uncollectible accounts receivable. Operating expenses for 2001 also include a similar charge of $2.0 million. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations".

(3) In March 2000, we completed the sale of 5.2 million barrels of crude oil linefill from the All American Pipeline. We recognized gains of $28.1 million and $16.5 million in 2000 and 1999, respectively, in connection with that sale. We also sold a segment of the All American Pipeline to El Paso and recognized a gain of $20.1 million in the first quarter of 2000. See Items 1 and 2. "Business and Properties--Acquisitions and Dispositions -- All American Pipeline Linefill Sale and Asset Disposition".

(4) For the year ended December 31, 2000, this amount includes $9.7 million of previously deferred gains from terminated interest rate swaps recognized as a result of debt extinguishment.

(5) Basic and diluted net income (loss) per unit is computed by dividing the limited partners' interest in net income by the number of outstanding common and subordinated units. For periods prior to November 23, 1998, the number of units are equal to the common and subordinated units received by our former general partner in exchange for the assets contributed to the Partnership.

(6) At December 31, 1999, working capital includes $37.9 million of pipeline linefill and $103.6 million for the segment of the All American Pipeline that were both sold in the first quarter of 2000. See Items 1 and 2. "Business and Properties--Acquisitions and Dispositions--All American Pipeline Linefill Sale and Asset Disposition".

(7) Total debt in 1999 excludes related party debt. Total debt at December 31, 2001, includes an aggregate $100 million of short-term debt outstanding under our $200 million senior secured letter of credit and borrowing facility attributable to contango inventory purchases, which was repaid in January 2002 with proceeds from the sale of the inventory. We continuously use this facility for short-term borrowings of contango inventory purchases.

(8) EBITDA means earnings before interest expense, income taxes, depreciation and amortization. Adjusted EBITDA also excludes unauthorized trading losses, noncash compensation ($5.7 million, $3.1 million and $1.0 million in 2001, 2000 and 1999, respectively), restructuring expense, gains on the

sales of assets,

allowance for accounts receivable ($3.0 million in 2001 and $5.0 million in 2000), noncash inventory valuation adjustment, the impact on earnings of noncash SFAS 133 items, gain on early termination of interest rate swaps, and extraordinary loss from extinguishment of debt. Adjusted EBITDA is not a measurement presented in accordance with GAAP and is not intended to be used in lieu of GAAP presentations of results of operations and cash provided by operating activities. EBITDA is commonly used by debt holders and financial statement users as a measurement to determine the ability of an entity to meet its interest obligations.

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

(10) See Item 7. "Management's Discussion and Analysis--Liquidity and Capital Resources--Cash Flows" and "--Operating Activities" for a discussion of negative amounts in 2001, 2000 and 1999.

(11) Includes average daily volumes from acquisition effective dates, extrapolated for the full year in which the acquisitions were consummated.

(12) Represents crude oil deliveries on the All American Pipeline.

(13) Represents crude oil deliveries on the SJV Gathering System.

(14) Represents barrels of crude oil purchased at the wellhead, including volumes which were purchased under the Marketing Agreement.

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

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of our operations should be read in conjunction with our historical consolidated financial statements and accompanying notes. For more detailed information regarding the basis of presentation for the following financial information, see the notes to the historical consolidated financial statements.

OVERVIEW

We were formed in September of 1998 to acquire and operate the midstream crude oil business and assets of Plains Resources Inc. and its wholly owned subsidiaries. On November 23, 1998, we completed our initial public offering and the transactions whereby we became the successor to the business of our predecessor. We are a master limited partnership and conduct our operations through our wholly owned operating limited partnerships Plains Marketing, L.P., All American Pipeline, L.P. and Plains Marketing Canada, L.P.

In May 2001, management and a group of financial investors entered into a transaction with Plains Resources to acquire control of our general partner and a majority of the outstanding subordinated units. The transaction closed in June 2001. As a result of this transaction, Plains Resources' ownership in the general partner was reduced from 100% to 44% and, combined with two equity offerings conducted in 2001, Plains Resources' overall effective ownership in the Partnership (which includes its ownership in common and subordinated units) was reduced from 55% to approximately 29%. See Item 12. "Security Ownership of Certain Beneficial Owners and Management". In addition, certain officers of the general partner who previously were also officers of Plains Resources terminated their affiliation with Plains Resources and as a result now devote 100% of their efforts to the management of the Partnership. In connection with the General Partner Transition, certain equity interests previously granted to management and outside directors vested, resulting in a charge to the Partnership's income of approximately $6.1 million, of which Plains Resources funded approximately 94%.

We are engaged in interstate and intrastate transportation, marketing and terminalling and storage of crude oil and marketing of liquefied petroleum gas.

Pipeline Operations. Our activities from pipeline operations generally consist of transporting third-party volumes of crude oil for a fee, third party leases of pipeline capacity, barrel exchanges and buy/sell arrangements. We also utilize our pipelines in our merchant activities conducted under our gathering and marketing business. Utilization of our pipelines in our gathering and marketing business provides us with a competitive advantage over third party gatherers that do not have similarly located pipelines, because generally it costs less to transport crude oil on pipelines than alternative methods of transportation. Tariffs and other fees on our pipeline systems vary by receipt point and delivery point. The gross margin generated by our tariff and other fee-related activities depends on the volumes transported on the pipeline and the level of the tariff and other fees charged, as well as the fixed and variable costs of operating the pipeline. Gross margin from our pipeline capacity leases, barrel exchanges and buy/sell arrangements generally reflect a negotiated amount.

Terminalling and Storage Activities and Gathering and Marketing Activities. Terminals are facilities where crude oil is transferred to or from storage or a transportation system, such as a pipeline, to another transportation system, such as trucks or another pipeline. The operation of these facilities is called "terminalling". Gross margin from terminalling and storage activities is dependent on the throughput volumes, the volume of crude oil stored and the level of fees generated from our terminalling and storage services. Gross margin from our gathering and marketing activities is dependent on our ability to sell crude oil at a price in excess of our aggregate cost. These operations are margin businesses, and are not directly affected by the absolute level of crude oil prices, but are affected by overall levels of supply and demand for crude oil and fluctuations in market-related indices.

During periods when the demand for crude oil is weak on a relative basis (as was the case in the first quarter of 1999 and the last nine months of 2001), the market for crude oil is often in contango, meaning that the price of crude oil for future deliveries is higher than current prices. A contango market has a generally negative impact on marketing margins, but is favorable to the storage business, because storage owners at major trading locations (such as the Cushing Interchange) can simultaneously purchase production at current prices for storage and sell at higher prices for future delivery. When there is a higher demand than supply of crude oil in the near term, the market is backward, meaning that the price of crude oil for future deliveries is lower than current prices. A backward market has a positive impact on marketing margins because crude oil gatherers can capture a premium for prompt deliveries. In this environment, there is little incentive to store crude oil, as current prices are above future delivery prices. We believe that the combination of our terminalling and storage activities and gathering and marketing activities provides a counter-cyclical balance that has a stabilizing effect on our operations and cash flow.

We establish a margin by selling crude oil for physical delivery to third party users, such as independent refiners or major oil companies, or by entering into a future delivery obligation with respect to futures contracts on the NYMEX.

Through these transactions, we establish on a monthly basis a position that is substantially balanced between crude oil purchases and sales and future delivery obligations. We purchase crude oil on both a fixed and floating price basis. As fixed price barrels are purchased, we enter into sales arrangements with refiners, trade partners or on the NYMEX, which establishes a margin and protects it against future price fluctuations. When floating price barrels are purchased, we match those contracts with similar type sales agreements with our customers, or likewise establish a hedge position using the NYMEX futures market. From time to time, we enter into arrangements that expose us to basis risk. Basis risk occurs when crude oil is purchased based on a crude oil specification and location that differs from the countervailing sales arrangement. In order to lock in profits involving our physical assets and to manage risks associated with our crude purchase obligations, we use derivative instruments. Except for pre-defined inventory positions as discussed below, our policy is to purchase only crude oil for which we have a market, and to structure our sales contracts so that crude oil price fluctuations do not materially affect the gross margin we receive. See Items 1 and 2., "Business and Properties--Crude Oil Volatility; Counter-Cyclical Balance; Risk Management". In November 1999, we discovered that this policy was violated. See Items 1 and 2. "Business and Properties--Unauthorized Trading Losses" and "Unauthorized Trading Losses" below. Except for inventory transactions not to exceed 500,000 barrels, we do not acquire and hold crude oil futures contracts or other derivative products for the purpose of speculating on crude oil price changes that might expose us to indeterminable losses.

2001 ACQUISITIONS

We completed a number of acquisitions in 2001 that impacted the results of operations discussed in this section. We continue to have an active acquisition program and have completed two acquisitions in 2002 as of March 15. See Items 1 and 2. "Business and Properties--Acquisitions and Dispositions".

Wapella Pipeline System

In December 2001, we consummated the acquisition of the Wapella Pipeline System from private investors for approximately $12.0 million, including transaction costs. The system is located in southeastern Saskatchewan and southwestern Manitoba. In 2001, the Wapella Pipeline System delivered approximately 11,000 barrels per day of crude oil to the Enbridge Pipeline at Cromer, Manitoba. The acquisition also includes approximately 21,500 barrels of crude oil storage capacity located along the system as well as a truck terminal.

The Wapella acquisition was accounted for using the purchase method of accounting and the purchase price was allocated in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141. The purchase price allocation is as follows (in thousands):

Crude oil pipeline, gathering and terminal assets	$ 10,251
Other property and equipment	1,720
Total	$ 11,971

CANPET Energy Group Inc.

In July 2001, we acquired the assets of CANPET Energy Group Inc. ("CANPET"), a Calgary-based Canadian crude oil and liquefied petroleum gas marketing company, for approximately $42.0 million plus excess inventory at the closing date of approximately $25.0 million. Approximately $24.0 million of the purchase price plus $25 million for the additional inventory was paid in cash at closing, and the remainder, which is subject to certain performance standards, will be paid in common units in April 2004, if such standards are met. At the time of the acquisition, CANPET's activities consisted of gathering approximately 75,000 barrels per day of crude oil and marketing an average of approximately 26,000 barrels per day of natural gas liquids. Assets acquired include a crude oil handling facility, a 130,000-barrel tank facility, LPG facilities, existing business relationships and working capital of approximately $8.6 million.

The CANPET acquisition was accounted for using the purchase method of accounting and the purchase price was allocated in accordance with SFAS 141. The purchase price allocation (including transaction costs) is as follows (in thousands):

Inventory	$29,708
Goodwill	8,818
Intangible assets (contracts)	980
Other assets, including debt issue costs	1,661
Pipeline linefill	4,332
Crude oil gathering and terminal assets	4,243
Other property and equipment	502
Total	$50,244

Murphy Oil Company Ltd. Midstream Operations

In May 2001, we acquired substantially all of the Canadian crude oil pipeline, gathering, storage and terminalling assets of Murphy Oil Company Ltd. for approximately $161.0 million in cash, including financing and transaction costs. Initial financing for the acquisition was provided through borrowings under our bank credit facilities. The purchase included $6.5 million for excess inventory in the pipeline systems. The principal assets acquired include approximately 450 miles of crude oil and condensate mainlines (including dual lines on which condensate is shipped for blending purposes and blended crude is shipped in the opposite direction) and associated gathering and lateral lines, approximately 1.1 million barrels of crude oil storage and terminalling capacity located primarily in Kerrobert, Saskatchewan, approximately 254,000 barrels of pipeline linefill and tank inventories, an inactive 108-mile mainline system and 121 trailers used primarily for crude oil transportation. We have reactivated the 108-mile mainline system and began shipping volumes through that system in May of 2001.

Murphy agreed to continue to transport production from fields previously delivering crude oil to these pipeline systems, under a long-term contract. At the time of acquisition, these volumes averaged approximately 11,000 barrels per day. Total volumes transported on the pipeline system in 2001 were approximately 223,000 barrels per day of light, medium and heavy crudes, as well as condensate.

The Murphy acquisition has been accounted for using the purchase method of accounting and the purchase price was allocated in accordance with APB 16. The purchase price allocation, as adjusted pursuant to the provisions of the purchase and sale agreement upon resolution of an outstanding pipeline tariff dispute, is as follows (in thousands):

Crude oil pipeline, gathering and terminal assets	$145,106
Pipeline linefill	7,602
Net working capital items	1,953
Other property and equipment	487
Other assets, including debt issue costs	360
Total	$155,508

UNAUTHORIZED TRADING LOSSES

In November 1999, we discovered that a former employee had engaged in unauthorized trading activity, resulting in losses of approximately $174.0 million, which includes estimated associated costs and legal expenses. Approximately $7.1 million of the unauthorized trading losses was recognized in 1998 and the remainder in 1999. In 2000, we recognized an additional $7.0 million charge for litigation related to the unauthorized trading losses. See Items 1 and 2. "Business and Properties--Unauthorized Trading Losses" for a discussion of the unauthorized trading loss, its financial effects and the steps taken to prevent future violations of our trading policies. See also Item 3. "Legal Proceedings".

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Although we believe these estimates are reasonable, actual results could differ from these estimates. The critical accounting policies that we have identified are discussed below.

Depreciation and Amortization

We calculate our depreciation and amortization based on estimated useful lives and salvage values of our assets. When assets are put into service, we make estimates with respect to useful lives that we believe are reasonable. However, subsequent events could cause us to change our estimates, thus impacting the future calculation of depreciation and amortization. In conjunction with the recent adoption of SFAS 141, we are required to determine the portion of goodwill or intangibles, relating to acquisitions after June 30, 2001, which have finite lives as opposed to indefinite lives. Intangibles with indefinite lives are not amortized but instead are periodically assessed for impairment. The impairment testing entails estimating future net cash flows relating to the asset, based on management's estimate of market conditions including pricing, demand, competition, operating costs and other factors. Intangibles with finite lives are amortized over the estimated useful life determined by management. Determining the amount of intangibles associated with an acquisition that relates to such items as relationships, contracts, and industry expertise involves professional judgment and is ultimately based on acquisition models and management's assessment of the value of the assets acquired.

Allowance for Doubtful Accounts Receivable

We routinely review our receivable balances to identify past due amounts and analyze the reasons such amounts have not been collected. In many instances, such uncollected amounts involve billing delays and discrepancies or disputes as to the appropriate price, volumes or quality of crude oil delivered, received or exchanged. We also attempt to monitor changes in the creditworthiness of our customers as a result of developments related to each customer, the industry as a whole and the general economy. Based on these analyses, we have established an allowance for doubtful accounts receivable and consider the reserve adequate.

Revenue and Expense Accruals

We routinely make accruals for both revenues and expenses due to the timing of compiling billing information, receiving third party information and reconciling our records with those of third parties. The delayed information includes, among other things, actual volumes of crude oil purchased, transported or sold, claims for employee medical insurance, and invoices for purchases and other operating expenses. In situations where we are required to make mark to market estimates pursuant to SFAS 133, the estimates of gains or losses at a particular period end do not reflect the end results of particular transactions, and will most likely not reflect the actual gain or loss at the conclusion of a transaction. We make accruals to reflect estimates for these items based on our internal records and information from third parties. We believe our estimates for these items are reasonable, but there is no assurance that actual amounts will not vary significantly from estimated amounts.

Liability and Contingency Accruals

We accrue reserves for contingent liabilities including, but not limited to, environmental remediation and potential legal claims. Accruals are made when our assessment indicates that it is probable that a liability has occurred and the amount of liability can be reasonably estimated. Our estimates are based on all known facts at the time and our assessment of the ultimate outcome. These estimates can be increased or decreased as additional information is obtained or resolution is achieved.

RESULTS OF OPERATIONS

Analysis of Three Years Ended December 31, 2001

Commencing April 1, July 1, and October 1, 2001, respectively, the results of operations of the Murphy, CANPET and Wapella acquisitions are included in our results of operations. The results of operations for the year ended December 31, 1999, include the results of the Scurlock acquisition effective May 1, 1999, and the West Texas Gathering System acquisition effective July 1, 1999.

For 2001, we reported net income of $44.2 million on total revenue of $6.9 billion compared to net income for 2000 of $77.5 million on total revenue of $6.6 billion and a net loss for 1999 of $103.4 million on total revenue of $10.9 billion. Such results include the impacts of unusual, non-recurring or extraordinary items as follows:

2001

- a $6.1 million charge associated with the vesting of phantom partnership units primarily as a result of the General Partner Transition in June 2001. See Item 13. "Certain Relationships and Related Transactions--Transactions with Related Parties--Transactions Grant Agreements." The vesting had no effect on the number of units outstanding, as the units were satisfied out of units owned by Plains

Resources. Approximately $5.7 million of the charge (included in general and administrative expenses) was noncash. This portion of the charge had no impact on equity as it was offset by a deemed capital contribution by our former general partner;

- a $5.0 million noncash writedown of operating crude oil inventory in the fourth quarter of 2001 to reflect prices at December 31, 2001. During 2001, the price of crude oil traded on the NYMEX averaged $25.98 per barrel. At December 31, 2001, the NYMEX crude oil price was approximately 24% lower, or $19.84 per barrel. The Partnership uses the average cost method for recording inventory and the noncash writedown reflects the impact of a lower of cost or market valuation;
- a $3.0 million reserve for potentially uncollectible accounts receivable; and
- a $1.0 million gain on the sale of excess communications equipment.

2000

- a $28.1 million gain on the sale of crude oil linefill;
- a $20.1 million gain on the sale of the segment of the All American Pipeline that extends from Emidio, California, to McCamey, Texas;
- $9.7 million of previously deferred gains on interest rate swap terminations recognized due to the early extinguishment of debt;
- an extraordinary loss of $15.1 million related to the early extinguishment of debt;
- a $7.0 million charge for litigation related to the unauthorized trading losses;
- a $5.0 million reserve for potentially uncollectible accounts receivable;
- amortization of $4.6 million of debt issue costs associated with facilities put in place during the fourth quarter of 1999 subsequent to the unauthorized trading loss; and
- $3.1 million of noncash compensation expense, attributable to the vesting of rights to receive phantom partnership units granted by an affiliate of Plains Resources. See Item 13. "Certain Relationships and Related Transactions--Transactions with Related Parties--Transaction Grant Agreements."

1999

- $166.4 million of unauthorized trading losses;
- a $16.5 million gain on the sale of crude oil linefill that was sold in 1999;
- restructuring expense of $1.4 million;
- an extraordinary loss of $1.5 million related to the early extinguishment of debt; and
- $1.0 million of noncash compensation expense attributable to the vesting of phantom partnership units as described for 2000 and 2001 above.

Excluding the items listed above, we would have reported net income of $57.3 million, $54.4 million and $50.6 million for the years ended December 31, 2001, 2000 and 1999, respectively.

The following table sets forth financial and operating information for the periods presented and includes the impact of the items discussed above (in thousands):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
OPERATING RESULTS:			
Revenues	$6,868,215	$6,641,187	$10,910,423
Gross margin			
Pipeline	$ 71,322	$ 51,787	$ 58,001
Terminalling and storage and gathering and marketing	75,923	82,896	52,313
Unauthorized trading losses	-	(6,963)	(166,440)
Inventory valuation adjustment	(4,984)	-	-
Total	142,261	127,720	(56,126)
General and administrative expense	(46,586)	(40,821)	(23,211)
Gross profit	$ 95,675	$ 86,899	$ (79,337)
Extraordinary item and cumulative effect of accounting change	$ 508	$ (15,147)	$ (1,545)
Net income (loss)	$ 44,179	$ 77,502	$ (103,360)
AVERAGE DAILY VOLUMES (BARRELS PER DAY)(1):			
Pipeline Activities:			
All American			
Tariff and fee activities	69	74	103
Margin activities	61	60	54
Canada	223	-	-
Other	124	107	61
Total	477	241	218
Lease gathering	375	262	265
Bulk purchases	54	28	138
Total	429	290	403
Terminal throughput	99	67	83
Storage leased to third parties, monthly average volumes	2,356	1,657	1,975

(1) Includes average daily volumes from acquisition effective dates, extrapolated for the full year in which acquisitions were consummated.

Revenues. Total revenues were $6.9 billion, $6.6 billion and $10.9 billion for 2001, 2000 and 1999, respectively. The small increase in 2001 as compared to 2000 was primarily due to the impact of our Canadian acquisitions offset by lower oil prices. The decrease in 2000 as compared to 1999 was primarily attributable to lower bulk purchases and exchange volumes associated with our gathering and marketing activities, partially offset by higher crude oil prices. We significantly reduced the volume of our bulk purchases after our unauthorized trading losses in 1999, because these transactions typically have lower margins, and sellers of the crude oil were requesting letters of credit, which increased our costs on these transactions.

Cost of Sales and Operations. Cost of sales and operations was $6.7 billion, $6.5 billion and $10.8 billion in 2001, 2000 and 1999, respectively. Year-to-year changes were primarily due to the reasons discussed above for revenues.

Inventory Valuation Adjustment. We recorded a noncash charge of $5.0 million related to inventory valuation for the year ended December 31, 2001. We utilize an average cost method of valuing our operating inventory. This charge was required due to the drop in crude oil prices during 2001.

Unauthorized Trading Losses. We recognized losses of approximately $7.0 million and $166.4 million in 2000 and 1999, respectively, as a result of unauthorized trading by a former employee. See "--Unauthorized Trading Losses".

General and Administrative. General and administrative expenses were $46.6 million for the year ended December 31, 2001, an increase of approximately 14%, or $5.8 million as compared to $40.8 million in 2000. G&A expenses were $23.2 million in 1999. The overall increase from 2000 to 2001 is primarily due to (1) a $4.7 million increase associated with the Canadian acquisitions, (2) a $2.6 million increase in noncash compensation expense, (3) a $.8 million increase in personnel related expenses, primarily associated with increased insurance costs and additional personnel costs associated with the General Partner Transition and (4) a $4 million decrease to G&A resulting from a reduction year over year in charges to reserve for potentially uncollectible receivables. The overall increase from 1999 to 2000 is primarily attributable to (1) a $5.7 million increase associated with the Scurlock acquisition in mid-1999, (2) a $5.0 million charge to expense associated with potentially uncollectible accounts receivable, (3) approximately $4.6 million of consulting and accounting charges related to the unauthorized trading loss investigation, system modifications and enhancements and implementation of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") and (4) a $2.1 million increase in noncash compensation expense.

During 2001, 2000 and 1999, we incurred charges of $6.1 million, $3.1 million and $1.0 million, respectively, related to incentive compensation paid to certain officers and key employees of Plains Resources and its affiliates. The incentive compensation charges were noncash except for approximately $400,000 in 2001. In 1998 and 2000, Plains Resources granted certain officers and key employees the right to earn ownership in our common units owned by it. These rights provided for a three-year vesting period, subject to distributions being paid on the common and subordinated units. As a result of the change control of the general partner interest, all remaining units vested. See Item 13. "Certain Relationships and Related Transactions--Transactions with Related Parties--Transaction Grant Agreements."

Depreciation and Amortization. Depreciation and amortization expense was $24.3 million in 2001, $24.5 million in 2000 and $17.3 million in 1999. Excluding the nonrecurring items discussed below, depreciation and amortization expense increased approximately $4.9 million in 2001 as compared to 2000 primarily as a result of our Canadian acquisitions. Approximately $5.1 million of the increase in 2000 as compared to 1999 is primarily related to nonrecurring amortization of debt issue costs associated with credit facilities put in place during the fourth quarter of 1999, subsequent to the unauthorized trading losses. The remaining increase is attributable to the Scurlock and West Texas Gathering System acquisitions, which were effective May 1, 1999, and July 1, 1999, respectively, as well as our 1999 and 2000 capital additions.

Restructuring Expense. We incurred a $1.4 million restructuring charge in 1999, primarily associated with severance-related expenses of 24 employees who were terminated. As of December 31, 1999, all severance costs were paid and the terminated employees were not employed by us.

Interest Expense. Interest expense was $29.1 million in 2001, $28.7 million in 2000 and $21.1 million in 1999. The decrease in 2001 interest expense is attributable to lower interest rates, as our average debt balance in 2001 was slightly higher than in 2000. The increase in 2000 over 1999 is primarily due to higher interest rates as well as slightly higher average debt balances. During 2001, we capitalized approximately $0.2 million of interest related to capital projects in the construction phase.

Gain on Sale of Assets. In March 2000, we sold to a unit of El Paso for $129.0 million the segment of the All American Pipeline that extends from Emidio, California to McCamey, Texas. Except for minor third-party volumes, one of our subsidiaries, Plains Marketing, L.P., had been the sole shipper on this segment of the pipeline since its predecessor acquired the line from the Goodyear Tire & Rubber Company in July 1998. We realized net proceeds of approximately $124.0 million after the associated transaction costs and estimated costs to remove equipment. We used the proceeds from the sale to reduce outstanding debt. We recognized a gain of approximately $20.1 million in connection with the sale.

We had suspended shipments of crude oil on this segment of the pipeline in November 1999. At that time, we owned approximately 5.2 million barrels of crude oil in the segment of the pipeline. We sold this crude oil from November 1999 to February 2000 for net proceeds of approximately $100.0 million, which were used for working capital purposes. We recognized gains of approximately $28.1 million and $16.5 million in 2000 and 1999, respectively, in connection with the sale of the linefill.

Early Extinguishment of Debt. During 2000, we recognized extraordinary losses, consisting primarily of unamortized debt issue costs, totaling $15.1 million related to the permanent reduction of the All American Pipeline, L.P. term loan facility and the refinancing of our credit facilities. In addition, interest and other income for the year ended December 31, 2000, includes $9.7 million of previously deferred gains from terminated interest rate swaps as a result of debt extinguishment. The extraordinary item of $1.5 million in 1999 relates to the write-off of certain debt issue costs and penalties associated with the prepayment of debt.

Segment Results

Pipeline Operations. Gross margin from pipeline operations was $71.3 million for the year ended December 31, 2001, an increase of approximately 38% compared to $51.8 million for 2000 and $58.0 million for 1999. The increase in 2001 compared to 2000 is primarily attributable to the impact of the Murphy acquisition. Excluding the Murphy acquisition, gross margin from pipeline operations would have increased approximately 8%, due to slightly higher volumes and tariffs, while maintaining operating expenses at a fairly constant level. Gross margin from pipeline operations was negatively impacted on a comparative basis in 2000 compared to 1999 due to the sale of the California to West Texas portion of the All American Pipeline, decreased tariff volumes from California OCS production and slightly higher fuel and power charges in 2000. These decreases in 2000 were partially offset by increased margins from the Scurlock and West Texas gathering system acquisitions in mid-1999.

The margin between revenue and direct cost of crude purchased from our pipeline margin activities was $14.8 million for the year ended December 31, 2001, compared to $21.1 million and $35.6 million for 2000 and 1999, respectively. Pipeline tariff and fee revenues were approximately $52.9 million for the year ended December 31, 2001, compared to approximately $47.0 million for 2000 and approximately $46.4 million for 1999. Pipeline operations and maintenance expenses were approximately $19.0 million, $16.3 million and $24.0 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Average daily pipeline volumes totaled 477,000 barrels per day, 241,000 barrels per day and 218,000 barrels per day in 2001, 2000 and 1999, respectively. Approximately 223,000 barrels per day in 2001 are attributable to the Murphy acquisition. Average daily volumes from the Murphy acquisition are included from the effective date of the acquisition, April 1, 2001, extrapolated for the full year. Volumes on the All American Pipeline decreased from an average of 134,000 barrels per day in 2000 to 110,000 barrels per day in 2001 due to the reasons discussed above. All American's tariffs volumes attributable to California OCS production were approximately 69,000 barrels per day in 2001 compared to 74,000 barrels per day in 2000. Volumes from the Santa Ynez and Point Arguello fields, both offshore California, have steadily declined from 1995 through 2001. A 5,000 barrel per day decline in volumes shipped from these fields would result in a decrease in annual pipeline tariff revenues of approximately $2.8 million, based on the 2001 average tariff rate. Effective January 1, 2002, the average tariff increased an average of approximately 11% on the All American Pipeline. Tariff volumes shipped on the Scurlock and West Texas gathering systems averaged 124,000 barrels per day and 107,000 barrels per day in 2001 and 2000, respectively. The 1999 period includes average daily volumes for Scurlock effective May 1, 1999, and West Texas gathering system average daily volumes effective July 1, 1999, in each case extrapolated for the full year.

Gathering and Marketing Activities and Terminalling and Storage Activities. Gross margin from gathering and marketing and terminalling and storage activities was approximately $75.9 million for the year ended December 31, 2001, (excluding the $5.0 inventory valuation charge) reflecting a 8% decrease over the $82.9 million reported for 2000 and a 45% increase over the $52.3 million reported for 1999. Gross margin for 2000 and 1999 exclude the unauthorized trading losses. The decrease in margin in 2001 is primarily attributable to a relatively weak environment for gathering and marketing due to market conditions. The market conditions during 2000 were favorable for gathering and marketing margins. The increase in gross margin from 1999 to 2000 is primarily due to a full year of results from the Scurlock acquisition and increased per barrel margins due to the strong crude oil market in 2000. Gross revenues from gathering, marketing, terminalling and storage activities were approximately $6.5 billion, $6.1 billion and $10.1 billion for the years ended December 31, 2001, 2000 and 1999, respectively.

Lease gathering volumes averaged 375,000 barrels per day in 2001, 262,000 barrels per day in 2000 and 265,000 barrels per day in 1999. Bulk purchase volumes averaged 54,000 barrels per day, 28,000 barrels per day and 138,000 barrels per day in 2001, 2000 and 1999, respectively. The increases in 2001 are primarily due to the average daily volumes attributable to our Canadian acquisitions from their effective dates, extrapolated for the full year. The decreases in 2000 compared to 1999 are due primarily to a significant amount of low margin barrels that were phased out after the discovery of the trading losses, partially offset by increased volumes attributable to the Scurlock acquisition, which was effective May 1, 1999.

In the period immediately following the disclosure of the unauthorized trading losses, a significant number of our suppliers and trading partners reduced or eliminated the open credit previously extended to us. Consequently, the amount of letters of credit we needed to support the level of our crude oil purchases then in effect increased significantly. In addition, the cost to us of obtaining letters of credit increased under our credit facility. In many instances we arranged for letters of credit to secure our obligations to purchase crude oil from our customers, which increased our letter of credit costs and decreased our unit margins. In other instances, primarily involving lower margin wellhead and bulk purchases, our purchase contracts were terminated. We estimate that adjusted EBITDA and net income was adversely affected by approximately $6.0 million in 2000 as a result of the increase in letter of credit costs and reduced volumes. Currently, our letter of credit requirement levels are lower than those levels existing prior to the unauthorized trading losses. Our senior implied credit ratings from Standard and Poor's and Moody's prior to the unauthorized trading loss were BB and Ba3, respectively. As of March 1, 2002, our ratings from these respective agencies were BB+ and Ba2.

Terminal throughput, which includes both our Cushing and Ingleside terminals, was 99,000, 67,000 and 83,000 barrels per day for the years ended December 31, 2001, 2000 and 1999, respectively. Storage leased to third parties averaged 2.4 million, 1.8 million and 2.0 million barrels per month for the same periods.

LIQUIDITY AND CAPITAL RESOURCES

Cushing Terminal Expansion

We have recently announced the 1.1 million barrel Phase II and the 1.1 million barrel Phase III expansions of our Cushing Terminal facility. We expect the Phase II expansion will be completed in mid-2002 and the Phase III expansion will be completed in late 2002 or early 2003. The two expansion projects are expected to cost, in the aggregate, approximately $22 million and will expand the total capacity of the facility by 71% to approximately 5.3 million barrels. We expect to fund the cost of the expansions from cash generated by operations, working capital and our revolving credit facility.

General

Cash generated from operations and our credit facilities are our primary sources of liquidity. At December 31, 2001, we had working capital of approximately $52.9 million and approximately $425 million of availability under our revolving credit facility.

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

Cash Flows

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN MILLIONS)		
Cash provided by (used in):			
Operating activities	$ (30.0)	$ (33.5)	$ (71.2)
Investing activities	(249.5)	211.0	(186.1)
Financing activities	279.5	(227.8)	305.6

Operating Activities. Net cash used in operating activities in 2001 is primarily attributable to inventory purchased and stored in our facilities, for sale and delivery at a later date. Excluding these inventory purchases, cash provided by operating activities was approximately $88.0 million in 2001. Except for minor amounts, the inventory has been hedged against future price risk by using NYMEX transactions and fixed price sales contracts. Net cash used in operating activities in 2000 and 1999 resulted primarily from the unauthorized trading losses. The losses were partially offset by increased margins due to the Scurlock and West Texas Gathering System acquisitions.

Investing Activities. Net cash used in investing activities in 2001 included $229 million for the acquisitions described above and $21.1 million primarily for other expansion and acquisition projects. Net cash provided by investing activities for 2000 included approximately $224.0 million of proceeds from the sale of the All American Pipeline and pipeline linefill offset by approximately $12.6 million of capital expenditures. Capital expenditures for 2000 included approximately $10.8 million for expansion capital and $1.8 million for maintenance capital. Net cash used in investing activities for 1999 included approximately $176.9 million for acquisitions, primarily for the Scurlock and West Texas gathering system acquisitions, $11.1 million for expansion capital and $1.7 million for maintenance capital.

Financing activities. Cash provided by financing activities in 2001 consisted primarily of (1) $134.3 million in short-term and long-term debt, (2) $227.5 million for equity issued, (3) the payment of $75.9 million in distributions to unitholders and (4) the payment of $6.4 million in financing costs.

Cash used in financing activities in 2000 consisted primarily of (1) net payments of $47.5 million of short-term and long-term debt, (2) the repayment of subordinated debt of $114.0 million to our former general partner and (3) distributions to unitholders of $59.6 million. Proceeds used to reduce the bank debt primarily came from the asset sales discussed above. Proceeds to repay the $114.0 million of subordinated debt to our former general partner came from our revolving credit facility, which was refinanced in May 2000. Cash provided by financing activities in 1999 was generated from net issuances of (1) $76.5 million in common and Class B units, (2) $184.1 million of short-term and long-term debt and (3) $114.0 million of subordinated debt to our former general partner. Financing activities for 1999 includes $51.7 million in distributions to unitholders.

Capital Expenditures

We have made and will continue to make capital expenditures for acquisitions and expansion and maintenance capital. Historically, we have financed these expenditures primarily with cash generated by operations, bank borrowings and the sale of additional common units. We estimate aggregate capital expenditures for 2002 (excluding acquisitions) to be approximately $29.6 million, of which approximately $17.6 million is attributable to the expansion of our Cushing Terminal noted above and approximately $5.0 million is attributable to maintenance capital expenditures. We believe that we will have sufficient cash from working capital, cash flow from operating activities and availability under our revolving credit facility under our bank credit agreement to fund these expenditures. In addition, the Partnership has spent approximately $16.2 million for acquisitions as of March 15, 2002 (including $2.5 million paid in the form of a deposit as of December 31, 2001).

Universal Shelf

We have filed with the Securities and Exchange Commission a universal shelf registration statement that, subject to effectiveness at the time of use, allows us to issue from time to time up to $700 million of debt or equity securities. In October 2001, we sold approximately $130 million of common units under the shelf. Accordingly, as of March 15, 2002, we have the ability to issue approximately $570 million additional debt or equity securities under this registration statement.

Commitments

The following table reflects our long-term non-cancelable contractual obligations as of December 31, 2001 (in millions):

CONTRACTUAL OBLIGATIONS	2002	2003	2004	2005	2006	THEREAFTER	TOTAL
Long-term debt (including current maturities)	$ 3.0	$ 9.0	$ 10.0	$ 64.7	$ 78.0	$ 190.0	$ 354.7
Operating leases	6.8	6.2	6.3	6.2	4.5	5.6	35.6
Total contractual cash obligations	$ 9.8	$ 15.2	$ 16.3	$ 70.9	$ 82.5	$ 195.6	$ 390.3

Operating leases are primarily for office rent and trucks. Other than the amounts reflected above for these operating leases we have no cash commitments that are not reflected on the consolidated balance sheet. As is common within the industry, we have entered into various operational commitments and agreements related to pipeline operations and to the marketing, transportation, terminalling and storage of crude oil. It is management's belief that such commitments will be met without a material adverse effect on our financial position, results of operations or cash flows.

We will distribute 100% of our available cash within 45 days after the end of each quarter to unitholders of record, and to our general partner. Available cash is generally defined as all cash and cash equivalents on hand at the end of the quarter less reserves established for future requirements. Minimum quarterly distributions are $0.45 for each full fiscal quarter. Distributions of available cash to the holders of subordinated units are subject to the prior rights of the holders of common units to receive the minimum quarterly distributions for each quarter during the subordination period, and to receive any arrearages in the distribution of minimum quarterly distributions on the common units for prior quarters during the subordination period. There were no arrearages on common units at December 31, 2001. On February 14, 2002, we paid a cash distribution of $0.5125 per unit on all outstanding units. The total distribution paid was approximately $23.2 million, with approximately $17.0 million paid to our common unitholders, $5.1 million paid to our subordinated unitholders and $1.0 million paid to the general partner for its general partner and incentive distribution interests.

Our general partner is entitled to incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement. Under the quarterly incentive distribution provisions, our general partner is entitled to 15% of amounts we distribute in excess of $0.450 per common unit, 25% of amounts we distribute in excess of $0.495 per common unit and 50% of amounts we distribute in excess of $0.675 per common unit.

In connection with our crude oil marketing activities, we provide certain purchasers and transporters with irrevocable standby letters of credit to secure our obligation for the purchase of crude oil. Our liabilities with respect to these purchase obligations are recorded in accounts payable on our balance sheet in the month the crude oil is purchased. Generally, these letters of credit are issued for up to seventy-day periods and are terminated upon completion of each transaction. At December 31, 2001, we had outstanding letters of credit of approximately $31.0 million. Such letters of credit are secured by our crude oil inventory and accounts receivable.

Credit Agreements

In September 2001 we amended and expanded our credit facilities to include a six-year, $200 million term B loan. In connection with this amendment, we reduced the revolving portion of the facilities by $50 million. Our credit facilities currently consist of:

- a $780.0 million senior secured revolving credit and term loan facility, which is secured by substantially all of our assets. The facility consists of (i) a $450.0 million domestic revolving facility (reflecting the $50 million reduction in such facility in connection with the September amendment), with a $10.0 million letter of credit sublimit, (ii) a $30.0 million Canadian revolving facility (with a $5.0 million letter of credit sublimit), (iii) a $100.0 million term loan and (iv) a $200.0 million term B loan. The facility matures, (i) as to the aggregate $480.0 million domestic and Canadian revolver portions, in April 2005, (ii) as to the $100.0 million term portion, in May 2006, and, (iii) as to the

$200.0 million term B loan portion, September 2007. On the revolver portions, no principal is scheduled for payment prior to maturity. The $100.0 million term loan portion of this facility has four scheduled annual payments of principal, commencing May 4, 2002, in the respective amounts of 1%, 7%, 8% and 8% of the original term principal amount, with the remaining principal balance scheduled for payment on the stated maturity date of May 5, 2006. If any part of the term portion is prepaid prior to its first anniversary, a 1% premium will be due on that portion. The $200.0 million term B loan has 1% payable yearly commencing on September 21, 2002, with the remaining principal balance scheduled for payment on the stated maturity date of September 26, 2007. The term B loan may be prepaid without penalty. The revolving credit and term loan facility bears interest at our option at either the base rate, as defined, plus an applicable margin, or LIBOR plus an applicable margin, and further, the Canadian revolver may effectively bear interest based upon bankers' acceptance rates. We incur a commitment fee on the unused portion of the revolver portion of this credit facility.

- a $200.0 million senior secured letter of credit and borrowing facility, the purpose of which is to provide standby letters of credit to support the purchase and exchange of crude oil and other specified petroleum products for resale and borrowings to finance crude oil inventory and other specified petroleum products that have been hedged against future price risk. The letter of credit facility is secured by substantially all of our assets and has a sublimit for cash borrowings of $100.0 million to purchase crude oil and other petroleum products that have been hedged against future price risk and to fund margin requirements under NYMEX contracts used to facilitate our hedging activities. The letter of credit facility expires in April, 2004. Aggregate availability under the letter of credit facility for direct borrowings and letters of credit is limited to a borrowing base that is determined monthly based on certain of our current assets and current liabilities, primarily inventory and accounts receivable and accounts payable related to the purchase and sale of crude oil and other specified petroleum products. We incur a commitment fee on the unused portion of this facility.

Our credit facilities prohibit distributions on, or purchases or redemptions of, units if any default or event of default is continuing. In addition, the agreements contain various covenants limiting our ability to, among other things:

- incur indebtedness;
- grant liens;
- sell assets;
- make investments;
- engage in transactions with affiliates;
- enter into certain contracts; and
- enter into a merger or consolidation.

Our credit facilities treat a change of control as an event of default and also require us to maintain:

- a current ratio (as defined) of 1.0 to 1.0;
- a debt coverage ratio which is not greater than 4.00 to 1.0;
- an interest coverage ratio which is not less than 2.75 to 1.0; and
- a debt to capital ratio of not greater than 0.70 to 1.0 prior to December 31, 2002, and 0.65 to 1.0 thereafter.

A default under our credit facilities would permit the lenders to accelerate the maturity of the outstanding debt and to foreclose on the assets securing the credit facilities. As long as we are in compliance with our commercial credit agreements, they do not restrict our ability to make distributions of "available cash" as defined in our partnership agreement. We are currently in compliance with the covenants contained in our credit agreements.

The credit facilities provide that the Partnership may issue up to $400.0 million of senior unsecured debt that has a maturity date extending beyond the maturity date of the credit facilities. If senior unsecured debt is issued, the aggregate amount available under the $450.0 million U.S. revolving credit facility will be reduced by an amount equal to (A) 40% of the face amount of the senior unsecured debt if the aggregate amount of new debt issued is less than $350.0 million, or (B) 50% of the face amount of the senior unsecured debt if the aggregate amount of new debt issued is equal to or greater than $350.0 million; provided, however, in both cases, the amount of the revolver reduction is decreased by $50.0 million.

In January 2002, we amended our credit facility to provide the Partnership with greater structuring flexibility to finance larger acquisitions by amending the limitation and restrictions on asset sales, including the removal of a provision that required lender approval before making any acquisition greater than $50.0 million.

Contingencies

Following our announcement in November 1999 of our losses resulting from unauthorized trading by a former employee, numerous class action lawsuits were filed against us, certain of our former general partner's officers and directors and in some of these cases, our former general partner and Plains Resources Inc. alleging violations of the federal securities laws. In addition, derivative lawsuits were filed in the Delaware Chancery Court against our former general partner, its directors and certain of its officers alleging the defendants breached the fiduciary duties owed to us and our unitholders by failing to monitor properly the activities of our traders. We have settled or reached agreement in principle to settle all of these suits. See Item 3. "--Legal Proceedings".

We may experience future releases of crude oil into the environment from our pipeline and storage operations, or discover releases that were previously unidentified. Although we maintain an extensive inspection program designed to prevent and, as applicable, to detect and address such releases promptly, damages and liabilities incurred due to any future environmental releases from our assets may substantially affect our business.

The events of September 11 and their overall effect on the insurance industry may have a general adverse impact on availability and cost of coverage. We currently maintain insurance for acts of terrorism on the majority of our assets and operations. Many of our current policies expire on June 1, 2002. Due to the events of September 11, 2001, we believe that many insurers will exclude acts of terrorism from future insurance policies or make the cost for this coverage prohibitive.

Since the September 11 terrorist attacks, the United States Government has issued warnings that energy assets (including our nation's pipeline infrastructure) may be a future target of terrorist organizations. These developments expose our operations and assets to increased risks. Any future terrorist attacks on our facilities, those of our customers and, in some cases, those of our competitors, could have a material adverse effect on our business.

OUTLOOK

As is common with most merchant activities, our ability to generate a profit on our margin activities is not tied to the absolute level of crude oil prices but is generated by the difference between the price paid and other costs incurred in the purchase of crude oil versus the price at which we sell crude oil. The gross margin generated by tariff and other fee activities depends on the volumes transported on the pipeline and the level of the tariff or fee charged, as well as the fixed and variable costs of operating the pipeline. These operations are affected by overall levels of supply and demand for crude oil.

Our operations have been impacted by higher fuel and power costs relating to our pipeline and trucking operations. The increased costs will be largely offset by an 11% increase in the tariff rate on the All American Pipeline effective January 1, 2002. Also, the crude oil market moved from a backwardated to a flat and contango market during March of 2001 and remained that way during most of the remainder of 2001. A flat to contango crude oil market generally means lower gross margin from our gathering and marketing activities. With countercyclical balance provided by our storage and terminalling assets, a contango market creates other arbitrage opportunities and an increase in the usage of our tankage in Cushing and in the field. During 2001, this countercyclical balance served to offset a portion of the weaker gathering and marketing margins. A continued prolonged flat crude oil market will continue to adversely affect our margins from gathering and marketing, while generally providing fewer arbitrage opportunities than exist in a contango market.

A significant portion of our gross margin is derived from pipeline transportation margins associated with the Santa Ynez and Point Arguello fields located offshore California. While the rate of decline has reduced over the last three years, we expect that there will continue to be natural production declines from each of these fields as the underlying reservoirs are depleted. In addition, any production disruption from these fields due to production problems, transportation problems or other reasons could have a material adverse effect on our business.

RELATED PARTY TRANSACTIONS

We have a long-term agreement with Plains Resources pursuant to which we purchase for resale at market prices all of Plains Resources equity crude oil production for a fee of $0.20 per barrel. In November 2001, the agreement automatically extended for three years. The fee is subject to adjustment every three years based on then-existing market conditions. For the year ended December 31, 2001, we paid approximately $223 million for Plains Resources' production and recognized gross margin of approximately $1.8 million. For a description of this and other related party transactions, see Item 13. "Certain Relationships and Related Transactions".

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 141 "Business Combinations" and SFAS. 142 "Goodwill and Other Intangible Assets" SFAS 141 requires all business combinations initiated after June 30, 2001 (see Note 4), to be accounted for under the purchase method. For all business combinations for which the date of acquisition is after June 30, 2001, this Standard also establishes specific criteria for the recognition of intangible assets separately from goodwill. We have adopted SFAS 142 effective January 1, 2002. SFAS 142 changes the accounting for goodwill and other intangible assets after an acquisition. The most significant changes made by SFAS 142 are: 1) goodwill and intangible assets with indefinite lives will no longer be amortized; 2) goodwill and intangible assets with indefinite lives must be tested for impairment at least annually; and 3) the amortization period for intangible assets with finite lives will no longer be limited to forty years. In conjunction with the adoption of SFAS 142, amortization on the unamortized portion of the goodwill arising from previous acquisitions will cease in 2002. The adoption of SFAS 142 will not have a material effect on either our financial position, results of operations, or cash flows.

In June 2001, the FASB also issued SFAS 143, "Asset Retirement Obligations". SFAS 143 establishes accounting requirements for retirement obligations associated with tangible long-lived assets, including (1) the time of the liability recognition, (2) initial measurement of the liability, (3) allocation of asset retirement cost to expense, (4) subsequent measurement of the liability and (5) financial statement disclosures. SFAS 143 requires that an asset retirement cost should be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. We will adopt the statement effective January 1, 2003, as required. The transition adjustment resulting from the adoption of SFAS 143 will be reported as a cumulative effect of a change in accounting principle. At this time, we cannot reasonably estimate the effect of the adoption of this statement on either our financial position, results of operations, or cash flows.

In August 2001, the FASB approved SFAS 144, "Accounting for Impairment or Disposal of Long-Lived Assets". SFAS 144 establishes a single accounting model for long-lived assets to be disposed of by sale and provides additional implementation guidance for assets to be held and used and assets to be disposed of other than by sale. Upon adoption of this Statement effective January 1, 2002, there was no effect on either our financial position, results of operations or cash flows.

In June 1998, the FASB issued SFAS 133, which was subsequently amended (i) in June 1999 by SFAS 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133", which deferred the effective date of SFAS 133 to fiscal years beginning after June 15, 2000; and (ii) in June 2000 by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedge Activities", which amended certain provisions, inclusive of the definition of the normal purchase and sale exclusion. We have determined that our physical purchase and sale agreements qualify for the normal purchase and sale exclusion.

SFAS 133 requires that all derivative instruments be recorded on the balance sheet as either assets or liabilities measured at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if so, the type of hedge transaction. For fair value hedge transactions in which we are hedging changes in the fair value of an asset, liability, or firm commitment, changes in the fair value of the derivative instrument will generally be offset in the income statement by changes in the fair value of the hedged item. For cash flow hedge transactions, in which we are hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income, a component of partners' capital. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in earnings in the current period. Hedge effectiveness is measured at least quarterly based on the relative cumulative changes in fair value between the derivative contract and the hedged item over time.

We adopted SFAS 133, as amended, effective January 1, 2001. Our implementation procedures identified all instruments in place at the adoption date that are subject to the requirements of SFAS 133. Upon adoption, we recorded a cumulative effect charge of $8.3 million in accumulated other comprehensive income to recognize at fair value all derivative instruments that are designated as cash flow hedging instruments and a cumulative effect gain of $0.5 million to earnings. Correspondingly, an asset of $2.8 million and a liability of $10.6 million were established. Hedge losses/gains included in accumulated other comprehensive income are transferred to earnings as the forecasted transactions actually occur. Implementation issues continue to be addressed by the FASB and any change to existing guidance might impact our implementation. Adoption of this standard will most likely increase volatility in earnings and partners' capital through comprehensive income.

RISK FACTORS RELATED TO OUR BUSINESS

Our profitability is dependent upon an adequate supply of crude oil from fields located offshore and onshore California. Production from these offshore fields has experienced substantial production declines since 1995.

A significant portion of our gross margin is derived from pipeline transportation margins associated with the Santa Ynez and Point Arguello fields located offshore California. Although the rate of decline from these fields has decreased over the last three years, we expect that there will continue to be natural production declines from each of these fields as the underlying reservoirs are depleted. A 5,000 barrel per day decline in volumes shipped from these fields would result in a decrease in annual pipeline tariff revenues of approximately $2.8 million. See "Outlook". In addition, any production disruption from these fields due to production problems, transportation problems or other reasons could have a material adverse effect on our business.

Cash distributions are not guaranteed and may fluctuate with our performance and the establishment of financial reserves.

Because distributions on the common units are dependent on the amount of cash we generate, distributions may fluctuate based on our performance. We cannot guarantee that we will be able to pay the minimum quarterly distributions of $0.45 per common unit in each quarter. The actual amount of cash that is available to be distributed each quarter will depend upon numerous factors, some of which are beyond our control and the control of our general partner. Cash distributions are dependent primarily on cash flow, including cash flow from financial reserves and working capital borrowings, and not solely on profitability, which is affected by non-cash items. Therefore, cash distributions might be made during periods when we record losses and might not be made during periods when we record profits.

Potential future acquisitions and expansions, if any, may affect our business by substantially increasing the level of our indebtedness and contingent liabilities and increasing our risks of being unable to effectively integrate these new operations.

From time to time, we evaluate and acquire assets and businesses that we believe complement our existing assets and businesses. Acquisitions may require substantial capital or the incurrence of substantial indebtedness. If we consummate any future acquisitions, our capitalization and results of operations may change significantly and you will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of these funds and other resources.

In 1999, we suffered a large loss from unauthorized crude oil trading by a former employee. A loss of this kind could occur again in the future in spite of our efforts to prevent it.

Generally, it is our policy that as we purchase crude oil, we establish a margin by selling crude oil for physical delivery to third-party users, such as independent refiners or major oil companies, or by entering into a future delivery obligation under futures contracts on the NYMEX. Through these transactions, we seek to maintain a position that is substantially balanced between purchases, on the one hand, and sales or future delivery obligations, on the other hand. Except for pre-defined inventory positions described in Items 1 and 2. "Business and Properties--Terminalling, Storage, Gathering and Marketing Operations--Crude Oil Volatility; Counter-Cyclical Balance; Risk Management", our policy is not to acquire and hold crude oil, futures contracts or derivative products for the purpose of speculating on price changes. We discovered in November 1999 that this policy was violated by one of our former employees, which resulted in losses of approximately $174.0 million, including estimated associated costs and legal expenses. In 2000, we recognized an additional $7.0 million charge for litigation related to the unauthorized trading losses. We have taken steps within our organization to enhance our processes and procedures to prevent future unauthorized trading. We cannot assure you, however, that these steps will detect and prevent all violations of our trading policies and procedures, particularly if deception or other intentional misconduct is involved. See Items 1 and 2. "Business and Properties--Unauthorized Trading Loss".

We have substantial leverage that may limit our ability to borrow additional funds, make distributions to unitholders, comply with the terms of our indebtedness or capitalize on business opportunities.

Our leverage is significant in relation to our partners' capital. As of December 31, 2001, our total outstanding long-term debt was approximately $352 million. Our payment of principal and interest on the debt will reduce the cash available for distribution on the units. We will be prohibited from making cash distributions during an event of default under any of our indebtedness. Various limitations in our credit facilities may reduce our ability to incur additional debt, to engage in some transactions and to capitalize on business opportunities. Any subsequent refinancing of our current indebtedness or any new indebtedness could have similar or greater restrictions. See "--Liquidity and Capital Resources".

The success of our business strategy to increase and optimize throughput on our pipeline and gathering assets is dependent upon our securing additional supplies of crude oil.

Our operating results are dependent upon securing additional supplies of crude oil from increased production by oil companies and aggressive lease gathering efforts. The ability of producers to increase production is dependent on the prevailing market price of oil, the exploration and production budgets of the major and independent oil companies, the depletion rate of existing reservoirs, the success of new wells drilled, environmental concerns, regulatory initiatives and other matters beyond our control. There can be no assurance that production of crude oil will rise to sufficient levels to cause an increase in the throughput on our pipeline and gathering assets.

Our operations are dependent upon demand for crude oil by refiners in the Midwest and on the Gulf Coast. Any decrease in this demand could adversely affect our business.

Demand also depends on the ability and willingness of shippers having access to our transportation assets to satisfy their demand by deliveries through those assets, and any decrease in this demand could adversely affect our business. Demand for crude oil is dependent upon the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, governmental regulation or technological advances in fuel economy and energy generation devices, all of which could reduce demand.

We face intense competition in our terminalling and storage activities and gathering and marketing activities.

Our competitors include other crude oil pipelines, the major integrated oil companies, their marketing affiliates and independent gatherers, brokers and marketers of widely varying sizes, financial resources and experience. Some of these competitors have capital resources many times greater than ours and control substantially greater supplies of crude oil. See Items 1 and 2. "Business and Properties--Competition".

The profitability of our gathering and marketing activities depends primarily on the volumes of crude oil we purchase and gather.

To maintain the volumes of crude oil we purchase, we must continue to contract for new supplies of crude oil to offset volumes lost because of natural declines in crude oil production from depleting wells or volumes lost to competitors. Replacement of lost volumes of crude oil is particularly difficult in an environment where production is low and competition to gather available production is intense. Generally, because producers experience inconveniences in switching crude oil purchasers, such as delays in receipt of proceeds while awaiting the preparation of new division orders, producers typically do not change purchasers on the basis of minor variations in price. Thus, we may experience difficulty acquiring crude oil at the wellhead in areas where there are existing relationships between producers and other gatherers and purchasers of crude oil.

We are exposed to the credit risk of our customers in the ordinary course of our gathering and marketing activities.

In those cases where we provide division order services for crude oil purchased at the wellhead, we may be responsible for distribution of proceeds to all parties. In other cases, we pay all of or a portion of the production proceeds to an operator who distributes these proceeds to the various interest owners. These arrangements expose us to operator credit risk, and there can be no assurance that we will not experience losses in dealings with other parties.

Our operations are subject to federal and state environmental and safety laws and regulations relating to environmental protection and operational safety.

Our pipeline, gathering, storage and terminalling facilities operations are subject to the risk of incurring substantial environmental and safety related costs and liabilities. These costs and liabilities could arise under increasingly strict environmental and safety laws, including regulations and enforcement policies, or claims for damages to property or persons resulting from our operations. If we were not able to recover such resulting costs through insurance or increased tariffs and revenues, cash distributions to unitholders could be adversely affected.

The transportation and storage of crude oil results in a risk that crude oil and other hydrocarbons may be suddenly or gradually released into the environment, potentially causing substantial expenditures for a response action, significant government penalties, liability for natural resources damages to government agencies, personal injury or property damage to private parties and significant business interruption. See Items 1 and 2. "Business and Properties--Regulation".

Our pipeline systems are dependent upon their interconnections with other crude oil pipelines to reach end markets.

Reduced throughput on these interconnecting pipelines as a result of testing, line repair, reduced operating pressures or other causes could result in reduced throughput on our pipeline systems that would adversely affect our profitability.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various market risks, including volatility in crude oil commodity prices and interest rates. To manage such exposure, we monitor our inventory levels, current economic conditions and our expectations of future commodity prices and interest rates when making decisions with respect to risk management. Except for inventory transactions that generally do not exceed approximately 500,000 barrels, we do not enter into derivative transactions for speculative trading purposes. See Items 1 and 2. "Business and Properties--Crude Volatility; Counter-Cyclical Balance; Risk Management". Substantially all of our derivative contracts are exchanged or traded on the NYMEX or entered into with major financial institutions and the risk of credit loss is considered remote.

Commodity Price Risk. The fair value of outstanding derivative instruments and the change in fair value that would be expected from a 10 percent price decrease are shown in the table below (in millions):

	YEAR OF MATURITY			
	2002		2003	
	FAIR VALUE	EFFECT OF 10% PRICE DECREASE	FAIR VALUE	EFFECT OF 10% PRICE DECREASE
Crude oil :				
Futures contracts	$(1.8)	$(0.7)	$0.7	$(4.2)
Swaps and options contracts	-	-	-	-

The fair values of the futures contracts are based on quoted market prices obtained from the NYMEX. The fair value of the swaps and option contracts are estimated based on quoted prices from independent reporting services compared to the contract price of the swap, which comparison approximates the gain or loss that would have been realized if the contracts had been closed out at year end. All hedge positions offset physical positions exposed to the cash market; none of these offsetting physical positions are included in the above table. Price-risk sensitivities were calculated by assuming an across-the-board 10 percent decrease in price regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an actual 10 percent change in prompt month crude prices, the fair value of our derivative portfolio would typically change less than that shown in the table due to lower volatility in out-month prices.

At December 31, 2001, our hedging activities included crude oil futures contracts maturing through 2003, covering approximately 2.4 million barrels of product. Because such contracts are designated as hedges and correlate to price movements of crude oil, any gains or losses resulting from market changes will be largely offset by losses or gains on our hedged inventory or anticipated purchases of crude oil. Such contracts resulted in an increase in revenues of $1.8 million in 2001 and a reduction in revenues of $15.1 million in 2000 and of $17.8 million in 1999. The offsetting gains from the physical positions are not included in such amounts. The unrealized loss with respect to such instruments, interest rate hedges and foreign exchange hedges, at December 31, 2001, was $4.7 million.

Interest Rate Risk. Our debt instruments are sensitive to market fluctuations in interest rates. The table below presents principal payments and the related weighted average interest rates by expected maturity dates for debt outstanding at December 31, 2001. Our variable rate debt bears interest at LIBOR or prime plus the applicable margin. The average interest rates presented below are based upon rates in effect at December 31, 2001. The carrying value of variable rate bank debt approximates fair value because interest rates are variable and based on prevailing market rates (dollars in millions).

	EXPECTED YEAR OF MATURITY							
	2002	2003	2004	2005	2006	THEREAFTER	TOTAL	FAIR VALUE
Liabilities:								
Short-term debt (and current maturities of long-term debt) - variable rate	$104.5	$ -	$ -	$ -	$ -	$ -	$ 104.5	$ 104.5
Average interest rate	3.7%	-	-	-	-	-	3.7%	
Long-term debt - variable rate	$ -	$ 9.0	$ 10.0	$ 64.7	$ 78.0	$ 190.0	$ 351.7	$ 351.7
Average interest rate	-	4.4%	4.4%	4.4%	4.4%	4.5%	4.4%	

At December 31, 2001, the carrying value of short-term and long-term debt of $104.5 million and $351.7 million, respectively, approximated fair value.

Interest rate swaps and collars are used to hedge underlying interest payment obligations. These instruments hedge interest rates on specific debt issuances and qualify for hedge accounting. The interest rate differential is reflected as an adjustment to interest expense over the life of the instruments. At December 31, 2001, we had interest rate swap and collar arrangements for an aggregate notional principal amount of $275.0 million, for which we would pay approximately $5.3 million if such arrangements were terminated as of such date.

The table shown below summarizes the fair value of our interest rate swaps and collars by the year of maturity (in thousands):

	Year of Maturity			
	2002	2003	2004	Total
Interest rate swaps	$ --	$ (810)	$ (689)	$ (1,499)
Interest rate collars	(3,777)	--	--	(3,777)
Total	$ (3,777)	$ (810)	$ (689)	$ (5,276)

The adjustment to interest expense resulting from interest rate swaps for the years ended December 31, 2001, 2000 and 1999, was a $2.4 million loss, a $0.1 million gain and a $0.1 million loss, respectively. These instruments are based on LIBOR rates. The collar provides for a floor of 6.1% and a ceiling of 8.0% with an expiration date of August 2002 for $125.0 million notional principal amount. The fixed rate interest rate swaps provide for a rate of 4.3% for $50.0 million notional principal amount expiring March 2004, and an average rate of 3.6% for $100.0 million notional principal amount expiring September 2003.

Foreign Currency Risk. Our cash flow stream relating to our Canadian operations is based on the U.S. dollar equivalent of such amounts measured in Canadian dollars. Assets and liabilities of our Canadian subsidiaries are translated to U.S. dollars using the applicable exchange rate as of the end of a reporting period. Revenues, expenses and cash flow are translated using the average exchange rate during the reporting period.

Since substantially all of our Canadian business is conducted in Canadian dollars, we use certain financial instruments to minimize the risks of changes in the exchange rate. These instruments include forward exchange contracts, forward extra option contracts and cross currency swaps. Additionally, at December 31, 2001, $25.4 million ($40.5 million Canadian) of our long-term debt was denominated in Canadian dollars. All of the financial instruments utilized are placed with large creditworthy financial institutions that participate in our credit facilities and meet the criteria under SFAS 133 for hedge accounting treatment.

At December 31, 2001, we had forward exchange contracts and forward extra option contracts that allow us to exchange $3.0 million Canadian for at least $1.9 million U.S. (based on a Canadian-U.S. dollar exchange rate of 1.55) quarterly during 2002 and 2003. If these contracts were terminated on December 31, 2001, we would receive $0.5 million U.S. At December 31, 2001, we also had a cross currency swap contract for an aggregate notional principal amount of $25.0 million, effectively converting this amount of our $100.0 million senior secured term loan (25% of the total) from U.S. dollars to $38.7 million of Canadian dollar debt (based on a Canadian U.S. dollar exchange rate of 1.55). The terms mirror the term loan, matching the amortization schedule and final maturity in May 2006. If this swap contract was terminated on December 31, 2001, we would receive $0.5 million U.S. dollars.

The table shown below summarizes the fair value of our foreign currency hedges by year of maturity (in thousands):

	YEAR OF MATURITY			
	2002	2003	2006 (1)	TOTAL
Forward exchange contracts	$ 123	$ 100	$ -	$ 223
Forward extra options	145	146	-	291
Cross currency swaps	-	-	497	497
Total	$ 268	$ 246	$ 497	$ 1,011

(1) At December 31, 2001, we did not have any foreign currency hedges expiring in 2004 or 2005.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required here is included in the report as set forth in the "Index to Financial Statements" on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF OUR GENERAL PARTNER

PARTNERSHIP MANAGEMENT

As is the case with many publicly traded partnerships, we do not have officers, directors or employees. Our operations and activities are managed by the general partner of our general partner, Plains All American GP LLC. Our operational personnel are employees of Plains All American GP LLC. References to our general partner, unless the context otherwise requires, includes Plains All American GP LLC. References to our officers, directors and employees are references to the officers, directors and employees of Plains All American GP LLC.

Our general partner manages our operations and activities. Unitholders do not directly or indirectly participate in our management or operation. Our general partner owes a fiduciary duty to the unitholders, as limited by our partnership agreement. As a general partner, our general partner is liable for all of our debts (to the extent not paid from our assets), except for indebtedness or other obligations that are made specifically non-recourse to it. Whenever possible, our general partner intends to incur indebtedness or other obligations on a non-recourse basis.

Two members of the board of directors of our general partner serve on a conflicts committee, which reviews specific matters that the board believes may involve conflicts of interest between our general partner and Plains All American Pipeline. The conflicts committee determines if the resolution of a conflict of interest is fair and reasonable to us. The members of the conflicts committee are not officers or employees of our general partner or directors, officers or employees of its affiliates. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our general partner of any duties owed to us or our unitholders. The members of the conflicts committee also serve with another director on an audit committee, which reviews our external financial reporting, recommends engagement of our independent auditors and reviews the adequacy of our internal accounting controls.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the executive officers and members of the Board of Directors of our general partner. Directors were elected in June 2001 for an initial three-year term, and will be elected annually thereafter. Certain owners of our general partner have the right to designate a member of our board. Such designees are indicated in the footnote to the table.

NAME	AGE	POSITION WITH OUR GENERAL PARTNER
EXECUTIVE OFFICERS AND DIRECTORS:		
Greg L. Armstrong	43	Chairman of the Board, Chief Executive Officer and Director
Harry N. Pefanis	44	President, Chief Operating Officer and Director
Phillip D. Kramer	46	Executive Vice President and Chief Financial Officer
George R. Coiner	51	Senior Vice President
Mark F. Shires	44	Vice President - Operations
Jim Hester	42	Vice President - Acquisitions
Tim Moore	44	Vice President, General Counsel and Secretary
Alfred A. Lindseth	32	Vice President - Administration
Everardo Goyanes	57	Director and Member of Audit* and Conflicts Committees
Gary R. Petersen(1)	55	Director and Member of Compensation Committee*
John T. Raymond(1)	31	Director and Member of Finance Committee
Robert V. Sinnott(1)	52	Director and Member of Compensation and Finance Committees
Arthur L. Smith	49	Director and Member of Audit, Conflicts* and Compensation Committees
J. Taft Symonds(1)	62	Director and member of Audit and Finance* Committees

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* Indicates chairman of committee

(1) Pursuant to the Amended and Restated Limited Liability Company Agreement of Plains All American GP LLC, certain of the owners of our general partner have the right to designate a member of our board of directors. Mr. Petersen has been designated by E-Holdings III, L.P., an affiliate of EnCap Investments LLC, of which he is a Managing Director. Mr. Raymond has been designated by Sable Investments, L.P., in which Mr. Raymond indirectly owns a limited partner interest. Sable Investments, L.P. is controlled by James M. Flores, the Chief Executive Officer of Plains Resources. Mr.

Sinnott has been designated by KAFU Holdings, L.P., which is affiliated with Kayne Anderson Investment Management, Inc., of which he is a Vice President. Mr. Symonds has been designated by Plains Resources, of which he is a director. See Item 12. "Security Ownership of Certain Beneficial Owners and Management--Beneficial Ownership of General Partner Interest".

The following table sets forth certain information with respect to other members of our management team and officers of the general partner of our Canadian operating partnership:

NAME	AGE	POSITION WITH OUR GENERAL PARTNER/ CANADIAN GENERAL PARTNER
MANAGEMENT TEAM/ OTHER OFFICERS:		
A. Patrick Diamond	29	Manager - Special Projects
Lawrence J. Dreyfuss	47	Associate General Counsel and Assistant Secretary; General Counsel and Secretary of PMC (Nova Scotia) Company (the general partner of Plains Marketing Canada, L.P.)
Al Swanson	38	Treasurer
CANADIAN OFFICERS:		
W. David Duckett	47	Executive Vice President of PMC (Nova Scotia) Company
Ralph R. Cross	47	Vice President - Business Development of PMC (Nova Scotia) Company
John Kers	54	Vice President - Operations of PMC (Nova Scotia) Company

Greg L. Armstrong has served as Chairman of the Board and Chief Executive Officer since our formation. He has also served as a director of our general partner or former general partner since our formation. In addition, he was President, Chief Executive Officer and director of Plains Resources from 1992 to May 2001. He previously served Plains Resources as: President and Chief Operating Officer from October to December 1992; Executive Vice President and Chief Financial Officer from June to October 1992; Senior Vice President and Chief Financial Officer from 1991 to 1992; Vice President and Chief Financial Officer from 1984 to 1991; Corporate Secretary from 1981 to 1988; and Treasurer from 1984 to 1987.

Harry N. Pefanis has served as President and Chief Operating Officer since our formation. He was a director of our former general partner. In addition, he was Executive Vice President - Midstream of Plains Resources from May 1998 to May 2001. He previously served Plains Resources as: Senior Vice President from February 1996 until May 1998; Vice President - Products Marketing from 1988 to February 1996; Manager of Products Marketing from 1987 to 1988; and Special Assistant for Corporate Planning from 1983 to 1987. Mr. Pefanis was also President of several former midstream subsidiaries of Plains Resources until our formation in 1998.

Phillip D. Kramer has served as Executive Vice President and Chief Financial Officer since our formation. In addition, he was Executive Vice President and Chief Financial Officer of Plains Resources from May 1998 to May 2001. He previously served Plains Resources as: Senior Vice President and Chief Financial Officer from May 1997 until May 1998; Vice President and Chief Financial Officer from 1992 to 1997; Vice President from 1988 to 1992; Treasurer from 1987 to March 2001; and Controller from 1983 to 1987.

George R. Coiner has served as Senior Vice President since our formation. In addition, he was Vice President of Plains Marketing & Transportation Inc., a former midstream subsidiary of Plains Resources, from November 1995 until our formation in 1998. Prior to joining Plains Marketing & Transportation Inc., he was Senior Vice President, Marketing with Scurlock Permian Corp.

Mark F. Shires has served as Vice President - Operations since August 1999. He served as Manager of Operations from April 1999 until he was elected to his current position. In addition, he was a business consultant from 1996 until April 1999. He served as a consultant to Plains Marketing & Transportation Inc. and Plains All American Pipeline from May 1998 until April 1999. He previously served as President of Plains Terminal & Transfer Corporation, a former midstream subsidiary of Plains Resources, from 1993 to 1996.

Jim G. Hester has served as Vice President - Acquisitions since March 2002. Prior to joining us, Mr. Hester was Senior Vice President - Special Projects of Plains Resources. From May 2001 to December 2001, he was Senior Vice President - Operations for Plains Resources. From May 1999 to May 2001, he was Vice President - Business Development and Acquisitions of Plains Resources. He was Manager of Business Development and Acquisitions of Plains Resources from 1997 to May 1999, Manager of Corporate Development from 1995 to 1997 and Manager of Special Projects from 1993 to 1995. He was Assistant Controller from 1991 to 1993, Accounting Manager from 1990 to 1991 and Revenue Accounting Supervisor from 1988 to 1990.

Tim Moore has served as Vice President, General Counsel and Secretary since May 2000. In addition, he was Vice President, General Counsel and Secretary of Plains Resources from May 2000 to May 2001. Prior to joining Plains Resources, he served in various positions, including General Counsel - Corporate, of TransTexas Gas Corporation from 1994 to 2000. He previously was a corporate attorney with the Houston office of Weil Gotshal & Manges. Mr. Moore also has seven years of industry experience as a petroleum geologist.

Alfred A. Lindseth has served as Vice President - Administration since March 2001. He served as Risk Manager from March 2000 until he was elected to his current position. He previously served PricewaterhouseCoopers LLP in its Financial Risk Management Practice section as a Consultant from 1997 to 1999 and as Principal Consultant from 1999 to March 2000. He also served GSC Energy, an energy risk management brokerage and consulting firm, as Manager of its Oil & Gas Hedging Program from 1995 to 1996 and as Director of Research and Trading from 1996 to 1997.

Everardo Goyanes has served as a director of our general partner or former general partner since May 1999. Mr. Goyanes has been President and Chief Executive Officer of Liberty Energy Holdings since May 2000. From 1999 to May 2000 he was a financial consultant specializing in natural resources. From 1989 to 1999, he was Managing Director of the Natural Resources Group of ING Barings Furman Selz. He was a financial consultant from 1987 to 1989 and was Vice President - Finance of Forest Oil Corporation from 1983 to 1987. Mr. Goyanes is also a director of Consort Group Limited.

Gary R. Petersen has served as a director since June 2001. Mr. Petersen co-founded EnCap Investments L.L.C. (an investment management firm) and has been a Managing Director and principal of the firm since 1988. He had previously served as Senior Vice President and Manager of the Corporate Finance Division of the Energy Banking Group for RepublicBank Corporation. Prior to his position at RepublicBank, he was Executive Vice President and a member of the Board of Directors of Nicklos Oil & Gas Company in Houston, Texas from 1979 to 1984. He served from 1970 to 1971 in the U.S. Army as a First Lieutenant in the Finance Corps and an Army Officer in the National Security Agency.

John T. Raymond has served as a director since June 2001. Mr. Raymond has also served as Executive Vice President and Chief Operating Officer of Plains Resources from May 2001 to November 2001 and President and Chief Operating Officer since November 2001. He was Director of Corporate Development of Kinder Morgan, Inc. from January 2000 to May 2001. He served as Vice President of Corporate Development of Ocean Energy, Inc. from April 1998 to January 2000. He was a Vice President of Howard Weil Labouisse Friedrichs, Inc. from 1992 to April 1998.

Robert V. Sinnott has served as a director of our general partner or former general partner since September 1998. Mr. Sinnott has been a Senior Managing Director of Kayne Anderson Capital Advisors, L.P. (an investment management firm) since 1996, and was a Managing Director from 1992 to 1996. He was Vice President and Senior Securities Officer of the Investment Banking Division of Citibank from 1986 to 1992. He is also a director of Plains Resources and Glacier Water Services, Inc. (a vended water company).

Arthur L. Smith has served as a director of our general partner or former general partner since February 1999. Mr. Smith is Chairman of John S. Herold, Inc. (a petroleum research and consulting firm), a position he has held since 1984. For the period from May 1998 to October 1998, he served as Chairman and Chief Executive Officer of Torch Energy Advisors Incorporated. He is also a director of Cabot Oil & Gas Corporation and Evergreen Resources, Inc.

J. Taft Symonds has served as a director since June 2001. He has been Chairman of the Board of Symonds Trust Co. Ltd. (an investment firm) and Chairman of the Board of Maurice Pincoffs Company, Inc. (an international marketing firm) since 1978. He is also Chairman of the Board of Tetra Technologies, Inc. (an oilfield services firm) and a director of Denali, Inc. (a manufacturer of storage tanks and a product and service provider for handling of industrial fluids). Mr. Symonds is also a director of Plains Resources Inc.

A. Patrick Diamond has served as Manager, Special Projects since June 2001. In addition, he was Manager, Special Projects of Plains Resources from August 1999 to June 2001. Prior to joining Plains Resources, Mr. Diamond served Salomon Smith Barney Inc. in its Global Energy Investment Banking Group as a Financial Analyst from July 1994 to June 1997 and as an Associate from July 1997 to May 1999.

Lawrence J. Dreyfuss has served as Associate General Counsel and Assistant Secretary of our general partner since June 2001 and held a senior management position in the Law Department since May 1999. In addition, he was a Vice President of Scurlock Permian LLC from 1987 to 1999.

Al Swanson has served as Treasurer since May 2001. In addition, he held several positions at Plains Resources including Treasurer from February 2001 to May 2001 and Director of Treasury from November 2000 to February 2001. Prior to joining Plains Resources, he served as Treasurer of Santa Fe Snyder Corporation from 1999 to October 2000 and in various capacities at Snyder Oil Corporation including Director Corporate Finance from 1998, Controller - SOCO Offshore, Inc.

from 1997, and Accounting Manager from 1992. Mr. Swanson began his career with Apache Corporation in 1986 serving in internal audit and accounting.

W. David Duckett has been Executive Vice President of PMC (Nova Scotia) Company since July 2001. Mr. Duckett was previously with CANPET Energy Group Inc. since 1985, where he served in various capacities, including most recently as President, Chief Executive Officer and Chairman of the Board.

Ralph W. Cross has been Vice President of Business Development of PMC (Nova Scotia) Company since July 2001. Mr. Cross was previously with CANPET Energy Group Inc. since 1992, where he served in various capacities, including most recently as Vice President of Business Development.

John Kers has been Vice President of Operations for PMC (Nova Scotia) Company since July 2001. Mr. Kers was previously with Murphy Oil Co. Ltd. since 1980, where he served in various capacities, including most recently as Manager of Engineering.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities and Exchange Act of 1934 requires directors, officers and persons who beneficially own more than ten percent of a registered class of our equity securities to file with the SEC and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of such equity securities. Such persons are also required to furnish us with copies of all Section 16(a) forms that they file. Based solely upon a review of the copies of Forms 3, 4 and 5 furnished to us, or written representations from certain reporting persons that no Forms 5 were required, we believe that during 2001 our officers and directors complied with all filing requirements with respect to our equity securities. Plains Resources filed a late Form 3 and six Forms 4 for transactions in 1998, 1999, 2000 and 2001.

REIMBURSEMENT OF EXPENSES OF OUR GENERAL PARTNER AND ITS AFFILIATES

Our general partner does not receive any management fee or other compensation in connection with its management of Plains All American Pipeline. However, our general partner performs services for us and is reimbursed by us for all expenses incurred on our behalf, including the costs of employee, officer and director compensation and benefits, as well as all other expenses necessary or appropriate to the conduct of our business. The partnership agreement provides that our general partner will determine the expenses that are allocable to us in any reasonable manner determined by our general partner in its sole discretion. See Item 13. "Certain Relationships and Related Transactions".

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth certain compensation information for our Chief Executive Officer and the four most highly compensated executive officers other than the Chief Executive Officer in 2001 (the "Named Executive Officers"). Messrs. Armstrong, Pefanis and Kramer were compensated by Plains Resources prior to July 2001. However, we reimburse our general partner and its affiliates (and, for 1999, 2000 and a portion of 2001, we reimbursed our former general partner and its affiliates, which included Plains Resources) for expenses incurred on our behalf, including the costs of officer compensation allocable to us. The Named Executive Officers have also received certain equity-based awards from our general partner and from our former general partner and its affiliates, which awards (other than awards under the Long-Term Incentive Plan) are not subject to reimbursement by us. See "--Long-Term Incentive Plan" and Item 13. "Certain Relationships and Related Transactions--Transactions with Affiliates".

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION SALARY	BONUS	OTHER COMPENSATION (2)
Greg L. Armstrong	2001	$165,000(1)	$450,000	(1)(3)
CEO	2000	(1)	(1)	(1)(3)
	1999	(1)	(1)	(1)(3)
Harry N. Pefanis	2001	$117,500(1)	$350,000	(1)(3)
President and COO	2000	(1)	(1)	(1)(3)
	1999	(1)	(1)	(1)(3)
Phillip D. Kramer	2001	$100,000(1)	$100,000	(1)(3)
Executive V.P. and CFO	2000	(1)	(1)	(1)(3)
	1999	(1)	(1)	(1)(3)
George Coiner	2001	$175,000	$394,100	$10,500(3)
Senior Vice President	2000	175,000	500,700	10,500(3)
	1999	180,956	295,000	10,000(3)
Mark F. Shires	2001	$173,333	$175,000	$10,500(3)
Vice President - Operations	2000	155,000	220,000	10,500(3)
	1999	160,792(4)	77,500	-

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(1) Until July 2001, Messrs. Armstrong, Pefanis and Kramer were employed and compensated by Plains Resources, which owned our former general partner. We reimbursed Plains Resources for the portion of their compensation allocable to us. See Item 13. "Certain Relationships and Related Transactions--Transactions with Affiliates". Salary amounts shown for the year 2001 reflect compensation paid by our general partner and reimbursed by us for the last six months of 2001.

(2) Executive officers have received equity-based awards from our general partner and former general partner and its affiliates. Other than awards under the general partner's Long-Term Incentive Plan, we do not fund these awards. Other than awards to non-employee directors, no awards have vested to date under our Long-Term Incentive Plan. For a description of awards granted to date under the Long-Term Incentive Plan as well as awards under other equity-based plans, see "--Long-Term Incentive Plan" and Item 13. "Certain Relationships and Related Transactions--Transactions with Affiliates".

(3) Prior to the General Partner Transition, Plains Resources matched 100% of employees' contribution to its 401(k) Plan (subject to certain limitations in the plan), with such matching contribution being made 50% in cash and 50% in Plains Resources Common Stock (the number of shares for the stock match being based on the market value of the Common Stock at the time the shares were granted). After the General Partner Transition, our general partner matches 100% of employees' contributions to its 401(k) Plan in cash, subject to certain limitations in the plan.

(4) Includes $51,000 for consulting fees we paid to Mr. Shires prior to his becoming an employee in April 1999.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

Prior to the consummation of the General Partner Transition, Messrs. Armstrong and Pefanis were employed pursuant to employment agreements with Plains Resources. Both now have employment agreements with our general partner. Mr. Armstrong is employed as Chairman and Chief Executive Officer. The primary term of Mr. Armstrong's employment agreement runs for three years from June 30, 2001. The term will be automatically extended by one year on each anniversary of the initial date (June 30, 2001) unless Mr. Armstrong receives notice from the Chairman of the Compensation Committee that the Board of Directors has elected not to extend the agreement. Mr. Armstrong has agreed, during the term of the agreement and for five years thereafter, not to disclose (subject to typical exceptions) any confidential information obtained by him while employed under the agreement. The agreement provides for a current base salary of $330,000 per year, subject to annual review. If Mr. Armstrong's employment is terminated without cause, he will be entitled to receive an amount equal to his annual base salary plus his highest annual bonus, multiplied by the lesser of (i) the number of years (including fractional years) remaining on the agreement and (ii) two. If Mr. Armstrong terminates his employment as a result of a change in control he will be entitled to receive an amount equal to three times the aggregate of his annual base salary and bonus. Under Mr. Armstrong's agreement, a "change of control" is defined to include (i) the acquisition by an entity or group (other than Plains Resources and its wholly owned subsidiaries) of 50% or more of our general partner or (ii) the existing owners of our general partner ceasing to own more than 50% of our general partner. If Mr. Armstrong's employment is terminated because of his death, a lump sum payment will be paid to his designee equal to his annual salary plus his highest annual bonus, multiplied by the lesser of (i) the number of years (including fractional years) remaining on the agreement and

(ii) two. Under the agreement, Mr. Armstrong will be reimbursed for any excise tax due as a result of compensation (parachute) payments.

Mr. Pefanis is employed as President and Chief Operating Officer. The primary term of Mr. Pefanis' employment agreement runs for three years from June 30, 2001. The term will be automatically extended by one year on each anniversary of the initial date (June 30, 2001) unless Mr. Pefanis receives notice from the Chairman of the Board of Directors that the Board has elected not to extend the agreement. Mr. Pefanis has agreed, during the term of the agreement and for one year thereafter, not to disclose (subject to typical exceptions) any confidential information obtained by him while employed under the agreement. The agreement provides for a current base salary of $235,000 per year, subject to annual review. The provisions in Mr. Pefanis' agreement with respect to termination, change in control and related payment obligations are substantially similar to the parallel provisions in Mr. Armstrong's agreement.

LONG-TERM INCENTIVE PLAN

Our general partner has adopted the Plains All American GP LLC 1998 Long-Term Incentive Plan for employees and directors of our general partner and its affiliates who perform services for us. The Long-Term Incentive Plan consists of two components, a restricted unit plan and a unit option plan. The Long-Term Incentive Plan currently permits the grant of restricted units and unit options covering an aggregate of 1,425,000 common units. The plan is administered by the Compensation Committee of our general partner's board of directors. Our general partner's board of directors in its discretion may terminate the Long-Term Incentive Plan at any time with respect to any common units for which a grant has not yet been made. Our general partner's board of directors also has the right to alter or amend the Long-Term Incentive Plan or any part of the plan from time to time, including increasing the number of common units with respect to which awards may be granted; provided, however, that no change in any outstanding grant may be made that would materially impair the rights of the participant without the consent of such participant.

Restricted Unit Plan. A restricted unit is a "phantom" unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit. As of March 15, 2002, aggregate outstanding grants of approximately 679,000 restricted units have been made to employees of our general partner. Grants made include 165,000 restricted units to executive officers as a group, including 60,000, 30,000 and 30,000 units to Messrs. Pefanis, Coiner and Shires, respectively. Additional grants of approximately 288,000 restricted units have been approved, with vesting in 25% increments if and when the quarterly distribution reaches $0.525, $0.575 and $0.625 ($2.10, $2.30 and $2.50 annualized), and the criteria for the remaining 25% yet to be determined. These grants include approximately 203,000 restricted units to executive officers, including 70,000, 10,000, 50,000, 37,500 and 20,000 units to Messrs. Armstrong, Pefanis, Kramer, Coiner and Shires. The Compensation Committee may, in the future, make additional grants under the plan to employees and directors containing such terms as the Compensation Committee shall determine. Restricted units granted to employees during the subordination period, although additional vesting criteria may sometimes apply, will vest only after, and in the same proportions as, the conversion of the subordinated units to common units. Grants made to non-employee directors of our general partner are eligible to vest prior to termination of the subordination period. In 2000, the three non-employee directors of our former general partner (Messrs. Goyanes, Sinnott and Smith) were each granted 5,000 restricted units. These units vested in connection with the consummation of the General Partner Transition. Additional grants of 5,000 restricted units will be made in 2002 to each non-employee director of our general partner. These units will vest in 25% increments on each anniversary of June 8, 2001. See "--Compensation of Directors".

If a grantee terminates employment or membership on the board for any reason, the grantee's restricted units will be automatically forfeited unless, and to the extent, the Compensation Committee provides otherwise. Common units to be delivered upon the vesting of rights may be common units acquired by our general partner in the open market or in private transactions, common units already owned by our general partner, or any combination of the foregoing. Our general partner will be entitled to reimbursement by us for the cost incurred in acquiring common units. In addition, we may issue up to 975,000 Common Units to satisfy delivery obligations under the grants, less any common units issued upon exercise of unit options under the plan (see below). If we issue new common units upon vesting of the restricted units, the total number of common units outstanding will increase. Whether we satisfy vested units with purchases or by new issuances, the vesting will result in a compensation expense charge to us. Following the subordination period, the Compensation Committee, in its discretion, may grant tandem distribution equivalent rights with respect to restricted units.

The subordination period (as defined in the partnership agreement) will end if certain financial tests are met for three consecutive four-quarter periods (the "testing period"), but no sooner than December 31, 2003. During the first quarter after the end of the subordination period, all of the subordinated units will convert into common units. Early conversion of a portion of the subordinated units may occur if the testing period is satisfied before December 31, 2003. We have determined that the first four-quarter period of the testing period was satisfied as of September 30, 2001. Although we cannot give assurance in that regard, if we continue to meet the requirements, 25% of the subordinated units will convert in the fourth quarter of 2003 and the remainder will convert in the first quarter of 2004. Our ability to continue to meet the requirements is subject to a number of economic and operational contingencies. See "Managements Discussion and Analysis--Risk Factors" and "--Forward Looking Statements".

The issuance of the common units pursuant to the restricted unit plan is primarily intended to serve as a means of incentive compensation for performance. Therefore, no consideration will be paid to us by the plan participants upon receipt of the common units.

Unit Option Plan. The Unit Option Plan currently permits the grant of options covering common units. No grants have been made under the Unit Option Plan to date. However, the Compensation Committee may, in the future, make grants under the plan to employees and directors containing such terms as the committee shall determine, provided that unit options have an exercise price equal to the fair market value of the units on the date of grant. Unit options granted during the subordination period will become exercisable automatically upon, and in the same proportions as, the conversion of the subordinated units to common units, unless a later vesting date is provided.

Upon exercise of a unit option, our general partner will deliver common units acquired by it in the open market or in private transactions or use common units already owned by our general partner, or any combination of the foregoing. In addition, we may issue up to 975,000 common units to satisfy delivery obligations under the grants, less any common units issued upon vesting of Restricted Units under the Plan. Our general partner will be entitled to reimbursement by us for the difference between the cost incurred by our general partner in acquiring such common units and the proceeds received by our general partner from an optionee at the time of exercise. Thus, the cost of the unit options will be borne by us. If we issue new common units upon exercise of the unit options, the total number of common units outstanding will increase, and our general partner will remit to us the proceeds received by it from the optioned upon exercise of the unit option.

OTHER EQUITY GRANTS

Certain other employees and officers have also received grants of equity not associated with the Long-Term Incentive Plan described above, and for which we have no cost or reimbursement obligations. See Item 13. "Certain Relationships and Related Transactions - Transactions with Affiliates".

COMPENSATION OF DIRECTORS

Each director of our general partner who is not an employee of our general partner is paid an annual retainer fee of $20,000, an attendance fee of $2,000 for each board meeting he attends (excluding telephonic meetings), an attendance fee of $500 for each committee meeting or telephonic board meeting he attends plus reimbursement for related out-of-pocket expenses. In 2001, Messrs. Goyanes and Smith each received $10,000 for their service on a special committee of the Board of Directors of our former general partner. Mr. Armstrong is otherwise compensated for his services as an employee and therefore receives no separate compensation for his services as a director. Each committee chairman (other than the Audit Committee) receives $2,000 annually. The chairman of the Audit Committee receives $12,000 annually, and the other members of the Audit Committee receives $4,000 annually.

In 2000, Messrs. Goyanes, Sinnott and Smith, as directors of our former general partner, received a grant of 5,000 restricted units each under our Long-Term Incentive Plan. The restricted units vested in 2001 in connection with the consummation of the General Partner Transition. Each non-employee director of our general partner will receive a grant of 5,000 restricted units in 2002. The units will vest in 25% increments annually on each anniversary of June 8, 2001.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

BENEFICIAL OWNERSHIP OF PARTNERSHIP UNITS

The following table sets forth the beneficial ownership of units held by beneficial owners of 5% or more of the units, by directors and Named Executive Officers of our general partner and by all directors and executive officers as a group as of March 15, 2002.

NAME OF BENEFICIAL OWNER	COMMON UNITS	PERCENTAGE OF COMMON UNITS	CLASS B COMMON UNITS	PERCENTAGE OF CLASS B UNITS	SUBORDINATED UNITS	PERCENTAGE OF SUBORDINATED UNITS	PERCENTAGE OF TOTAL UNITS
Plains Resources Inc. (1)	6,626,008	20.8%	1,307,190	100.0%	4,503,039(2)	44.90%	28.75%
Plains Holdings Inc. (1)	6,626,008	20.8%	1,307,190	100.0%	4,503,039(2)	44.90%	28.75%
Goldman, Sachs & Co.(3)	2,054,391	6.4%	-	-	-	-	4.70%
Sable Holdings, L.P. (4)	-	-	-	-	1,943,423	19.40%	4.49%
KAFU Holdings, L.P. (5)	-	-	-	-	1,595,322	15.90%	3.69%
E-Holdings III, L.P. (6)	-	-	-	-	874,540	8.70%	2.02%
Greg L. Armstrong	96,106(7)	(8)	-	-	28,593(9)	(8)	(8)
Harry N. Pefanis	73,975(7)	(8)	-	-	4,602(9)	(8)	(8)
George R. Coiner	44,026(7)	(8)	-	-	-	-	(8)
Phil Kramer	29,000(7)	(8)	-	-	9,742(9)	(8)	(8)
Mark F. Shires	-(7)	-	-	-	-	-	-
Everardo Goyanes	5,000	(8)	-	-	-	-	(8)
Gary R. Petersen(6)	3,000	(8)	-	-	-	-	(8)
John T. Raymond	-	-	-	-	97,171(10)	(8)	(8)
Robert V. Sinnott (5)	10,000	(8)	-	-	-	-	(8)
Arthur L. Smith	10,000	(8)	-	-	-	-	(8)
J. Taft Symonds	10,000	(8)	-	-	-	-	(8)
All directors and executive officers as a group (14 persons)	282,774(7)	(8)	-	-	143,981(9)	1.40%	(8)

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(1) Plains Resources Inc. is the sole stockholder of Plains Holdings Inc, our former general partner. The record holders of the Class B Common Units is Plains Holdings Inc. The record holder of the common units and subordinated units is Plains Holdings LLC, a wholly owned subsidiary of Plains Holdings Inc. The address of Plains Resources Inc., Plains Holdings Inc. and Plains Holdings LLC is 500 Dallas, Suite 700, Houston, Texas 77002.

(2) Includes subordinated units owned by Plains Resources, to be transferred to certain of our employees pursuant to phantom unit grant agreements, subject to certain vesting conditions. See Note (9) below.

(3) The address for Goldman, Sachs & Co. and its parent, the Goldman Sachs Group, Inc., is 85 Broad Street, New York, New York 10004. Goldman, Sachs & Co., a broker/dealer, and its parent, the Goldman Sachs Group, Inc., are deemed to have shared voting power and shared disposition power over 2,054,391 common units owned by their customers.

(4) Subordinated Units include 97,171 units contributed to Sable Holdings, L.P. by John T. Raymond in exchange for a limited partner interest. Mr. Raymond has the right to reacquire such units. Sable Holdings, L.P. is controlled by James M. Flores. Mr. Flores is the Chief Executive Officer of Plains Resources. The address for Sable Holdings, L.P. is 500 Dallas, Suite 700, Houston, Texas 77002.

(5) KAFU Holdings L.P. is an affiliate of Kayne Anderson Investment Management, Inc., of which Robert V. Sinnott is a Vice President. Mr. Sinnott disclaims any deemed beneficial ownership of units held by KAFU Holdings, L.P. Mr. Sinnott owns a 4.5% limited partner interest in KAFU Holdings, L.P. The address for KAFU Holdings, L.P. is 1800 Avenue of the Stars, 2nd Floor, Los Angeles, California 90067.

(6) E-Holdings III, L.P. is an affiliate of EnCap Investments L.L.C. of which Gary R. Petersen is a Managing Director. Mr. Petersen disclaims any deemed beneficial ownership of units owned by E-Holdings III, L.P.. The address for E-Holdings III, L.P. is 1100 Louisiana, Suite 3150, Houston, Texas 77002.

(7) Does not include units granted under the Long-Term Incentive Plan, none of which will vest within 60 days of the date hereof. See Item 11. "Executive Compensation--Long-Term Incentive Plan".

(8) Less than one percent.

(9) Includes the following unvested subordinated units, which will vest within 60 days, deliverable pursuant to phantom unit agreements to: Mr. Armstrong - 8,548; Mr. Pefanis - 4,602; Mr. Kramer - 9,742; and Mr. Moore - 3,873. See Item 13. "Certain Relationships and Related Transactions--Transactions with Affiliates--Stock Option Replacement".

(10) Units contributed to Sable Holdings, L.P. in exchange for an indirect limited partner interest. Mr. Raymond has the right to reacquire such units. See Note (4)above.

BENEFICIAL OWNERSHIP OF GENERAL PARTNER INTEREST

Plains AAP, L.P. owns all of our 2% general partner interest and all of our incentive distribution rights. The effective ownership of Plains AAP, L.P. (after giving effect to proportionate ownership of its 1% general partner, Plains All American GP LLC) is as follows: Plains Holdings Inc. - 44%; Sable Investments, L.P. - 20%; KAFU Holdings, L.P. - 16.418%;

E-Holdings III, L.P. -9%; PAA Management, L.P. - 4%; First Union Investors, Inc. - 3.382%; Mark E. Strome - 2.134%; Strome Hedgecap Fund, L.P. - 1.066%; and John T. Raymond - 1% (indirectly held through a limited partner interest in Sable Investments, L.P.).

PAA Management, L.P. is owned by certain members of senior management, including Messrs. Armstrong, Pefanis, Kramer, Coiner and Shires.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

OUR GENERAL PARTNER

Our operations and activities are managed by, and our officers and personnel are employed by, our general partner. Prior to the consummation of the General Partner Transition, some of the senior executives who managed our business also managed and operated the business of Plains Resources. The transition of employment of such executives to our general partner was effected on June 30, 2001. Our general partner does not receive any management fee or other compensation in connection with its management of our business, but it is reimbursed for all direct and indirect expenses incurred on our behalf.

Our general partner owns the 2% general partner interest and all of the incentive distribution rights. Our general partner is entitled to receive incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement. Under the quarterly incentive distribution provisions, generally our general partner is entitled to 15% of amounts we distribute in excess of $0.450 per unit, 25% of the amounts we distribute in excess of $0.495 per unit and 50% of amounts we distribute in excess of $0.675 per unit.

TRANSACTIONS WITH RELATED PARTIES

General

Before the General Partner Transition, Plains Resources indirectly owned and controlled our former general partner interest. In 2001, our former general partner and its affiliates incurred $31.2 million of direct and indirect expenses on our behalf, which we reimbursed. Of this amount, approximately $218,000, $655,000 and $127,000 represented allocated salary and bonus (for the year 2000) reimbursement for the services of Messrs. Armstrong, Pefanis and Kramer, respectively, as officers of our former general partner. In the year 2000, we reimbursed our former general partner $63.8 million, of which $165,000, $212,000 and $96,000 represented allocated salary and bonus (for the year 1999) for Messrs. Armstrong, Pefanis and Kramer. For 1999, the equivalent amounts were $44.7 million, $142,000, $212,000 and $104,000, respectively.

Plains Resources currently owns an effective 44% of our general partner interest. We have ongoing relationships with Plains Resources. These relationships include but are not limited to:

- a separation agreement entered into in connection with the General Partner Transition pursuant to which (i) Plains Resources has indemnified us for (a) claims relating to securities laws or regulations in connection with the upstream or midstream businesses, based on alleged acts or omissions occurring on or prior to June 8, 2001, or (b) claims related to the upstream business, whenever arising, and (ii) we have indemnified Plains Resources for claims related to the midstream business, whenever arising. Plains Resources also has agreed to indemnify and maintain liability insurance for the individuals who were, on or before June 8, 2001, directors or officers of Plains Resources or our former general partner.

- a Pension and Employee Benefits Assumption and Transition Services Agreement that provided for the transfer to our general partner of the employees of our former general partner and certain headquarter employees of Plains Resources.

- an Omnibus Agreement that provides for the resolution of certain conflicts arising from the fact that we and Plains Resources conduct related businesses;

- a Marketing Agreement with Plains Resources that provides for the marketing of Plains Resources' equity crude oil production. Under the Marketing Agreement, we purchase for resale at market prices all of Plains Resources equity production for a fee of $0.20 per barrel. The Marketing Agreement will terminate upon a "change of control" of Plains resources or our general partner. In November 2001, the Marketing Agreement automatically extended for an additional three-year period. The fee is subject to adjustment every three years based on then-existing market conditions. For the year ended December 31, 2001, Plains Resources produced approximately 24,500 barrels per day that were subject to the Marketing Agreement. We paid approximately $223 million for such production and recognized gross margin of approximately $1.8 million under the terms of that agreement. In our opinion, these purchases were made at prevailing market prices. In November 2001, the agreement automatically extended for an additional three-year period; and

- a Letter Agreement with Plains Resources that provides that if the Marketing Agreement terminates before our crude oil sales agreement with Tosco Refining Co. terminates, we will continue to purchase Plains Resources' equity crude oil production from the Arroyo Grande field under the same terms as the Marketing Agreement until our Tosco sales agreement terminates.

Transaction Grant Agreements

In connection with our initial public offering, our former general partner, at no cost to us, agreed to transfer, subject to vesting, approximately 400,000 of its affiliates' common units (including distribution equivalent rights attributable to such units) to certain key officers and employees of our former general partner and its affiliates. Of this amount, 75,000 common units were allocated to each of Messrs. Armstrong and Pefanis, 50,000 common units were allocated to Mr. Coiner and 30,000 were allocated to Mr. Kramer. Under these grants, the common units vested based on attaining a targeted operating surplus for a given year. Of the 400,000 units subject to the transaction grant agreements, 69,444 units vested in 2000 for 1999's operating results and 133,336 units vested in 2001 for 2000's operating results. The remainder (197,200 units) vested in connection with the consummation of the General Partner Transition. Distribution equivalent rights were paid in cash at the time of the vesting of the associated common units. The values of the units and associated distribution equivalent rights that vested under the Transaction Grant Agreements for all grantees in 2001, 2000 and 1999 were $5.7 million, $3.1 million and $1.0 million, respectively. Although we recorded noncash compensation expenses with respect to these vestings, the compensation expense incurred in connection with these grants was funded by our former general partner, without reimbursement by us.

Long-Term Incentive Plan

Our general partner has adopted the Plains All American LLC 1998 Long-Term Incentive Plan for employees and directors of our general partner and its affiliates who perform services for us. The Long-Term Incentive Plan consists of two components, a restricted unit plan and a unit option plan. The Long-Term Incentive Plan currently permits the grant of restricted units and unit options covering an aggregate of 1,425,000 common units. The plan is administered by the Compensation Committee of our general partner's board of directors.

A restricted unit is a "phantom" unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit. As of March 15, 2002, aggregate outstanding grants of approximately 679,000 restricted units have been made to employees of our general partner. Grants made include 165,000 restricted units to executive officers as a group, including 60,000, 30,000 and 30,000 units to Messrs. Pefanis, Coiner and Shires, respectively. Additional grants of approximately 288,000 restricted units have been approved, with vesting in 25% increments when the quarterly distribution reaches $0.525, $0.575 and $0.625 ($2.10, $2.30 and $2.50 annualized), and the criteria for the remaining 25% yet to be determined. These grants include approximately 203,000 restricted units to executive officers, including 70,000, 10,000, 50,000, 37,500 and 20,000 units to Messrs. Armstrong, Pefanis, Kramer, Coiner and Shires.

In 2000, the three non-employee directors of our former general partner (Messrs. Goyanes, Sinnott and Smith) were each granted 5,000 restricted units. These units vested in connection with the consummation of the General Partner Transition. Additional grants of 5,000 restricted units will be made in 2002 to each non-employee director of our general partner. These units will vest in 25% increments on each anniversary of June 8, 2001. See "Executive Compensation--Compensation of Directors".

Performance Option Plan

In connection with the General Partner Transition, the owners of the general partner (other than PAA Management, L.P.) contributed an aggregate of 450,000 subordinated units to the general partner to provide a pool of units available for the grant of options to management and key employees. In that regard, the general partner adopted the Plains All American 2001 Performance Option Plan, pursuant to which options to purchase approximately 332,500 units have been granted. Of this amount, 75,000, 55,000, 45,000, 42,500 and 20,000 were granted to Messrs. Armstrong, Pefanis, Kramer, Coiner and Shires, respectively. Such options vest in 25% increments based upon achieving quarterly distribution levels on our units of $0.525, $0.575, $0.625 and $0.675 ($2.10, $2.30, $2.50 and $2.70, annualized). The options will vest immediately upon a change in control (as defined in the grant agreements). The purchase price under the options is $22 per subordinated unit, declining over time in an amount equal to 80% of each quarterly distribution per unit. The terms of future grants may differ from the existing grants. Because the subordinated units underlying the plan were contributed to the general partner, we will have no obligation to reimburse the general partner for the cost of the units upon exercise of the options.

Stock Option Replacement

In connection with the General Partner Transition, certain members of the management team that had been employed by Plains Resources were transferred to the general partner. At that time, such individuals held in-the-money but unvested stock options in Plains Resources, which were subject to forfeiture because of the transfer of employment. Plains Resources, through its affiliates, agreed to substitute a contingent grant of subordinated units with a value equal to the discounted present value of the spread on the unvested options. Approximately 51,000 subordinated units are subject to such grants, with 34,511 granted to executive officers, including 8,548, 4,602 and 9,742 to Messrs. Armstrong, Pefanis and Kramer. The subordinated units vest on the same schedule as the stock options would have vested. The units granted to Messrs. Armstrong, Pefanis and

Kramer will vest in March and April of 2002. The general partner will administer the vesting and delivery of the units under the grants. Because the units necessary to satisfy the delivery requirements under the grants will be provided by Plains Resources, we will have no obligation to reimburse the general partner for the cost of such units.

Tank Car lease and CANPET

In connection with the CANPET asset acquisition, Plains Marketing Canada, L.P. assumed CANPET's rights and obligations under a Master Railcar Leasing Agreement between CANPET and Pivotal Enterprises Corporation ("Pivotal"). The agreement provides for Plains Marketing Canada, L.P. to lease approximately 57 railcars from Pivotal at a lease price of $1,000 per month, per car. The lease extends until June of 2008, with an option for Pivotal to extend the term of the lease for an additional five years. Pivotal is substantially owned by former employees of CANPET, including W. David Duckett, who is the Executive Vice President of PMC (Nova Scotia) Company, the general partner of Plains Marketing Canada, L.P. Mr. Duckett owns a 22% interest in Pivotal. Mr. Duckett, as an owner of CANPET, will also receive a portion of the proceeds from any contingent payment of purchase price for the CANPET assets. See Items 1 and 2. "Business and Properties--Acquisitions and Dispositions--CANPET Energy Group, Inc."

OTHER

Goldman, Sachs & Co., which owns approximately 6% of our common units, was the sole underwriter of our May 2001 offering of units. The total underwriting commissions paid in connection with this offering were approximately $4.4 million.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(A) (1) AND (2) FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

See "Index to Consolidated Financial Statements" set forth on Page F-1.

(A) (3) EXHIBITS

3.1 -- Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. dated as of June 27, 2001 (incorporated by reference to Exhibit 3.1 to Form 8-K filed August 27, 2001.

3.2 -- Second Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P. dated as of June 27, 2001 (incorporated by reference to Exhibit 3.2 to Form 8-K filed August 27, 2001.

3.3 -- Second Amended and Restated Agreement of Limited Partnership of All American Pipeline, L.P. dated as of June 27, 2001 (incorporated by reference to Exhibit 3.3 Form 8-K filed August 27, 2001.

3.4 -- Certificate of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.4 to Registration Statement, file No. 333-64107).

3.5 -- Certificate of Limited Partnership of Plains Marketing, L.P. dated as of November 10, 1998 (incorporated by reference to Exhibit 3.5 to Annual Report on Form 10-K for the Year Ended December 31, 1998).

3.6 -- Articles of Conversion of All American Pipeline Company dated as of November 10, 1998 (incorporated by reference to Exhibit 3.5 to Annual Report on Form 10-K for the Year Ended December 31, 1998).

3.7 -- Amended and Restated Limited Partnership Agreement of Plains AAP, L.P., dated as of June 8, 2001 (incorporated by reference to Exhibit 3.1 to Form 8-K filed June 11, 2001).

3.8 -- Amended and Restated Limited Liability Company Agreement of Plains All American GP, LLC dated as of June 8, 2001 (incorporated by reference to Exhibit 3.2 to Form 8-K filed June 11, 2001).

4.1 -- Registration Rights Agreement, dated as of June 8, 2001, among Plains All American Pipeline, L.P., Sable Holdings, L.P., E-Holdings III, L.P., KAFU Holdings, LP, PAA Management, L.P., Mark E. Strome, Strome Hedgecap Fund, L.P., John T. Raymond and Plains All American Inc. (incorporated by reference to Exhibit 4.1 to Form 8-K filed June 11, 2001).

10.01 -- Contribution, Assignment and Amendment Agreement, dated as of June 27, 2001, among Plains All American Pipeline, L.P., Plains Marketing, L.P., All American Pipeline, L.P., Plains AAP, L.P., Plains All American GP LLC and Plains Marketing GP Inc. (incorporated by reference to Exhibit 10.1 to Form 8-K filed June 27, 2001).

10.02 -- Contribution, Assignment and Amendment Agreement, dated as of June 8, 2001, among Plains All American Inc., Plains AAP, L.P. and Plains All American GP LLC (incorporated by reference to Exhibit 10.1 to Form 8-K filed June 11, 2001).

10.03 -- Separation Agreement, dated as of June 8, 2001 among Plains Resources Inc., Plains All American Inc., Plains All American GP LLC, Plains AAP, L.P. and Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 10.2 to Form 8-K filed June 11, 2001.

10.04 -- Pension and Employee Benefits Assumption and Transition Agreement, dated as of June 8, 2001 among Plains Resources Inc., Plains All American Inc. and Plains All American GP LLC (incorporated by reference to Exhibit 10.3 to Form 8-K filed June 11, 2001).

**10.05 -- Plains All American GP LLC 1998 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to Registration Statement on Form S-8, File No. 333-74920).

**10.06 -- Plains All American 2001 Performance Option Plan (incorporated by reference to Exhibit 99.2 to Registration Statement on Form S-8, File No. 333-74920).

**10.07 -- Phantom MLP Unit Agreement for Greg L. Armstrong (incorporated by reference to Exhibit 99.3 to Registration Statement on Form S-8, File No. 333-74920).

**10.08 -- Phantom MLP Unit Agreement for Phillip D. Kramer (incorporated by reference to Exhibit 99.5 to Registration Statement on Form S-8, File No. 333-74920).

**10.09 -- Phantom MLP Unit Agreement for Tim Moore (incorporated by reference to Exhibit 99.6 to Registration Statement on Form S-8, File No. 333-74920).

**10.10 -- Phantom MLP Unit Agreement for Harry N. Pefanis (incorporated by reference to Exhibit 99.7 to Registration Statement on Form S-8, File No. 333-74920).

**10.11 -- Plains All American Inc., 1998 Management Incentive Plan (incorporated by reference to Exhibit 10.05 to Annual Report on Form 10-K for the Year Ended December 31, 1998).

**10.12 -- Amended and Restated Employment Agreement between Plains All American GP LLC and Greg L. Armstrong dated as of June 30, 2001 (incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2001).

**10.13 -- Amended and Restated Employment Agreement between Plains All American GP LLC and Harry N. Pefanis dated as of June 30, 2001 (incorporated by reference to Exhibit 10.4 to Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2001).

10.14 -- Asset Purchase and Sale Agreement between Murphy Oil Company Ltd. and Plains Marketing Canada, L.P. (incorporated by reference to Form 8-K filed May 10, 2001.

*10.15 -- Asset Purchase Agreement dated April 9, 2001 between Plains Marketing L.P., Plains Marketing Canada, L.P., and CANPET Energy Group Inc. and CANPET Energy Group (USA), Inc.

*10.16 -- Master Railcar Leasing Agreement dated as of May 25, 1998 (effective June 1, 1998), between Pivotal Enterprises Corporation and CANPET Energy Group, Inc.

10.17 -- Crude Oil Marketing Agreement among Plains Resources Inc., Plains Illinois Inc., Stocker Resources, L.P., Calumet Florida, Inc. and Plains Marketing, L.P. dated as of November 23, 1998 (incorporated by reference to Exhibit 10.07 to Annual Report on Form 10-K for the Year Ended December 31, 1998).

10.18 -- Omnibus Agreement among Plains Resources Inc., Plains All American Pipeline, L.P., Plains Marketing, L.P., All American Pipeline, L.P., and Plains All American Inc. dated as of November 23, 1998 (incorporated by reference to Exhibit 10.08 to Annual Report on Form 10-K for the Year Ended December 31, 1998).

10.19 -- Transportation Agreement dated July 30, 1993, between All American Pipeline Company and Exxon Company, U.S.A. (incorporated by reference to Exhibit 10.9 to Registration Statement, file No. 333-64107).

10.20 -- Transportation Agreement dated August 2, 1993, between All American Pipeline Company and Texaco Trading and Transportation Inc., Chevron U.S.A. and Sun Operating Limited Partnership (incorporated by reference to Exhibit 10.10 to Registration Statement, File No. 333-64107).

**10.21 -- Form of Transaction Grant Agreement (Payment on Vesting) (incorporated by reference to Exhibit 10.12 to Registration Statement, file No. 333-64107).

10.22 -- First Amendment to Contribution, Conveyance and Assumption Agreement dated as of December 15, 1998 (incorporated by reference to Exhibit 10.13 to Annual Report on Form 10-K for the Year Ended December 31, 1998).

10.23 -- Agreement for Purchase and Sale of Membership Interest in Scurlock Permian LLC between Marathon Ashland LLC and Plains Marketing, L.P. dated as of March 17, 1999 (incorporated by reference to Exhibit 10.16 to Annual Report on Form 10-K for the Year Ended December 31, 1998).

10.24 -- Asset Sales Agreement between Chevron Pipe Line Company and Plains Marketing, L.P. dated as of April 16, 1999 (incorporated by reference to Exhibit 10.17 to Quarterly Report on Form 10-Q for the Quarter Ended March 31, 1999).

**10.25 -- Transaction Grant Agreement with Greg L. Armstrong (incorporated by reference to Exhibit 10.20 to Registration Statement on Form S-1, File no. 333-86907)

**10.26 -- Phantom Unit Grant Agreement for Phillip D. Kramer (incorporated by reference to Exhibit 99.1 to Registration Statement on Form S-8, File No. 333-54118).

10.27 -- Pipeline Sale and Purchase Agreement dated January 31, 2000, among Plains All American Pipeline, L.P., All American Pipeline, L.P., El Paso Natural Gas Company and El Paso Pipeline Company (incorporated by reference to Exhibit 10.27 to Annual Report on Form 10-K for the Year Ended December 31, 1999).

10.28 -- Amended and Restated Credit Agreement [Letter of Credit and Hedged Inventory Facility] dated May 4, 2001, among Plains Marketing, L.P, All American Pipeline, L.P., Plains All American Pipeline, L.P., and Fleet National Bank and certain other lenders (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2001).

10.29 -- Amended and Restated Credit Agreement [Revolving Credit Facility] dated May 4, 2001, among Plains Marketing, L.P, All American Pipeline, L.P., Plains All American Pipeline, L.P., and Fleet national Bank and certain other lenders (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2001).

10.30 -- First Amendment to Credit Agreement [Revolving Credit Facility] dated as of May 25, 2001 among Plains Marketing, L.P, All American Pipeline, L.P., Plains All American Pipeline, L.P., and Fleet National Bank and certain other lenders (incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2001).

10.31 -- First Amendment to Credit Agreement [Letter of Credit and Hedged Inventory Facility] dated as of May 25, 2001, among Plains Marketing, L.P, All American Pipeline, L.P., Plains All American Pipeline, L.P., and Fleet National Bank and certain other lenders (incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2001).

10.32 -- Second Amendment to Credit Agreement [Letter of Credit and Hedged Inventory Facility] dated as of June 26, 2001, among Plains Marketing, L.P, All American Pipeline, L.P., Plains All American Pipeline, L.P., and Fleet National Bank and certain other lenders (incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2001).

10.33 -- Second Amendment to Credit Agreement [Revolving Credit Facility] dated as of June 26, 2001 among Plains Marketing, L.P, All American Pipeline, L.P., Plains All American Pipeline, L.P., and Fleet National Bank and certain other lenders (incorporated by reference to Exhibit 10.9 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2001).

10.34 -- Third Amendment to Credit Agreement [Letter of Credit and Hedged Inventory Facility] dated as of September 26, 2001, among Plains Marketing, L.P, All American Pipeline, L.P., Plains All American Pipeline, L.P., and Fleet National Bank and certain other lenders (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2001).

10.35 -- Third Amendment to Credit Agreement [Revolving Credit Facility] dated as of September 26, 2001 among Plains Marketing, L.P, All American Pipeline, L.P., Plains All American Pipeline, L.P., and Fleet National Bank and certain other lenders (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2001).

*10.36 -- Fourth Amendment to Credit Agreement [Letter of Credit and Hedged Inventory Facility] dated October 29, 2001, among Plains Marketing, L.P, All American Pipeline, L.P., Plains All American Pipeline, L.P., and Fleet National Bank and certain other lenders.

*10.37 -- Fourth Amendment to Credit Agreement [Revolving Credit Facility] dated October 29, 2001 among Plains Marketing, L.P, All American Pipeline, L.P., Plains All American Pipeline, L.P., and Fleet National Bank and certain other lenders.

*10.38 -- Fifth Amendment to Credit Agreement [Letter of Credit and Hedged Inventory Facility] dated January 31, 2001, among Plains Marketing, L.P, All American Pipeline, L.P., Plains All American Pipeline, L.P., and Fleet National Bank and certain other lenders.

*10.39 -- Fifth Amendment to Credit Agreement [Revolving Credit Facility] dated as January 31, 2001 among Plains Marketing, L.P, All American Pipeline, L.P., Plains All American Pipeline, L.P., and Fleet National Bank and certain other lenders.

*21.1 -- Subsidiaries of the Registrant.

*23.1 -- Consent of PricewaterhouseCoopers LLP.

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* Filed herewith

** Management contract or compensatory plan or arrangement

(B) REPORTS ON FORM 8-K

A current report on Form 8-K was filed on October 26, 2001 in connection with the execution of an underwriting agreement with Salomon Smith Barney Inc., in connection with the sale by the Partnership of 4,500,000 common units of the Partnership.

A current report on Form 8-K/A was filed on October 25, 2001 amending the Partnership's Form 8-K dated June 22, 2001 in connection with the pro forma financial statements for the Partnership.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PLAINS ALL AMERICAN PIPELINE, L.P.

By: PLAINS AAP, L.P.,
general partner

By: PLAINS ALL AMERICAN GP LLC,
general partner

Date: March 20, 2002	By:	/s/ Phillip D. Kramer --------------------- Phillip D. Kramer, Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 20, 2002	By:	/s/ Greg L. Armstrong ---------------------------- Greg L. Armstrong, Chairman of the Board Chief Executive Officer and Director of Plains All American GP LLC (Principal Executive Officer)
Date: March 20, 2002	By:	/s/ Harry N. Pefanis -------------------------- Harry N. Pefanis, President and Chief Operating Officer of Plains All American GP LLC
Date: March 20, 2002	By:	/s/ Phillip D. Kramer -------------------------- Phillip D. Kramer, Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) of Plains All American GP LLC
Date: March 20, 2002	By:	/s/ Everardo Goyanes ------------------------- Everardo Goyanes, Director of Plains All American GP LLC
Date: March 20, 2002	By:	/s/ Gary R. Petersen ------------------------- Gary R. Petersen, Director of Plains All American GP LLC
Date: March 20, 2002	By:	/s/ John T. Raymond ------------------------ John T. Raymond, Director of Plains All American GP LLC
Date: March 20, 2002	By:	/s/ Robert V. Sinnott -------------------------- Robert V. Sinnott, Director of Plains All American GP LLC
Date: March 20, 2002	By:	/s/ Arthur L. Smith ------------------------ Arthur L. Smith, Director of Plains All American GP LLC
Date: March 20, 2002	By:	/s/ J. Taft Symonds ------------------------ J. Taft Symonds, Director of Plains All American GP LLC

PLAINS ALL AMERICAN PIPELINE, L.P.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Statements

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of the General Partner and the Unitholders of Plains All American Pipeline, L.P.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in partners' capital and of cash flows present fairly, in all material respects, the financial position of Plains All American Pipeline, L.P. and its subsidiaries (the "Partnership") at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Partnership's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Partnership changed its method of accounting for derivatives and hedging activities effective January 1, 2001.

PricewaterhouseCoopers LLP

Houston, Texas
March 6, 2002

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)

	December 31, 2001	December 31, 2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,511	$ 3,426
Accounts receivable and other	365,697	347,698
Inventory	188,874	46,780
Total current assets	558,082	397,904
PROPERTY AND EQUIPMENT	653,050	467,619
Less allowance for depreciation and amortization	(48,131)	(26,974)
	604,919	440,645
OTHER ASSETS		
Pipeline linefill	57,367	34,312
Other, net	40,883	12,940
	$ 1,261,251	$ 885,801
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	$ 386,993	$ 328,542
Due to related party	13,685	20,951
Short-term debt and current portion of long-term debt	104,482	1,300
Total current liabilities	505,160	350,793
LONG-TERM LIABILITIES		
Bank debt	351,677	320,000
Other long-term liabilities and deferred credits	1,617	1,009
Total liabilities	858,454	671,802
COMMITMENTS AND CONTINGENCIES (Note 14)		
PARTNERS' CAPITAL		
Common unitholders (31,915,939 and 23,049,239 units outstanding at December 31, 2001 and 2000, respectively)	408,562	217,073
Class B Common unitholders (1,307,190 units outstanding at each date)	19,534	21,042
Subordinated unitholders (10,029,619 units outstanding at each date)	(38,891)	(27,316)
General partner	13,592	3,200
	402,797	213,999
	$ 1,261,251	$ 885,801

See notes to consolidated financial statements.

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

	Year Ended December 31, 2001	2000	1999
REVENUES	$ 6,868,215	$ 6,641,187	$ 10,910,423
COST OF SALES AND OPERATIONS	6,720,970	6,506,504	10,800,109
UNAUTHORIZED TRADING LOSSES AND RELATED EXPENSES (Note 3)	-	6,963	166,440
INVENTORY VALUATION ADJUSTMENT (Note 2)	4,984	-	-
Gross Margin	142,261	127,720	(56,126)
EXPENSES			
General and administrative	46,586	40,821	23,211
Depreciation and amortization	24,307	24,523	17,344
Restructuring expense	-	-	1,410
Total expenses	70,893	65,344	41,965
OPERATING INCOME (LOSS)	71,368	62,376	(98,091)
Interest expense	(29,082)	(28,691)	(21,139)
Gain on sale of assets (Note 5)	984	48,188	16,457
Interest and other income (expense)	401	10,776	958
Income (loss) before extraordinary item and cumulative effect of accounting change	43,671	92,649	(101,815)
Extraordinary item (Note 10)	-	(15,147)	(1,545)
Cumulative effect of accounting change (Note 9)	508	-	-
NET INCOME (LOSS)	$ 44,179	$ 77,502	$ (103,360)
NET INCOME (LOSS) - LIMITED PARTNERS	$ 42,239	$ 75,754	$ (101,517)
NET INCOME (LOSS) - GENERAL PARTNER	$ 1,940	$ 1,748	$ (1,843)
BASIC AND DILUTED NET INCOME (LOSS) PER LIMITED PARTNER UNIT			
Income (loss) before extraordinary item and cumulative effect of accounting change	$ 1.12	$ 2.64	$ (3.16)
Extraordinary item	-	(0.44)	(0.05)
Cumulative effect of accounting change	0.01	-	-
Net income (loss)	$ 1.13	$ 2.20	$ (3.21)
WEIGHTED AVERAGE UNITS OUTSTANDING	37,528	34,386	31,633

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 44,179	$ 77,502	$ (103,360)
Items not affecting cash flows from operating activities:			
Depreciation and amortization	24,307	24,523	17,344
(Gain) loss on sale of assets (Note 5)	(984)	(48,188)	(16,457)
Cumulative effect of accounting change	(508)	-	-
Noncash compensation expense	5,741	3,089	1,013
Allowance for doubtful accounts	3,000	5,000	-
Inventory valuation adjustment	4,984	-	-
Other non cash items	(207)	4,574	1,047
Change in assets and liabilities, net of acquisition:			
Accounts receivable and other	(18,856)	120,497	(224,181)
Inventory	(117,878)	(11,954)	34,772
Accounts payable and other current liabilities	46,671	(161,543)	164,783
Pipeline linefill	(13,736)	(16,679)	(3)
Other long-term liabilities and deferred credits	600	(8,591)	18,873
Due (to) from related party	(7,266)	(21,741)	34,924
Net cash provided by (used in) operating activities	(29,953)	(33,511)	(71,245)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions (Note 4)	(229,162)	-	(176,918)
Additions to property and equipment	(21,069)	(12,603)	(12,801)
Disposals of property and equipment and other (Note 5)	740	223,604	3,626
Net cash provided by (used in) investing activities	(249,491)	211,001	(186,093)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of units (Note 7)	227,549	-	76,450
Costs incurred in connection with financing arrangements	(6,351)	(6,748)	(17,243)
Subordinated notes - general partner	-	(114,000)	114,000
Proceeds from long-term debt	1,837,750	1,433,750	403,721
Proceeds from short-term debt	492,005	51,300	131,119
Principal payments of long-term debt	(1,803,073)	(1,423,850)	(268,621)
Principal payments of short-term debt	(392,422)	(108,719)	(82,150)
Distributions to unitholders	(75,929)	(59,565)	(51,673)
Net cash provided by (used in) financing activities	279,529	(227,832)	305,603
Net increase (decrease) in cash and cash equivalents	85	(50,342)	48,265
Cash and cash equivalents, beginning of period	3,426	53,768	5,503
Cash and cash equivalents, end of period	$ 3,511	$ 3,426	$ 53,768

See notes to consolidated financial statements.

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' CAPITAL
(in thousands)

	Common Units		Class B Common Units		Subordinated Units		General Partner	Total Partners' Capital
	Units	Amount	Units	Amount	Units	Amount	Amount	Amount
Balance at December 31, 1998	20,059	$253,568	-	$ -	10,030	$ 15,995	$ 980	$ 270,543
Issuance of Class B Common Units	-	-	1,307	25,000	-	-	252	25,252
Noncash compensation expense	-	-	-	-	-	-	1,013	1,013
Issuance of units to public	2,990	50,654	-	-	-	-	544	51,198
Net loss	-	(62,598)	-	(3,218)	-	(35,701)	(1,843)	(103,360)
Distributions	-	(33,265)	-	(1,234)	-	(15,915)	(1,259)	(51,673)
Balance at December 31, 1999	23,049	208,359	1,307	20,548	10,030	(35,621)	(313)	192,973
Noncash compensation expense	-	-	-	-	-	-	3,089	3,089
Net income	-	50,780	-	2,878	-	22,096	1,748	77,502
Distributions	-	(42,066)	-	(2,384)	-	(13,791)	(1,324)	(59,565)
Balance at December 31, 2000	23,049	217,073	1,307	21,042	10,030	(27,316)	3,200	213,999
Issuance of units	8,867	222,032	-	-	-	-	5,517	227,549
Noncash compensation expense	-	-	-	-	-	-	5,741	5,741
Net income	-	29,436	-	1,476	-	11,327	1,940	44,179
Distributions	-	(51,271)	-	(2,549)	-	(19,558)	(2,551)	(75,929)
Other comprehensive income	-	(8,708)	-	(435)	-	(3,344)	(255)	(12,742)
Balance at December 31, 2001	31,916	$ 408,562	1,307	$ 19,534	10,030	$ (38,891)	$ 13,592	$ 402,797

See notes to consolidated financial statements.

Note 1 -- Organization and Basis of Presentation

Organization

We are a publicly traded Delaware limited partnership engaged in interstate and intrastate marketing, transportation and terminalling of crude oil and liquefied petroleum gas (LPG). We were formed in September 1998 to acquire and operate the midstream crude oil business and assets of Plains Resources Inc. and its wholly owned affiliates ("Plains Resources") as a separate, publicly traded master limited partnership.

We completed our initial public offering (IPO) in November 1998, issuing 13.1 million common units at $20.00 per unit and received net proceeds of $244.7 million. Concurrently with the offering, Plains Resources sold certain assets to us and contributed other assets in exchange for cash, common and subordinated units, an aggregate 2% general partner interest, the right to receive incentive distributions as defined in the partnership agreement and the assumption of related indebtedness. Immediately after our initial public offering, Plains Resources owned 100% of our general partner interest and an overall effective ownership in the Partnership of 57% (including the 2% general partner interest and common and subordinated units owned by it).

In May 2001, senior management of our general partner and a group of financial investors entered into a transaction with Plains Resources to acquire control of the general partner interest and a majority of the outstanding subordinated units. The transaction closed in June 2001, and for purposes of this report is referred to as the "General Partner Transition." As a result of this transaction, Plains Resources' ownership in the general partner was reduced from 100% to 44%. Additionally, as a result of this transaction and various equity offerings conducted since the IPO, Plains Resources' overall effective ownership has been reduced to approximately 29%.

The general partner interest is now held by Plains AAP, L.P., a Delaware limited partnership. Plains All American GP LLC, a Delaware limited liability company, is Plains AAP, L.P.'s general partner. Our operations and activities are managed by, and our officers and personnel are employed by, Plains All American GP LLC. Unless the context otherwise requires, we use the term "general partner" to refer to both Plains AAP, L.P. and Plains All American GP LLC. We use the phrase "former general partner" to refer to the subsidiary of Plains Resources that formerly held the general partner interest.

We conduct our operations through our wholly owned operating limited partnerships Plains Marketing, L.P., All American Pipeline, L.P., and Plains Marketing Canada, L.P. Our operations are concentrated in Texas, Oklahoma, California, Louisiana and the Canadian provinces of Alberta, Saskatchewan and Manitoba.

Basis of Consolidation and Presentation

The accompanying financial statements and related notes present our consolidated financial position as of December 31, 2001 and 2000, and the results of our operations, cash flows and changes in partners' capital for the years ended December 31, 2001, 2000 and 1999. All significant intercompany transactions have been eliminated. Certain reclassifications were made to prior period amounts to conform with the current period presentation.

Note 2 -- Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates we make include (1) estimated useful lives of assets, which impacts depreciation and amortization, (2) allowance for doubtful accounts receivable, (3) accruals related to revenues and expenses and (4) liability and contingency accruals. Although we believe these estimates are reasonable, actual results could differ from these estimates.

Revenue Recognition

Gathering and marketing revenues are accrued at the time title to the product sold transfers to the purchaser, which occurs upon receipt of the product by the purchaser. Terminalling and storage revenues are recognized at the time service is performed. Revenues for the transportation of crude oil are recognized either at the point of delivery or at the point of receipt pursuant to regulated and non-regulated tariffs.

Cost of Sales and Operations

Cost of sales and operations consists of the cost of crude oil, transportation and storage fees, field and pipeline operating expenses and letter of credit expenses. Field and pipeline operating expenses consist primarily of fuel and power costs, telecommunications, labor costs for truck drivers and pipeline field personnel, maintenance, utilities, insurance and property taxes.

Cash and Cash Equivalents

Cash and cash equivalents consist of all demand deposits and funds invested in highly liquid instruments with original maturities of three months or less and at times may exceed federally insured limits. We periodically assess the financial condition of the institutions where these funds are held and believe that any possible credit risk is minimal.

Accounts Receivable

Our accounts receivable are primarily from purchasers and shippers of crude oil. The majority of our accounts receivable relate to our gathering and marketing activities that can generally be described as high volume and low margin activities, in many cases involving complex exchanges of crude oil volumes. We make a determination of the amount, if any, of the line of credit to be extended to any given customer and the form and amount of financial performance assurances we require. Such financial assurances are commonly provided in the form of standby letters of credit.

We routinely review our receivable balances to identify past due amounts and analyze the reasons such amounts have not been collected. In many instances, such delays involve billing delays and discrepancies or disputes as to the appropriate price, volumes or quality of crude oil delivered or exchanged. We also attempt to monitor changes in the creditworthiness of our customers as a result of developments related to each customer, the industry as a whole and the general economy. At December 31, 2001, approximately 93% of accounts receivable were less than 60 days past scheduled invoice date. At December 31, 2001, our allowance for doubtful accounts receivable totaled $3.0 million for receivables included in current assets and $5.0 million for receivables classified as long-term, representing 11% and 33%, respectively, of all balances greater than 60 days past scheduled invoice date. There was no allowance for doubtful accounts at December 31, 1999. We consider these reserves adequate. Amounts due from affiliated entities at December 31, 2001, totaled less than $0.6 million and represented amounts due under current contracts in the ordinary course of business or billings for reimbursing expenses that were collected subsequent to year end. None of the accounts receivables are related to any equity investments in the Partnership.

Inventory

Inventory consists of liquefied petroleum gas and crude oil in pipelines, storage tanks and rail cars which is valued at the lower of cost or market, with cost determined using an average cost method. In the fourth quarter of 2001, the Partnership recorded a $5.0 million noncash writedown of operating crude oil inventory to reflect prices at December 31, 2001. During 2001, the price of crude oil traded on the NYMEX averaged $25.98 per barrel. At December 31, 2001, the NYMEX crude oil price was approximately 24% lower, or $19.84 per barrel.

Property and Equipment and Pipeline Linefill

Property and equipment is stated at cost and consists of (in thousands):

	December 31,	
	2001	2000
Crude oil pipelines	$ 470,671	$ 359,826
Crude oil pipeline facilities	87,446	39,358
Crude oil storage and terminal facilities	62,974	45,989
Trucking equipment, injection stations and other	25,599	19,435
Office property and equipment	6,360	3,011
	653,050	467,619
Less accumulated depreciation and amortization	(48,131)	(26,974)
	$ 604,919	$ 440,645

Depreciation is computed using the straight-line method over estimated useful lives as follows:

- crude oil pipelines - 30 years;
- crude oil pipeline facilities - 30 years;
- crude oil storage and terminal facilities - 30 to 40 years;
- trucking equipment, injection stations and other - 5 to 15 years; and
- office property and equipment - 5 years

Acquisitions and improvements are capitalized; maintenance and repairs are expensed as incurred.

Pipeline linefill is recorded at cost and consists of liquefied petroleum gas and crude oil linefill used to pack a pipeline such that when an incremental barrel enters a pipeline it forces a barrel out at another location as well as minimum crude oil necessary to operate our storage and terminalling facilities. At December 31, 2001, we had approximately 2.6 million barrels of crude oil and 6.4 million gallons of liquefied petroleum gas used to maintain our minimum operating linefill requirements. Proceeds from the sale and repurchase of pipeline linefill are reflected as cash flows from operating activities in the accompanying consolidated statements of cash flows.

Impairment of Long-Lived Assets

Long-lived assets with recorded values that are not expected to be recovered through future cash flows are written-down to estimated fair value. Fair value is generally determined from estimated discounted future net cash flows.

Other Assets

Other assets consist of the following (in thousands):

	December 31, 2001	December 31, 2000
Debt issue costs	$ 17,293	$ 8,918
Long term receivable, net	10,000	5,000
Goodwill	9,419	601
Intangible assets (contracts)	980	-
Other	7,649	169
	45,341	14,688
Less accumulated amortization	(4,458)	(1,748)
	$ 40,883	$ 12,940

Costs incurred in connection with the issuance of long-term debt are capitalized and amortized using the straight-line method over the term of the related debt. Use of the straight-line method does not differ materially from the "effective interest" method of amortization. Goodwill is recorded as the amount of the purchase price in excess of the fair value of certain assets purchased. In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets", which we will adopt in its entirety January 1, 2002, we will test goodwill and other intangible assets periodically to determine whether an impairment has occurred. An impairment occurs when the carrying amount of an asset exceeds the fair value of the recognized goodwill or intangible asset. If impairment occurs, the loss is recorded in the period.

Income and Other Taxes

No provision for U.S. federal or Canadian income taxes related to our operations is included in the accompanying consolidated financial statements, because as a partnership we are not subject to federal, state or provincial income tax and the tax effect of our activities accrues to the unitholders. Net earnings for financial statement purposes may differ significantly from taxable income reportable to unitholders as a result of differences between the tax bases and financial reporting bases of assets and liabilities and the taxable income allocation requirements under the partnership agreement. Individual unitholders will have different investment bases depending upon the timing and price of acquisition of partnership units. Further, each unitholder's tax accounting, which is partially dependent upon the unitholder's tax position, may differ from the accounting followed in the consolidated financial statements. Accordingly, there could be significant differences between each individual unitholder's tax bases and the unitholder's share of the net assets reported in the consolidated financial statements. We do not have access to information about each individual unitholder's tax attributes, and the aggregate tax bases cannot be readily determined. Accordingly, we do not believe that in our circumstances, the aggregate difference would be meaningful information.

The Partnership's Canadian operations are conducted through an operating limited partnership, of which our wholly owned subsidiary PMC (Nova Scotia) Company is the general partner. For Canadian tax purposes, the general partner is taxed as a corporation, subject to income taxes and a capital-based tax at federal and provincial levels. For 2001, the income tax was not material and the capital-based tax was approximately $0.4 million (U.S.). In addition, interest payments made by Plains Marketing Canada, L.P. on its intercompany loan from Plains Marketing, L.P. are subject to a 10% Canadian withholding tax, which for 2001 totaled $0.3 million and is recorded in other expense.

In addition to federal income taxes, owners of our common units may be subject to other taxes, such as state and local and Canadian federal and provincial taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which we do business or own property. A unitholder may be required to file Canadian federal income tax returns and to pay Canadian federal and provincial income taxes and to file state income tax returns and to pay taxes in various states.

Hedging

We utilize various derivative instruments, for purposes other than trading, to hedge our exposure to price fluctuations on crude oil and liquefied petroleum gas in storage and expected purchases, sales and transportation of those commodities. The derivative instruments consist primarily of futures and option contracts traded on the New York Mercantile Exchange and over-the-counter transactions including crude oil swap contracts entered into with financial institutions. We also utilize interest rate and foreign exchange swaps and collars to manage the interest rate exposure on our long-term debt and foreign exchange exposure arising from our Canadian operations.

Beginning January 1, 2001, we record all derivative instruments on the balance sheet as either assets or liabilities measured at their fair value under the provisions of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities". Generally for our domestic U.S. operations, these derivative instruments qualify for hedge accounting as they reduce the price risk of the underlying hedged item and are designated as a hedge at inception. These derivative hedges result in financial impacts that are inversely correlated to those of the items being hedged. This correlation, generally in excess of 80% (a measure of hedge effectiveness), is measured both at the inception of the hedge and on an ongoing basis. To qualify for hedge accounting treatment, companies must formally document, designate and assess the effectiveness of these transactions. If the necessary correlation ceases to exist or if physical delivery of the hedged item becomes improbable, we would discontinue hedge accounting and apply mark to market accounting. Gains and losses on the termination of hedging instruments are deferred and recognized in income as the impact of the hedged item is recorded.

SFAS 133 requires that changes in derivative contracts' fair value be recognized currently in earnings unless specific hedge accounting criteria are met. We have some derivative contracts, primarily related to our LPG activities, that do not receive hedge treatment, as the correlation is not consistently at the necessary level between prices for those markets or commodities and the hedging instrument. As a result, gains and losses on those derivative contracts impact earnings directly. The intent of entering into these transactions, however, is to mitigate price exposure arising from those operations.

Aside from the exceptions noted above, unrealized changes in the market value of crude oil or LPG hedge contracts are not generally recognized in our consolidated statement of operations until the underlying hedged transaction occurs. The financial impacts of these hedge contracts are included in our consolidated statements of operations as a component of revenues. Such financial impacts are offset by gains or losses realized in the physical market. Cash flows from these hedging activities are included in operating activities in the accompanying consolidated statements of cash flows. Net deferred gains and losses on futures contracts (including closed futures contracts) entered into to hedge anticipated crude oil and LPG purchases and sales, are included in current assets or current liabilities in the accompanying consolidated balance sheets. Deferred gains or losses from inventory hedges are included as part of the inventory costs and recognized when the related inventory is sold.

Amounts paid or received from interest rate swaps and collars are charged or credited to interest expense and matched with the cash flows and interest expense of the debt being hedged, resulting in an adjustment to the effective interest rate.

Net Income Per Unit

Basic and diluted net income (loss) per unit is determined by dividing net income (loss) after deducting the amount allocated to the general partner interest, (including its incentive distribution in excess of its 2% interest), by the weighted average number of outstanding common units and subordinated units. Partnership income (loss) is first allocated according to percentage ownership in the Partnership and then reallocated between the limited partners and general partner based on the amount of incentive distributions. Basic and diluted net income (loss) per unit for 2001, 2000 and 1999 is as follows (in thousands, except per unit data):

	Year Ended December 31,		
	2001	2000	1999
Net income (loss)	$ 44,179	$ 77,502	$ (103,360)
Less:			
General partner incentive distributions	(1,056)	(198)	(224)
General partner 2% ownership	(884)	(1,550)	2,067
Net income (loss) attributable to limited partners	$ 42,239	$ 75,754	$ (101,517)
Weighted average units outstanding	37,528	34,386	31,633
Basic and diluted net income (loss) per limited partner unit	$ 1.13	$ 2.20	$ (3.21)

Foreign Currency Translation

Our cash flow stream relating to our Canadian operations is based on the U.S. dollar equivalent of such amounts measured in Canadian dollars. Assets and liabilities of our Canadian subsidiaries are translated to U. S. dollars using the applicable exchange rate as of the end of a reporting period. Revenues and expenses are translated using the average exchange rate during the reporting period.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 141 "Business Combinations" and SFAS 142 "Goodwill and Other Intangible Assets". SFAS 141 requires all business combinations initiated after June 30, 2001 (see Note 4), to be accounted for under the purchase method. For all business combinations for which the date of acquisition is after June 30, 2001, this Standard also establishes specific criteria for the recognition of intangible assets separately from goodwill. We have adopted SFAS 142 effective January 1, 2002. SFAS 142 changes the accounting for goodwill and other intangible assets after an acquisition. The most significant changes made by SFAS 142 are: 1) goodwill and intangible assets with indefinite lives will no longer be amortized; 2) goodwill and intangible assets with indefinite lives must be tested for impairment at least annually; and 3) the amortization period for intangible assets with finite lives will no longer be limited to forty years. In conjunction with the adoption of SFAS 142, amortization on the unamortized portion of the goodwill arising from previous acquisitions will cease in 2002. The adoption of SFAS 142 will not have a material effect on either our financial position, results of operations, or cash flows.

In June 2001, the FASB also issued SFAS 143, "Asset Retirement Obligations". SFAS 143 establishes accounting requirements for retirement obligations associated with tangible long-lived assets, including (1) the time of the liability recognition, (2) initial measurement of the liability, (3) allocation of asset retirement cost to expense, (4) subsequent measurement of the liability and (5) financial statement disclosures. SFAS 143 requires that an asset retirement cost should be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. We will adopt the statement effective January 1, 2003, as required. The transition adjustment resulting from the adoption of SFAS 143 will be reported as a cumulative effect of a change in accounting principle. At this time, we cannot reasonably estimate the effect of the adoption of this statement on either our financial position, results of operations, or cash flows.

In August 2001, the FASB approved SFAS 144, "Accounting for Impairment or Disposal of Long-Lived Assets". SFAS 144 establishes a single accounting model for long-lived assets to be disposed of by sale and provides additional implementation guidance for assets to be held and used and assets to be disposed of other than by sale. Upon adoption of this Statement effective January 1, 2002, there was no effect on either our financial position, results of operations or cash flows.

In June 1998, the FASB issued SFAS 133, which was subsequently amended (i) in June 1999 by SFAS 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133", which deferred the effective date of SFAS 133 to fiscal years beginning after June 15, 2000; and (ii) in June 2000 by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedge Activities," which amended certain provisions, inclusive of the definition of the normal purchase and sale exclusion. We have determined that our physical purchase and sale agreements qualify for the normal purchase and sale exclusion.

SFAS 133 requires that all derivative instruments be recorded on the balance sheet as either assets or liabilities measured at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other

comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if so, the type of hedge transaction. For fair value hedge transactions in which we are hedging changes in the fair value of an asset, liability, or firm commitment, changes in the fair value of the derivative instrument will generally be offset in the income statement by changes in the fair value of the hedged item. For cash flow hedge transactions, in which we are hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income, a component of partners' capital. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in earnings in the current period. Hedge effectiveness is measured at least quarterly based on the relative cumulative changes in fair value between the derivative contract and the hedged item over time.

We adopted SFAS 133, as amended, effective January 1, 2001. Our implementation procedures identified all instruments in place at the adoption date that are subject to the requirements of SFAS 133. Upon adoption, we recorded a cumulative effect charge of $8.3 million in accumulated other comprehensive income to recognize at fair value all derivative instruments that are designated as cash flow hedging instruments and a cumulative effect gain of $0.5 million to earnings. Correspondingly, an asset of $2.8 million and a liability of $10.6 million were established. Hedge losses/gains included in accumulated other comprehensive income are transferred to earnings as the forecasted transactions actually occur. Implementation issues continue to be addressed by the FASB and any change to existing guidance might impact our implementation. Adoption of this standard will most likely increase volatility in earnings and partners' capital through comprehensive income.

Note 3 -- Unauthorized Trading Losses

In November 1999, we discovered that a former employee had engaged in unauthorized trading activity, resulting in losses of approximately $162.0 million ($174.0 million, including estimated associated costs and legal expenses). A full investigation into the unauthorized trading activities by outside legal counsel and independent accountants and consultants determined that the vast majority of the losses occurred from March through November 1999. Approximately $7.1 million of the unauthorized trading losses was recognized in 1998 and the remainder in 1999. In 2000, we recognized an additional $7.0 million charge for litigation related to the unauthorized trading losses (see Note 14).

Note 4 -- Acquisitions

Wapella Pipeline System

In December 2001, we acquired the Wapella Pipeline System from private investors for approximately $12.0 million, including transaction costs. The system is located in southeastern Saskatchewan and southwestern Manitoba. In 2001, the Wapella Pipeline System delivered approximately 11,000 barrels per day of crude oil to the Enbridge Pipeline at Cromer, Manitoba. The acquisition also includes approximately 21,500 barrels of crude oil storage capacity located along the system as well as a truck terminal. Initial financing for the acquisition was provided through borrowings under our bank credit facility.

The Wapella acquisition has been accounted for using the purchase method of accounting and the purchase price was allocated in accordance with SFAS 141 (see Note 2). The purchase price allocation is as follows (in thousands):

Crude oil pipeline, gathering and terminal assets	$ 10,251
Other property and equipment	1,720
Total	$ 11,971

CANPET Energy Group Inc.

In July 2001, we acquired the assets of CANPET Energy Group Inc. ("CANPET"), a Calgary-based Canadian crude oil and liquefied petroleum gas marketing company, for approximately $42.0 million plus excess inventory at the closing date of approximately $25.0 million. Approximately $24.0 million of the purchase price plus $25.0 million for the additional inventory was paid in cash at closing, and the remainder, which is subject to certain performance standards, will be paid in common units in April 2004, if such standards are met. At the time of the acquisition, CANPET's activities consisted of gathering approximately 75,000 barrels per day of crude oil and marketing an average of approximately 26,000 barrels per day of natural gas liquids or LPG's. The principal assets acquired include a crude oil handling facility, a 130,000-barrel tank facility, LPG facilities, existing business relationships and working capital of approximately $8.6 million. Initial financing for the acquisition was provided through borrowings under our bank credit facility.

The CANPET acquisition has been accounted for using the purchase method of accounting and the purchase price was allocated in accordance with SFAS 141 (see Note 2). The purchase price allocation is as follows (in thousands):

Inventory	$ 29,708
Goodwill	8,818
Intangible assets (contracts)	980
Other assets, including debt issue costs	1,661
Pipeline linefill	4,332
Crude oil gathering and terminal assets	4,243
Other property and equipment	502
Total	$ 50,244

Murphy Oil Company Ltd. Midstream Operations

In May 2001, we closed the acquisition of substantially all of the Canadian crude oil pipeline, gathering, storage and terminalling assets of Murphy Oil Company Ltd. for approximately $161.0 million in cash ("the Murphy Acquisition"), including financing and transaction costs. Initial financing for the acquisition was provided through borrowings under our bank credit facilities. The purchase included $6.5 million for excess inventory in the pipeline systems. The principal assets acquired include approximately 450 miles of crude oil and condensate transmission mainlines (including dual lines on which condensate is shipped for blending purposes and blended crude is shipped in the opposite direction) and associated gathering and lateral lines, approximately 1.1 million barrels of crude oil storage and terminalling capacity located primarily in Kerrobert, Saskatchewan, approximately 254,000 barrels of pipeline linefill and tank inventories, an inactive 108-mile mainline system and 121 trailers used primarily for crude oil transportation. We have reactivated the 108-mile mainline system and began shipping volumes in May of 2001.

Murphy agreed to continue to transport production from fields previously delivering crude oil to these pipeline systems, under a long-term contract. At the time of the acquisition, the volume under the contract was approximately 11,000 barrels per day. Total volumes transported on the pipeline system in 2001 were approximately 223,000 barrels per day of light, medium and heavy crudes, as well as condensate.

The Murphy Acquisition has been accounted for using the purchase method of accounting and the purchase price was allocated in accordance with Accounting Principles Board Opinion No. 16, Business Combinations ("APB 16"). The purchase price allocation, as adjusted pursuant to the provisions of the purchase and sale agreement upon resolution of an outstanding pipeline tariff dispute, is as follows (in thousands):

Crude oil pipeline, gathering and terminal assets	$145,106
Pipeline linefill	7,602
Net working capital items	1,953
Other property and equipment	487
Other assets, including debt issue costs	360
Total	$155,508

Pro Forma Results for the Murphy and CANPET Acquisitions

The following unaudited pro forma data is presented to show pro forma revenues, net income and basic and diluted net income per limited partner unit for the Partnership as if the Murphy and CANPET acquisitions had occurred on January 1, 2000 (in thousands):

	Year Ended December 31, 2001 (1)	Year Ended December 31, 2000 (1)
Revenues	$ 7,043,143	$ 7,330,621
Income before extraordinary item and cumulative effective of accounting change	$ 51,905	$ 98,821
Net income	$ 52,413	$ 83,674
Basic and diluted income before extraordinary item and cumulative effect of accounting change per limited partner unit	$ 1.32	$ 2.81
Basic and diluted net income per limited partner unit	$ 1.33	$ 2.38

(1) The pro forma information does not include the results of the Wapella acquisition as it would not differ materially from the reported results.

Scurlock Acquisition

On May 12, 1999, we completed the acquisition of Scurlock Permian LLC and certain other pipeline assets from Marathon Ashland Petroleum LLC. Including working capital adjustments and closing and financing costs, the cash purchase price was approximately $141.7 million.

Financing for the Scurlock acquisition was provided through:

- borrowings of approximately $92.0 million under a previous bank facility;
- the sale to our former general partner of 1.3 million of our Class B common units for a total cash consideration of $25.0 million, or $19.125 per unit, the price equal to the market value of our common units on May 12, 1999; and
- a $25.0 million draw under our revolving credit agreement.

The assets, liabilities and results of operations of Scurlock are included in our consolidated financial statements effective May 1, 1999. The Scurlock acquisition has been accounted for using the purchase method of accounting and the purchase price was allocated in accordance with APB 16 as follows (in thousands):

Crude oil pipeline, gathering and terminal assets	$ 125,120
Other property and equipment	1,546
Pipeline linefill	16,057
Other assets (debt issue costs)	3,100
Other long-term liabilities (environmental accrual)	(1,000)
Net working capital items	(3,090)
Cash paid	$ 141,733

The purchase accounting entries include a $1.0 million accrual for estimated environmental remediation costs. Under the agreement for the sale of Scurlock by Marathon Ashland Petroleum, Marathon Ashland Petroleum has agreed to indemnify us and hold us harmless for claims, liabilities and losses resulting from any act or omission attributable to Scurlock's business or properties occurring prior to the date of the closing of such sale to the extent the aggregate amount of such losses exceed $1.0 million; provided, however, that claims for such losses must individually exceed $25,000 and must be asserted by us against Marathon Ashland Petroleum on or before May 15, 2003.

West Texas Gathering System Acquisition

On July 15, 1999, we completed the acquisition of a West Texas crude oil pipeline and gathering system from Chevron Pipe Line Company for approximately $36.0 million, including transaction costs. Our total acquisition cost was approximately $38.9 million including costs to address certain issues identified in the due diligence process. The principal assets acquired include approximately 450 miles of crude oil transmission mainlines, approximately 400 miles of associated gathering and lateral lines and approximately 2.9 million barrels of crude oil storage and terminalling capacity in Crane, Ector, Midland, Upton, Ward and Winkler Counties, Texas. Financing for the amounts paid at closing was provided by a draw under a previous credit facility.

Note 5 -- Asset Disposition

In December 2001, we sold excess communications equipment remaining from the sale of the All American Pipeline discussed below and recognized a gain of $1.0 million.

In March 2000, we sold to a unit of El Paso Corporation for $129.0 million the segment of the All American Pipeline that extends from Emidio, California to McCamey, Texas. Except for minor third-party volumes, one of our subsidiaries, Plains Marketing, L.P., was the sole shipper on this segment of the pipeline since the acquisition of the line from Goodyear in July 1998. We realized net proceeds of approximately $124.0 million after the associated transaction costs and estimated costs to remove equipment. We used the proceeds from the sale to reduce outstanding debt. We recognized a gain of approximately $20.1 million in connection with the sale.

We had suspended shipments of crude oil on this segment of the pipeline in November 1999. At that time, we owned approximately 5.2 million barrels of crude oil in the segment of the pipeline. We sold this crude oil from November 1999 to February 2000 for net proceeds of approximately $100.0 million, which were used for working capital purposes. We recognized gains of approximately $28.1 million and $16.5 million in 2000 and 1999, respectively, in connection with the sale of the linefill.

Note 6 -- Debt

Short-term debt and current maturities of long-term debt consist of the following (in thousands):

	December 31, 2001	December 31, 2000
$200.0 million senior secured letter of credit and borrowing facility bearing interest at a weighted average interest rate of 3.8% at December 31, 2001, and 8.4% at December 31, 2000	$ 100,000	$ 1,300
Other	1,482	-
	101,482	1,300
Current portion of long-term debt	3,000	-
Total short-term debt and current maturities of long-term debt	$ 104,482	$ 1,300

Long-term debt consists of the following (in thousands):

	December 31, 2001	December 31, 2000
$450.0 million senior secured domestic revolving credit facility, bearing interest at a weighted average interest rate of 4.5% at December 31, 2001, and 9.2% at December 31, 2000	$ 27,450	$ 320,000
$200.0 million senior secured term B loan, bearing interest at a weighted average interest rate of 4.5% at December 31, 2001	200,000	-
$100.0 million senior secured term loan, bearing interest at a weighted average interest rate of 4.4% at December 31, 2001	100,000	-
$30.0 million Canadian senior secured revolving credit facility, bearing interest at a weighted average interest rate of 4.4% at December 31, 2001	27,227	-
	354,677	320,000
Less current maturities	(3,000)	-
Total long-term debt	$ 351,677	$ 320,000

In September 2001, we amended and expanded our credit facilities to include a six-year, $200.0 million term B loan. In connection with this amendment, we reduced the revolving portion of the facilities by $50.0 million. Our credit facilities currently consist of:

- a $780.0 million senior secured revolving credit and term loan facility, which is secured by substantially all of our assets. The facility consists of (i) a $450.0 million domestic revolving facility (reflecting the $50 million reduction in such facility in connection with the September amendment), with a $10.0 million letter of credit sublimit, (ii) a $30.0 million Canadian revolving facility (with a $5.0 million letter of credit sublimit), (iii) a $100.0 million term loan and (iv) a $200.0 million term B loan. The facility matures, (i) as to the aggregate $480.0 million domestic and Canadian revolver portions, in April 2005, (ii) as to the $100.0 million term portion, in May 2006, and, (iii) as to the $200.0 million term B loan portion, September 2007. On the revolver portions, no principal is scheduled for payment prior to maturity. The $100.0 million term loan portion of this facility has four scheduled annual payments of principal, commencing May 4, 2002, in the respective amounts of 1%, 7%, 8% and 8% of the original term principal amount, with the remaining principal balance scheduled for payment on the stated maturity date of May 5, 2006. If any part of the term portion is prepaid prior to its first anniversary, a 1% premium will be due on that portion. The $200.0 million term B loan has 1% payable yearly commencing on September 21, 2002, with the remaining principal balance scheduled for payment on the stated maturity date of September 26, 2007. The term B loan may be prepaid without penalty. The revolving credit and term loan facility bears interest at our option at either the base rate, as defined, plus an applicable margin, or LIBOR plus an applicable margin, and further, the Canadian revolver may effectively bear interest based upon bankers' acceptance rates. We incur a commitment fee on the unused portion of the revolver portion of this credit facility.

- a $200.0 million senior secured letter of credit and borrowing facility, the purpose of which is to provide standby letters of credit to support the purchase and exchange of crude oil and other specified petroleum products for resale and borrowings to finance crude oil inventory and other specified petroleum products that have been hedged against future price risk. The letter of credit facility is secured by substantially all of our assets and has a sublimit for cash borrowings of $100.0 million to purchase crude oil and other petroleum products that have been hedged against future price risk and to fund margin requirements under NYMEX contracts used to facilitate our hedging activities. The letter of credit facility expires in April 2004. Aggregate availability under the letter of credit facility for direct borrowings and letters of credit is limited to a borrowing base that is determined monthly based on certain of our current assets and current liabilities, primarily inventory and accounts receivable and accounts payable related to the purchase and sale of crude oil and other specified petroleum products. We incur a commitment fee on the unused portion of this facility.

Our credit facilities prohibit distributions on, or purchases or redemptions of, units if any default or event of default is continuing. In addition, the agreements contain various covenants limiting our ability to, among other things:

- incur indebtedness;
- grant liens;
- sell assets;
- make investments;
- engage in transactions with affiliates;
- enter into certain contracts; and
- enter into a merger or consolidation.

Our credit facilities treat a change of control as an event of default and also require us to maintain:

- a current ratio (as defined) of 1.0 to 1.0;
- a debt coverage ratio which is not greater than 4.00 to 1;
- an interest coverage ratio which is not less than 2.75 to 1.0; and
- a debt to capital ratio of not greater than 0.70 to 1.0 prior to December 31, 2002, and 0.65 to 1.0 thereafter.

A default under our credit facilities would permit the lenders to accelerate the maturity of the outstanding debt and to foreclose on the assets securing the credit facilities. As long as we are in compliance with our commercial credit agreements, they do not restrict our ability to make distributions of "available cash" as defined in our partnership agreement. We are currently in compliance with the covenants contained in our credit agreements.

The credit facilities provide that the Partnership may issue up to $400.0 million of senior unsecured debt that has a maturity date extending beyond the maturity date of the credit facilities. If senior unsecured debt is issued, the aggregate amount available under the $450.0 million U.S. revolving credit facility will be reduced by an amount equal to (a) 40% of the face amount of the senior unsecured debt if the aggregate amount of new debt issued is less than $350.0 million, or (b) 50% of the face amount of the senior unsecured debt if the aggregate amount of new debt issued is equal to or greater than $350.0 million; provided, however, in both cases, the amount of the revolver reduction is decreased by $50.0 million.

In January 2002, we amended our credit facility to remove a condition requiring us to obtain lender approval before making any acquisition greater than $50.0 million to provide the Partnership with greater structuring flexibility to finance larger acquisitions.

Maturities

The aggregate amount of maturities of all long-term indebtedness at December 31, 2001, for the next five years is: 2002 - $3.0 million, 2003 - $9.0 million, 2004 - $10.0 million, 2005 - $64.7 million, 2006 and thereafter -$268.0 million.

Note 7 - Partners' Capital and Distributions

Partners' capital consists of (1) 33,223,129 common units, including 1,307,190 Class B common units, representing a 75.3% effective aggregate ownership interest in the Partnership and its subsidiaries, (after giving affect to the general partner interest), (2) 10,029,619 Subordinated units representing a 22.7% effective aggregate ownership interest in the Partnership and its subsidiaries limited partner interest (after giving affect to the general partner interest) and (3) a 2% general partner interest.

In May 2001, we completed a public offering of 3,966,700 common units. Total net cash proceeds from the offering, including our former general partner's proportionate contribution, were approximately $100.7 million. In addition, in October 2001, we completed a public offering of 4,900,000 common units. Net cash proceeds from the offering, including our general partner's proportionate contribution, were approximately $126.0 million. The net proceeds were used to repay borrowings under our revolving credit facility, a portion of which was used to finance our Canadian acquisitions.

We will distribute 100% of our available cash within 45 days after the end of each quarter to unitholders of record and to our general partner. Available cash is generally defined as all of our cash and cash equivalents on hand at the end of each quarter less reserves established by our general partner for future requirements. Distributions of available cash to holders of subordinated units are subject to the prior rights of holders of common units to receive the minimum quarterly distribution ("MQD") for each quarter during the subordination period and to receive any arrearages in the distribution of the MQD on the common units for the prior quarters during the subordination period. There were no arrearages on common units at December 31, 2001. The MQD is $0.45 per unit ($1.80 per unit on an annual basis). Common units will not accrue arrearages with respect to distributions for any quarter after the subordination period and subordinated units will not accrue any arrearages with respect to distributions for any quarter.

The subordination period (as defined in the partnership agreement) will end if certain financial tests are met for three consecutive four-quarter periods (the "testing period"), but not sooner than December 31, 2003. During the first quarter after the end of the subordination period, all of the subordinated units will convert into common units, and will participate pro rata with all other common units in future distributions. Early conversion of a portion of the subordinated units may occur if the testing period is satisfied before December 31, 2003. We have determined that the first four-quarter period of the testing period was satisfied as of September 30, 2001. Although we cannot give assurance in that regard, if we continue to meet the requirements, 25% of the subordinated units will convert in the fourth quarter of 2003 and the remainder will convert in the first quarter of 2004.

Our general partner is entitled to receive incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement. Under the quarterly incentive distribution provisions, generally the general partner is entitled to 15% of amounts we distribute in excess of $0.450 per unit, 25% of the amounts we distribute in excess of $0.495 per unit and 50% of amounts we distribute in excess of $0.675 per unit. Cash distributions for the first, second, third and fourth quarters of 2001 were $0.4750, $0.5000, $0.5125 and $0.5125, respectively, per unit on our outstanding common units, Class B units and subordinated units, representing an excess of $0.025, $0.050, $0.0625 and $0.0625 per unit, respectively, over the MQD. Cash distributions for the second, third and fourth quarters of 2000 were $0.4625 per unit on our outstanding common units, Class B units and subordinated units, representing an excess of $0.0125 per unit over the MQD. Cash distributions for the second and third quarters of 1999 were $0.4625 and $0.4812 per unit, respectively, on our outstanding common units, Class B units and subordinated units, representing an excess of $0.0125 per unit and $0.0312 per unit, respectively, over the MQD. Distributions were not paid on the subordinated units for the fourth quarter of 1999.

The Class B common units are initially pari passu with common units with respect to distributions, and are convertible into common units upon approval of a majority of the common unitholders. The Class B unitholders may request that we call a meeting of common unitholders to consider approval of the conversion of Class B units into common units. If the approval of a conversion by the common unitholders is not obtained within 120 days of a request, each Class B common unitholder will be entitled to receive distributions, on a per unit basis, equal to 110% of the amount of distributions paid on a common unit, with such distribution right increasing to 115% if such approval is not secured within 90 days after the end of the 120-day period. Except for the vote to approve the conversion, Class B common units have the same voting rights as the common units.

Note 8 -- Comprehensive Income

Comprehensive income includes net income and certain items recorded directly to Partners' Capital and classified as Other Comprehensive Income (OCI). Such amounts are allocated in proportion to the limited partners and general partners interest. Following the adoption of SFAS 133, we recorded a charge to OCI of $8.3 million related to the change in fair value of certain derivative financial instruments that qualified for cash flow hedge accounting. The following table reflects comprehensive income for the year ended December 31, 2001 (in thousands):

Total comprehensive income at January 1, 2001	$ -
Cumulative effect of change in accounting principle	(8,337)
Reclassification adjustment for settled contracts	(2,526)
Changes in fair value of outstanding hedging positions	6,123
Currency translation adjustment	(8,002)
Other comprehensive income (loss)	(12,742)
Net income	44,179
Total comprehensive income at December 31, 2001	$ 31,437

Note 9 -- Financial Instruments

Derivatives

On January 1, 2001, we adopted SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS 137 and SFAS 138. In accordance with the transition provisions of SFAS 133, we recorded a loss of $8.3 million in OCI, representing the cumulative effect of an accounting change to recognize, at fair value, all cash flow derivatives. We also recorded a noncash gain of $0.5 million in earnings as a cumulative effect adjustment.

At December 31, 2001, a $4.7 million unrealized loss was recorded to OCI together with related assets and liabilities of $4.2 million and $8.2 million, respectively. Earnings included a noncash gain of $0.2 million (excluding the $0.5 million gain related to the cumulative effect of accounting change upon adoption of SFAS 133) related to the ineffective portion of our cash flow hedges, as well as certain derivative contracts that did not qualify as hedges primarily relating to our LPG activities due to a low correlation between the futures contract and hedged item. Our hedge-related assets and liabilities are included in other current assets and other current liabilities in the consolidated balance sheet.

As of December 31, 2001, the total amount of deferred net losses on derivative instruments recorded in OCI are expected to be reclassified to earnings during 2002 and 2003. The following table sets forth our open crude oil hedge positions at December 31, 2001. These are futures hedges and have offsetting physical exposures to the extent they are effective.

	2002				2003			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Volume (bbls)								
Short positions	1,228,000	-	200,000	-	-	200,000	-	1,800,000
Long positions	-	1,053,000	-	-	-	-	-	-
Average price ($/bbl)	$ 20.64	$ 22.73	$ 19.53	$ -	$ -	$ 21.26	$ -	$ 21.23

Interest rate swaps and collars are used to hedge underlying interest obligations. These instruments hedge interest rates on specific debt issuances and qualify for hedge accounting. The interest rate differential is reflected as an adjustment to interest expense over the life of the instruments. At December 31, 2001, we had interest rate swap and collar arrangements for an aggregate notional principal amount of $275.0 million for which we would pay approximately $5.3 million if such arrangements were terminated as of such date.

The table shown below summarizes the fair value of our interest rate swaps and collars by year of maturity (in thousands):

	Year of Maturity			
	2002	2003	2004	Total
Interest rate swaps	$ --	$ (810)	$ (689)	$ (1,499)
Interest rate collars	(3,777)	--	--	(3,777)
Total	$ (3,777)	$ (810)	$ (689)	$ (5,276)

The adjustment to interest expense resulting from interest rate swaps for the years ended December 31, 2001, 2000 and 1999 was a $2.4 million loss, a $0.1 million gain and a $0.1 million loss, respectively. These instruments are based on LIBOR rates. The collar provides for a floor of 6.1% and a ceiling of 8.0% with an expiration date of August 2002 for $125.0 million notional principal amount. The fixed rate interest rate swaps provide for a rate of 4.3% for $50.0 million notional principal amount expiring March 2004, and a rate of 3.6% for $100.0 million notional principal amount expiring September 2003.

We formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives and strategy for undertaking the hedge. Hedge effectiveness is measured on a quarterly basis. This process includes specific identification of the hedging instrument and the hedge transaction, the nature of the risk being hedged and how the hedging instrument's effectiveness will be assessed. Both at the inception of the hedge and on an ongoing basis, we assess whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. No amounts were excluded from the computation of hedge effectiveness.

Since substantially all of our Canadian business is conducted in Canadian dollars (CAD), we use certain financial instruments to minimize the risks of changes in the exchange rate. These instruments include forward exchange contracts, forward extra option contracts and cross currency swaps. Additionally, at December 31, 2001, $25.4 million ($40.5 million CAD) of our long-term debt was denominated in Canadian dollars. All of the financial instruments utilized are placed with large creditworthy financial institutions and meet the criteria under SFAS 133 for hedge accounting treatment.

At December 31, 2001, we had forward exchange contracts and forward extra option contracts that allow us to exchange $3.0 million Canadian for at least $1.9 million U. S. (based on a Canadian-U.S. dollar exchange rate of 1.55) quarterly during 2002 and 2003. If these contracts were terminated on December 31, 2001, we would receive $0.5 million U.S. At December 31, 2001, we also had a cross currency swap contract for an aggregate notional principal amount of $25.0 million, effectively converting this amount of our $100.0 million senior secured term loan (25% of the total) from U.S. dollars to $38.7 million of Canadian dollar debt (based on a Canadian-U.S. dollar exchange rate of 1.55). The terms of this contract mirror the term loan, matching the amortization schedule and final maturity in May 2006. If this swap contract was terminated on December 31, 2001, we would receive $0.5 million U.S.

The table shown below summarizes the fair value of our foreign currency hedges by year of maturity (in thousands):

	Year of Maturity			
	2002	2003	2006(1)	Total
Forward exchange contracts	$ 123	$ 100	$ --	$ 223
Forward extra options	145	146	--	291
Cross currency swaps	--	--	497	497
Total	$ 268	$ 246	$ 497	$ 1,011

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(1) At December 31, 2001, we did not have foreign currency hedges expiring in 2004 or 2005.

Fair Value of Financial Instruments

The carrying values of items comprising current assets and current liabilities approximate fair value due to the short-term maturities of these instruments. The carrying value of bank debt approximates fair value as interest rates are variable, based on prevailing market rates. Crude oil futures contracts permit settlement by delivery of the crude oil and, therefore, are not financial instruments, as defined. The fair value of crude oil swap and option contracts and interest rate swap and collar agreements are based on current termination values or quoted market prices of comparable contracts.

The carrying amounts and fair values of our financial instruments are as follows (in thousands):

	December 31,			
	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Unrealized gain (loss) on interest rate swaps and collars	$ (5,276)	$ (5,276)	$ -	$ (561)

Note 10 -- Early Extinguishment of Debt

During 2000, we recognized extraordinary losses, consisting primarily of unamortized debt issue costs, totaling $15.1 million related to the permanent reduction of the All American Pipeline, L.P. term loan facility and the refinancing of our credit facilities. In addition, interest and other income for the year ended December 31, 2000, included $9.7 million of previously deferred gains from terminated interest rate swaps as a result of debt extinguishments (see Note 3). The extraordinary loss of $1.5 million in 1999 relates to the write-off of certain debt issue costs and penalties associated with the prepayment of debt.

Note 11 -- Major Customers and Concentration of Credit Risk

Customers accounting for 10% or more of revenues were as follows for the periods indicated:

	Percentage Year Ended December 31,		
	2001	2000	1999
Marathon Ashland Petroleum	11%	12%	-
Sempra Energy Trading Corporation	-	-	22%
Koch Oil Company	-	-	19%

All of the customers above pertain to our marketing, gathering, terminalling and storage segment. We believe that the loss of the customer included above for 2001 would have only a short-term impact on our operating results. There can be no assurance, however, that we would be able to identify and access a replacement market at comparable margins.

Financial instruments that potentially subject us to concentrations of credit risk consist principally of trade receivables. Our accounts receivable are primarily from purchasers and shippers of crude oil. This industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. We review credit exposure and financial information of our counterparties and generally require letters of credit for receivables from customers that are not considered credit worthy, unless the credit risk can otherwise be reduced.

Note 12 -- Related Party Transactions

Reimbursement of Expense of Our General Partner and Its Affiliates

We do not directly employ any persons to manage or operate our business. These functions are provided by employees of our general partner. Our general partner does not receive a management fee or other compensation in connection with its management of us. We reimburse our general partner for all direct and indirect costs of services provided, including the costs of employee, officer and director compensation and benefits allocable to us, and all other expenses necessary or appropriate to the conduct of our business, and allocable to us. Our agreement provides that our general partner will determine the expenses allocable to us in any reasonable manner determined by our general partner in its sole discretion. Total costs reimbursed by us to our general partner in 2001 were approximately $31.3 million. Total costs reimbursed by us to our former general partner and Plains Resources were approximately $31.2 million, $63.8 million and $44.7 million for the years ended December 31, 2001, 2000 and 1999, respectively. Such costs include, (1) allocated personnel costs (such as salaries and employee benefits) of the personnel providing such services, (2) rent on office space allocated to our general partner in Plains Resources' offices in Houston, Texas, (3) property and casualty insurance premiums and (4) out-of-pocket expenses related to the provision of such services.

Crude Oil Marketing Agreement

We are the exclusive marketer/purchaser for all of Plains Resources' equity crude oil production. The marketing agreement with Plains Resources provides that we will purchase for resale at market prices all of Plains Resources' crude oil production for which we charge a fee of $0.20 per barrel. This fee is subject to adjustment every three years based on then-existing market conditions. For the years ended December 31, 2001, 2000 and 1999, we paid Plains Resources approximately $223.2 million, $244.9 million and $131.5 million, respectively, for the purchase of crude oil under the agreement, including the royalty share of production, and recognized margins of approximately $1.8 million, $1.7 million and $1.5 million from the marketing fee for the same periods, respectively. In our opinion, these purchases were made at prevailing market prices. In November 2001, the marketing agreement automatically extended for an additional three-year period.

Separation Agreement

A separation agreement was entered into in connection with the General Partner Transition pursuant to which (i) Plains Resources has indemnified us for (a) claims relating to securities laws or regulations in connection with the upstream or midstream businesses, based on alleged acts or omissions occurring on or prior to June 8, 2001 or (b) claims related to the upstream business, whenever arising, and (ii) we have indemnified Plains Resources for claims related to the midstream business, whenever arising. Plains Resources also has agreed to indemnify and maintain liability insurance for the individuals who were, on or before June 8, 2001, directors or officers of Plains Resources or our former general partner.

Financing

In May 2000, we repaid to our former general partner $114.0 million of subordinated debt. Interest expense related to the notes was $3.3 million and $0.6 million for the years ended December 31, 2000 and 1999, respectively.

To finance a portion of the purchase price of the Scurlock acquisition, we sold to our former general partner 1.3 million Class B common units at $19.125 per unit, the market value of our common units on May 12, 1999 (see Note 4).

The balance of amounts due to related parties at December 31, 2001 and 2000 was $13.7 million and $21.0 million, respectively, and was related to crude oil purchased by us but not yet paid as of December 31 of each year.

Transaction Grant Agreements

In connection with our initial public offering, our former general partner, at no cost to us, agreed to transfer, subject to vesting, approximately 400,000 of its affiliates' common units (including distribution equivalent rights attributable to such units) to certain key officers and employees of our former general partner and its affiliates. Under these grants, the common units vested based on attaining a targeted operating surplus for a given year. Of the 400,000 units subject to the transaction grant agreements, 69,444 units vested in 2000 for 1999's operating results and 133,336 units vested in 2001 for 2000's operating results. The remainder (197,220 units) vested in connection with the consummation of the General Partner Transition. Distribution equivalent rights were paid in cash at the time of the vesting of the associated common units. The values of the units and associated distribution equivalent rights that vested under the Transaction Grant Agreements for all grantees in 2001, 2000 and 1999 were $5.7 million, $3.1 million and $1.0 million, respectively. Although we recorded noncash compensation expenses with respect to these vestings, the compensation expense incurred in connection with these grants was funded by our former general partner, without reimbursement by us.

Performance Option Plan

In connection with the General Partner Transition, all except one of the owners of the general partner contributed an aggregate of 450,000 subordinated units to the general partner to provide a pool of units available for the grant of options to management and key employees. In that regard, the general partner adopted the Plains All American 2001 Performance Option Plan, pursuant to which options to purchase approximately 332,500 units have been granted to officers and key employees of our general partner. Such options vest in 25% increments based upon achieving quarterly distribution levels on our units of $0.525, $0.575, $0.625 and $0.675 ($2.10, $2.30, $2.50 and $2.70, annualized). The options will vest immediately upon a change in control (as defined in the grant agreements). The purchase price under the options is $22 per subordinated unit, declining over time in an amount equal to 80% of each quarterly distribution per unit. The terms of future grants may differ from the existing grants. Because the subordinated units underlying the plan were contributed to the general partner, we will have no obligation to reimburse the general partner for the cost of the units upon exercise of the options, but will have a noncash compensation charge offset by a deemed capital contribution.

Stock Option Replacement

In connection with the General Partner Transition, certain members of the management team that had been employed by Plains Resources were transferred to the general partner. At that time, such individuals held in-the-money but unvested stock options in Plains Resources, which were subject to forfeiture because of the transfer of employment. Plains Resources, through its affiliates, agreed to substitute a contingent grant of subordinated units with a value equal to the discounted present value of the spread on the unvested options, with distribution equivalent rights from the date of grant. The subordinated units vest on the same schedule as the stock options would have vested. The general partner will administer the vesting and delivery of the units under the grants. Because the units necessary to satisfy the delivery requirements under the grants will be provided by Plains Resources, we will have no obligation to reimburse the general partner for the cost of such units.

Benefit Plan

A subsidiary of Plains Resources was, until June 8, 2001, our general partner. On that date, such entity transferred the general partner interest to Plains AAP, L.P. Effective July 1, 2001, Plains All American GP LLC (Plains AAP, L.P.'s general partner), now maintains a 401(k) defined contribution plan whereby it matches 100% of an employee's contribution (subject to certain limitations in the plan). For the period July 1 through December 31, 2001, defined contribution plan expense was approximately $1.1 million.

Prior to July 1, 2001, Plains Resources maintained a 401(k) defined contribution plan whereby it matched 100% of an employee's contribution (subject to certain limitations in the plan), with matching contributions being made 50% in cash and 50% in common stock (the number of shares for the stock match being based on the market value of the common stock at the time the shares were granted). For the period January 1 through June 30, 2001, defined contribution plan expense was $1.0 million. For the years ended December 31, 2000 and 1999, defined contribution plan expense was approximately $1.0 million and $0.7 million, respectively.

Note 13 -- Long-Term Incentive Plans

Our general partner has adopted the Plains All American GP LLC 1998 Long-Term Incentive Plan for employees and directors of our general partner and its affiliates who perform services for us. The Long-Term Incentive Plan consists of two components, a restricted unit plan and a unit option plan. The Long-Term Incentive Plan currently permits the grant of restricted units and unit options covering an aggregate of 1,425,000 common units. The plan is administered by the Compensation Committee of our general partner's board of directors. Our general partner's board of directors in its discretion may terminate the Long-Term Incentive Plan at any time with respect to any common units for which a grant has not yet been made. Our general partner's board of directors also has the right to alter or amend the Long-Term Incentive Plan or any part of the plan from time to time, including increasing the number of common units with respect to which awards may be granted; provided, however, that no change in any outstanding grant may be made that would materially impair the rights of the participant without the consent of such participant.

Restricted Unit Plan. A restricted unit is a "phantom" unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit. As of March 5, 2002, aggregate outstanding grants of approximately 679,000 restricted units have been made to employees of our general partner. Grants made include 165,000 restricted units to executive officers as a group. Additional grants of approximately 288,000 restricted units have been approved, with vesting in 25% increments when the quarterly distribution reaches $0.525, $0.575 and $0.625 ($2.10, $2.30 and $2.50 annualized), and the criteria for the remaining 25% is yet to be determined. These grants include approximately 203,000 restricted units to executive officers of the general partner. The Compensation Committee of the general partner may, in the future, make additional grants under the plan to employees and directors containing such terms as the Compensation Committee shall determine. Restricted units granted to employees during the subordination period, although additional vesting criteria may sometimes apply, will vest only after, and in the same proportions as, the conversion of the subordinated units to common units. Grants made to non-employee directors of our general partner are eligible to vest prior to termination of the subordination period. In 2000, the three non-employee directors of our former general partner were each granted 5,000 restricted units. These units vested in connection with the consummation of the General Partner Transition.

If a grantee terminates employment or membership on the board for any reason, the grantee's restricted units will be automatically forfeited unless, and to the extent, the Compensation Committee provides otherwise. Common units to be delivered upon the vesting of rights may be common units acquired by our general partner in the open market or in private transactions, common units already owned by our general partner, or any combination of the foregoing. Our general partner will be entitled to reimbursement by us for the cost incurred in acquiring common units. In addition, we may issue up to 975,000 common units to satisfy delivery obligations under the grants, less any common units issued upon exercise of unit options under the plan (see below). If we issue new common units upon vesting of the restricted units, the total number of common units outstanding will increase. Whether we satisfy vested units with purchases or by new issuances, the vesting will result in a compensation charge to us. Following the subordination period, the Compensation Committee, in its discretion, may grant tandem distribution equivalent rights with respect to restricted units.

The subordination period (as defined in the partnership agreement) will end if certain financial tests are met for three consecutive four-quarter periods (the "testing period"), but no sooner than December 31, 2003 (see Note 7).

The issuance of the common units pursuant to the restricted unit plan is primarily intended to serve as a means of incentive compensation for performance. Therefore, no consideration will be paid to us by the plan participants upon receipt of the common units.

Unit Option Plan. The Unit Option Plan currently permits the grant of options covering common units. No grants have been made under the Unit Option Plan to date. However, the Compensation Committee may, in the future, make grants under the plan to employees and directors containing such terms as the committee shall determine, provided that unit options have an exercise price equal to the fair market value of the units on the date of grant. Unit options granted during the subordination period will become exercisable automatically upon, and in the same proportions as, the conversion of the subordinated units to common units, unless a later vesting date is provided.

Upon exercise of a unit option, our general partner will deliver common units acquired by it in the open market, or in private transactions, or use common units already owned by our general partner, or any combination of the foregoing. In addition, we may issue up to 975,000 common units to satisfy delivery obligations under the grants less any common units issued upon vesting of restricted units under the plan. Our general partner will be entitled to reimbursement by us for the difference between the cost incurred by our general partner in acquiring such common units and the proceeds received by our general partner from an optionee at the time of exercise. Thus, the cost of the unit options will be borne by us. If we issue new common units upon exercise of the unit options, the total number of common units outstanding will increase, and our general partner will remit to us the proceeds received by it from the optionee upon exercise of the unit option.

Certain employees and officers of the general partner have received grants of equity not associated with the Long-Term Incentive Plan described above, and for which we have no cost or reimbursement obligations (see Note 12).

Note 14 -- Commitments and Contingencies

We lease certain real property, equipment and operating facilities under various operating leases. We also incur costs associated with leased land, rights-of-way, permits and regulatory fees, the contracts for which generally extend beyond one year but can be cancelled at any time should they not be required for operations. Future non-cancellable commitments related to these items at December 31, 2001, are summarized below (in thousands):

2002	$ 6,774
2003	6,245
2004	6,340
2005	6,216
2006	4,458
Thereafter	5,595

Total lease expense incurred for 2001, 2000 and 1999 was $7.4 million, $6.7 million and $8.9 million, respectively. As is common within the industry and in the ordinary course of business, we have also entered into various operational commitments and agreements related to pipeline operations and to marketing, transportation, terminalling and storage of crude oil and liquefied petroleum gas.

From 1994 to 1997 (prior to our acquisition in 1999), our Venice, Louisiana terminal experienced several releases of crude oil and jet fuel into the soil. The Louisiana Department of Environmental Quality has been notified of the releases. Marathon Ashland has performed some soil remediation related to the releases and retained liability for these conditions. The extent of the contamination at the sites is uncertain and there is a potential for groundwater contamination. We do not expect expenditures related to this terminal to be material, although we can provide no assurances in that regard.

During 1997, the All American Pipeline experienced a leak in a segment of its pipeline in California that resulted in an estimated 12,000 barrels of crude oil being released into the soil. Immediate action was taken to repair the pipeline leak, contain the spill and to recover the released crude oil. We have expended approximately $0.4 million to date in connection with this spill and do not expect any additional expenditures to be material to the financial statements, although we can provide no assurances in that regard.

Prior to being acquired by our predecessor in 1996, the Ingleside Terminal experienced releases of refined petroleum products into the soil and groundwater underlying the site due to activities on the property. We are undertaking a voluntary state-administered remediation of the contamination on the property to determine the extent of the contamination. We have proposed extending the scope of our study and are awaiting the state's response. We have spent approximately $0.1 million to date in investigating the contamination at this site. We do not anticipate the total additional cost related to this site to exceed $0.3 million, although no assurance can be given that the actual cost could not exceed such estimate.

Litigation

Texas Securities Litigation. On November 29, 1999, a class action lawsuit was filed in the United States District Court for the Southern District of Texas entitled Di Giacomo v. Plains All American Pipeline, L.P., et al. The suit alleged that Plains All American and certain of our former general partner's officers and directors violated federal securities laws, primarily in connection with unauthorized trading by a former employee. An additional nineteen cases were filed in the Southern District of Texas, some of which named our former general partner and Plains Resources as additional defendants. All of the federal securities claims were consolidated into two actions. The first consolidated action is that filed by purchasers of Plains Resources' common stock and options, and is captioned Koplovitz v. Plains Resources Inc., et al. The second consolidated action is that filed by purchasers of our common units, and is captioned Di Giacomo v. Plains All American Pipeline, L.P., et al. Plaintiffs alleged that the defendants were liable for securities fraud violations under Rule l0b-5 and Section 20(a) of the Securities Exchange Act of 1934 and for making false registration statements under Sections 11 and 15 of the Securities Act of 1933.

We and Plains Resources reached an agreement with representatives for the plaintiffs for the settlement of all of the class actions, and in January 2001, we deposited approximately $30.0 million under the terms of the settlement agreement. The total cost of the settlement to us and Plains Resources, including interest and expenses and after insurance reimbursements, was $14.9 million. Of that amount, $1.0 million was allocated to Plains Resources by agreement between special independent committees of the board of directors of our former general partner and the board of directors of Plains Resources. All such amounts were reflected in our financial statements at December 31, 2000. The settlement was approved by the court on December 19, 2001. The order became final on January 18, 2002. The settlement agreement does not affect the Texas Derivative Litigation and Delaware Derivative Litigation described below.

Delaware Derivative Litigation. On December 3, 1999, two derivative lawsuits were filed in the Delaware Chancery Court, New Castle County, entitled Susser v. Plains All American Inc., et al and Senderowitz v. Plains All American Inc., et al. These suits, and three others which were filed in Delaware subsequently, named our former general partner, its directors and certain of its officers as defendants, and allege that the defendants breached the fiduciary duties that they owed to Plains All American Pipeline, L.P. and its unitholders by failing to monitor properly the activities of its employees. The court consolidated all of the cases under the caption In Re Plains All American Inc. Shareholders Litigation, and has designated the complaint filed in Susser v. Plains All American Inc. as the complaint in the consolidated action.

The plaintiffs in the Delaware derivative litigation seek, among other things, to cause the defendants to account for all losses and damages allegedly sustained by Plains All American from the unauthorized trading losses; to establish and maintain effective internal controls ensuring that our affiliates and persons responsible for our affairs do not engage in wrongful practices detrimental to Plains All American; and to pay for the plaintiffs' costs and expenses in the litigation, including reasonable attorneys' fees, accountants' fees and experts' fees.

We have agreed with the plaintiffs to settle the Delaware litigation for approximately $1.1 million. On March 6, 2002, the Delaware court approved the settlement.

Texas Derivative Litigation. On July 11, 2000, a derivative lawsuit was filed in the United States District Court of the Southern District of Texas entitled Fernandes v. Plains All American Inc., et al, naming our former general partner, its directors and certain of its officers as defendants. This lawsuit contains the same claims and seeks the same relief as the Delaware derivative litigation, described above. We have reached an agreement in principle with the plaintiffs, subject to approval by the District Court, to settle the Texas litigation for approximately $112,500.

Other. We, in the ordinary course of business, are a claimant and/or a defendant in various other legal proceedings. We do not believe that the outcome of these other legal proceedings, individually and in the aggregate, will have a materially adverse effect on our financial condition, results of operations or cash flows.

Note 15 -- Quarterly Financial Data (Unaudited) (in thousands, except per unit data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2001					
Revenues	$ 1,520,124	$ 1,586,617	$ 2,191,310	$ 1,570,164	$ 6,868,215
Gross margin	32,730	36,387	39,644	33,500	142,261
Operating income	19,071	14,843	22,945	14,509	71,368
Income before extraordinary item and cumulative effect of accounting change	12,507	7,067	15,161	8,936	43,671
Cumulative effect of accounting change	508	-	-	-	508
Net income	13,015	7,067	15,161	8,936	44,179
Income per limited partner unit before extraordinary item and cumulative effect of accounting change (1)	0.36	0.19	0.38	0.20	1.12
Cumulative effect of accounting change	0.01	-	-	-	0.01
After extraordinary item (1)	0.37	0.19	0.38	0.20	1.13
Cash distributions per common unit (2)	$ 0.475	$ 0.500	$ 0.513	$ 0.513	$ 2.000
2000					
Revenues	$ 2,002,507	$ 1,481,834	$ 1,555,863	$ 1,600,983	$ 6,641,187
Gross margin	36.552	32.774	25.960	32.434	127.720
Operating income	17,788	20,164	10,700	13,724	62,376
Income before extraordinary item and cumulative effect of accounting change	64,300	17,063	4,516	6,770	92,649
Extraordinary item	(4,145)	(11,002)	-	-	(15,147)
Net income	60,155	6,061	4,516	6,770	77,502
Income per limited partner unit before extraordinary item and cumulative effect of accounting change	1.83	0.49	0.13	0.19	2.64
Extraordinary item	(0.12)	(0.32)	-	-	(0.44)
Net income per limited partner unit	1.71	0.17	0.13	0.19	2.20
Cash distributions per common unit (2)	$ 0.450	$ 0.463	$ 0.463	$ 0.463	$ 1.839

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(1) The sum of the four quarters does not equal the total year due to rounding.

(2) Represents cash distributions declared per common unit for the period indicated. Distributions are paid in the following calendar quarter.

Note 16 -- Operating Segments

Our operations consist of two operating segments: (1) Pipeline Operations - engages in interstate and intrastate crude oil pipeline transportation and certain related merchant activities; (2) Marketing, Gathering, Terminalling and Storage Operations - engages in purchases and resales of crude oil and liquified petroleum gas at various points along the distribution chain and the leasing of certain terminalling and storage assets. We evaluate segment performance based on gross margin, gross profit and income (loss) before extraordinary items and cumulative effect of accounting change.

The following table summarizes segment revenues, gross margin, gross profit and income (loss) before extraordinary items and cumulative effect of accounting change (in thousands):

	Pipeline	Marketing, Gathering, Terminalling & Storage	Total
Twelve Months Ended December 31, 2001			
Revenues:			
External Customers	$ 339,852	$ 6,528,363	$ 6,868,215
Intersegment (a)	17,528	2,046	19,574
Other revenue	53	348	401
Total revenues of reportable segments	$ 357,433	$ 6,530,757	$ 6,888,190
Gain on sale of assets	$ 984	$ -	$ 984
Segment gross margin (b)	71,322	70,939	142,261
Segment gross profit (c)	65,110	36,306	101,416
Income allocated to reportable segments (d)	39,494	9,918	49,412
Noncash compensation expense	n/a	n/a	5,741
Income before extraordinary item and cumulative effect of accounting change	$ n/a	$ n/a	$ 43,671
Interest expense	10,667	18,415	29,082
Depreciation and amortization	15,983	8,324	24,307
Capital expenditures	11,035	30,204	41,239
Total assets	472,324	788,927	1,261,251

Table continued on following page

	Pipeline	Marketing, Gathering, Terminalling & Storage	Total
Twelve Months Ended December 31, 2000			
Revenues:			
External Customers	$ 505,712	$ 6,135,475	$ 6,641,187
Intersegment (a)	68,745	-	68,745
Other revenue	9,045	1,731	10,776
Total revenues of reportable segments	$ 583,502	$ 6,137,206	$ 6,720,708
Gain on sale of assets	$ 48,188	$ -	$ 48,188
Segment gross margin (b)	51,787	75,933	127,720
Segment gross profit (c)	49,996	39,992	89,988
Income allocated to reportable segments (d)	94,461	1,277	95,738
Noncash compensation expense	n/a	n/a	3,089
Income before extraordinary item and cumulative effect of accounting change	$ n/a	$ n/a	$ 92,649
Interest expense	5,738	22,953	28,691
Depreciation and amortization	7,030	17,493	24,523
Capital expenditures	1,544	11,059	12,603
Total assets	324,751	561,050	885,801
Twelve Months Ended December 31, 1999			
Revenues:			
External Customers	$ 854,377	$ 10,056,046	$ 10,910,423
Intersegment (a)	131,445	-	131,445
Other revenue	195	763	958
Total revenues of reportable segments	$ 986,017	$ 10,056,809	$ 11,042,826
Segment gross margin (b)	$ 58,001	$ (114,127)	$ (56,126)
Segment gross profit (c)	55,384	(133,708)	(78,324)
Income (loss) allocated to reportable segments (d)	46,075	(146,877)	(100,802)
Noncash compensation expense	n/a	n/a	1,013
Income (loss) before extraordinary item and cumulative effect of accounting change	$ n/a	$ n/a	$ (101,815)
Interest expense	13,572	7,567	21,139
Depreciation and amortization	10,979	6,365	17,344
Capital expenditures	69,375	119,911	189,286
Total assets	524,438	698,599	1,223,037

(a) Intersegment sales were conducted on an arm's length basis.

(b) Gross margin is calculated as revenues less cost of sales and operations expense. The 2001 gross margin includes the impact of the $5.0 million inventory valuation adjustment.

(c) Gross profit is calculated as revenues less costs of sales and operations expenses and general and administrative expenses, excluding noncash compensation expense.

(d) Excludes noncash compensation expense, as it is not allocated to the reportable segments.

Prior to 2001, all of our revenues were derived from, and our assets located in, the United States. During 2001, we expanded into Canada (see Note 4). Set forth below is a table of 2001 revenues and long lived assets attributable to these geographic areas (in thousands):

Revenues	
United States	$ 6,149,788
Canada	$ 718,427
Long Lived Assets	
United States	$ 567,551
Canada	$ 188,207

Note 17 -- Subsequent Events

Acquisitions

In March 2002, we completed the acquisition of substantially all of the domestic crude oil pipeline, gathering, and marketing assets of Coast Energy Group and Lantern Petroleum, divisions of Cornerstone Propane Partners, L.P. for approximately $8.2 million in cash plus transaction costs. The principal assets acquired, which are located in West Texas, include several gathering lines, crude oil contracts and a small truck and trailer fleet.

In February 2002, we acquired an approximate 22% equity interest in Butte Pipe Line Company from Murphy Ventures, a subsidiary of Murphy Oil Corporation. The total cost of the acquisition, including various transaction and related expenses, was approximately $8.0 million. Butte Pipe Line Company owns the 373-mile Butte Pipeline System that runs from Baker, Montana, to Guernsey, Wyoming. The Butte Pipeline System, principally a mainline system, transported approximately 60,000 barrels per day of crude oil at the time of acquisition. The remaining 78% interest in the Butte Pipe Line Company is owned by Equilon Pipeline Company LLC.

EXHIBIT 10.15

PLAINS MARKETING, L.P.

- AND -

PLAINS MARKETING CANADA, L.P.

- AND -

CANPET ENERGY GROUP INC.

- AND -

CANPET ENERGY GROUP (USA), INC.

ASSET PURCHASE AGREEMENT

APRIL 9, 2001

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ASSET PURCHASE AGREEMENT

This Agreement made the 9th day of April, 2001.

AMONG:

PLAINS MARKETING CANADA, L.P., a limited partnership formed pursuant to the laws of the Province of Alberta ("PMC")

- and -

PLAINS MARKETING, L.P., a limited partnership formed pursuant to the laws of the State of Delaware ("PMLP")

- and -

CANPET ENERGY GROUP INC., a body corporate, incorporated under the laws of the Province of Alberta and having offices at the City of Calgary in the Province of Alberta ("Canpet Canada")

- and -

CANPET ENERGY GROUP (USA), INC., a body corporate, incorporated under the laws of the State of Washington ("Canpet USA")

(PMC and PMLP being collectively referred to as the "Purchaser", and Canpet Canada and Canpet USA being collectively referred to as the "Vendor")

WHEREAS Canpet Canada desires to sell to PMC and PMC desires to purchase from Canpet Canada all of the undertaking, property and assets of Canpet Canada;

AND WHEREAS Canpet USA desires to sell to PMLP and PMLP desires to purchase from Canpet USA all of the undertaking, property and assets of Canpet USA;

AND WHEREAS PAA has agreed, subject to the terms and conditions of this Agreement, to issue certain partnership units as part of the consideration to be paid by the Purchaser hereunder;

NOW THEREFORE in consideration for the premises and the mutual agreements contained in this Agreement, the receipt and adequacy of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I
INTERPRETATION

1.1 DEFINED TERMS

In this Agreement, including the premises hereto, this Section and each Schedule, the following terms have the following meanings:

"AFFILIATE" has the meaning ascribed thereto in the Business Corporations Act (Alberta);

"AGREEMENT" means this asset purchase agreement and all schedules and instruments in amendment or confirmation of it, "HEREOF", "HERETO" and "HEREUNDER" and similar expressions mean and refer to this Agreement and not to any particular Article, Section, Subsection or other subdivision and "ARTICLE", "SECTION", "SUBSECTION", "PARAGRAPH" or other subdivision followed by a number means and refers to the specified Article, Section, Subsection, Paragraph or other subdivision of this Agreement;

"ANCILLARY AGREEMENTS" means all agreements, certificates and other instruments delivered or given pursuant to this Agreement, including the Closing Agreements; and "ANCILLARY AGREEMENT" means any one of such agreements, certificates or other instruments;

"ASSETS" means all of the property, assets and undertaking of the Vendor or to which the Vendor is entitled of every kind and description and wheresoever situate, excluding the Excluded Assets. Without limiting the generality of the foregoing, "ASSETS" includes:

(a) the Equipment;

(b) all Inventory of the Vendor as of the Time of Closing;

(c) all supplies and all other tangible property of the Vendor, as of the Time of Closing;

(d) all real property and improvements thereon owned by the Vendor as at the Time of Closing, including the Owned Properties;

(e) all Buildings and Fixtures;

(f) the full benefit of all contracts, commitments or orders to which the Vendor is entitled including, without limitation, (i) the Contracts; (ii) any other service contracts which may be assignable or otherwise assumed; and (iii) all benefits under all other agreements, licenses, contracts and instruments that are assignable; and related documentation of the Vendor relating to the Business;

(g) the Intellectual Properties;

(h) the exclusive right to the Purchaser to represent itself as carrying on the Business in continuation of and in succession to the Vendor and the right to use any words indicating that the Business is so carried on including, without limiting the generality of the foregoing, the use of the name "CANPET ENERGY GROUP", "CANPET ENERGY GROUP (USA)", and all similar name or names under which the Vendor presently carries on its business; all Authorizations relating to the use, operation or enjoyment of the Business and the Assets;

(i) the Books and Records;

(j) the Wellpoint Shares;

(k) all telephone numbers, fax numbers, post office boxes, email addresses and websites of the Vendor used in connection with the Business;

(l) all claims against third parties relating to the Business or the Assets, including rights under manufacturers', repairer's and vendor's warranties and guarantees; and

(m) all other tangible and intangible personal property of the Vendor;

"ASSUMED LIABILITIES" has the meaning ascribed thereto in Section 3.1;

"AUTHORIZATION" means, with respect to any Person, any authorization, order, permit, approval, grant, licence, consent, right, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decree or by-law, rule or regulation of any Governmental Entity having jurisdiction over such Person, whether or not having the force of Law;

"BOOKS AND RECORDS" means all technical, financial, accounting and business records, data, reports, files, lists, drawings, plans, logs, briefs, customer and supplier lists, personnel records, deeds, certificates, contracts, surveys, title opinions or any other documentation and information in any form whatsoever (including written, printed, electronic or computer printout form) in respect of the Business and Intellectual Properties;

"BUILDINGS AND FIXTURES" means all buildings, structures, erections, improvements, appurtenances and fixtures (including fixed machinery and fixed equipment) situated on the Owned Properties or the Leased Properties, or all of them as the context requires;

"BUSINESS" means the entire existing business carried on by the Vendor, as of the Closing Date, including the purchasing and marketing of crude oil, LPG's and natural gas liquids;

"BUSINESS DAY" means any day of the year, other than a Saturday, Sunday or any day on which Canadian chartered banks in Calgary, Alberta or United States banks in New York, New York are not open for business;

"CANADIAN ASSETS" has the meaning ascribed thereto in Section 1.18;

"CLAIM" means any claim of any nature whatsoever, including any demand, liability, obligation, debt, cause of action, suit, proceeding, judgment, award, assessment and reassessment;

"CLOSING" means the completion of the transaction of purchase and sale contemplated in this Agreement;

"CLOSING AGREEMENTS" means, collectively, the Key Employee Non-Competition Agreements and the Contract Assignments;

"CLOSING DATE" means that date on which the transaction contemplated hereby is completed, as contemplated by Section 8.1;

"CLOSING DATE STATEMENT" has the meaning ascribed thereto in Subsection 2.5(a);

"COMPETITION ACT" means the Competition Act (Canada), as amended;

"COMPETITION ACT APPROVAL" means that:

(a) the Commissioner of Competition (the "COMMISSIONER") appointed under the Competition Act has issued an advance ruling certificate pursuant to Section 102 of the Competition Act in respect of the transactions contemplated by this Agreement; or

(b) the Competition Act Notification has been given and either:

  (i) the applicable waiting period under Section 123 of the Competition Act has expired without the Commissioner having advised the parties that he intends to apply to the Competition Tribunal for an order under Section 92 or Section 100 of the Competition Act in respect of the transactions contemplated by this Agreement; or

  (ii) the Commissioner has advised Purchaser that the Commissioner does not intend at that time to apply to the Competition Tribunal for an order under Section 92 of the Competition Act in respect of the transactions contemplated by this Agreement;

"COMPETITION ACT NOTIFICATION" means an application for an advance ruling certificate and a short form notification in respect of the transactions contemplated by this Agreement pursuant to Sections 102 and 114 of the Competition Act;

"CONFIDENTIAL INFORMATION" means all information which is of a confidential or secret nature and which may be related in any way to the Business or to the Future Business, and without limitation includes information relating to the Purchaser's operations, crude oil or LPG streams, crude oil or LPG blends, blending practices, methods of doing business, marketing strategies, prices, pricing structures, research and development, trade secrets, computer programs, algorithms, processes, methodologies, finances, customer lists, client contacts, business discussions and other information of a confidential or secret nature (whether or not any such information related to the business of Canpet Canada or Canpet USA prior to the date hereof); but "CONFIDENTIAL INFORMATION" does not include information that is within the public domain on the date Duckett became aware of it (whether before or after the date of this Agreement), or which thereafter enters the public domain through no fault of Duckett (but only after it becomes part of the public domain);

"CONSENTS" means the consents of contracting parties required for the assignment of any Contract or Lease, and "CONSENT" means any one of such Consents;

"CONTRACT ASSIGNMENTS" means all written assignment and novation agreements required pursuant to the terms of all Contracts in order for the valid and binding assignment of such Contracts to the Purchaser, as contemplated by this Agreement, including all required Consents in connection therewith;

"CONTRACTS" means all of the contracts, including all agreements relating to the purchase, sale, exchange, transportation or storage of crude oil, LPG's, condensate, natural gas liquids, and blends of the foregoing, Intellectual Property agreements, leases of real and personal property, including the Leases, licenses, undertakings, engagements or commitments of the Vendor, including those which are listed in Schedule 4.16 or Schedule 4.17 hereto, and all contracts related to or with customers listed in Schedule 4.30, and "CONTRACT" means any one of such Contracts;

"DEFERRED PAYMENT DATE" means April 30, 2004;

"DEFERRED INSTALLMENT" means the portion of the Purchase Price payable on the Deferred Payment Date, as determined in accordance with Subsection 2.6(a);

"DEPOSITS" means monetary deposits made prior to the Effective Time in respect of agreements or arrangements with third parties in connection with the Business and the Assets, to the extent the same are transferred and assigned to the Purchaser at Closing, but "Deposits" shall not include Nymex margin deposits;

"DISABILITY" shall be deemed to have occurred when two medical doctors, acting independently of all parties to this Agreement, deliver to such parties certificates stating that Duckett is disabled and by reason thereof cannot reasonably be expected to be able to substantially perform his duties contemplated by this Agreement for a period of at least six (6) months;

"DISCHARGE", in respect of a Substance, includes any emission, discharge, release, deposit, issuance, spray, injection, abandonment, escape, spill, leak, seepage, disposal, exhaust, or any similar term as defined in any Environmental Laws, of such Substance;

"DUCKETT" means W. David Duckett;

"EARN-OUT PERIOD" means the period from March 1, 2001 through December 31, 2003;

"EBITDA" means the earnings relating to the Future Business during the Earn-Out Period (determined in accordance with GAAP), net of bonuses, but before deductions for (i) interest (except interest on borrowings used for inventory in tanks, or in pipelines in excess of operating requirements, provided that such borrowings shall be deemed to be reduced by any cash proceeds received for advance payments for crude oil or LPG's to be delivered in a future period, if such advance payments are not actually used to reduce inventory borrowings); (ii) any income taxes; and (iii) depreciation and amortization. EBITDA shall include earnings attributable to capital projects that expand or enhance the existing Assets; provided that the Parties hereto shall mutually agree upon a cost of capital to be charged against the earnings of the Future Business; however, EBITDA shall not include earnings, losses or expenses attributable to asset or entity acquisitions made by the Purchaser or any of its Affiliates in Canada, including earnings, losses or expenses attributable to pipeline acquisitions in Saskatchewan and/or Alberta, unless, and only to the extent that, such earnings, losses or expenses are incremental to the acquired assets and are generated primarily by the accomplishments of the Key Employees and employees directly overseen by the Key Employees;

"EFFECTIVE TIME" means 12:01 a.m. (Calgary time) on March 1, 2001;

"ENCUMBRANCES" means liens, charges, mortgages, pledges, security interests, claims, defects of title, restrictions, leases and any other rights of third parties relating to property, including rights of set-off, voting trusts and other encumbrances of any kind;

"ENVIRONMENT" includes the ambient air, all layers of atmosphere, surface water, underground water, any land or underground space even if submerged in water or covered by a structure, all organic and inorganic matters, all living organisms and the interacting natural systems that include components of air, land, water, organic and inorganic matters and living organisms;

"ENVIRONMENTAL LAWS" includes all federal, provincial, municipal or local statutes, regulations, by-laws, guidelines, policies or rules, and orders of any Governmental Entity, and principles of common law, relating to the Environment;

"ENVIRONMENTAL LIABILITIES AND COSTS" means all Losses and Claims relating to the Environment, whether known or unknown, past, present or future, including those imposed by, under or pursuant to Environmental Laws, all Losses and Claims related to Remedial Actions and all reasonable fees, disbursements and expenses of counsel, experts, personnel and consultants, where such Losses and Claims relating to the Environment are based on, arise out of or are otherwise in respect of:

(a) the ownership or operation of the Business, Assets or Leased Properties;

(b) the conditions on, under, above, about or migrating or having migrated from any real property, assets, equipment or facilities currently or previously owned, leased or operated by the Vendor;

(c) expenditures necessary to cause the operations of any of the Business or Assets either related to the Business or owned, leased or operated by the Vendor to comply in all material respects with any and all requirements under Environmental Laws, including expenditures in connection with obtaining required Environmental Permits, other than renewals in the ordinary course; and

(d) liability for personal injury or property damage, including damages assessed for the maintenance of a public or private nuisance.

"ENVIRONMENTAL PERMITS" means all permits, certificates, approvals, registrations and licences issued or issuable by any Governmental Entity pursuant to any Environmental Law;

"EQUIPMENT" means all of the machinery, computer equipment, tools, furniture, vehicles, and other tangible property used or held for use in connection with the Business;

"EVENT OF DEFAULT" shall have occurred upon: (a) Duckett having committed or engaged in any of the following: fraud, embezzlement, theft, disclosure of Confidential Information having a material adverse effect on the Purchaser, dishonesty during the course of employment, acting in a manner contrary to the interests of the Purchaser with knowledge that such actions will cause material harm to or would reasonably be expected to cause material harm to the Purchaser, willful disobedience of a lawful and reasonable order of the Board of Directors of PMC (Nova Scotia) Company (being the only entity entitled to give such orders), or conduct proven to have constituted moral turpitude; or (b) a material failure of Duckett to devote a substantial majority of his time, attention and ability, during normal business hours (and after such hours, as reasonably required from time to time in order to properly fulfill the duties of his position, not to be greater than the time commitment of Duckett to the Business for the three (3) years prior to Closing), to the Future Business; provided that "EVENT OF DEFAULT" shall not occur upon the death or Disability of Duckett;

"EXCLUDED ASSETS" means (i) all working capital as of the Time of Closing (determined in accordance with GAAP), except Inventory; (ii) the Shares; and (iii) life insurance policies on the lives of the shareholders of the Vendor, and prepaid premiums in respect thereof,

"EXCLUDED LIABILITIES" has the meaning ascribed thereto in Section 3.2;

"FINAL STATEMENT" has the meaning ascribed thereto in Subsection 2.5(b).

"FUTURE BUSINESS" means the portion of the business to be carried on subsequent to Closing by the Purchaser, which is related to or arises out of the Business and which directly utilizes the Assets;

"GAAP" means generally accepted accounting principles so described and promulgated by the Canadian Institute of Chartered Accountants and applied on a going concern basis, which is consistent with the past practice of the Vendor;

"GOVERNMENTAL ENTITY" means (i) any multinational, federal, provincial, state, municipal, local or other governmental or public department, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision, agent, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

"HOLDBACK AMOUNT" has the meaning ascribed thereto in Subsection 2.4(a)(i);

"HSR ACT" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or any successor law, and regulations and rules issued pursuant to that act or any successor law;

"HSR ACT NOTIFICATION" means an application pursuant to the HSR Act by Purchaser and Vendor to the Federal Trade Commission of the United States of America requesting approval of the transactions contemplated by this Agreement;

"HSR APPROVAL" means that the HSR Act Notification has been given and any applicable waiting period under the HSR Act relative to the Reviewable Transactions shall have expired or been terminated;

"INDEMNIFIED PARTY" has the meaning ascribed thereto in Subsection 9.4(a);

"INDEMNIFYING PARTY" has the meaning ascribed thereto in Subsection 9.4(a);

"INDEPENDENT ACCOUNTANTS" means the Calgary, Alberta office of Ernst & Young LLP, or such other national firm of accountants, which is independent of the Parties, as may be agreed to by the Parties;

"INITIAL INSTALLMENT" has the meaning ascribed thereto in Subsection 2.4(a);

"INTELLECTUAL PROPERTIES" means any and all Trade Marks, Patent Rights, Know-How, copyrights, applications, designs, inventions, computer programs, software and associated source code and other intellectual property related to the Business;

"INTERIM COSTS" means all costs and expenses of every kind and nature relating to the Assets during the period of time from the Effective Time to the Closing Date, determined in accordance with GAAP, including maintenance, capital and operating costs, cost of sales, and property taxes but specifically excluding bonuses in excess of those amounts determined and accrued under the bonus plan outlined in Schedule 10.3 to this Agreement, commissions or compensation in excess of rates in effect as at January 1, 2001, interest charges (after April 30, 2001), depreciation, amortization and non-cash charges and any taxes imposed by or under the Income Tax Act (Canada) or any provincial income tax legislation;

"INTERIM PERIOD" means the period of time between the close of business on the date hereof and the Time of Closing;

"INTERIM REVENUES" means all benefits, revenue and income of every kind arising from the ownership or operation or disposition of, or otherwise relating to, the Assets during the period of time from the Effective Time to the Closing Date, determined in accordance with GAAP;

"INVENTORY" means all inventories of feedstocks, crude oil, natural gas liquids and all other items held as inventory as of the Closing Date;

"INVENTORY VALUE" means the cumulative value of the Inventory, calculated in the Vendor's usual and historical manner, consistent with GAAP;

"INVESTMENT CANADA ACT" means the Investment Canada Act (Canada), as amended;

"INVESTMENT CANADA APPROVAL" means the notice sent by the Minister (as defined in the Investment Canada Act), in respect of reviewable transactions, pursuant to Section 21 of the Investment Canada Act that the Minister is satisfied that the transaction contemplated hereby is likely to be of net benefit to Canada;

"INVESTMENT CANADA NOTIFICATION" means the notification of the Purchaser pursuant to the Investment Canada Act to be given in connection with reviewable transactions;

"KEY EMPLOYEES" has the meaning ascribed thereto in Subsection 10.1(a);

"KEY EMPLOYEE NON-COMPETITION AGREEMENTS" has the meaning ascribed thereto in Section 10.1(a);

"KNOW-HOW" means technical know-how, data, information, formulae and processes including research and development know-how relating to the Business;

"LAWS" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used; and "LAW" means any one of them;

"LEASED PROPERTIES" means the lands and premises forming the subject matter of the Leases from which the Vendor carries on the Business at the locations listed in Schedule 4.14(b);

"LEASES" means the leases and subleases of lands and premises used in the Business;

"LEVEL ONE KEY EMPLOYEES" has the meaning ascribed thereto in Subsection 10.1;

"LEVEL TWO KEY EMPLOYEES" has the meaning ascribed thereto in Subsection 10.1;

"LIBOR RATE" means the rate per annum (rounded upwards, if necessary, to the nearest 1/32 of 1%) as determined on the basis of offered rates for deposits in Canadian dollars, for a period of time comparable to the period of time between May 1, 2001 and the Closing Date, which appears on Telerate page 3740 (or any successor page) as of 11:00 a.m. London time on the day that is two (2) Business Days preceding the Closing Date;

"LOSS" means any loss whatsoever, including expenses, costs, damages, diminution in value, penalties, fines, charges, claims, demands, liabilities, interest and any and all legal fees and disbursements;

"LPG'S" means liquified petroleum gas;

"MARKET VALUE" means the average of the high and low prices for a Unit on the NYSE for the ten (10) consecutive trading days immediately preceding the third (3rd) Business Day prior to the applicable date of the delivery of Units hereunder;

"NOTICE" means any claim, citation, directive, order (draft or otherwise), request for information, statement of claim, litigation, notice of investigation, investigation, proceeding, judgment, letter or other communication, written or oral, actual or implied or threatened, from any Person;

"NYSE" means the New York Stock Exchange;

"OWNED PROPERTIES", when used in respect of the Vendor, means, collectively, all of the lands and premises which are owned by the Vendor and used in connection with the Business, all of which are listed and described as such in Schedule 4.14(a), and the Buildings and Fixtures therein and thereon, including all pipelines, leasehold improvements, storage tanks, blending facilities, meters, and pumps;

"PAA" means Plains All American Pipeline, L.P.;

"PARTIES" means the Vendor and the Purchaser and any other person who may become a party to this Agreement; and "PARTY" means any one of them;

"PATENT RIGHTS" means patents, patent applications, patents issuing on such applications and any extensions, continuations, divisions or re-examinations thereof related to the Business;

"PERMITTED ENCUMBRANCES" means (i) Encumbrances for Taxes, assessments or governmental charges or levies on property not yet due or delinquent; (ii) easements, encroachments and other minor imperfections of title which do not individually or in the aggregate materially detract from the value of, or impair the use or marketability of any real property; (iii) the Encumbrances listed in Schedule 1.1(b) to the extent that such Encumbrances relate solely to the Assumed Liabilities; (iv) undetermined or inchoate liens arising in the ordinary course of the Business for the Vendor's proportionate share of the costs and expenses of operation of the Assets, which costs and expenses are not due or delinquent; (v) mechanics', builders' and materialmen's liens in respect of services rendered or goods supplied, but only insofar as such liens relate to goods or services that have been delivered and for which payment is not due; and (vi) liens granted in the ordinary course of the Business to a public gas, electric, water or similar utility or Governmental Entities in connection with the operation of the Assets in respect of which no amount is due;

"PERSON" means an individual, partnership, corporation, trust, unincorporated association, joint venture or other entity or Governmental Entity, and pronouns have a similarly extended meaning;

"PRE-CLOSING ENVIRONMENTAL LIABILITIES" means all Environmental Liabilities and Costs, whether or not disclosed herein or prior to or at Closing, to the extent the same accrued, arose, or pertained to any time prior to the Effective Time, whether or not reasonably discoverable at the Closing Date;

"PREPAID EXPENSES" means expenditures of a non-capital nature in connection with the Business and the Assets prior to the Effective Time, to the extent transferred and assigned to the Purchaser at Closing, excluding expenditures in respect of insurance policies that were incurred for a future benefit;

"PRIME" means the floating annual rate of interest established and announced by Toronto Dominion Bank from time to time as a reference rate for the purpose of determining rates of interest it will charge on loans denominated in Canadian dollars;

"PURCHASE PRICE" means the Initial Installment and the Deferred Installment;

"REMEDIAL ACTION" means any action, whether voluntary or compelled, that is reasonably necessary to (i) clean up, remove, treat or in any other way deal with Substances in the Environment; (ii) prevent any Discharge of Substances where such Discharge would violate any Environmental Laws or would endanger or threaten to endanger public health or welfare or the Environment; or (iii) perform remedial studies, investigations, restoration and post-remedial studies, investigations and monitoring on, about or in connection with any of the Owned Properties, Leased Properties or other Assets;

"RETAINED EMPLOYEES" has the meaning ascribed thereto in Subsection 10.1(b);

"RIGHTS OF WAY" has the meaning ascribed thereto in section 4.14(c);

"RIMBEY FACILITY" means the crude oil truck terminal and cleaning plant located at 6-22-42-02 W5M, the water disposal well located at 16-21-42-02 W5M and the associated equipment, pipelines, leases and rights-of-way more completely described in Schedules 4.8, 4.14(b), 4.14(c) and 4.28;

"SHAREHOLDER NON-COMPETITION AGREEMENTS" has the meaning ascribed thereto in Section 11.2;

"SHARES" means all of the issued and outstanding shares in the capital of Canpet USA;

"SUBSTANCE" means any material or substance that is deemed to be "HAZARDOUS", "TOXIC", "DELETERIOUS", "CAUSTIC", "DANGEROUS", a "CONTAMINANT", a "WASTE", a "SOURCE OF CONTAMINANT" or a "POLLUTANT" under any Environmental Laws;

"TAX" means any tax, duty, excise, fee, impost, assessment, deduction, charge or withholding tax including federal and provincial sales tax, social services tax, goods and services tax, land transfer tax, property purchase tax, income taxes, excise tax, use tax, business tax, capital tax, franchise tax and other provincial and federal taxes, municipal tax, local tax, foreign tax, and all liabilities with respect thereto, including any penalty and interest payable with respect thereto, levied, imposed or assessed from time to time upon or in respect of income, profits or assets of any nature or kind by any Governmental Entity;

"TIME OF CLOSING" means 8:30 a.m. (Calgary time) on the Closing Date or such later time as the completion of the transaction of purchase and sale contemplated in this Agreement may occur;

"TRADE MARK" means any and all trade mark registrations and applications for trade mark registrations and brand names related to the Business;

"UNIT" means a limited partnership common unit of PAA;

"US ASSETS" has the meaning ascribed thereto in Section 1.18; and

"WELLPOINT SHARES" means all of the Vendor's shares in the capital of Wellpoint Systems Inc., being 902,000 shares.

1.2 GENDER AND NUMBER

Any reference in this Agreement to gender shall include all genders, and words importing the singular number only shall include the plural and vice versa.

1.3 HEADINGS ETC.

The provision of a Table of Contents, the division into Articles, Sections, Subsections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation of this Agreement.

1.4 CURRENCY

All references in this Agreement to dollars, unless otherwise specifically indicated, are expressed in Canadian currency.

1.5 SEVERABILITY

Any Article, Section, Subsection or other subdivision of the Agreement or any other provision of this Agreement which is, or becomes, illegal, invalid or unenforceable shall be severed from this Agreement and be ineffective to the extent of such illegality, invalidity or unenforceability and shall not affect or impair the remaining provisions hereof, which provisions shall remain in full force and effect.

1.6 ENTIRE AGREEMENT

This Agreement together with the Ancillary Agreements constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties. There are no representations, warranties, conditions or other agreements, express or implied, statutory or otherwise, between the Parties in connections with the subject matter of this Agreement, except as specifically set forth herein and therein. If there is any conflict between the provisions of the Agreement and the provisions of any Ancillary Agreement, the provisions of this Agreement shall govern.

1.7 AMENDMENTS

This Agreement may only be amended, modified or supplemented by a written agreement signed by all parties to such agreement.

1.8 STATUTORY REFERENCES

Any reference in this Agreement to a statute includes all regulations made thereunder, all amendments to such statutes or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulations.

1.9 WAIVER

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar), nor shall such waiver constitute a waiver or continuing waiver unless otherwise expressly provided in writing duly executed by the Party to be bound thereby.

1.10 GOVERNING LAW

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

1.11 ATTORNMENT

The Purchaser and the Vendor each hereby irrevocably attorn and submit to the non-exclusive jurisdiction of the Court of Queen's Bench of Alberta for the adjudication of this Agreement and all matters arising herefrom.

1.12 INCLUSION

Where the word "INCLUDING" or "INCLUDES" is used in this Agreement it means "INCLUDING" (or includes) "WITHOUT LIMITATION".

1.13 ACCOUNTING

All accounting terms used in this Agreement and not specifically defined herein or therein shall be construed in accordance with GAAP.

1.14 CALCULATION OF TIME

Unless otherwise specified, time periods referred to in this Agreement within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

1.15 BUSINESS DAY

Whenever any payment to be made or action to be taken under this Agreement is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next Business Day following such day.

1.16 INCORPORATION OF SCHEDULES

The following are the schedules attached to and incorporated in this Agreement.

Schedule 1.1(b)	-	Permitted Encumbrances
Schedule 2.3	-	Allocation of Purchase Price
Schedule 2.4(c)	-	Assigned Deposits and Prepaid Expenses
Schedule 4.3	-	Governmental and Third Party Consents and Restrictions on Transfer
Schedule 4.8	-	Authorizations
Schedule 4.14(a)	-	Owned Properties
Schedule 4.14(b)	-	Leases and Leased Property
Schedule 4.14(c)	-	Rights of Way
Schedule 4.15	-	Financial Statements
Schedule 4.16	-	Commodity Contracts
Schedule 4.17	-	Other Contracts
Schedule 4.19	-	Intellectual Property Rights
Schedule 4.22	-	Employees
Schedule 4.23	-	Environmental Matters
Schedule 4.24	-	Insurance
Schedule 4.25	-	Litigation
Schedule 4.26	-	Letters of Credit etc.
Schedule 4.28	-	Equipment
Schedule 4.29	-	Inventory
Schedule 4.30	-	Customers
Schedule 6.1(b)(ix)	-	Capital Expenditures
Schedule 8.4	-	Form of Letter of Credit
Schedule 10.1	-	Key Employees
Schedule 10.1(a)(1)	-	Level One Key Employee Non-Competition Agreement
Schedule 10.1(a)(2)	-	Level Two Key Employee Non-Competition Agreement
Schedule 10.3	-	Bonus Plan
Schedule 11.2	-	Shareholder Non-Competition Agreements

1.17 KNOWLEDGE

References in this Agreement to matters which are to the knowledge of the Vendor shall refer to the knowledge of the officers, directors, senior managers and plant superintendents of the Vendor.

1.18 CANADIAN AND UNITED STATES TRANSACTIONS

The parties acknowledge and agree that although throughout this Agreement, the Assets and the Business, and other related definitions, are referred to globally, a portion of the Assets and the Business are located and conducted in Canada, and a portion in the United States. Those Assets located in Canada or which pertain to the portion of the Business conducted in Canada (the "CANADIAN ASSETS") are owned, held and conducted by Canpet Canada and will be sold by Canpet Canada to PMC, and those Assets located in the United States, or which pertain to the portion of the Business conducted in the United States (the "US ASSETS"), are owned, held and conducted by Canpet USA and shall be sold by Canpet USA to PMLP. Therefore, the parties agree as follows:

(a) the Purchase Price shall be allocated among the Canadian Assets and the US Assets, as set forth in Schedule 2.3;

(b) the portion of the Purchase Price allocated to the US Assets shall be paid out of the Initial Installment;

(c) all obligations and entitlements with respect to the Initial Installment shall, to the extent allocated to the US Assets, be those of Canpet USA and PMLP, and all obligations and entitlements with respect to the Initial Installment shall, to the extent allocated to Canadian Assets, be those of Canpet Canada and PMC;

(d) the Deferred Installment shall be allocated entirely to the Canadian Assets;

(e) the representations, warranties, covenants and agreements of the Vendor hereunder, and under all agreements delivered by the Vendor pursuant to this Agreement, shall be joint and several between Canpet Canada and Canpet USA;

(f) the representations, warranties, covenants and agreements of the Purchaser hereunder, and under all agreements delivered by the Purchaser pursuant to this Agreement, shall be joint and several between PMC and PMLP; and

(g) all matters listed in Schedules to this Agreement and other written disclosure made by the Vendor to the Purchaser pursuant to the terms of this Agreement shall clearly indicate whether the matters so listed or disclosed relate to the US Assets or the Canadian Assets.

ARTICLE II
PURCHASE AND SALE OF ASSETS

2.1 PURCHASE AND SALE OF ASSETS

Subject to the terms and conditions set forth in this Agreement, the Vendor agrees to sell to the Purchaser, and the Purchaser agrees to purchase from the Vendor at the Closing, the entire right, title, estate and interest of the Vendor in and to the Assets, free and clear of all Encumbrances, except the Permitted Encumbrances.

2.2 PURCHASE PRICE

Subject to Subsections 2.4(b) and 2.6(a), the aggregate purchase price (the "PURCHASE PRICE") payable by the Purchaser to the Vendor for the Assets shall be $66.2 million, payable, subject to Section 2.6, in two installments. The Purchaser shall pay interest on the unadjusted Initial Installment from May 1, 2001 until the Closing Date at the LIBOR Rate plus two percent (2%). At Closing, the Initial Installment shall be calculated and paid in accordance with Section 2.4. On the Deferred Payment Date, the Deferred Installment shall be calculated and paid in accordance with Section 2.6.

2.3 ALLOCATION OF INITIAL INSTALLMENT

The Vendor and the Purchaser agree to allocate the Initial Installment in accordance with Schedule 2.3 and to execute and file all Tax returns on the basis of such allocations. Any increase or decrease to the Initial Installment pursuant to Subsection 2.4(b)(ii) (as adjusted in the Final Statement) shall be allocated to goodwill. Any increase or decrease to the Initial Installment pursuant to Subsection 2.4(b)(i) (as adjusted in the Final Statement) shall be allocated to Inventory Value.

2.4 PAYMENT AT CLOSING

(a) At the Time of Closing, the Purchaser shall pay to the Vendor $39.7 million, subject to the adjustments contemplated by Subsection 2.4(b) (the "INITIAL INSTALLMENT"). The Initial Installment shall be paid and satisfied as follows:

  (i) $1 million in cash shall be retained by the Purchaser pursuant to Section 2.5 below (the "HOLDBACK AMOUNT"); and

  (ii) the remainder of the Initial Installment shall be paid in cash, by wire transfer.

(b) The Initial Installment shall: (i) be increased by the amount by which the Inventory Value exceeds $13.0 million, or if Inventory Value is less than $13.0 million, the Initial Installment shall be decreased by the difference; and (ii) be decreased (if the amount is positive) or increased (if the amount is negative) by 65% of the difference determined by deducting Interim Costs from Interim Revenues.

(c) (i) The Vendor shall assign those Deposits and Prepaid Expenses contained in Schedule 2.4(c), and with the consent of the Purchaser (which consent may be withheld for any reason), the Vendor may assign and transfer to the Purchaser certain other Deposits and/or Prepaid Expenses, and to the extent they are assigned and transferred to the Purchaser, the Purchaser shall reimburse the Vendor for all such transferred Deposits and Prepaid Expenses.

(ii) The Vendor shall, at Closing, remit to the Purchaser funds advanced to the Vendor which are attributable to future deliveries of crude oil, LPG's, or natural gas liquids and are related to Contracts assigned under this Agreement.

(iii) The Vendor shall, at Closing, remit to the Purchaser the amount of all deferred gains as at the Closing Date in respect of closed futures contracts.

(iv) The Purchaser shall, at Closing, remit to the Vendor the amount of all deferred losses of the Vendor as of the Closing Date in respect of closed futures contracts.

(v) Amounts payable under Subclauses 2.4(c)(i) and 2.4(c)(iv) may be offset against amounts under Subclauses 2.4(c)(ii) and 2.4(c)(iii).

(d) For the purposes of Closing, the Initial Installment shall be based on the Closing Date Statement.

2.5 CLOSING DATE STATEMENT AND ADJUSTMENT TO INITIAL INSTALLMENT

(a) No less than two (2) Business Days prior to Closing the Vendor shall deliver to the Purchaser a detailed interim accounting statement (utilizing estimates where necessary) setting forth, separately, each of the items necessary for calculating its estimate of each of the adjustments contemplated by Subsections 2.4(b) and 2.4(c), including a detailed statement estimating the calculation of Inventory Value (the "CLOSING DATE STATEMENT").

(b) Within one hundred twenty (120) days following the Closing Date (or such other date as is mutually agreed to by the Vendor and the Purchaser in writing) the Vendor shall prepare and deliver to the Purchaser a final accounting statement (the "FINAL STATEMENT") adjusting the Closing Date Statement to reflect actual amounts.

(c) The Final Statement prepared and delivered as aforesaid shall be final and binding upon the parties for all purposes hereof, absent manifest error, unless the Purchaser notifies the Vendor in writing, within thirty (30) days after receipt by the Purchaser of the Final Statement, that it disputes the Final Statement.

(d) In the event that the Purchaser disputes the Final Statement in accordance with Subsection 2.5(c), the parties shall work expeditiously and in good faith in an attempt to resolve such dispute for a further period of twenty (20) Business Days after the date of notification by the Purchaser to the Vendor of such dispute, failing which such dispute shall be submitted for determination to the Independent Accountants. The determination of the Independent Accountants shall be final and binding upon the Parties and not be subject to appeal, absent manifest error. The Independent Accountants shall be deemed to be acting as experts and not as arbitrators. The costs and expenses of the Independent Accountants shall be borne equally by the Vendor and the Purchaser. The Vendor and the Purchaser shall each bear their own costs in presenting their cases to the Independent Accountants.

(e) Within five (5) Business Days after the twenty (20) Business Day period referred to in Subsection 2.5(d) or the resolution of any dispute in accordance with Subsection 2.5(d), as the case may be, a cash payment shall be made as follows: (i) if the finally determined Initial Installment exceeds the Initial Installment as set forth in the Closing Date Statement, the Purchaser shall pay the Vendor such excess amount plus the Holdback Amount; (ii) if the Initial Installment as set forth in the Closing Date Statement exceeds the finally determined Initial Installment by an amount that does not exceed $1.0 million, such amount shall be deducted from the Holdback Amount and the remaining Holdback Amount, if any, shall be paid by the Purchaser to the Vendor; and (iii) if the Initial Installment as set forth in the Closing Date Statement exceeds the finally determined Initial Installment by more than $1.0 million, then the Purchaser shall keep and thereafter own the Holdback Amount and the Vendor shall remit to the Purchaser an amount equal to the amount by which such deficit exceeds $1.0 million.

(f) All payments made under this Section 2.5 shall be made by wire transfer and shall bear interest calculated from the Closing Date to the date of payment at the LIBOR Rate plus 2%.

(g) The determination and payment of any amounts due pursuant to the provisions of this Section 2.5 shall not limit or affect any other rights or causes of action either the Purchaser or the Vendor may have hereunder with respect to the representations, warranties, covenants and indemnities in its favour contained herein.

2.6 PAYMENT OF DEFERRED INSTALLMENT

(a) Subject to the remainder of this Subsection 2.6(a), the Deferred Installment shall be $26.5 million, and shall be satisfied on the Deferred Payment Date. The Deferred Installment shall be satisfied by the issuance by PAA, or transfer by the Purchaser, to the Vendor of Units having a Market Value equal to the Deferred Installment. The Deferred Installment shall be reduced according to the following if any of the following circumstances occur:

(i) if the average annual EBITDA for the Earn-Out Period is less than $13.24 million but greater than $12.3 million, the Deferred Installment shall equal (x) 5 times the average annual EBITDA for the Earn-out Period (y) minus $39.7 million;

(ii) if the average annual EBITDA for the Earn-Out Period is less than $12.3 million but greater than $10.8 million, the Deferred Installment shall equal (x) 4.5 times the average annual EBITDA for the Earn-Out Period (y) minus $39.7 million;

(iii) if the average annual EBITDA for the Earn-Out Period is less than or equal to $10.8 million but greater than $10.0 million, the Deferred Installment shall equal (x) 4.0 times the average EBITDA for the Earn-Out Period (y) minus $39.7 million; or

(iv) if the average annual EBITDA for the Earn-Out Period is less than $10 million, the Deferred Installment shall equal zero.

(b) The Purchaser shall also pay to the Vendor, with respect to the Units issued or delivered pursuant to Subsection 2.6(a), on the Deferred Payment Date a cash payment equal, on a per Unit basis, to the aggregate amount of all distributions made by PAA to its unitholders of record between the Effective Time and the actual date on which the Units are transferred or issued to the Vendor pursuant to Subsection 2.6(a). Any such payment shall be deemed to be an increase to the Purchase Price.

(c) For the purposes of Subsection 2.6(a) above, the EBITDA for the Earn-Out Period will include an annualized amount for the period from March 1, 2001 through December 31, 2001 (based on a fraction of 12/10), plus the EBITDA for the calendar year 2002, plus the EBITDA for the calendar year 2003. The average shall be determined by dividing this amount (which includes the annualized amount for the period from March 1, 2001 through December 31, 2001) by three.

(d) (i) For the purposes of communicating and verifying the calculations contemplated in this Section 2.6, the Purchaser shall, within 100 days following the end of each of the three calendar years following Closing, deliver to the Vendor an income statement which has been reviewed in conjunction with PAA's annual audit for each such calendar year and the EBITDA for such period. In addition, with the delivery of the last income statement provided pursuant to this Subsection 2.6(d)(i), the Purchaser shall provide the Vendor with a statement setting forth the calculations of the average annual EBITDA during the Earn-Out Period. Each statement provided pursuant to this Subsection 2.6(d)(i) shall be final and binding upon the parties for all purposes hereof, absent manifest error, unless the Vendor notifies the Purchaser in writing, within twenty (20) days of receipt of such statement, that it disputes the said statement.

(ii) In the event that the Vendor disputes any such statement in accordance with Subsection 2.6(d)(i), (A) the parties shall work expeditiously and in good faith in an attempt to resolve such disputes for a further period of twenty (20) Business Days after the date of notification to the Purchaser by the Vendor of such dispute, failing which such dispute shall be submitted for determination to the Independent Accountants; and (B) if such dispute relates to the last income statement or the calculation of the average EBITDA during the Earn-Out Period, the Deferred Payment Date shall be delayed until the fifth (5th) Business Day following the ultimate resolution of such dispute. The determination of the Independent Accountants shall be final and binding upon the Parties and not be subject to appeal, absent manifest error. The Independent Accountants shall be deemed to be acting as experts and not as arbitrators. The costs and expenses of the Independent Accountants shall be borne equally by the Vendor and the Purchaser. The Vendor and the Purchaser shall each bear their own costs in presenting their cases to the Independent Accountants.

2.7 UNITS

(a) The Vendor acknowledges that none of the Units will be the subject of a registration statement under the Securities Act of 1933, as amended (the "US SECURITIES ACT"), nor a prospectus or similar instrument under Canadian securities laws, and accordingly the Units will not be tradable (i) in Canada, at any time, to a Canadian resident except in accordance with applicable Canadian securities laws; or (ii) in the United States, until the expiry of the hold periods prescribed by the US Securities Act and/or the NYSE.

(b) All of the Units comprising the Deferred Installment shall not be tradable legally or beneficially by the Vendor, except in accordance with the following:

(i) after the first anniversary of the Deferred Payment Date: 60% may be traded; and

(ii) after the second anniversary of the Deferred Payment Date: 100% may be traded.

(c) All certificates representing the Units shall be marked with a clearly readable legend setting forth the requirements of Subsections 2.7(a) and (b).

(d) For the purposes of this Section 2.7, "TRADE" shall include:

(i) any transfer, sale or disposition of a security, whether or not for valuable consideration;

(ii) any transfer, pledge or encumbrance of securities for the purpose of giving collateral for a debt (unless given in favour of a chartered bank or other lending institution, and such chartered bank or lending institution has, concurrently with such transfer, pledge or encumbrance, acknowledged in writing to the Purchaser that it is subject to the transfer restrictions contained in this Agreement); and

(iii) any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of any of the foregoing.

(e) Canpet Canada shall be entitled to distribute the Units or portions thereof to its shareholders from time to time, provided that all such transferees shall continue to be bound by the terms of this Section 2.7. The Vendor shall retain records of any such transfers so that the Purchaser may conduct an annual audit of compliance with the provisions set forth in this Section 2.7.

2.8 ALLOCATION OF DEFERRED INSTALLMENT

The Vendor and the Purchaser agree to allocate the Deferred Installment as set forth in Schedule 2.3, and to execute and file all tax returns on the basis of such allocations.

2.9 ALTERNATIVE PAYMENT OF DEFERRED INSTALLMENT

(a) The Purchaser and PAA shall be entitled, at their option, to satisfy their obligations with respect to the Deferred Installment by the payment of cash, rather than the issuance of Units.

(b) In the event that PAA undergoes a reorganization, the result of which is that a successor with substantially similar net worth has publicly traded securities, then subject to Subsection 2.9(a), the Deferred Installment shall be paid by the issuance of such publicly traded securities and each reference to "Units" in Sections 2.6 and 2.7 shall be deemed to refer to such publicly traded securities.

(c) The Purchaser shall be entitled, at its option, to satisfy its obligations with respect to the Deferred Installment by issuing its own limited partnership units, which, by their terms, will be immediately exchangeable by both the holder or the issuer thereof into Units on a one-for-one basis. The number of limited partnership units to be issued by the Purchaser will in such event be equal to the number of Units which would otherwise be issuable pursuant to the terms of this Agreement. The Purchaser shall not be entitled to issue such limited partnership units unless (i) the terms of such units are acceptable to the Vendor, acting reasonably; and (ii) PAA has executed a binding agreement, in a form reasonably satisfactory to the Vendor, whereby it undertakes to honour the exchange provisions of the limited partnership units.

2.10 CONTINUED EMPLOYMENT OF W. DAVID DUCKETT

Notwithstanding Section 2.6, the amount of the Deferred Installment as calculated pursuant to Section 2.6 shall be reduced by thirty six and three tenths percent (36.3%) upon the dismissal of Duckett by reason of the occurrence of an Event of Default at any time during the Earn-Out Period.

2.11 CHANGE OF CONDITION

The Purchaser covenants and agrees that throughout the Earn-Out Period, it will not, without having first received the written approval of Duckett for the purposes of and referring to this Section 2.11, cause or permit a material reorganization, divestiture or downsizing of the Business so as to have a material adverse effect on the ability of the Key Employees to generate EBITDA during the Earn-Out Period.

2.12 ONUS OF PROOF

If the Purchaser is in breach of Section 2.11, there shall be a presumption, subject to proof to the contrary, on the balance of probabilities, that for the purposes of Section 2.6, the average annual EBITDA for the Earn-Out Period would have been in excess of $13.24 million in the absence of the breach, and the onus of proof that such EBITDA would have been less, and if less, regarding the amount of EBITDA which would have been earned during the remainder of the Earn-Out Period, shall be on the Purchaser, on the balance of probabilities.

ARTICLE III
ASSUMED LIABILITIES

3.1 ASSUMED LIABILITIES

Subject to Closing, the Purchaser hereby agrees to assume, discharge, perform and fulfill the following obligations and liabilities with respect to the Business as and from the Effective Time (collectively, the "ASSUMED LIABILITIES"):

(a) all obligations or liabilities under the Contracts and the Leases arising in respect of the period after the Time of Closing and not related to any default existing prior to or as a consequence of Closing;

(b) any liability expressly assumed by the Purchaser under Article IX;

(c) post-Closing Date obligations and liabilities arising under the Closing Agreements to which the Purchaser is a party; and

(d) any other obligations expressly assumed by the Purchaser hereunder.

Whether or not an item is a "Permitted Encumbrance" shall have no effect as to whether or not such item is an "Assumed Liability".

3.2 EXCLUDED LIABILITIES

Except for the Assumed Liabilities, the Purchaser shall not assume and shall have no obligation to discharge, perform or fulfill any other liabilities or obligations, contingent or otherwise, of the Vendor or the Assets of any kind whatsoever (collectively, the "EXCLUDED LIABILITIES") including:

(a) any liabilities incurred or accruing due prior to the Time of Closing under the Contracts or Leases;

(b) any assessment or reassessment for income, corporate, capital, sales, excise or other Taxes, duties or imposts of any kind whatsoever of the Vendor or relating to the Business or Assets in respect of a period prior to the Time of Closing;

(c) any third party product liability or warranty liability arising at any time in respect of products or services of the Business, provided, processed or shipped on or prior to the Closing Date, even though a Claim therefor may be made or filed after the Time of Closing;

(d) any liability of the Vendor to the employees of the Vendor other than as specifically contemplated by Article X;

(e) any liability of the Vendor to employees for wrongful dismissal, whether or not such employees were offered employment by the Purchaser as contemplated by Article X;

(f) except as set forth in Section 9.5, any liability for Pre-Closing Environmental Liabilities;

(g) any liability arising out of any default, breach or penalty by, of or against the Vendor under any contract or commitment prior to the Time of Closing;

(h) any liability relating to the execution, delivery and consummation of this Agreement by the Vendor and the transactions of the Vendor contemplated hereby, including without limitation any and all federal, provincial, state, foreign and local income taxes incurred by the Vendor as a result of the transactions contemplated by this Agreement, except as may otherwise be expressly assumed herein; and

(i) any liability relating to or arising out of the conduct or operation of the Business by the Vendor prior to the Time of Closing (except as otherwise expressly assumed herein), including without limitation those arising from (i) personal injury (including death) or property damage claims; (ii) any third party relationship, representation agreement or joint venture not specifically assumed hereunder; (iii) any indebtedness of the Vendor other than that expressly assumed hereunder; (iv) other than as set forth in Article X, any employment relationship or employee related obligation; or (v) obligations or liabilities under any agreement, contract or commitment of the Vendor which accrued prior to the Time of Closing, including without limitation, the provision of services prior to the Time of Closing under any service contract of the Vendor.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE VENDOR

The Vendor represents and warrants to the Purchaser, and acknowledges and confirms that the Purchaser is relying upon such representations and warranties in connection with the purchase by the Purchaser of the Assets, as follows:

4.1 ORGANIZATION AND STANDING

Canpet Canada is a corporation duly organized and validly existing and in good standing under the laws of Alberta. Canpet USA is a corporation duly organized and validly existing under the laws of the State of Washington, and is a wholly-owned subsidiary of Canpet Canada. The Vendor has full corporate power to own or lease its properties and to conduct the Business as presently conducted and is duly authorized, qualified and licensed to do business in the Province of Alberta and all other jurisdictions in which the Business is conducted (except South Dakota, Wisconsin, Missouri, and Michigan, all of which licenses and qualifications shall have been obtained by the Time of Closing). Canpet Canada is not a non-resident within the meaning of the Income Tax Act (Canada).

4.2 AUTHORITY

The Vendor has all requisite corporate power and authority to execute, enter into and carry out the terms and conditions of this Agreement and all other agreements and instruments contemplated hereby, and to perform its obligations hereunder and thereunder.

4.3 GOVERNMENTAL AND THIRD PARTY CONSENTS

(a) Except as set forth on Schedule 4.3, no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Entity is required on the part of the Vendor in connection with the transactions contemplated by this Agreement or the Closing Agreements.

(b) Except as set forth on Schedule 4.3, no consent, approval, waiver or other action by any Person is required or necessary for the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby or thereby other than the requisite approval of the Vendor's shareholders.

4.4 NO VIOLATION

(a) The execution, delivery and performance by the Vendor of this Agreement and the consummation of the transactions contemplated thereby:

   (i) have been duly authorized by all necessary action on the part of the Vendor, other than the requisite approval of the Vendor's shareholders; and

   (ii) do not (or would not with the giving of notice or the lapse of time) result in a violation or a breach of, or a default under or give rise to a right of termination, amendment or cancellation or the acceleration of any obligation under (i) any constating documents or by-laws of the Vendor; (ii) subject to the obtaining of Consents, any contracts or instruments to which the Vendor is a party or by which the Vendor is bound; or (iii) any Laws applicable to the Vendor or the Assets.

(b) This Agreement and the Closing Agreements constitute legal, valid and binding obligations of the Vendor enforceable against the Vendor in accordance with their respective terms.

4.5 RESTRICTIONS ON TRANSFER

The Vendor is not subject to, or a party to, any charter or by-law or other constating document restriction, Law, Claim, contract or instrument, Encumbrance or other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement or any Closing Agreement or compliance by the Vendor with the terms, conditions and provisions hereof or thereof, except for the necessity of obtaining the Consents and the Authorizations described in Schedule 4.3.

4.6 NO MATERIAL ADVERSE CHANGE

(a) Since December 31, 2000, there has been no (i) damage, destruction or loss of physical property, or (ii) change in the affairs, assets, liabilities, business, prospects, operations or condition of the Business or the Assets, financial or otherwise, howsoever arising, including without limiting the generality of the foregoing, as a result of any legislative or regulatory change, revocation of any licence or right to do business that is to be assigned to the Purchaser, fire, explosion, accident, casualty, labour trouble, loss of regular customers, or cancellation or threatened cancellation of material supply contracts, customer agreements or relationships, or other business relationships, which has materially adversely affected or which could reasonably be expected to materially adversely affect the Business or the Assets;

(b) Since December 31, 2000, the Vendor has not:

(i) permitted any of the Assets to become subjected to any Encumbrance except for Permitted Encumbrances or Encumbrances to be discharged at or prior to Closing;

(ii) sold, transferred or otherwise disposed of any Assets except for (i) Assets sold in the ordinary course of business which are minor in nature and not essential to the operation of the Business; and (ii) the sale of its Inventory in the ordinary course of the Business, for which fair value was received;

(iii) granted any increase in benefits or the rate of wages and salaries for executives or other employees employed in connection with the Business, other than increases effective January 1, 2001, the details of which are contained in Schedule 4.22, and discretionary bonuses which were earned prior to the Effective Time, and which are not, and do not, affect on-going obligations of the Purchaser to executives or other employees. For greater certainty, no such discretionary bonuses shall be included in Interim Costs incurred after the Effective Time for the purposes of Subsection 2.4(d);

(iv) cancelled or waived any material claims or rights relating to Assets or the Business;

(v) made any change in any method of accounting practice applicable to the Business; or

(vi) cancelled or reduced any of its insurance coverage relating to Assets or the Business; and

the Vendor has:

(vii) maintained adequate levels of Inventory to carry on the Business in the ordinary course;

(viii) used its best efforts to keep available the services of the employees and agents of the Business and to maintain its relations and goodwill with the suppliers, customers, distributors and any others having business relations with the Business;

(ix) used reasonable efforts consistent with past practice to preserve the possession and control of Assets and to preserve the confidentiality of any confidential or proprietary information of the Business; and

(x) continued to make such capital expenditures as are necessary or advisable, in the ordinary course of business, to ensure basic maintenance of the Assets and the Business and the health and safety of its employees and the protection of the Environment.

4.7 COMPLIANCE WITH LAWS

The Vendor has and is conducting the Business in compliance with all applicable health and safety, product manufacturing, Environmental and other Laws of every jurisdiction in which its business is carried on.

4.8 AUTHORIZATIONS

The Vendor owns, holds, possesses or lawfully uses in the operation of the Business all Authorizations which are necessary for it to conduct the Business as presently conducted or for the ownership and use of its Assets. All such Authorizations are listed and described in Schedule 4.8 and the Vendor has not received any notice of any Claim of default, nor to the knowledge of the Vendor is the Vendor in default or are requirements outstanding with respect to any such Authorizations, other than as described in Schedule 4.8.

4.9 TITLE TO ASSETS

The Vendor has good and marketable title to the Assets, except for those Assets leased by it, free and clear of all Encumbrances except for Permitted Encumbrances and Encumbrances to be discharged on or prior to the Closing Date.

4.10 NO OPTIONS ON ASSETS, ETC

Except for the Purchaser under this Agreement, no Person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming such for the purchase from the Vendor of any of the Assets, other than pursuant to purchase orders and similar agreements accepted or entered into by the Vendor in the ordinary course of its Business.

4.11 CONDITION OF ASSETS

All of the Assets which are material to the Business are (i) maintained in accordance with all applicable Laws and with all Authorizations validly issued pursuant thereto; (ii) in good operating condition and in a state of good maintenance and repair; and (iii) adequate and suitable for the purposes for which they are presently being used.

4.12 CONDITION OF INVENTORY

All Inventory meets quality specifications of the applicable pipeline carriers and/or the Vendor's customers, and may be sold by the Purchaser without discount or allowances.

4.13 VALUATION OF INVENTORY

All appropriate writedowns of the value of Inventory consistent with GAAP and the Vendor's normal business practice have been made by the Vendor in its calculation of Inventory Value.

4.14 REAL PROPERTY

(a) Schedule 4.14(a) sets forth all lands owned in fee by the Vendor, with the legal descriptions or recordation information. The Vendor has, and at Closing will have, good and marketable record title in fee to all lands listed on Schedule 4.14(a), free and clear of any and all mortgages, liens and encumbrances created by any person, other than Permitted Encumbrances.

(b) Schedule 4.14(b) contains a true, correct and complete list of all of the Leases. Each Lease is in good standing, creates a good and valid leasehold estate in the Leased Properties thereby demised and is in full force and effect without amendment thereto, except as disclosed in Schedule 4.14(b). With respect to each Lease (i) all rents and additional rents due to the date hereof have been paid; (ii) neither the lessor nor the lessee is in default thereunder; (iii) no waiver, indulgence or postponement of the lessee's obligations thereunder has been granted by the lessor; (iv) there exists no event of default or event, occurrence, condition or act, (subject to the requirement for Consents) which, with the giving of notice or the lapse of time, would become a default under such Lease; (v) the Vendor has not violated any of the terms or conditions under any such Lease in any material respect; and (vi) to the knowledge of the Vendor, all of the covenants to be performed by any other party under any such Lease have been fully performed. To the knowledge of the Vendor, the Leased Properties are in a state of good maintenance and repair, subject to age, useful life and normal wear and tear, and are adequate and suitable for the purposes for which they are presently being used.

(c) Schedule 4.14(c) sets forth all of the Vendor's right-of-way agreements (the "RIGHTS OF WAY"). The Vendor has, and at Closing will have, good and defensible title to such rights-of-way, subject only to Permitted Encumbrances. The applicable Assets and Equipment are located within such rights-of-way. Such rights-of-way are continuous, there are no gaps in such rights-of-way, and there are not outstanding demands to remove or relocate Assets or Equipment within such rights-of-way.

4.15 FINANCIAL STATEMENTS AND RELATED MATTERS

(a) Schedule 4.15 sets forth the financial statements that the Vendor has furnished to the Purchaser, which are true, complete and accurate copies of the Vendor's audited financial statements as of and for the fiscal periods ended December 31, 1998, 1999 and 2000, which statements include, among other things, balance sheets of the Vendor as of December 31, 1998, 1999 and 2000 and the related statements of income and retained earnings and cash flow for the years ended December 31, 1998, 1999 and 2000. No material earnings of the Business in 1998, 1999 and 2000 are attributable to unhedged positions, in violation of the Vendor's policies.

(b) Each of the balance sheets referred to above was prepared in accordance with the Books and Records of the Vendor and presents fairly in accordance with GAAP consistently applied the financial position of the Vendor as of the date thereof and each statement of income and retained earnings and cash flow referred to above was prepared in accordance with the Books and Records of the Vendor and presents, as the case may be, fairly in accordance with GAAP consistently applied the results of operations of the Vendor for the period which it purports to cover.

(c) The financial and accounting Books and Records of the Vendor have been maintained in accordance with applicable legal and accounting requirements and good business practices and accurately reflect the basis for the financial position and results of operations of the Vendor as set forth in the financial statements described in this Section and such Books and Records are true, complete and correct in all material aspects and do not contain any misrepresentations or omit any information required to make such Books and Records not misleading.

(d) There are no material liabilities either accrued, absolute or contingent, including, without limitation, liabilities under any applicable Environmental, safety, health or other Laws or common law theory of liability, of the Vendor of any kind whatsoever, in respect of which the Purchaser may become liable on or after the consummation of the transaction contemplated by this Agreement other than the Assumed Liabilities.

4.16 COMMODITY CONTRACTS

Except as set forth in Schedule 4.16, the Vendor, with respect to the Business or the Assets, is not a party to nor bound by:

(a) any agreement to buy or sell crude oil, LPG's, natural gas liquids or any other commodity at a fixed price, as a barrel for barrel exchange, any agreement which cannot be cancelled with 30 days prior written notice or to deliver barrels against an earlier month's obligation;

(b) any futures contract or option traded on a regulated Exchange, or in the over-the-counter market (other than for hedging purposes, consistent with historical practices, all of which hedging contracts or options as of March 26, 2001 are listed in Schedule 4.16, and will be updated by the Vendor as of Closing); or

(c) any swap, over the counter, or derivative contract or agreement.

4.17 OTHER CONTRACTS

Except as set forth in Schedule 4.14, 4.16, 4.17, 4.19 or 4.22, the Vendor, with respect to the Business or the Assets, is not a party to nor bound by:

(a) any employment agreement, bonus, deferred compensation, pension, profit sharing, stock option, phantom stock plan, employee stock purchase, health, insurance, retirement or other employee benefit plan, any collective agreements or any agreement (oral or written) providing for compensation out of the ordinary course to be paid to any employee as a consequence of the sale of any substantial portion of the Assets;

(b) any agreement or commitment relating to capital expenditures in excess of $50,000;

(c) any agreement or commitment limiting the freedom of the Vendor to engage in the Business or to compete with any other Person in respect of the Business;

(d) any licensing or other agreement or commitment relating to intellectual property used by the Vendor in the conduct of the Business;

(e) any agreement or commitment not entered into in the ordinary course of business;

(f) any agreement or arrangement with any Person with whom the Vendor (or its present or former directors, officers and employees) does not deal at arm's length (which agreements or arrangements are specifically identified in Schedule 4.17 as "non-arm's length"); or

(g) any contractual obligation that would restrict the Vendor's, or its employee's right to engage in any type of business or compete in any geographic area.

4.18 NO BREACH OF CONTRACTS

Each of the Contracts is in full force and effect, and there exists no default or event of default or event, occurrence, condition or act (including the sale of the Assets hereunder) which, with the giving of notice or the lapse of time would become a default or event of default thereunder, except for the necessity of obtaining the Consents. The Vendor has not violated or breached, in any respect, any of the material terms or conditions of any Contract, and to the knowledge of the Vendor, all the covenants to be performed by any other party thereto have been fully performed and the Vendor has not received notice of termination of any of the Contracts or any notice alleging breach thereof.

4.19 INTELLECTUAL PROPERTY RIGHTS

(a) All the Patent Rights and Trade Marks are described in Schedule 4.19.

(b) The Vendor holds those licences that are reasonably necessary for the purpose of conducting the Business. Except as set forth in Schedule 4.19, the Vendor has the right to transfer and grant the licences with respect to the Intellectual Properties in accordance with this Agreement.

(c) Except as set forth in Schedule 4.19, the Vendor is not aware of the infringement by third parties of the Intellectual Properties.

(d) The conduct of the Business in the manner heretofore carried on does not infringe the intellectual properties of third parties.

(e) The Vendor is the owner of the Patent Rights and Trade Marks and has the exclusive right to use the Intellectual Properties.

(f) The Intellectual Properties have not been conveyed, assigned, licensed or encumbered so as to interfere in any way with the transfer and licences to the Purchaser and its ability to use any of them as provided for herein.

(g) All registrations, filings and fees necessary to preserve the rights of the Vendor in the Intellectual Properties have been made and are in good standing.

(h) All Intellectual Properties used in whole or in part in the carrying on of the Business in the manner heretofore carried on are owned by or validly licensed to the Vendor, other than as disclosed in Schedule 4.19.

4.20 BOOKS AND RECORDS

All Books and Records of the Business have been fully and properly kept in accordance with GAAP and there are no material inaccuracies or discrepancies of any kind contained or reflected therein. None of the Vendor's records, systems, controls, data or information are recorded, stored, maintained, operated or otherwise wholly or partly dependent upon or held by any means (including any electronic, mechanical or photographic process, whether computerized or not) which (including all means of access thereto and therefrom) are not under the exclusive ownership and direct control of the Vendor.

4.21 TAXES

There are no arrears nor any default in respect of the payment of any Taxes payable in respect of the Business or the Assets and all Taxes and other assessments due and payable in respect of the Business and the Assets have been paid or accrued, and no Claim for additional Taxes or other assessments has been made in respect of the Business and is currently outstanding. The Vendor is not in arrears or in default in respect of the filing of any required federal, provincial, municipal or other Tax return in respect of the Business or the Assets. The Vendor has deducted and withheld and will deduct and withhold all amounts required to be deducted or withheld to and including the Closing Date from all payments made to any employee of the Business in respect of Taxes and other deductions. The Vendor has collected and will collect, to and including the Closing Date, all amounts required to be collected by it from any Person in respect of Taxes and other deductions and it has paid or will pay all amounts so withheld or collected to the proper Tax or other receiving authorities as required by applicable laws.

4.22 EMPLOYEES

(a) Schedule 4.22 sets forth all of the employees and consultants of the Business. The Vendor has provided, in writing, a complete and accurate list of the annual wages and salaries of each such employee and consultant as of December 31, 2000 and as at the Closing Date and a complete and accurate list of bonuses paid or payable to each employee and consultant for the fiscal year ended December 31, 2000.

(b) Schedule 4.22 identifies and describes each retirement, pension, stock purchase, bonus, profit sharing, stock option, deferred compensation, insurance, medical, hospital, dental, vision care, drug, sick leave, disability, salary continuation, vacation and incentive compensation plan or arrangement that is maintained or contributed to by the Vendor for the benefit of Employees, and a true and complete copy of each will be provided to the Purchaser prior to Closing.

(c) The Vendor is in compliance with all Laws respecting employment and employment practices, terms and conditions of employment, pay equity and wages and hours and has not and is not engaged in any unfair labour practice.

(d) No unfair labour practice, complaint or grievance against the Vendor is pending or, to the knowledge of the Vendor, threatened before any labour relations board or similar Governmental Entity.

(e) There is no labour strike, dispute, slowdown or stoppage actually pending or involving or, to the knowledge of the Vendor, threatened against the Vendor.

(f) No union representation question currently exists respecting the employees of the Vendor.

(g) No collective agreement is currently being negotiated by the Vendor with respect to the employees of the Business and there are no collective agreements in force with respect to the employees of the Business.

4.23 ENVIRONMENTAL MATTERS

(a) Except as set out in Schedule 4.23, the Business and the Assets are, and the Business is being operated, in compliance with Environmental Laws, including all Environment Permits. The Vendor has not received any Notice of non-compliance, and to the knowledge of the Vendor, there are no facts or circumstances which could give rise to a Notice of non-compliance with any Environmental Laws or Environmental Permits.

(b) The Vendor has obtained all material Environmental Permits which are necessary for the operation of the Business. All such material Environmental Permits are listed in Schedule 4.23 and are valid and in full force and effect. There are no proceedings in progress, pending or threatened, that may result in the cancellation, revocation, suspension, rescission or amendment of any Environmental Permit. There is no pending or threatened order by any environmental regulatory authority requiring improvement or other work to be conducted on any of the Owned Properties or the Leased Properties.

(c) Except as disclosed in Schedule 4.23, with respect to the Business and the Assets:

(i) during the nine (9) years preceding the date hereof, the Vendor has not been charged with or convicted of an offence for non-compliance with any Environmental Laws and has not been fined or otherwise sentenced or settled any prosecution short of conviction; and

(ii) the Vendor has not received any Notice of judgment or commencement of proceedings of any nature or experienced any search and seizure and to the knowledge of the Vendor is not under investigation related to any breach or alleged breach of Environmental Laws.

(d) The Vendor has maintained documents and records concerning the Environment in the manner and for the time periods required by Environmental Laws.

(e) Except as disclosed in Schedule 4.23:

(i) there is no currently existing environmental condition or circumstance that could reasonably be expected to materially interrupt the performance of the Business;

(ii) during the five (5) years preceding the date hereof, the Vendor has not received any request for information from any Governmental Entity, or written request for information from any other party, with respect to the disposal of waste on, at or under any of the Owned Properties or Leased Properties, or the existence of a waste disposal site on, at or under any of the Owned Properties or Leased Properties;

(iii) no part of the Owned Properties or Leased Properties, while owned or leased by the Vendor, or any Affiliate of the Vendor, has been used by anyone for the disposal of wastes or as a dump site, either temporarily or permanently;

(iv) to the Vendor's knowledge, all pollution control equipment operated as part of the Business is effective in meeting applicable emissions limits and effluent pre-treatment standards;

(v) the Assets and related Buildings and Fixtures are not contaminated in any way by materials, substances or wastes present in quantities which, pursuant to any Environmental Law, require remediation or cleanup; and

(vi) there has not been any migration or removal of any Substances from any of the Assets and related Buildings and Fixtures which has or may have an adverse offsite impact which would constitute non-compliance with any Environmental Law.

4.24 INSURANCE

The Vendor maintains insurance policies with responsible insurers as are appropriate to the Business in such amounts and against such risks as are customarily carried and insured against by prudent owners of comparable businesses. All such policies of insurance coverage are in full force and effect while the Business and the Assets remain the property of the Vendor. The Vendor is not in default with respect to any of the provisions contained in any such insurance policy and has not failed to give any notice or present any claim under any such insurance policy in due and timely fashion. Schedule 4.24 includes a list setting forth any and all (i) material Claims, with reasonable particulars, made under any policies of insurance maintained by or for the benefit of the Vendor over the past two (2) calendar years prior to the date hereof; and (ii) customers and suppliers of the Business, including their names and addresses, who have been added as named insureds on such insurance policies, or who hold certificates entitling them to notice of cancellation of such insurance policies.

4.25 LITIGATION

Except as set forth in Schedule 4.25, there is no Claim, at law or in equity, by any Person, nor any arbitration, administrative or other proceeding by or before (or to the knowledge of the Vendor any investigation by) any Governmental Entity pending, or, to the knowledge of the Vendor, threatened or contemplated against or affecting the Vendor or any of its properties or rights or any of the Assets, and the Vendor does not know of any valid basis for any such Claim, arbitration or investigation. Except as set forth in Schedule 4.25, the Vendor is not subject to any judgment, order, charge or decree entered in any lawsuit or proceeding.

4.26 LETTERS OF CREDIT AND OTHER SECURITY INSTRUMENTS

Except as set forth in Schedule 4.26, the Vendor is not required to provide any letters of credit, bonds or other financial security arrangements in connection with any transactions with any suppliers or customers of the Business or any Governmental Entity.

4.27 AGENTS FEES

No agent, broker, investment banker, or other person acting on behalf of the Vendor or under its authority is or will be entitled to any broker's or finder's fee or any other commission or similar fee directly or indirectly from the Purchaser in connection with any of the transactions contemplated herein.

4.28 EQUIPMENT

Schedule 4.28 contains a true and correct list of all material Equipment used by the Vendor as of the Effective Time and such assets constitute all of the tangible personal property used in or necessary for the operation of the Business, all of which is, except as specifically indicated in Schedule 4.28, in normal operating condition and repair (reasonable wear and tear excepted) and are not in need of material repair or replacement, except to the extent such Equipment is currently under repair or the Purchaser has been advised that replacement is necessary.

4.29 INVENTORY

Schedule 4.29 contains a detailed description of the Inventory volumes and Inventory Values as of the Effective Time, including the locations thereof.

4.30 CUSTOMERS

Schedule 4.30 contains a complete list of all producers who sold crude oil, LPG's and natural gas liquids to the Vendor in the month of February, 2001, and the approximate volumes sold in such month by each such producer, and contains a list of all on-going purchasers of propane, as of February 28, 2001.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Vendor, and acknowledges and confirms that the Vendor is relying on such representations and warranties in connection with the sale by the Vendor of the Assets, as follows:

5.1 DUE FORMATION AND EXISTENCE OF THE PURCHASER

PMC is a limited partnership formed and existing under the laws of the Province of Alberta. PMLP is a limited partnership formed and existing under the laws of the State of Delaware.

5.2 VALIDITY OF AGREEMENT

(a) The Purchaser has all necessary power to enter into and perform its obligations under this Agreement and the Closing Agreements to which it is a party and to perform its obligations hereunder and thereunder.

(b) The execution, delivery and performance by the Purchaser of this Agreement and the Closing Agreements to which it is a party and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of the Purchaser and do not (or would not with the giving of notice or the lapse of time) result in a violation or a breach of, or a default under or give rise to a right of termination, amendment or cancellation or the acceleration of any obligation under (i) any constating documents or by-laws of the Purchaser; (ii) any contracts or instruments to which the Purchaser is a party or by which the Purchaser is bound; or (iii) any Laws applicable to the Purchaser.

(c) This Agreement and the Closing Agreements to which the Purchaser is a party constitute legal, valid and binding obligations of the Purchaser enforceable against it in accordance with their respective terms.

5.3 RESTRICTIVE DOCUMENTS

The Purchaser is not subject to, or a party to, any charter or by-law restriction, any Law, any Claim, any contract or instrument, any Encumbrance or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement or any Closing Agreement or compliance by the Purchaser with the terms, conditions and provisions hereof or thereof.

5.4 AGENT'S FEE

No agent, broker, investment banker, or other person acting on behalf of the Purchaser or under its authority is or will be entitled to any broker's or finder's fee or any other commission or similar fee directly or indirectly from the Vendor in connection with any of the transactions contemplated herein.

5.5 FINANCIAL RESOURCES

The Purchaser has adequate financial resources available to it in order to comply with its obligations under Article II hereof.

5.6 UNITS

The Units to be issued or transferred to Vendor pursuant to the terms of this Agreement will be duly and validly issued.

ARTICLE VI
PRE-CLOSING COVENANTS OF THE PARTIES

6.1 CONDUCT OF BUSINESS PRIOR TO CLOSING

(a) During the Interim Period, the Vendor shall conduct the Business in the ordinary course thereof, subject to the provisions of Subsections 6.1(b) and 6.1(c).

(b) Without limiting the generality of Subsection 6.1(a), during the Interim Period the Vendor shall not, without the prior written consent of the Purchaser:

(i) permit any of the Assets to be subjected to any Encumbrance except for Permitted Encumbrances or Encumbrances to be discharged at Closing;

(ii) sell, transfer or otherwise dispose of any Assets except for (i) Assets, sold in the ordinary course of business which are minor in nature and not essential to the operation of the Business; (ii) the sale of its Inventory in the ordinary course of the Business and (iii) for which fair value was received;

(iii) other than discretionary bonuses which: (w) may be declared and paid by the Vendor; (x) which were earned prior to the Effective Time; (y) which have retroactive effect to a period prior to the Effective Time; and (z) which are not, and do not, affect on-going obligations of the Purchaser to executives or other employees; grant any increase in benefits, the rate of wages, salaries, or bonuses for executives or other employees employed in connection with the Business;

(iv) make any change in any method of accounting practice applicable to the Business;

(v) cancel or reduce any of its insurance coverage relating to Assets or the Business;

(vi) enter into any agreement which cannot be canceled with thirty (30) days prior written notice of cancellation;

(vii) enter into any agreement to purchase or sell crude oil, LPG's, condensate, natural gas liquids, any blend thereof or any other commodity relating to the Business on a fixed price basis;

(viii) enter into any swap, over-the-counter, or derivative contract or agreement;

(ix) except as set forth in Schedule 6.1(b)(ix), and except due to an emergency, purchase or enter into any agreement to purchase any capital item with a cost in excess of $20,000 per item or an aggregate for all capital items in excess of $100,000; or

(x) whether or not in writing, to do any of the foregoing.

(c) Without limiting the generality of Subsection 6.1(a), during the Interim Period, the Vendor shall:

(i) maintain adequate levels of Inventory to carry on the Business in the ordinary course;

(ii) use its best efforts to keep available the services of the present employees and agents of the Business and to maintain its relations and goodwill with the suppliers, customers, distributors and any others having business relations with the Business;

(iii) use reasonable efforts consistent with past practice to preserve the possession and control of Assets and to preserve the confidentiality of any confidential or proprietary information of the Business;

(iv) use its best efforts to conduct the Business in such a manner that on the Closing Date the representations and warranties of the Vendor contained in this Agreement shall be true, correct and complete as if such representations and warranties were made on and as of such date;

(v) provide the Purchaser with its daily mark-to-market and other position tracking reports available in the ordinary course of the Vendor's Business;

(vi) provide the Purchaser with financial and cash flow projections prepared in the ordinary course of the Vendor's Business;

(vii) provide the Purchaser with copies of all information, notices and other correspondence and reports provided to BNP Paribas and any other of the Vendor's lenders;

(viii) subject to Subsection 6.1(b)(ix), until the Closing Date continue to make such capital expenditures as are necessary or advisable, in the ordinary course of business, to ensure basic maintenance of the Assets and the Business and the health and safety of its employees;

(ix) immediately upon becoming aware of the existence of:

(A) any Notice from, proceeding before or order of any Governmental Entity requiring it to comply with or take action under any Environmental Law,

(B) any Notice from a lender asserting a violation or breach of any loan covenant or any other provision of any financing agreement, or

(C) any state of affairs respecting the Owned Properties, Leased Properties, Assets or Business which could reasonably be expected to give rise to future Environmental Liabilities and Costs, the imposition of any fine, or the shutting down of any facility for any period of time,

notify the Purchaser in writing and provide details of any actions taken in response; and

(x) without limiting the generality of the obligations of the Vendor under Subsection 6.1(c)(ix), notify the Purchaser of any occurrences of the following nature:

(A) receipt of any Notice or Claim regarding the Business to the effect that it is or may be liable to any Person, including any Claim as a result of the Discharge or threatened Discharge of any Substance into the Environment in, on, under or adjacent to its Owned Properties or Leased Properties or any other property relating to the Business;

(B) receipt of any Notice that it is subject to investigation by any Governmental Entity concerning whether any Remedial Action is needed to respond to the Discharge or threatened Discharge of any Substance into the Environment in, on, under or adjacent to its Owned Properties or Leased Properties or any other property relating to the Business;

(C) receipt of any Notice that all or any portion of its Owned Properties or Leased Properties is subject to an order or an Encumbrance under or pursuant to any Environmental Law;

(D) receipt of any Notice of the commencement of any judicial or administrative proceeding alleging a violation of any Environmental Law with respect to its Owned Properties or Leased Properties, or by it with respect to its Owned Properties or Leased Properties; or

(E) receipt of any Notice by a third party alleging a breach by the Vendor of any Contract.

6.2 ACTIONS TO SATISFY CLOSING CONDITIONS

(a) Each of the Parties hereby agrees to take all such actions as are within its power to control and to use its reasonable best efforts to cause other actions to be taken which are not within its power to control, so as to ensure compliance with all of the conditions set forth in Article VII.

(b) The Vendor will, within two (2) days of the date of this Agreement, call a meeting of its shareholders for the purpose of obtaining the consent and approval of the holders of no less than two thirds (2/3) of its common shares to the execution and delivery of this Agreement, and the completion of the transactions contemplated hereby.

6.3 TRANSFER OF THE ASSETS

Subject to formal registrations of real property transfers, which will be completed as soon as practicable following Closing, the Vendor shall take all necessary and reasonable steps and proceedings to permit good title to the Assets sold hereunder and good and marketable title to the Owned Properties to be duly and validly transferred and assigned to the Purchaser at the Time of Closing, free of all Encumbrances other than Permitted Encumbrances.

6.4 REQUEST FOR CONSENTS

(a) The Vendor shall use its best efforts to obtain, prior to Closing, all Consents which are required under the Contracts in order to legally assign all such Contracts to the Purchaser. Without restricting the foregoing, if any third parties will not provide the requisite Consent, the Parties shall first offer to have the Purchaser's general partner guarantee the obligations of the Purchaser under such Contract, and if the third party still will not provide the requisite consent without the Vendor agreeing to remain liable under the applicable Contract, the Vendor shall agree to remain liable. Such Consents must be upon such terms as are acceptable to the Purchaser. The Purchaser shall cooperate in obtaining such Consents.

(b) In the event that any such Consents have not been obtained prior to Closing, the Purchaser may, at its sole option, proceed with Closing and (i) the Purchaser may request, and the Vendor shall deliver an irrevocable declaration from the Vendor that all Contracts which have not been terminated by the applicable third party and to which Consents have not been obtained, will be held in trust for the Purchaser, in which event the Vendor shall act as agent for the Purchaser with respect to such Contracts; and (ii) for all Contracts to which a Consent has not been received, and which the Parties reasonably believe may be terminated or which have been terminated as a result of any assignment by the Vendor of a legal or beneficial interest therein (other than due to a default by the Purchaser), such Contract shall not be assigned to the Purchaser, and any Contract providing for the offsetting position shall also not be assigned to the Purchaser, and to the extent the Purchaser incurs any net loss, cost or expense as a result of the foregoing, then the Vendor shall bear any net loss, cost or expense (taking into account all such Contracts, including the offsetting Contracts), incurred by the Purchaser as a result. With respect to all Contracts to which (i) above applies, the Vendor shall continue to provide and keep outstanding all existing letters of credit, bonds or other financial security agreements until Consent is obtained or the applicable Contract is terminated in accordance with its terms.

6.5 FILINGS AND AUTHORIZATIONS

Each of the Vendor and the Purchaser, as promptly as practicable after the execution hereof, (i) shall make, or cause to be made, all such filings and submissions under all Laws applicable to it, as may be required for it to consummate the purchase and sale of the Assets in accordance with the terms of this Agreement, including the Competition Act Notification, the Investment Canada Notification, and if determined by the Purchaser to be necessary, the HSR Act Notification, (the filing and review fees for all of which shall be borne by the Purchaser); (ii) shall use all reasonable efforts to obtain, or cause to be obtained, all authorizations, approvals, consents and waivers from all Persons and Governmental Entities necessary or advisable to be obtained by it in order to consummate such transfer; and (iii) shall use all reasonable efforts to take, or cause to be taken, all other actions necessary, proper or advisable in order for it to fulfill its obligations hereunder. The Vendor and the Purchaser shall coordinate and cooperate with one another in exchanging such information and supplying such assistance as may be reasonably requested by each in connection with the foregoing.

6.6 ACCESS TO INFORMATION AND ASSETS

(a) From the date hereof through the Closing, the Vendor shall, and shall cause its representatives to, afford complete access at all reasonable times to the properties, the Assets and the Business, and to the officers, employees, agents, lawyers, accountants, properties, Books and Records and Contracts of the Vendor, for the purpose of inspecting physical and/or Environmental condition of any of the Assets, and conducting any other due diligence procedures deemed necessary or appropriate by the Purchaser. At the request of the Purchaser, the Vendor shall execute such consents, authorizations and directions as may be necessary to permit any inspection of any of the Assets, or to enable the Purchaser or its authorized representatives to obtain full access to all files and records relating to the Business maintained by governmental or other public authorities. In addition, the Vendor shall furnish the Purchaser and its representatives all financial, operating and other data and information as may be reasonably requested including, but not limited to, financial statements, financial records, health and safety records, data relating to operating procedures, workers' compensation history, legal, tax, environmental, zoning and other legal compliance.

(b) The exercise of any rights of inspection by or on behalf of the Purchaser under this Section 6.6 shall not mitigate or otherwise affect any of the representations or warranties of the Vendor made in Article IV hereof.

6.7 NOTICE OF UNTRUE REPRESENTATION OR WARRANTY

Each of the Parties shall promptly notify the other Party upon any representation or warranty of such Party contained in this Agreement becoming untrue or incorrect during the Interim Period, and for the purposes of this Section each representation and warranty shall be deemed to be given at and as of all times during the Interim Period.

6.8 EXCLUSIVE DEALING

During the Interim Period, the Vendor shall not take any action, directly or indirectly, to encourage, initiate or engage in discussions or negotiations with, or provide any information to, any Person, other than the Purchaser, concerning any purchase of the Assets, or any merger, sale of substantial assets or similar transaction involving the Business.

ARTICLE VII
CONDITIONS OF CLOSING

7.1 CONDITIONS FOR THE BENEFIT OF THE PURCHASER

The purchase and sale of the Assets is subject to the following conditions to be fulfilled or performed at or prior to the Time of Closing, which conditions are for the exclusive benefit of the Purchaser and may be waived in whole or in part by the Purchaser in its sole discretion.

(a) TRUTH OF REPRESENTATIONS AND WARRANTIES OF THE VENDOR. The representations and warranties of the Vendor contained in Subsections 4.6(a) and 4.23(e)(i) shall, as a condition precedent to Closing, be true and correct, and all other representations and warranties of the Vendor contained in this Agreement shall, as a condition to proceeding with Closing, be true and correct in all material respects, as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such date, and the Vendor shall have executed and delivered a certificate of a senior officer to that effect. The receipt of such certificate and the Closing shall not be a waiver of the representations and warranties of the Vendor which are contained in this Agreement. Upon the delivery of such certificate, the representations and warranties of the Vendor shall be deemed to have been made on and as of the Closing Date with the same force and effect as if made on and as of such date.

(b) PERFORMANCE OF COVENANTS BY THE VENDOR. The Vendor shall have executed and delivered for the purposes of Closing all of the Contract Assignments.

(c) KEY EMPLOYEES. The Key Employees shall have executed and delivered the Key Employee Non-Competition Agreements.

(d) RETAINED EMPLOYEES. Sufficient Retained Employees shall have accepted the offers of employment made by the Purchaser pursuant to Subsection 10.1(b) so as to prevent a material interruption to the Business after Closing.

(e) CONSENTS AND AUTHORIZATIONS.

(i) All Consents shall have been obtained with respect to the Closing Agreements, including all assignments and novations respecting the Contracts, and all other material Consents and Authorizations shall have been obtained, on terms acceptable to the Purchaser, in order to permit the Closing of the sale of the Assets on the terms and conditions set out in this Agreement without adversely affecting, or resulting in the violation of a breach of or a default under or any termination, cancellation, amendment or acceleration of any obligation under, any licence, permit, Lease or Contract in connection with the Assets or the Business.

(ii) The Vendor will have obtained the shareholder consent contemplated by Subsection 6.2(b), and shall have confirmed the same in writing to the Purchaser, no later than 25 days after the date of this Agreement.

(iii) The Purchaser shall have received the Investment Canada Approval and the Competition Act Approval.

(iv) In the event the parties have determined that an HSR Notification is necessary, the Purchaser will have received the requisite HSR Approval.

(v) Pivotal Enterprises Corporation shall have agreed in writing to amend the Master Railcar Leasing Agreement dated May 25, 1998 such that, without additional compensation from the lessee, the said lease shall be a full service lease, (provided that cleaning costs shall continue to be paid by the lessee).

(f) DELIVERIES. The Vendor shall have delivered or caused to be delivered to the Purchaser the following in form and substance satisfactory to the Purchaser, acting reasonably:

(i) certified copies of (A) the resolutions of the board of directors or any duly authorized committee thereof, of the Vendor approving the entering into of this Agreement and the completion of all transactions contemplated hereunder; and (B) all other instruments evidencing necessary action of the Vendor and of authorizations, if any, with respect to such matters;

(ii) a certificate of status, compliance, good standing or like certificate with respect to the Vendor issued by appropriate government officials of the jurisdiction of its organization or incorporation and of each jurisdiction in which the Vendor carried on the Business;

(iii) the certificate referred to in Subsection 7.1(a);

(iv) a certificate pursuant to Subsection 128(1) of the Workers' Compensation Act (Alberta) and all similar legislation in the relevant provinces stating that the relevant workers' compensation board or similar authority has no outstanding claim in respect of the Business or the Assets;

(v) an election duly executed by the Vendor and the Purchaser as to goods and services tax under Subsection 167(1) of the Excise Tax Act (Canada);

(vi) all share certificates representing the Wellpoint Shares, duly endorsed for transfer to the Purchaser, and if reasonably required by the Purchaser, a resolution of the directors of Wellpoint Systems Inc., approving such transfer;

(vii) Books and Records relevant to the Business; and

(viii) all necessary deeds, conveyances, bills of sale, assurances, transfers, assignments and any other instruments necessary or reasonably required effectively to transfer Assets to the Purchaser with a good (and in the case of the Owned Properties, marketable) title, free and clear of all Encumbrances other than Permitted Encumbrances.

(g) PROCEEDINGS. All material proceedings to be taken in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Purchaser and the Purchaser shall have received copies of all such instruments and other evidence as it may reasonably request in order to establish the consummation of such transactions and the taking of all proceedings in connection therewith.

(h) REGULATORY APPROVALS. All regulatory approvals necessary to complete the transactions contemplated herein shall have been received, or the waiting period applicable to such requirement shall have expired.

(i) SHAREHOLDER NON-COMPETITION AGREEMENTS. The Shareholder Non-Competition Agreements shall have been executed and delivered as contemplated by Section 11.2.

7.2 NON-PERFORMANCE BY THE VENDOR

If any condition, obligation or covenant of the Vendor to be performed at or prior to the Time of Closing shall not have been fulfilled or performed by such time, the Purchaser may terminate this Agreement by notice in writing to the Vendor, and in such event the Purchaser shall be released from all of its obligations hereunder. The Vendor shall only be released from its obligations hereunder if the condition or conditions for the non-performance of which the Purchaser has terminated this Agreement are not reasonably capable of being performed or caused to be performed by the Vendor. Notwithstanding the foregoing, the Purchaser shall be entitled to waive compliance with any of such conditions, obligations or covenants in whole or in part if it sees fit to do so without prejudice to any of its rights of termination in the event of non-performance of any other condition, obligation, or covenant in whole or in part.

7.3 CONDITIONS FOR THE BENEFIT OF THE VENDOR

The purchase and sale of the Assets is subject to the following conditions to be fulfilled or performed at or prior to the Time of Closing, which conditions are for the exclusive benefit of the Vendor and may be waived in whole or in part by the Vendor in its sole discretion:

(a) TRUTH OF REPRESENTATIONS AND WARRANTIES OF THE PURCHASER. The representations and warranties of the Purchaser contained in this Agreement shall, as a condition to proceeding with Closing, be true and correct in all material respects as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such date, and the Purchaser shall have executed and delivered a certificate of a senior officer to that effect. The receipt of such evidence and the Closing shall not be a waiver of the representations and warranties of the Purchaser which are contained in this Agreement. Upon the delivery of such certificates, the representations and warranties of the Purchaser in Article V shall be deemed to have been made on and as of the Closing Date with the same force and effect as if made on and as of such date.

(b) PERFORMANCE OF COVENANTS BY THE PURCHASER. The Purchaser shall have fulfilled or complied with all covenants herein contained to be performed or caused to be performed by it at or prior to the Time of Closing.

(c) DELIVERIES. The Purchaser shall have delivered or caused to be delivered to the Vendor the following in form and substance satisfactory to the Vendor, acting reasonably:

(i) the certificate referred to in Subsection 7.3(a);

(ii) signatures on Contract Assignments and Key Employee Non-Competition Agreements;

(iii) an election duly executed by the Vendor and the Purchaser as to goods and services tax under Subsection 167(1) of the Excise Tax Act (Canada); and

(iv) formal confirmation of the assumption by the Purchaser of all Assumed Liabilities.

(d) PROCEEDINGS. All material proceedings to be taken in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Vendor and it shall have received copies of all such instruments and other evidence as it may reasonably request in order to establish the consummation of such transactions and the taking of all proceedings in connection therewith.

(e) REGULATORY APPROVALS. All regulatory approvals necessary to complete the transactions contemplated herein have been received, or the waiting period applicable to such requirement shall have expired.

(f) SHAREHOLDER CONSENT. The Vendor will have obtained the shareholder consent contemplated by Subsection 6.2(b), and shall have confirmed the same in writing to the Purchaser, no later than 25 days after the date of this Agreement.

7.4 NON-PERFORMANCE BY THE PURCHASER

(a) If any condition, obligation or covenant of the Purchaser to be performed at or prior to the Time of Closing shall not have been fulfilled or performed by such time, the Vendor may terminate this Agreement by notice in writing to the Purchaser, and in such event the Vendor shall be released from all of its obligations hereunder. The Purchaser shall only be released from its obligations hereunder if the condition or conditions for the non-performance of which the Vendor has terminated this Agreement are not reasonably capable of being performed or caused to be performed by the Purchaser or PAA.

(b) Notwithstanding the foregoing, the Vendor shall be entitled to waive compliance with any of such conditions, obligations or covenants in whole or in part if it sees fit to do so without prejudice to any of its rights of termination in the event of non-performance of any other condition, obligation, or covenant in whole or in part.

7.5 MUTUAL CONDITIONS PRECEDENT

In the event that:

(a) there is an action or proceeding pending or threatened prior to the Closing by any Person (other than a Party hereto or one of its Affiliates) in any jurisdiction, to enjoin, restrict or prohibit any of the transactions contemplated hereby or the right of the Purchaser to conduct the Business after Closing on substantially the same basis as heretofore operated; or

(b) the condition set out in Subsection 7.1(h) has not been met within ninety (90) days of the date of this Agreement;

this Agreement may be terminated by either Party hereto providing the other Party to this Agreement with written notice of termination, prior to Closing, and thereafter the Parties shall be released from all obligations hereunder.

ARTICLE VIII
CLOSING, TRANSFER OF POSSESSION, RISK OF LOSS

8.1 DATE, TIME AND PLACE OF CLOSING

The Closing Date shall be the fifth Business Day after receipt of all approvals contemplated by Subsections 7.1(f) and 7.1(g), or such other date as may be agreed to by the Vendor and the Purchaser. The completion of the transactions contemplated by this Agreement shall take place at the offices of Bennett Jones LLP, Barristers and Solicitors, Calgary, Alberta on the Closing Date at the Time of Closing.

8.2 CLOSING PROCEDURES

Subject to satisfaction or waiver by the relevant Party of the conditions of Closing set forth herein, at the Time of Closing the Vendor shall deliver actual possession of the Assets, and upon such delivery the Purchaser shall pay or satisfy the Initial Installment.

8.3 GOODS AND SERVICES TAX ELECTION

The Purchaser shall be responsible for and pay all state, provincial and federal sales and value-added taxes payable in connection with the purchase and sale of the Assets hereunder, including GST if applicable. PMC and Canpet Canada shall execute and file an election under Subsection 167(1) of the Excise Tax Act (Canada) in respect of the purchase and sale of the Canadian Assets hereunder. The elections shall be in the prescribed form, contain the prescribed information and shall be filed by PMC within the time limits applicable thereto.

8.4 LETTERS OF CREDIT

At Closing, the Purchaser shall provide BNP Paribas with a letter of credit, substantially in the form of Schedule 8.4, issued by Fleet Bank, or other security acceptable to BNP Paribas, in an amount and for a term equal to the amount and term of the Vendor's outstanding letters of credit as of the Closing Date.

ARTICLE IX
SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNITIES

9.1 SURVIVAL OF REPRESENTATIONS AND WARRANTIES

(a) The representations and warranties of the Vendor contained in this Agreement shall survive the Closing and, notwithstanding such Closing and any investigation made by or on behalf of the Purchaser, shall continue in full force and effect for the benefit of the Purchaser for a period of three (3) years from the Closing Date, and any Claim in respect thereof (except a Claim based on fraud, which may be made at any time) shall be made in writing within such time periods in accordance with the provisions of Section 9.4.

(b) The representations and warranties of the Purchaser contained in this Agreement shall survive the Closing and, notwithstanding such Closing and any investigation made by or on behalf of any of the Vendor, shall continue in full force and effect for the benefit of the Vendor for a period of three (3) years from the Closing Date, and any Claim in respect thereof (except a Claim based on fraud, which may be made at any time) shall be made in writing within such time period in accordance with the provisions of Section 9.4.

9.2 INDEMNIFICATION IN FAVOUR OF THE PURCHASER

(a) The Vendor shall indemnify and save each of the Purchaser and its directors, officers, employees, agents and representatives harmless of and from any Claim or Loss suffered by, imposed upon or asserted against such Indemnified Parties as a result of, in respect of, connect with or arising out of, under or pursuant to:

(i) any failure of the Vendor to perform or fulfill any of its covenants under this Agreement;

(ii) subject to the limitations set forth in Subsection 9.1(a) and Section 9.5, any breach or inaccuracy of any representation or warranty given by the Vendor contained in this Agreement;

(iii) any and all liabilities of the Business as at the Effective Time, including the Excluded Liabilities, which are not expressly assumed by the Purchaser including any action in respect of the Assets taken by any Governmental Entity pursuant to a Tax reassessment or obligation with respect to a failure to comply with applicable Tax obligations for a period prior to the Effective Time;

(iv) any Claim by a third party in respect of the alleged breach of any agreement of the Vendor as a result of the transaction contemplated hereby;

(v) any Claim by any employees or contractors of the Business, including for wrongful dismissal;

(vi) subject to Section 9.5, Pre-Closing Environmental Liabilities; and

(vii) any dealings by or on behalf of the Vendor with any Person other than the Purchaser with respect to the sale of the Assets or the Business.

9.3 INDEMNIFICATION IN FAVOUR OF THE VENDOR

The Purchaser shall indemnify and save the Vendor and its directors, officers, employees, agents and representatives harmless of and from any Claim or Loss suffered by, imposed upon or asserted against such Indemnified Parties as a result of, in respect of, connected with or arising out of, under or pursuant to:

(a) any failure by the Purchaser to perform and fulfill any covenant of the Purchaser under this Agreement;

(b) subject to the limitation period set forth in Subsection 9.1(b) hereof, any breach or inaccuracy of any representation or warranty given by the Purchaser contained in this Agreement; and

(c) the assumption and satisfaction or discharge by the Purchaser of the Assumed Liabilities.

9.4 INDEMNIFICATION PROCEEDINGS

(a) Any Party seeking indemnification under this Article (the "INDEMNIFIED PARTY") shall forthwith notify the Party against whom a Claim for indemnification is sought hereunder (the "INDEMNIFYING PARTY") in writing, which notice shall specify, in reasonable detail, the nature and estimated amount of the Claim. If a Claim by a third party is made against an Indemnified Party, and if the Indemnified Party intends to seek indemnity with respect thereto under this Article, the Indemnified Party shall promptly (and in any case within thirty (30) days of such claim being made) notify the Indemnifying Party of such with reasonable particulars. The Indemnifying Party shall have thirty (30) days after receipt of such notice to undertake, conduct and control, through counsel of its own choosing and at its own expense, the settlement or defence thereof, and the Indemnified Party shall cooperate with it in connection therewith; except that with respect to settlements entered into by the Indemnifying Party (i) the consent of the Indemnified Party shall be required if the settlement provides for equitable relief against the Indemnified Party, which consent shall not be unreasonably withheld or delayed; and (ii) the Indemnifying Party shall obtain the release of the Indemnified Party. If the Indemnifying Party undertakes, conducts and controls the settlement or defence of such Claim (i) the Indemnifying Party shall permit the Indemnified Party to participate in such settlement or defence through counsel chosen by the Indemnified Party; and (ii) the Indemnifying Party shall promptly reimburse the Indemnified Party for the full amount of any loss resulting from any Claim and all related expenses incurred by the Indemnified Party. The Indemnified Party shall not pay or settle any Claim so long as the Indemnifying Party is reasonably contesting any such Claim in good faith and on a timely basis. Notwithstanding the two immediately preceding sentences, the Indemnified Party shall have the right (i) to pay or settle any such Claim, without the consent of the Indemnifying Party, provided that in such event it shall waive any right to indemnity therefor by the Indemnifying Party; and (ii) to retain its own counsel in respect of such Claim. Legal fees in respect of such counsel shall be paid by the Indemnified Party unless the Indemnified Party has retained counsel as a result of a reasonable apprehension that, with respect to the Claim, its interests are not completely aligned with those of the Indemnifying Party.

(b) With respect to third party Claims, if the Indemnifying Party does not notify the Indemnified Party within thirty (30) days after the receipt of the Indemnified Party's notice of a Claim of indemnity hereunder that it elects to undertake the defence thereof, or if the Indemnifying Party fails to reasonably contest such Claim in good faith and on a timely basis, the Indemnified Party shall have the right, but not the obligation, to contest, settle or compromise the Claim in the exercise of its reasonable judgment at the expense of the Indemnifying Party.

(c) In the event of any Claim by a third party against an Indemnified Party, the defence of which is being undertaken and controlled by the Indemnifying Party, the Indemnified Party shall use all reasonable efforts to make available to the Indemnifying Party those employees whose assistance, testimony or presence is necessary to assist the Indemnifying Party in evaluating and in defending any such Claims; provided that the Indemnifying Party shall be responsible for the expense incurred by the Indemnified Party and such employees made available by the Indemnified Party to the Indemnifying Party hereunder.

(d) With respect to third party Claims, the Indemnified Party shall make available to the Indemnifying Party or its representatives on a timely basis all documents, records and other materials in the possession of the Indemnified Party, at the expense of the Indemnifying Party, reasonably required by the Indemnifying Party for its use in defending any Claim and shall otherwise cooperate on a timely basis with the Indemnifying Party in the defence of such Claim.

(e) With respect to any re-assessment for income, corporate, sales, excise, or other Taxes or other liability enforceable by Encumbrance against the property of the Indemnified Party, the Indemnifying Party's right to so contest shall only apply after such payment of such re-assessment or the provision of such security as is necessary to avoid an Encumbrance being placed on the property of the Indemnified Party has been made.

(f) The failure of the Indemnified Party to give notice to the Indemnifying Party within thirty (30) days as contemplated by Subsection 9.4(a) shall not affect its right to indemnity unless the failure to give such notice has materially adversely effected the Indemnifying Party's ability to defend the claim.

9.5 LIMITATION ON INDEMNITIES

(a) The aggregate liability of the Vendor in respect of Claims or Losses described in Section 9.2 (whether such liability arises under Section 9.2 or otherwise) shall be limited to the monetary value of the Purchase Price.

(b) The aggregate liability of the Vendor in respect of Claims or Losses described in Subsection 9.2(a)(vi) (whether such liability arises under Subsection 9.2(a)(vi) or otherwise), and of which the Vendor did not have knowledge at Closing, shall be limited to $4,500,000.

(c) No amounts of indemnity shall be payable in respect of any and all Claims and Losses described in Section 9.2 (whether such liability arises under Section 9.2 or otherwise), unless, until and then only to the extent that the Indemnified Party has suffered, incurred, sustained or become subject to Losses in excess of $50,000.00 in the aggregate.

(d) No amounts of indemnity shall be payable in respect of those Claims and Losses contemplated by Subsection 9.2(a)(vi) (whether such liability arises under Subsection 9.2(a)(vi) or otherwise), which are applicable solely to that portion of the Owned Properties and Assets which constitute and form part of the Rimbey Facility, unless, until and then only to the extent that the Indemnified Party has suffered, incurred, sustained or become subject to Losses in excess of $600,000 in the aggregate.

(e) The obligations of the Vendor pursuant to Section 9.2 with respect to Pre-Closing Environmental Liabilities shall: (i) with respect to Environmental Liabilities which are restricted to and contained in or upon the Owned Properties, Leased Properties, Rights of Way or any of them, pertain only to matters of which the Purchaser has given the Vendor written notice within two (2) years after Closing; and (ii) with respect to Environmental Liabilities which are not contained in or upon the Owned Properties, Leased Properties or Rights of Way, pertain only to matters of which the Purchaser has given the Vendor written notice within three (3) years after Closing.

(f) In the event that the Vendor holds Units at a time when an indemnity obligation arises hereunder, the Vendor shall be entitled to satisfy such indemnity obligation by the transfer to the Purchaser of Units with a value equivalent to the indemnity obligation, which for this purpose shall be valued at the Market Value at the date of such transfer.

ARTICLE X
EMPLOYMENT MATTERS

10.1 EMPLOYEES

(a) Schedule 10.1 hereto sets out (i) those employees of the Vendor which are to be considered "LEVEL ONE KEY EMPLOYEES" and "LEVEL TWO KEY EMPLOYEES" (collectively, the "KEY EMPLOYEES"); and (ii) the duration of the non-competition provisions which shall be applicable to each Key Employee. The Vendor and the Purchaser shall, immediately after the execution and delivery of this Agreement, use their mutual best efforts to obtain the written agreement of all such Key Employees to continue to be employed by the Purchaser in the conduct of the Future Business subsequent to Closing, on terms which are satisfactory to the Purchaser and each of the Key Employees. The obligations of the Purchaser to complete the Closing shall be conditional upon the Purchaser having entered into written agreements (the "KEY

EMPLOYEE NON-COMPETITION AGREEMENTS") in the form attached as Schedule 10.1(a)(1) or 10.1(a)(2), as applicable. The salaries and wages of the Purchaser's offer of employment to the Key Employees shall be substantially the same as the terms of their employment with the Vendor as of the Effective Time.

(b) No later than fifteen (15) days after the date of this Agreement, the Purchaser shall notify the Vendor as to the employees of the Business, other than the Key Employees, to whom it wishes to offer employment (the "RETAINED EMPLOYEES"), and shall notify the Vendor as to the identity of such Retained Employees. The Vendor and the Purchaser shall, immediately after the giving of such notice, use their mutual best efforts to cause such Retained Employees to become employed by the Purchaser in the conduct of the Business subsequent to Closing, on terms of employment that are mutually acceptable to the Purchaser and each such Retained Employee. The salaries and wages of Purchaser's offer of employment to the Retained Employees shall be substantially the same as their employment with the Vendor as of the Effective Time.

(c) All Key Employees and Retained Employees who are located in Canada shall be hired by PMC, or at its option, by PMC (Nova Scotia) Company. All Key Employees and Retained Employees located in the United States shall be hired by PMLP, or its general partner, Plains All American Inc.

10.2 BENEFITS

(a) The Purchaser agrees to give the Retained Employees credit for their time for employment with the Vendor with respect to vacation eligibility. The Vendor shall be and remain solely responsible for the payment of all benefits due to the Key Employees and Retained Employees that were earned, or accrued to the benefit of such employee, prior to Closing. In addition, the Vendor shall be and shall remain solely responsible for the payment of all benefits due to all of its employees, including, without limitation, all severance, accrued vacation, health care, continuation coverage and other benefits to which its employees may be entitled as a result of the transactions contemplated hereby, whether or not such employees are hired by the Purchaser.

(b) None of the employees of the Business are entitled to or participate in any defined benefit pension plan. The Purchaser's offer of employment to Key Employees and Retained Employees shall include benefits with effect from the Closing Date which are comparable to the retirement, insurance, medical, hospital, dental, vision, drug, sick leave, vacation and disability benefits of the Vendor, if any, with respect to each such employee, prior to Closing.

10.3 BONUS PLAN

The Purchaser's bonus plan with respect to Key Employees and Retained Employees shall be as set out in Schedule 10.3. In the event that any Key Employees or Retained Employees shall at any time advance a Claim for constructive dismissal arising from differences between the Purchaser's bonus plan and the Vendor's bonus plan, the Vendor shall indemnify and hold harmless the Purchaser with respect to such Claim.

ARTICLE XI
NON-COMPETITION AND CONFIDENTIALITY

11.1 NON-COMPETITION AND CONFIDENTIALITY

The Vendor undertakes with the Purchaser that, except with the consent in writing of the Purchaser it shall not:

(a) for the period of five (5) years after the Closing Date, anywhere in North America, either on its own account or in conjunction with or on behalf of any other person, carry on or be engaged, concerned or interested, directly or indirectly, whether as shareholder, partner, agent or otherwise in carrying on any activity which is in competition with the Business;

(b) for the period of five (5) years after the Closing Date, either on its own account or in conjunction with or on behalf of any other person, solicit or entice away or attempt to solicit or entice away from the Purchaser the custom of any person who shall at any time within the year preceding the date hereof have been a customer of the Vendor with respect to the Business;

(c) for the period of five (5) years after the Closing Date, either on its own account or in conjunction with or on behalf of any other person, hire, enter into a consulting arrangement with, solicit or entice away or attempt to solicit or entice away (provided that media advertising for available positions shall be allowed) from the Purchaser any employee with respect to the Business;

(d) at any time hereafter make use of or disclose or divulge to any person any confidential information (other than any information available to the public or disclosed or divulged pursuant to an order of a court of competent jurisdiction) relating to the identity of the customers of the Business and suppliers, its products, finance, contractual arrangements, business or methods of business and the Vendor shall use reasonable endeavours to prevent the publication or disclosure of any such confidential information.

11.2 SHAREHOLDER NON-COMPETITION AGREEMENTS

The Vendor shall use its best efforts to obtain by Closing duly executed non-competition agreements (the "SHAREHOLDER NON-COMPETITION AGREEMENTS") substantially in the form attached hereto as Schedule 11.2, from Janet Irven (for a duration of two (2) years) and from David LaBarre (for a duration of five (5) years).

11.3 NON-USE OF TRADE MARKS AND TRADE NAME

Immediately after Closing, the Vendor and Affiliates of the Vendor shall change its corporate name, and cease all use of the word "CANPET", and all names including the word "CANPET" and all derivatives thereof, including names which are phonetically identical or similar thereto, the emblem or any words or symbols representing same in relation to the Business and at all times thereafter including (without limitation) all such use on company notepaper, stationery, vehicles or promotional material and in connection with any services provided or products manufactured or distributed by them.

11.4 MODIFICATION

While the restrictions contained in this Section are considered by the Parties to be reasonable in all the circumstances, it is recognized that restrictions of the nature in question may fail for technical reasons and accordingly it is hereby agreed and declared that if any of such restrictions shall be adjudged to be void as going beyond what is reasonable in all the circumstances for the protection of the interests of the Purchaser but would be valid if part of the wording thereof were deleted or the periods thereof reduced or the range of activities or area dealt with thereby reduced in scope; the said restriction shall apply with such modifications as may be necessary to make it valid and effective.

ARTICLE XII
MISCELLANEOUS

12.1 NOTICES

Any notice, direction or other instrument required or permitted to be given hereunder or under any Ancillary Agreement must be in writing and given by delivering, personally or by nationally recognized courier service, or sending it by telecopy or other similar form of communication addressed:

(a) to the Purchaser at:

Plains Marketing Canada, L.P.
c/o Plains Marketing, LP
333 Clay Street, Suite 2900 (77002)
P.O. Box 8648
Houston, TX 77210-4648

Attention: Harry N. Pefanis
Telecopier No.: (713) 646-4378

and to: Plains Marketing, L.P.
333 Clay Street, Suite 2900 (77002)
P.O. Box 8648
Houston, TX 77210-4648

Attention: Harry N. Pefanis
Telecopier No.: (713) 646-4378

and to: Plains Marketing, L.P.
333 Clay Street, Suite 2900 (77002)
P.O. Box 8648
Houston, TX 77210-4648

Attention: Lawrence J. Dreyfuss
Telecopier No.: (713) 646-4143

(b) to the Vendor at:

Canpet Energy Group Inc.
2600, 350 - 7th Avenue SW
Calgary AB T2P 3N9

Attention: W. David Duckett
Facsimile No.: (403) 233-0399

and to: Canpet Energy Group (USA), Inc.
c/o Canpet Energy Group Inc.
2600, 350 - 7th Avenue SW
Calgary AB T2P 3N9

Attention: W. David Duckett
Facsimile No.: (403) 233-0399

Any such notice, direction or other instrument given as aforesaid shall be deemed to have been effectively given, if sent by telecopier or other similar form of telecommunications during or prior to the normal business hours of the recipient, on the Business Day received, and if after business hours, on the next Business Day following such transmission or, if delivered, to have been received on the date of such delivery. Any Party may change its address for services from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to the Party at its changed address.

12.2 GOODS AND SERVICES TAX NUMBERS

The Vendor represents and warrants to the Purchaser that Canpet Canada is a registrant for goods and services tax purposes under the Excise Tax Act (Canada) and that its goods and services tax registration number is 100787506. The Purchaser represents and warrants to the Vendor that PMC is a registrant for goods and services purposes under the Excise Tax Act (Canada) and that its goods and services tax registration number is 892946211.

12.3 PUBLICITY

If disclosure of the transactions contemplated by this Agreement is to be made by either party hereto, the disclosing Party shall consult in advance with the other Parties and attempt in good faith to reflect such other Parties' concerns in the disclosure.

12.4 TIME OF THE ESSENCE

Time shall be of the essence of this Agreement.

12.5 BROKERS

Each Party represents and warrants that no broker, agent or other intermediary acted for such Party in connection with the purchase and sale of the Assets and each Party shall indemnify and save harmless the other Party from and against any Claims whatsoever for any commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for such Party.

12.6 EXPENSES

Except as otherwise expressly provided herein, all costs and expenses (including the fees and disbursements of legal counsel, investment advisers and auditors) incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such expenses. Further, no such expenses incurred by the Vendor shall be included in Interim Costs for the purposes of Subsection 2.4(b)(ii), regardless of when such expenses are incurred.

12.7 ENUREMENT

This Agreement shall enure to the benefit of and be binding upon the Parties and their successors. This Agreement shall enure to the benefit of any permitted assigns.

12.8 ASSIGNMENT

Except as provided in this Section 12.8, none of the rights or obligations hereunder shall be assignable or transferable by any Party without the prior written consent of the other Party. The Purchaser shall be entitled, upon giving notice to the Vendor at any time on or prior to the Closing Date, to assign the benefits of this Agreement to any Affiliates of the Purchaser subject to the following two conditions: (i) the Purchaser's assignees shall become jointly and severally liable with the Purchaser, as a principal and not as a surety, with respect to all of the representations, warranties, covenants, indemnities and agreements of the Purchaser; and (ii) such assignees shall each execute an agreement confirming such assignment and the assumption by the assignee of all obligations of the Purchaser under this Agreement.

12.9 NON-MERGER

Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties of the Parties contained in this Agreement shall not merge on and shall survive the Closing and, notwithstanding such Closing, or any investigation made by or on behalf of any Party, shall continue in full force and effect. The Closing shall not prejudice any right of one Party against any other Party in respect of anything done or omitted hereunder or under any of the Closing Agreements or in respect of any right to damages or other remedies.

12.10 FURTHER ASSURANCES

At the Closing and thereafter as may be necessary and without further consideration, the parties hereto shall execute, acknowledge and deliver such other documents, novations, instruments and agreements and shall do such other things as may be necessary to carry out their respective obligations under this Agreement or to more fully assure the completion of the matters set forth in this Agreement, including the acquisition by and conveyance to the Purchaser of the Assets.

12.11 NO THIRD PARTY BENEFICIARIES

No third parties shall have third party beneficiary status under this Agreement.

IN WITNESS WHEREOF this Agreement has been executed by the Parties as of the date first above written.

PLAINS MARKETING CANADA, L.P.,
by its general partner, PMC
(Nova Scotia) Company

Per: /s/ Harry N. Pefanis

PLAINS MARKETING, L.P.,
by its general partner,
Plains All American Inc.

Per: /s/ Harry N. Pefanis

CANPET ENERGY GROUP INC.

Per: /s/ David Duckett

Per: /s/ Ralph Cross

CANPET ENERGY GROUP (USA), INC.

Per: /s/ David Duckett

Per: /s/ Mark Alenius

EXHIBIT 10.16

MASTER RAILCAR LEASING AGREEMENT

This Lease Agreement dated as of the 25th day of May, 1998 (the "Agreement"), with an effective date of June 1, 1998, by and between PIVOTAL ENTERPRISES CORPORATION ("Pivotal") an Alberta corporation ("Lessor") and CANPET ENERGY GROUP INC. ("Canpet") an Alberta corporation ("Lessee").

WITNESSETH:

1. (a) Lease. Lessor agrees to furnish and lease to Lessee and Lessee agrees to accept and use upon the terms and conditions herein set forth, the cars covered by the riders attached hereto as schedule A and such additional riders as may be added hereto from time to time by agreement of the parties, and any and all other cars delivered to and accepted by Lessee. Each such rider shall set forth the number of cars, the rental rate, term of use, car numbers, and other pertinent information that may be desired by both parties. All cars leased pursuant to such riders, or otherwise delivered to and accepted by Lessee, are subject to the terms of this Agreement.

(b) Lease Term. Lessee agrees to lease all of the cars listed on the attached schedule for a period of ten years from the date of delivery at a fixed price of $1,000.50 per month per car, payable in advance each month. Lessee is responsible to Lessor the term of this lease (10 years). Should the Lessee decide not to keep the cars to the end of the lease period, the Lessee shall pay in full all of the lease payments for the balance of the lease term within 15 days of such action.

The Lessee agrees to lease the said cars for an additional five years (after the expiry of the initial 10 year lease term) at a market price. The market price to be determined by the Lessor by obtaining two competitive market quotes.

The market price for additional lease term of five years must be decided by the Lessor and the Lessee six months before the expiry of the initial lease term. Should both parties be unable to agree to the market price, at that time, the Lessor offer for the market price must prevail and Lessee agrees to such market price as provided by the Lessor.

2. Delivery. Lessor agrees to deliver the cars to Lessee at such point or points as may be agreed to by the parties. Lessor's obligation as to such delivery shall be excused during the pendency of delays resulting from causes beyond its control.

Lessee agrees to use the cars exclusively in its own service, except as hereinafter provided, and none of the cars shall be shipped beyond the boundaries of Canada or the United States except with the prior written consent of Lessor.

3. Rent. Lessee agrees to pay the rental charges with respect to each of the cars from the date of delivery thereof and until such car is returned to and accepted by Lessor, as agreed in Clause 1(b). Each monthly rental charge shall be paid in advance on the first day of the month, prorating, however, any period which is less than a full month on the basis of a month of thirty (30) days. Lessee acknowledges and agrees that the obligation of Lessee to make payments hereunder shall be absolute and unconditional under any and all circumstances, regardless of any right of abatement, recoupment, setoff, counterclaim, defense, suspension, deferment, diminution, reduction or any other right of Lessee or the lack of any conflicting notice from Lessor, provided however, nothing herein contained shall limit Lessee's right to otherwise claim damages from Lessor. Such rental charges shall be paid to Lessor at the address set forth in the riders to this Agreement.

4. Acceptance. Each of the cars shall be subject to Lessee's inspection upon delivery to Lessee. Failure to report any defect in the car within a reasonable time after delivery of the car or the loading of each such car by Lessee or at its direction shall constitute acceptance thereof by Lessee and shall be conclusive evidence of the fit and suitable condition thereof for the purpose of transporting the commodities then and thereafter loaded therein or thereon. Lessee herewith agrees that it has inspected all of the cars listed on the attached rider and found them to be in satisfactory condition.

5. Records. Lessor agrees to keep records pertaining to the movement of the cars, and Lessee agrees to promptly furnish Lessor with complete reports of the car movements, including dates received, loaded and shipped, commodity, destination and full junction routing, and all information which Lessee may receive from railroad companies or other sources which may be of use to Lessor. Lessor shall collect the mileage earned by the cars, and subject to all rules of the tariffs of the railroads, Lessor shall credit to Lessee's rental account such mileage as and when received from the railroads.

6. Mileage. Lessee agrees to reimburse Lessor for any payment Lessor may be required to make to any railroad, due to mileage equalization where applicable, resulting from excess empty mileage incurred by the cars on such railroad. For the purpose of this paragraph, the railroad mileage and junction reports shall be prima facie evidence of the facts reported therein. In addition, if Lessor is required to make any payments to a railroad resulting from the empty movement of any of the cars while they are in Lessee's service, Lessee agrees to reimburse Lessor for such payments.

7. Loss or Damage. Lessee shall promptly notify Lessor upon receipt by Lessee of knowledge of any damage to any of the cars. Lessee shall, at its expense, perform, arrange, and pay for all maintenance and repairs made necessary by ordinary wear and tear, or otherwise necessary to keep the cars in good condition and repair under the Interchange Rules. Lessee shall not repair, or authorize the repair of any of the cars without Lessor's prior written consent, except that running repairs (as specified in the Association of American Railroads rules for Interchange and the National Transportation Agency regulations) may be performed without prior written consent. The amount Lessee will pay for such running repairs shall not be in excess of the rate, in effect at the time the repair is made, as provided by the Association of American Railroads. If any car becomes unfit for service and requires repairs, other than repairs made by

railroads, unless otherwise specified in any specific Rider attached hereto, rental charges will cease five (5) days after receipt of such car at a shop authorized by Lessor, provided that Lessee has notified Lessor prior to the time the car is routed to shop. In the event Lessee fails to so notify Lessor, rental charges shall cease five days after receipt by Lessor of notification of the arrival of the car at a shop authorized by Lessor. In all cases, after a car has been repaired, rental charges will resume on the date the car is available for forwarding to Lessee. It is understood that no rental credits will be issued for cars in a shop for repairs which are Lessee's responsibility.

8. Removal from Service. In the event the physical condition of any car shall become such that the car cannot be operated in railroad service as determined by Lessor and Lessor elects to permanently remove such car from Lessee's service, the rental with respect to such car shall terminate upon the removal of such car. Lessor shall have the right, but shall not be obligated, to substitute for any such car another car of the same type and capacity and the rental in respect to such substituted car shall commence upon delivery of such substituted car to Lessee.

9. Lessee Responsibility. Lessee shall be responsible for and shall indemnify Lessor and hold Lessor harmless and does hereby release Lessor from the loss or destruction of, or damage to, the cars or any parts thereof, during the term; provided, however, Lessee shall not be responsible to the extent the then-prevailing Interchange Rules place responsibility upon a railroad subscribing to the Interchange Rules; and provided, further, that Lessee shall not be responsible if such loss, destruction, or damage to the cars or parts thereof was caused by the sole active negligence or willful misconduct of Lessor. Notwithstanding anything contained herein to the contrary, Lessee shall be responsible for and shall indemnify Lessor and hold Lessor harmless and does hereby release Lessor from the loss or destruction of, or damage to, a car or any part thereof during the term of this Agreement which shall (i) be occasioned by the misuse or negligence of Lessee, its consignee, agent or sublessee, (ii) occur while such car is on the tracks of Lessee or any private siding or track, or at the loading or unloading facility of Lessee or its consignee, agent or sublessee, or on the track of any railroad that does not subscribe to the Interchange Rules or any private or industrial railroad or (iii) be caused by any commodity which may be transported or stored in or on such car.

Lessee shall notify Lessor of the loss or destruction of any of the cars within two (2) days of the date of such event. The amount of loss resulting from the loss or destruction of a car shall be measured by its replacement value as determined immediately prior to the time of such loss or destruction. The "replacement value" shall equal the amount payable by a railroad subscribing to the Interchange Rules for the car if the car had been in the service of such railroad.

Lessee shall maintain full insurance coverage for total replacement value of the cars as per rider attached for accidental damage and loss.

10. Loss or Damage to Lading. Lessor shall not be liable for any loss of or damage to commodities or any part thereof, loaded or shipped in or on the cars, and Lessee agrees to assume financial responsibility for, to indemnify Lessor against and to save it harmless from any such loss or damage, unless caused by the sole negligence of Lessor.

11. Appliances. Lessee, at its own expense, shall either replace or reimburse Lessor for the cost of replacing any appliance or removable part, if destroyed, damaged, lost, removed or stolen, unless the railroads transporting the cars have assumed full responsibility for such loss or damage, or unless such loss or damage results from the negligence or omission of Lessor, its agents or employees.

12. Linings. Lessee shall be responsible for the maintenance and replacement of interior lining during the term of this agreement, and at Lessor's sole option, Lessee shall either repair, replace or remove such lining at Lessee's expense at the termination of this agreement.

13. Claims. Lessee agrees to indemnify and hold Lessor harmless from and against any loss, liability, claim, damage or expense (including, unless Lessee assumes the defense, the reasonable cost of investigating and defending against any claim for damages) arising out of or in connection with the use of the cars during the term of this Agreement, excepting, however, any loss, liability, claim, damage, or expense which accrues with respect to any of the cars (i) while such car is in a repair shop undergoing repairs; (ii) which is attributable to the sole active negligence or willful misconduct of Lessor, its agents or employees; or (iii) for which a railroad or railroads have assumed full responsibility, including investigating and defending against any claim for damages.

14. Marks. Other than the restoration of Lessor's marks on the cars, no lettering or marking of any kind shall be placed upon any of the cars by Lessee except with the prior written consent of Lessor.

15. Load Limits. Lessee agrees not to load any of the cars in excess of the load limit stenciled thereon.

16. Charges. Lessee shall be liable for any demurrage, track storage or detention charge imposed in connection with any of the cars as well as loss of or damage to any car while on any private siding or track or on any private or industrial railroad or in the custody of any carrier not subject to the Association of American Railroads Rules for Interchange or the National Transportation Agency regulations.

17. Sublease and Assignment. Lessee shall make no transfer or assignment of its interest under this Agreement in and to the cars without Lessor's prior written consent, and any attempted transfer or assignment without such consent shall be void, except that Lessee may sublease any of the cars to its customers for single trips consistent with its normal merchandising methods; provided, however, that notwithstanding any such sublease, Lessee shall continue to remain liable to Lessor under all conditions and terms of this Agreement. No right, title, or interest in any of the cars shall vest in Lessee by reason of this Agreement or by reason of the delivery to or use by Lessee of the cars, except the right to use the cars in accordance with the terms of this Agreement. Lessee shall keep the cars free of any lien or encumbrance created by or through Lessee and agrees to indemnify Lessor and hold Lessor harmless from any cost or expense, including attorneys' fees, with respect to such a lien or encumbrance.

18. Default. If Lessee defaults in the payment of any sum of money to be paid under this Agreement and such default continues for a period of three (3) days after notice to Lessee of such default; or if Lessee fails to perform any covenant or condition required to be performed by Lessee which failure shall not be remedied within ten (10) days after notice thereof from Lessor to Lessee; or if Lessee shall dissolve, make or commit any act of bankruptcy, or if any proceeding under any bankruptcy, or insolvency statute or any laws relating to relief of debtors is commenced by Lessee, or if any such proceeding is commenced against Lessee and same shall not have been removed within thirty (30) days of the date of the filing thereof, or if a receiver, trustee, or liquidator is appointed for Lessee or for all or a substantial part of Lessee's assets with Lessee's consent, or if without Lessee's consent the same shall not have been removed within thirty (30) days of the date of the appointment thereof, or if an order, judgment or decree be entered by a court of competent jurisdiction and continue unpaid and in effect for any period of thirty (30) consecutive days without a stay of execution; or if a writ of attachment or execution is levied on any car and is not discharged within ten (10) days thereafter, Lessor may exercise one or more of the following remedies with respect to the cars:

(a) Immediately terminate this Agreement and Lessee's rights hereunder;

(b) Require Lessee to return the cars to Lessor at Lessee's expense, and if Lessee fails to so comply, Lessor may take possession of such car without demand or notice and without court order or legal process;

(c) Lease the cars to such persons, at such rental and for such period of time as Lessor shall elect. Lessor shall apply the proceeds from such leasing, less all cost and expenses incurred in the recovery, repair, storage, and renting of such cars, toward the payment of Lessee's obligations hereunder. Lessee shall remain liable for any deficiency, which, at Lessor's option, shall be paid monthly, as suffered, or immediately, or at the end of the term as damages for Lessee's default;

(d) Bring legal action to recover all rent for the balance of the lease term or other amounts then accrued or thereafter accruing from Lessee to Lessor under any provision hereof; or

(e) Pursue any other remedy which Lessor may have.

Each remedy is cumulative and may be enforced separately or concurrently. If Lessee fails to perform any of its obligations hereunder, Lessor, at Lessee's expense, and without waiving any rights it may have against Lessee for such nonperformance, may itself render such performance. Further, Lessee shall reimburse Lessor for all costs and expenses including reasonable attorneys' fees expended by Lessor in the enforcement of its rights and remedies hereunder, and Lessee shall pay interest on any amount owing to Lessor from the time such amount becomes due hereunder at a monthly rate of one and one-half percent (1-1/2%); such rate to be reduced, however, to the extent it exceeds the maximum rate permitted by applicable law. In addition, Lessee shall, without expense to Lessor, assist Lessor in repossessing the cars and shall, for a reasonable time if required, furnish suitable trackage space for the storage of the cars.

If applicable, Lessor shall be entitled to the remedies of a Lessor/Owner under all applicable bankruptcy laws.

19. Return Provisions.

(a) Upon the termination of each rider, Lessee agrees, subject to the provision of paragraph 8 above, to return the cars to Lessor at a point or points designated by Lessor, in the same or in as good a condition as received, ordinary wear and tear excepted, free and clear from all accumulations or deposits from commodities transported in or on the cars while in the service of Lessee. If any car is not returned to Lessor free from such accumulations or deposits, Lessee shall reimburse Lessor for any expense incurred in cleaning such car.

(b) In the event of any car or tank fittings or appurtenances, including interior lining for cars so equipped, shall become damaged, suffers corrosion, or other damage related to or connected with the commodity, along with other material placed or allowed to accumulate in or on the car and to how the car is exposed, Lessee shall be liable for such damage, regardless of how it is caused, and whether or not it is due to Lessee's negligence. Such damage shall not be considered "ordinary wear and tear."

20. Taxes. All federal, state, provincial, and local taxes levied or assessed against the cars furnished Lessee under this Agreement, payable on account of the ownership of such cars, shall be paid by Lessor, and all returns and reports in connection therewith shall be made by Lessor. All taxes payable on account of or measured by the rental paid or the use of such cars (excluding any tax which is based solely upon or measured solely by Lessor's net income) shall be the responsibility of Lessee. In the event any taxes or assessments, other than those payable on account of ownership, are levied against the cars or the rental paid for the use of the cars covered by any rider to this Agreement by any federal, state, provincial or local authority, in addition to those taxes or assessments in effect on the effective date of such rider, Lessee agrees to pay to Lessor, in addition to any other amounts due, a sum equal to the amount of any such taxes or assessments.

21. Mortgages; Liens. It is understood that some or all of the cars furnished Lessee under this Agreement and Lessor's rights under this Agreement may at the time of delivery to Lessee or at some future time during the term of this Agreement be subject to the terms of any lien or encumbrance (a "Lien") including a Mortgage, Deed of Trust, Equipment Trust, Pledge, or Bill of Sale or similar security arrangement. Lessee agrees that any or all of the cars may be stenciled or marked to set forth the ownership of any such cars in the name of the holder of any Lien (the "Lien holder") including a mortgagee, trustee, pledgee, assignee or security holder and that this Agreement and Lessee's rights hereunder are and shall at all times be subject and subordinate to any and all rights of any Lien holder. Lessee agrees that upon the written request of Lessor or any Lien holder at any time or from time to time, Lessee will enter into a written agreement with any Lien holder(s): (i) that the Lien(s) will have priority and be entitled to all rights therein as though the Lien were made before this Agreement and on the making of this Agreement Lessee had knowledge of the Lien; (ii) confirming the security created by the Lien and rights given to the Lien holder(s); and (iii) postponing and deferring this Agreement and its

rights hereunder and to the cars and agreeing that they will be subject and subordinate to the Lien(s) and the rights of the Lien holder.

This Agreement and/or any of Lessor's rights hereunder, including rentals, may have been assigned and may in the future be assigned to any Lien holder(s) or others. Lessee hereby consents to and accepts any such Assignment. Lessee acknowledges notice of any such Assignment and of any Lien which is filed under Section 11303 of the Interstate Commerce Act of the United States of America. However, Lessee is to pay all rentals hereunder to Lessor and have all its dealings hereunder with Lessor until notified to the contrary by any person proving to Lessee's reasonable satisfaction that he is the assignee of this Agreement and/or the relevant rights of Lessor hereunder and is entitled to intervene. Lessee represents that it has received no notice of any other mortgage, charge, hypothecation or encumbrance on or of any assignment, sale or disposition of any car covered hereby or of any of Lessor's rights hereunder. Lessee agrees that no claim or defense which Lessee may have against Lessor shall be asserted or enforced against any assignee of this Agreement and/or any rights of Lessor hereunder.

22. Notices. Any notice, demand or request required or permitted to be made, given or served by either party to or upon the other hereunder, shall be in writing and shall be deemed to have been made when deposited in the United States or Canada mail, certified or registered mail, postage prepaid and addressed to Lessor or Lessee at the address set forth in a rider to this Agreement.

23. Successors. This Agreement shall be binding upon the parties hereto, their respective successors, assigns and legal representatives, and shall remain in full force and effect from the date hereof until the completion of the leasing arrangement shown on attached riders of the last car or cars hereunder, and all such cars are returned to Lessor.

24. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Alberta.

25. Insurance. Lessee shall, at all times prior to return of the cars to Lessor in accordance with the terms of this Agreement and during any storage period at its own expense, cause to be carried and maintained public liability and property damage insurance in respect of the cars against the risks and in the amounts, if any, customarily insured against by Lessee in respect to similar equipment owned or leased by it, as further described in Clause 9.

26. Additional Provisions. Additional provisions of this Agreement may be set forth in a rider, which, if executed by Lessor and Lessee, is incorporated herein by this reference.

27. Representations and Warranties of Lessee. Lessee represents and warrants that, as of the date of this Agreement:

Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation and is either duly qualified to do business and is in good standing in such other jurisdictions in which the business and activities of Lessee require such qualification, or its failure to so qualify in such other jurisdiction will not have a material adverse impact on this Agreement.

(a) Lessee has full corporate power to enter into this Agreement.

(b) The Agreement had been duly authorized, executed, and delivered by Lessee, and constitutes a valid, legal and binding agreement, enforceable in accordance with its terms.

(c) No approval is required by Lessee from any governmental or public body or authority with respect to the entering into or performance of this Agreement.

(d) The entering into and performance of this Agreement will not conflict with, or result in a breach of, the terms, conditions, or provisions of (i) any law, or any regulation, order, injunction, permit, franchise, or decree of any court or governmental instrumentality, and (ii) any indenture, agreement, or other instrument to which Lessee is party or by which it or any of its property is bound.

28. Modifications. In the event the U.S. Department of Transportation, or the National Transportation Agency or any other governmental agency or non-governmental organization having jurisdiction over the operation, safety or use of railroad equipment, requires that Lessor add, modify, or in any manner adjust the cars subject to this Agreement in order to qualify them for operation in railroad interchange, unless otherwise specified in any specific Rider attached hereto, Lessee agrees to pay an additional monthly charge of $1.75 per car for each $100 expended by Lessor on such car, or such other monthly charge in lieu thereof, as may be provided for modifications, in any rider hereto, in any case, effective as of the date the car is released from the shop after application of such additions, modifications or, adjustments (hereinafter the "Modifications"). No rental credits will be issued on cars entering the shop for any Modifications for the first thirty (30) days. In the event Lessor, in its sole discretion, determines, prior to making any Modifications, that the cost thereof is not economical to expend in view of the estimated remaining useful life of such car, and Lessor elects to permanently remove such car from Lessee's service rather than have such car taken to a car shop for such Modifications, the rental with respect to such car shall terminate upon the date specified in writing by Lessor, provided that such date must be prior to the date the Modifications are so required to be made.

29. Captions. Captions to any provision of this Agreement are for ease of reference only and are not be construed to be part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement (such execution may be by two or more counterparts, each of which shall be deemed an original) the day and year first above written.

LESSEE: CANPET ENERGY GROUP INC.

By: /s/ David Duckett

Title: President & CEO

LESSOR: PIVOTAL ENTERPRISES CORPORATON

By: /s/

Title: President

EXHIBIT 10.36

TO: The Lenders under the Amended and Restated Credit Agreement (LETTER OF CREDIT AND HEDGED INVENTORY FACILITY) dated as of May 4, 2001, as amended and in effect through the Third Amendment thereto (the "Agreement"), among Plains Marketing, L.P. ("Borrower"), All American Pipeline, L.P. and Plains All American Pipeline, L.P., as guarantors, Fleet National Bank, as Administrative Agent, and the Lenders named therein.

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

Ladies and Gentlemen:

Capitalized terms used herein and not otherwise defined shall have the meaning given them in the Agreement, and reference is hereby made to the Agreement for all purposes in connection herewith. This Amendment is a Loan Document.

All American proposes to purchase certain pipeline assets and equity interests in partnerships owning certain pipeline assets as previously disclosed by US Borrower to Administrative Agent and Lenders (the "Subject Acquisition"). The cash purchase price of the Subject Acquisition is approximately $147,000,000, plus a contingent payment of up to $30,000,000 (the "Contingent Payment Obligation"); provided, in the event certain third-party rights to purchase certain of the assets are exercised (the "First Refusal Rights"), such purchase price will be approximately $114,000,000, plus the Contingent Payment Obligation. The Subject Acquisition does not constitute a Permitted Acquisition and therefore is not permitted under Section 7.7(c) of the Agreement.

US Borrower is seeking consent to the Subject Acquisition, including the exclusion of the Contingent Payment Obligation as a Liability.

The undersigned Lender hereby consents to the treatment of the Subject Acquisition as if it were a Permitted Acquisition, and to the exclusion of the Contingent Payment Obligation as a Liability, subject to the following:

(a) Administrative Agent shall have received and approved copies of all environmental evaluations, reports or reviews related to properties to be acquired pursuant to the Subject Acquisition.

(b) Administrative Agent and each Lender shall have received any updated or revised business and/or financial projections with respect to the assets and operations to be acquired pursuant to the Subject Acquisition, and, except for (i) adjustments in the event of the exercise of the First Refusal Rights, or (ii) revisions accompanied by a corresponding purchase price adjustment, no such projection shall materially and adversely differ from those projections previously delivered to Administrative Agent and Lenders.

(c) All American, as acquirer, shall have received an environmental indemnity with respect to individual claims greater than $200,000 ("Covered Claims") as follows: (i) 50% of Covered Claims which in the aggregate exceed $2,000,000 but do not exceed $6,000,000, and (ii) 100% of Covered Claims which in the aggregate exceed $6,000,000 but do not exceed $30,000,000, to be effective for not less than two years following the Subject Acquisition closing date, and otherwise reasonably satisfactory to Administrative Agent with respect to such liabilities.

(d) Administrative Agent shall have received and approved copies of all documentation relating to the Subject Acquisition documents and all other related documents as Administrative Agent may request.

(e) The cash portion of the purchase price, together with associated transaction costs and expenses, shall not exceed $160,000,000, plus the Contingent Payment Obligation; provided, in the event of the exercise of the First Refusal Rights, the cash portion of the purchase price, together with associated transaction costs and expenses, shall not exceed $127,000,000, plus the Contingent Payment Obligation.

(f) Both immediately prior to and immediately following the consummation of the Subject Acquisition, no Material Adverse Change shall have occurred since December 31, 2000, and no Default or Event of Default shall have occurred and be continuing.

(g) All American shall have delivered Security Documents pursuant to Section 6.14 of the Agreement with respect to the assets acquired pursuant to the Subject Acquisition, provided, with respect to those assets constituting undivided interests in joint venture pipeline assets or general partnership interests requiring the consent or approval of third parties to the delivery of such Security Documents, All American shall use its commercially reasonable best efforts, as determined by Administrative Agent, to deliver such Security Documents with respect to such assets.

The effectiveness of this Amendment shall be conditioned upon the contemporaneous effectiveness of an amendment to the Revolver Agreement on substantially identical terms and shall become effective upon (i) consent of Majority Lenders, (ii) acceptance hereof by Borrower, and (iii) payment of a $5,000 consent fee to each Lender (unless such Lender shall have received such consent fee pursuant to the amendment to the Revolver Agreement). Please execute a copy of this letter in the space provided below to evidence your consent to the foregoing and fax a copy to the Administrative Agent (c/o Terry Ronan) at 617-434-3652 by 5:00 p.m., Monday, October 29th.

Thank you for your assistance on such short notice.

FLEET NATIONAL BANK, Administrative Agent

By: /s/ Terrence Ronan

Terrence Ronan, Managing Director

We hereby consent to the foregoing

First Union National Bank

By: /s/ Robert R. Wetteroff

Name: Robert R. Wetteroff
Title: Senior Vice President

Bank of America, N.A.

By: /s/ Ronald E. McKaig

Name: Ronald E. McKaig
Title: Managing Director

Bank One NA

By: /s/ Charles Kingswell-Smith

Name: Charles Kingswell-Smith
Title: First Vice President

Fortis Capital Corp.

By: /s/ Darrell W. Holley

Name: Darrell W. Holley
Title: Managing Director

By: /s/ Deirdre Sanborn

Name: Deirdre Sanborn
Title: Vice President

U.S. Bank, National Association

By: /s/ Monte E. Deckerd

Name: Monte E. Deckerd
Title: Vice President

Bank of Scotland

By: /s/ Joseph Fratus

Name: Joseph Fratus
Title: Vice President

The Bank of Nova Scotia

By: /s/ M. D. Smith

Name: M. D. Smith
Title: Agent

Wells Fargo Bank (Texas)

By: /s/ John Lane

Name: John Lane
Title: Vice President

Toronto Dominion (Texas), Inc.

By: /s/ Jim Bridwell

Name: Jim Bridwell
Title: Vice President

Credit Agricole Indosuez

By: /s/ Brian Knezeak

Name: Brian Knezeak
Title: FVP, Manager

By: /s/ Michael D. Willis

Name: Michael D. Willis
Title: VP, Credit Analysis

Union Bank of California, N.A.

By: /s/ Randall Osterberg

Name: Randall Osterberg
Title: Senior Vice President

Southwest Bank of Texas, N.A.

By: /s/ A. Stephen Kennedy

Name: A. Stephen Kennedy
Title: Senior Vice President

BNP Paribas

By: /s/ Edward K. Chin

Name: Edward K. Chin
Title: Director

By: /s/ Keith Cox

Name: Keith Cox
Title: Director

Comerica Bank-Texas

By: /s/ Huma Vadgama

Name: Huma Vadgama
Title: Corporate Banking Officer

Octagon Investment Partners IV, Ltd.

By: Octagon Credit Investors, LLC
as collateral manager

By: /s/ Michael B. Nechamkin

Name: Michael B. Nechamkin
Title: Portfolio Manager

Captiva III Finance Ltd (Acct. 275),
as advised by Pacific Invesment
Management Company, LLC

By: /s/ David Dyer

Name: David Dyer
Title: Director

Captiva IV Finance Ltd. (Acct. 275),
as advised by Pacific Investment
Management Company, LLC

By: /s/ David Dyer

Name: David Dyer
Title: Director

Royalton Company (Acct 280)

By: Pacific Investment Management
Company, LLC, as its
Investment Advisor

By: /s/ Mohan V. Phansalkar

Name: Mohan V. Phansalkar
Title: Executive Vice President

Bedford CDO, Limited (Acct. 1276)

By: Pacific Investment Management
Company, LLC, as its
Investment Advisor

By: /s/ Mohan V. Phansalkar

Name: Mohan V. Phansalkar
Title: Executive Vice President

Delano Company (Acct. 274)

By: Pacific Investment Management
Company, LLC, as its
Investment Advisor

By: /s/ Mohan V. Phansalkar

Name: Mohan V. Phansalkar
Title: Executive Vice President

Addison CDO, Limited (Acct. 1279)

By: Pacific Investment Management
Company, LLC, as its
Investment Advisor

By: /s/ Mohan V. Phansalkar

Name: Mohan V. Phansalkar
Title: Executive Vice President

Jissekikun Funding, Ltd. (Acct 1288)

By: Pacific Investment Management Company, LLC,
as its Investment Advisor

By: /s/ Mohan V. Phansalkar

Name: Mohan V. Phansalkar
Title: Executive Vice President

Balboa CDO I, Limited

By: Pacific Investment Management Company, LLC,
as its Investment Advisor

By: /s/ Mohan V. Phansalkar

Name: Mohan V. Phansalkar
Title: Executive Vice President

Sequils-Magnum, Ltd.

By: Pacific Investment Management Company, LLC,
as its Investment Advisor

By: /s/ Mohan V. Phansalkar

Name: Mohan V. Phansalkar
Title: Executive Vice President

San Joaquin CDO I Limited

By: Pacific Investment Management Company, LLC,
as its Investment Advisor

By: /s/ Mohan V. Phansalkar

Name: Mohan V. Phansalkar
Title: Executive Vice President

Highland Loan Funding V Ltd.

By: Highland Capital Management, L.P.
as Collateral Manager

By: /s/ Mark Okada

Name: Mark Okada, CFV
Title: Executive Vice President

Pilgrim America High Income Investments Inc. Ltd.

By: ING Pilgrim Investments, Inc.
as its investment manager

By: /s/ Charles E. LeMieux

Name: Charles E. LeMieux, CFA
Title: Vice President

TCW Select Loan Fund, Limited

By: TCW Advisors, Inc.
as its Collateral Manager

By: /s/ Richard F. Kurth

Name: Richard F. Kurth
Title: Vice President

By: /s/ Mark L. Gold

Name: Mark L. Gold
Title: Managing Director

Flagship CLO 2001-1

By: Flagship Capital Management, Inc.

By: /s/ James T. Anderson

Name: James T. Anderson
Title: Managing Director

Flagship CLO II

By: /s/ James T. Anderson

Name: James T. Anderson
Title: Attorney in Fact

ML CLO XII Pilgrim America (Cayman) Ltd.

By: ING Pilgrim Investments, Inc.
as its investment manager

By: /s/ Charles E. LeMieux

Name: Charles E. LeMieux, CFA
Title: Vice President

Octagon Investment Partners II, LLC

By: Octagon Credit Investors, LLC
as sub-investment manager

By: /s/ Michael B. Nechamkin

Name: Michael B. Nechamkin
Title: Portfolio Manager

Pilgrim Prime Rate Trust

By: ING Pilgrim Investments, Inc.
as its investment manager

By: /s/ Charles E. LeMieux

Name: Charles E. LeMieux, CFA
Title: Vice President

Pilgrim Senior Income Fund

By: ING Pilgrim Investments, Inc.
as its investment manager

By: /s/ Charles E. LeMieux

Name: Charles E. LeMieux, CFA
Title: Vice President

Octagon Investment Partners III, Ltd.

By: Octagon Credit Investors, LLC
as Portfolio Manager

By: /s/ Michael B. Nechamkin

Name: Michael B. Nechamkin
Title: Portfolio Manager

Siemans Financial Services, Inc.

By: /s/ Frank Amodio

Name: Frank Amodio
Title: Vice President-Credit

Guaranty Bank

By: /s/ Jim R. Hamilton

Name: Jim R. Hamilton
Title: Senior Vice President,
Regional Manager

ML CLO XX Pilgrim America (Cayman) Ltd.

By: ING Pilgrim Investments, LLC
as its investment manager

By: /s/ Charles E. LiMieux

Name: Charles E. LiMieux, CFA
Title: Vice President

Pilgrim CLO 1999-1 Ltd.

By: ING Pilgrim Investments, LLC
as its investment manager

By: /s/ Charles E. LiMieux

Name: Charles E. LiMieux, CFA
Title: Vice President

Sequils Pilgrim-1 Ltd.

By: ING Pilgrim Investments, LLC
as its investment manager

By: /s/ Charles E. LiMieux

Name: Charles E. LiMieux, CFA
Title: Vice President

Maplewood (Cayman) Ltd.

By: Mass Mutual Life Insurance Co., as Investment Manager

By: /s/ Steven J. Katz

Name: Steven J. Katz
Title: Second Vice President and
Associate General Counsel
Term Loan Lender

Massachusetts Mutual Life Insurance Company

By: /s/ Steven J. Katz

Name: Steven J. Katz
Title: Second Vice President and
Associate General Counsel
Term Loan Lender

SAAR Holdings CDO Limited

By: Mass Mutual Life Insurance Co., as Collateral Manager

By: /s/ Steven J. Katz

Name: Steven J. Katz
Title: Second Vice President and
Associate General Counsel
Term Loan Lender

Persens CDO I, Limited

By: Mass Mutual Life Insurance Co., as Portfolio Manager

By: /s/ Steven J. Katz

Name: Steven J. Katz
Title: Second Vice President and
Associate General Counsel
Term Loan Lender

Somers CDO, Limited

By: Mass Mutual Life Insurance Co., as Collateral Manager

By: /s/ Steven J. Katz

Name: Steven J. Katz
Title: Second Vice President and
Associate General Counsel
Term Loan Lender

Simsbury CLO, Limited

By: Mass Mutual Life Insurance Co.
as Collateral Manager

By: /s/ Steven J. Katz

Name: Steven J. Katz
Title: Second Vice President

Suffield CLO, Limited

By: David L. Babson & Co.
as Collateral Manager

By: /s/ Mary Ann McCarthy

Name: Mary Ann McCarthy
Title: Managing Director
Term Loan Lender

Bill & Melinda Gates Foundation

By: David L. Babson & Company Inc.
as Investment Advisers

By: /s/ Mary Ann McCarthy

Name: Mary Ann McCarthy
Title: Managing Director
Term Loan Lender

[Letter of Credit and Hedged Inventory Credit Agreement]

PLAINS MARKETING, L.P., Borrower
ALL AMERICAN PIPELINE, L.P., Guarantor

By: Plains Marketing GP Inc., General Partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

PLAINS ALL AMERICAN PIPELINE, L.P., Guarantor

By: Plains AAP, L.P., General Partner

By: Plains All American GP LLC, its General Partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

CONSENT AND AGREEMENT

Each of the undersigned hereby consents to the provisions of this Amendment and the transactions contemplated herein and hereby (i) acknowledges and agrees that any and all indebtedness, liabilities or obligations arising under or in connection with the Notes are Obligations and are secured indebtedness under, and are secured by, each and every Security Document to which it is a party, (ii) re-pledges, re-grants and re-assigns a security interest in and lien on all of its assets described as collateral in any Security Document, (iii) ratifies and confirms its Guaranty dated May 4, 2001 made by it for the benefit of Administrative Agent and Lenders, and (iv) expressly acknowledges and agrees that the undersigned guarantees all indebtedness, liabilities and obligations arising under or in connection with any and all Notes pursuant to the terms of such Guaranty, and agrees that its obligations and covenants thereunder are unimpaired hereby and shall remain in full force and effect.

PLAINS MARKETING CANADA LLC

By: Plains Marketing, L.P., its sole member

By: Plains Marketing GP Inc.,
its general partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

PMC (NOVA SCOTIA) COMPANY

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

PLAINS MARKETING CANADA, L.P.

By: PMC (Nova Scotia) Company,
General Partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

EXHIBIT 10.37

TO: The Lenders under the Amended and Restated Credit Agreement (REVOLVING CREDIT FACILITY) dated as of May 4, 2001, as amended and in effect through the Third Amendment thereto (the "Agreement"), among Plains Marketing, L.P. ("US Borrower"), All American Pipeline, L.P. and Plains All American Pipeline, L.P., as guarantors, Fleet National Bank, as Administrative Agent, The Toronto-Dominion Bank, as Canadian Agent, PMC (Nova Scotia) Company ("Term Borrower"), Plains Marketing Canada, L.P. ("Canadian Revolver Borrower"), and the Lenders named therein.

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

Ladies and Gentlemen:

Capitalized terms used herein and not otherwise defined shall have the meaning given them in the Agreement, and reference is hereby made to the Agreement for all purposes in connection herewith. This Amendment is a Loan Document.

All American proposes to purchase certain pipeline assets and equity interests in partnerships owning certain pipeline assets as previously disclosed by US Borrower to Administrative Agent and Lenders (the "Subject Acquisition"). The cash purchase price of the Subject Acquisition is approximately $147,000,000, plus a contingent payment of up to $30,000,000 (the "Contingent Payment Obligation"); provided, in the event certain third-party rights to purchase certain of the assets are exercised (the "First Refusal Rights"), such purchase price will be approximately $114,000,000, plus the Contingent Payment Obligation. The Subject Acquisition does not constitute a Permitted Acquisition and therefore is not permitted under Section 7.7(c) of the Agreement. In addition, clause (C)(iv)(b) of the definition of Permitted Acquisitions set forth in the Agreement generally provides that the aggregate total purchase price for acquisitions that are not otherwise covered by clause (A) or (B) of such definition which exceed $5,000,000 from the date of the Agreement through the US Maturity Date cannot exceed $50,000,000.

US Borrower is seeking consent to (i) the Subject Acquisition, including the exclusion of the Contingent Payment Obligation as a Liability, and (ii) amend clause (C)(iv)(b) of the definition of Permitted Acquisitions such that only acquisitions after October 25, 2001, excluding the acquisition of the Wapella pipeline system, be included in the aggregate $50,000,000 limitation.

The undersigned Lender hereby consents to the treatment of the Subject Acquisition as if it were a Permitted Acquisition, and to the exclusion of the Contingent Payment Obligation as a Liability, subject to the following:

(a) Administrative Agent shall have received and approved copies of all environmental evaluations, reports or reviews related to properties to be acquired pursuant to the Subject Acquisition.

(b) Administrative Agent and each Lender shall have received any updated or revised business and/or financial projections with respect to the assets and operations to be acquired pursuant to the Subject Acquisition, and, except for (i) adjustments in the event of the exercise of the First Refusal Rights, or (ii) revisions accompanied by a corresponding purchase price adjustment, no such projection shall materially and adversely differ from those projections previously delivered to Administrative Agent and Lenders.

(c) All American, as acquirer, shall have received an environmental indemnity with respect to individual claims greater than $200,000 ("Covered Claims") as follows: (i) 50% of Covered Claims which in the aggregate exceed $2,000,000 but do not exceed $6,000,000, and (ii) 100% of Covered Claims which in the aggregate exceed $6,000,000 but do not exceed $30,000,000, to be effective for not less than two years following the Subject Acquisition closing date, and otherwise reasonably satisfactory to Administrative Agent with respect to such liabilities.

(d) Administrative Agent shall have received and approved copies of all documentation relating to the Subject Acquisition documents and all other related documents as Administrative Agent may request.

(e) The cash portion of the purchase price, together with associated transaction costs and expenses, shall not exceed $160,000,000, plus the Contingent Payment Obligation; provided, in the event of the exercise of the First Refusal Rights, the cash portion of the purchase price, together with associated transaction costs and expenses, shall not exceed $127,000,000, plus the Contingent Payment Obligation.

(f) Both immediately prior to and immediately following the consummation of the Subject Acquisition, no Material Adverse Change shall have occurred since December 31, 2000, and no Default or Event of Default shall have occurred and be continuing.

(g) All American shall have delivered Security Documents pursuant to Section 6.14 of the Agreement with respect to the assets acquired pursuant to the Subject Acquisition, provided, with respect to those assets constituting undivided interests in joint venture pipeline assets or general partnership interests requiring the consent or approval of third parties to the delivery of such Security Documents, All American shall use its commercially reasonable best efforts, as determined by Administrative Agent, to deliver such Security Documents with respect to such assets.

The undersigned Lender hereby consents to amending clause (C)(iv)(b) of the definition of "Permitted Acquisition" in its entirety to read as follows:

(b) if the total purchase price of any such acquisition exceeds $5,000,000, then the aggregate of the total purchase prices (including any assumed Indebtedness) for all such acquisitions from October 25, 2001 through the US Maturity Date does not exceed $50,000,000 (which amount, for the avoidance of doubt, excludes acquisitions described in the preceding clause (iv)(a)), excluding (x) the acquisition of the Wapella pipeline system, and (y) any acquisition otherwise expressly consented to by the requisite Lenders prescribed by Section 10.1(a).

The undersigned Lender hereby consents to amending Section 10.5(c)(iv) in its entirety to read as follows:

(iv) Each assignee Canadian Revolver Lender shall be a financial institution that is (i) not a non-resident of Canada for the purposes of the Income Tax Act (Canada); or (ii) an "authorized foreign bank" as defined in section 2 of the Bank Act (Canada) and in subsection 248(1) of the Income Tax Act (Canada), that is not subject to the restrictions and requirements referred to in subsection 524(2) of the Bank Act (Canada) and which will receive all amounts paid or credited to it under its Canadian Revolver Loans and Canadian Revolver Note in respect of its "Canadian banking business" for the purposes of paragraph 212(13.3)(a) of the Income Tax Act (Canada).

The effectiveness of this Amendment shall be conditioned upon the contemporaneous effectiveness of an amendment to the Marketing Credit Agreement on substantially identical terms and shall become effective upon (i) consent of Majority Lenders, (ii) acceptance hereof by Borrower, and (iii) payment of a $5,000 consent fee to (i) each commercial bank that is a Lender and (ii) each institutional fund family with one or more funds that are Lenders. Please execute a copy of this letter in the space provided below to evidence your consent to the foregoing and fax a copy to the Administrative Agent (c/o Terry Ronan) at 617-434-3652 by 5:00 p.m., Monday, October 29th.

Thank you for your assistance on such short notice.

FLEET NATIONAL BANK, Administrative Agent

By: /s/ Terrence Ronan

Terrence Ronan, Managing Director

We hereby consent to the foregoing

First Union National Bank

By: /s/ Robert R. Wetteroff

Name: Robert R. Wetteroff
Title: Senior Vice President

Bank of American, N.A.

By: /s/ Ronald E. McKaig

Name: Ronald E. McKaig
Title: Managing Director

Bank One, N.A.

By: /s/ Charles Kingswell-Smith

Name: Charles Kingswell-Smith
Title: First Vice President

Fortis Capital Corp.

By: /s/ Darrell W. Holley

Name: Darrell W. Holley
Title: Managing Director

By: /s/ Deirdre Sanborn

Name: Deirdre Sanborn
Title: Vice President

U.S. Bank National Association

By: /s/ Monte E. Deckerd

Name: Monte E. Deckerd
Title: Vice President

Bank of Scotland

By: /s/ Joseph Fratus

Name: Joseph Fratus
Title: Vice President

Wells Fargo Bank (Texas)

By: /s/ John Lane

Name: John Lane
Title: Vice President

The Bank of Nova Scotia

By: /s/ M. D. Smith

Name: M. D. Smith
Title: Agent

Credit Agricole Indosuez

By: /s/ Brian Knezeak

Name: Brian Knezeak
Title: FVP, Manager

By: /s/ Michael D. Willis

Name: Michael D. Willis
Title: VP, Credit Analysis

Toronto Dominion (Texas), Inc.

By: /s/ Jim Bridwell

Name: Jim Bridwell
Title: Vice President

Southwest Bank of Texas, N.A.

By: /s/ A. Stephen Kennedy

Name: A. Stephen Kennedy
Title: Senior Vice President

Union Bank of California, N.A.

By: /s/ Randall Octerberg

Name: Randall Octerberg
Title: Senior Vice President

Comerica Bank-Texas

By: /s/ H. Vadgama

Name: Huma Vadgama
Title: Corporate Bank Net Officer

Heller Financial, Inc.

By: /s/ Andrew J. Pluta

Name: Andrew J. Pluta
Title: Vice President

BNP Paribas

By: /s/ Edward K. Chin

Name: Edward K. Chin
Title: Director

By: /s/ Keith Cox

Name: Keith Cox
Title: Director

Heller Financial Canada, Ltd.

By: /s/ Stephen B. Smith

Name: Stephen B. Smith
Title: Senior Vice President

The Toronto-Dominion Bank

By: /s/ Loretta Palandri

Name: Loretta Palandri
Title: Vice President - Corporate Credit

Bank of America Canada

By: /s/ Donald R. Chung

Name: Donald R. Chung
Title: Vice President Corporate Investment Banking

BNP Paribas (Canada)

By: /s/ Paul McCuaig

Name: Paul McCuaig
Title: Vice President, Energy & Project Finance

By: /s/ Michael Gosselin

Name: Michael Gosselin
Title: Director, Energy & Project Finance

Morgan Stanley Prime Income Trust

By: /s/ Sheila Finnerty

Name: Sheila Finnerty
Title: Executive Director

Emerald Orchard, Limited

By: /s/ Dana Schwalie

Name: Dana Schwalie
Title: Attorney-in-Fact

Allstate Life Insurance Company

By:

    Name:
    Title:

Variable Insurance Products Fund II:
Asset Manager Portfolio

By: /s/   John H. Costello

    Name: John H. Costello
    Title: Assistant Treasurer

Variable Insurance Products Fund II:
Asset Manager Portfolio

By: /s/   John H. Costello

    Name: John H. Costello
    Title: Assistant Treasurer

Fidelity Advisor Series II:
Fidelity Advisor Floating Rate High Income Fund

By: /s/   John H. Costello

    Name: John H. Costello
    Title: Assistant Treasurer

* The above Fidelity entities own the Term Loan

By: /s/   William A. Hayes

    Name: William A. Hayes
    Title: Director

First Union Institutional Debt Management, Inc. ("IDM")

In its individual capacity and as Collateral Manager
on behalf of the investment funds under its management
as listed in Annex A hereto

Annex A
As of date of this Agreement, IDM serves as Collateral
Manager on behalf of the following funds:

. ELC (Cayman) Ltd 1999-III
. ELC (Cayman) Ltd 2000-I
. APEX (IDM) CDO I, Ltd.
. TRYON CLO Ltd. 2000-1

Monument Capital Ltd.

By: /s/   Robert Bayor

    Name: Robert Bayor
    Title: Vice President

New Alliance Global CDO Limited

By: /s/   Robert Bayor

    Name: Robert Bayor
    Title: Vice President

Carlyle High Yield Partners II, Ltd.

By: /s/   Linda M. Pace

    Name: Linda M. Pace
    Title: Vice President

Carlyle High Yield Partners III, Ltd.

By: /s/ Linda M. Pace

Name: Linda M. Pace
Title: Vice President

Winged Foot Funding Trust

By: /s/ Ann E. Morris

Name: Ann E. Morris
Title: Authorized Agent

K2H CNC LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

First Dominion Funding

By: /s/ Andrew H. Marshak

Name: Andrew H. Marshak
Title: Authorized Signatory

Jupiter Funding Trust

By: /s/ Ann E. Morris

Name: Ann E. Morris
Title: Authorized Agent

Olympic Funding Trust, Series 1999-1

By: /s/ Ann E. Morris

Name: Ann E. Morris
Title: Authorized Agent

First Dominion Funding II

By: /s/ Andrew H. Marshak

Name: Andrew H. Marshak
Title: Authorized Signatory

Franklin CLO I, Limited

By: /s/ Chauncey Lufkin

Name: Chauncey Lufkin
Title: Vice President

K2H Pondview LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

Muirfield Trading LLC

By: /s/ Ann E. Morris

Name: Ann E. Morris
Title: Asst. Vice President

Franklin CLO II, Limited

By: /s/ Chauncey Lufkin

Name: Chauncey Lufkin
Title: Vice President

K2H ING-1 LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

K2H ING-2 LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

K2H ING-3 LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

K2H Concord LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

K2H Crescent-2 LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

K2H Crescent-3 LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

The Sumitomo Trust & Banking Co., Ltd.
New York Branch

By: /s/ Elizabeth A. Quirk

Name: Elizabeth A. Quirk
Title: Vice President

Van Kampen
Senior Income Trust

By: Van Kampen Investment Advisory Corp.

By: /s/ Darvin D. Pierce

Name: Darvin D. Pierce
Title: Executive Director

K2H Waterside LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

K2H Highland-2 LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

K2H Pamco LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

Archimedes Funding III, Ltd

By: ING Capital Advisors, LLC,
as Collateral Manager

By: /s/ Greg M. Masuda

Name: Greg M. Masuda
Title: Vice President

Balanced High Yield Fund II, Ltd.

By: ING Capital Advisors, LLC,
as Asset Manager

By: /s/ Greg M. Masuda

Name: Greg M. Masuda
Title: Vice President

The ING Capital Senior Secured
High Income Holdings Fund, Ltd

By: ING Capital Advisors, LLC,
as Investment Manager

By: /s/ Greg M. Masuda

Name: Greg M. Masuda
Title: Vice President

ORYX CLO, LTD.

By: ING Capital Advisors, LLC,
as Collateral Manager

By: /s/ Greg M. Masuda

Name: Greg M. Masuda
Title: Vice President

Swiss Life US Rainbow Limited

By: ING Capital Advisors, LLC,
as Investment Manager

By: /s/ Greg M. Masuda

Name: Greg M. Masuda
Title: Vice President

SEQUILS-ING I (HBDGM), Ltd.

By: ING Capital Advisors, LLC,
as Collateral Manager

By: /s/ Greg M. Masuda

Name: Greg M. Masuda
Title: Vice President

PLAINS MARKETING, L.P., US Borrower
ALL AMERICAN PIPELINE, L.P., Guarantor

By: Plains Marketing GP Inc., General Partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

PLAINS MARKETING CANADA, L.P., Canadian Revolver Borrower

By: PMC (Nova Scotia) Company, General Partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

PMC (NOVA SCOTIA) COMPANY, Term Borrower

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

PLAINS ALL AMERICAN PIPELINE, L.P., Guarantor

By: Plains AAP, L.P., General Partner

By: Plains All American GP LLC, its general partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

CONSENT AND AGREEMENT

The undersigned hereby consents to the provisions of this Amendment and the transactions contemplated herein and hereby (i) acknowledges and agrees that any and all indebtedness, liabilities or obligations arising under or in connection with the Notes are Obligations and are secured indebtedness under, and are secured by, each and every Security Document to which it is a party, (ii) re-pledges, re-grants and re-assigns a security interest in and lien on all of its assets described as collateral in any Security Document, (iii) ratifies and confirms its Guaranty dated May 4, 2001 made by it for the benefit of Administrative Agent and Lenders, and (iv) expressly acknowledges and agrees that the undersigned guarantees all indebtedness, liabilities and obligations arising under or in connection with any and all Notes, pursuant to the terms of such Guaranty, and agrees that its obligations and covenants thereunder are unimpaired hereby and shall remain in full force and effect.

PLAINS MARKETING CANADA LLC

By: Plains Marketing, L.P., its sole member

By: Plains Marketing GP Inc.,
its general partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

EXHIBIT 10.38

FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
[Letter of Credit and Hedged Inventory Facility]

FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT [Letter of Credit and Hedged Inventory Facility] (this "Amendment") dated as of the 31st day of January, 2002, by and among PLAINS MARKETING, L.P. ("Borrower"), ALL AMERICAN PIPELINE, L.P. and PLAINS ALL AMERICAN PIPELINE, L.P., as guarantors, FLEET NATIONAL BANK, as Administrative Agent, and the Lenders party hereto.

W I T N E S S E T H:

WHEREAS, Borrower, All American, Plains MLP, Administrative Agent and Lenders entered into that certain Amended and Restated Credit Agreement [Letter of Credit and Hedged Inventory Facility] dated as of May 4, 2001 (as amended, supplemented, or restated to the date hereof, the "Original Agreement") for the purposes and consideration therein expressed, pursuant to which Lenders became obligated to make and made loans to Borrower as therein provided; and

WHEREAS, Borrower, All American, Plains MLP, Administrative Agent and Lenders desire to amend the Original Agreement for the purposes described herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Original Agreement, in consideration of the loans that may hereafter be made by Lenders to Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I. -- Definitions and References

(S) 1.1. Terms Defined in the Original Agreement. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Original Agreement shall have the same meanings whenever used in this Amendment.

(S) 1.2. Other Defined Terms. Unless the context otherwise requires, the following terms when used in this Amendment shall have the meanings assigned to them in this (S) 1.2.

"Amendment" means this Fifth Amendment to Amended and Restated Credit Agreement [Letter of Credit and Hedged Inventory Facility].

"Amendment Documents" means this Amendment.

"Credit Agreement" means the Original Agreement as amended hereby.

ARTICLE II. -- Amendments

(S) 2.1. Definitions. The definition of "Consolidated Net Worth" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

"Consolidated Net Worth" means the remainder of all Consolidated assets, as determined in accordance with GAAP, of Plains MLP and its Subsidiaries minus the sum of (i) Plains MLP's Consolidated liabilities, as determined in accordance with GAAP, and (ii) the book value of any equity interests in any of Plains MLP's Subsidiaries which equity interests are owned by a Person other than Plains MLP or a Wholly Owned Subsidiary of Plains MLP. The effect of any increase or decrease of net worth in any period as a result of items of income or loss not reflected in the determination of net income but reflected in the determination of comprehensive income (to the extent provided under GAAP as in effect on the date hereof) shall be excluded in determining Consolidated Net Worth.

The definition of "Permitted Acquisitions" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

"Permitted Acquisitions" means (A) the acquisition of the capital stock or other equity interest in a Person whose business, assets and operations consist of Petroleum Products and/or gas marketing, gathering, transportation, storage, terminaling and pipeline operation; provided, if a Restricted Person acquires less than all of the capital stock or other equity interest acquired, such business, assets and operations shall consist of transportation, storage, terminaling and/or pipeline operations and associated gathering assets, or (B) the acquisition of all or a portion of a line of business or the business, assets or operations of a Person (whether in a single transaction or a series of related transactions) consisting of Petroleum Products and/or gas marketing, gathering, transportation, storage, terminaling and pipeline operation; provided, if a Restricted Person acquires less than all of the ownership interest of the business, assets or operations acquired, such business, assets and operations shall consist of transportation, storage, terminaling and/or pipeline operations and associated gathering assets; provided, further, in each case under clauses (A) and (B) above (i) prior to and after giving effect to such acquisition no Default or Event of Default shall have occurred and be continuing; and (ii) all representations and warranties shall be true and correct as if restated immediately following the consummation of such acquisition, except to the extent that any such representation or warranty was made as of a specific date or updated, modified or supplemented as of a subsequent date with the consent of Majority Lenders.

The definition of "Permitted Investments" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

"Permitted Investments" means:

(a) Cash Equivalents,

(b) Investments described in the Disclosure Schedule,

(c) Investments by Plains MLP or any of its Subsidiaries in (1) any Wholly Owned Subsidiary of Plains MLP which is (or substantially contemporaneously with such Investment will become) Borrower or a Guarantor, or (2) any business, asset or operation which is (or contemporaneously with such Investment becomes) wholly-owned by Plains MLP or any Wholly Owned Subsidiary of Plains MLP which is (or substantially contemporaneously with such Investment will become) Borrower or a Guarantor,

(d) Investments in publicly traded units of master limited partnerships whose dividends are "qualifying income" as such term is defined in Section 7704 of the Code (provided, the amount of any such Investments under this clause (d) minus any amounts received on such Investments (excluding dividends thereon) shall not at any time exceed the Dollar Equivalent of $5,000,000),

(e) Permitted Acquisitions,

(f) Investments by Plains MLP or any of its Subsidiaries in (i) any Person owning transportation, terminaling, storage and/or pipeline assets and associated gathering assets in which Plains MLP or any Wholly Owned Subsidiary of Plains MLP owns, directly or indirectly, less than all of the capital stock or other equity interest, or (ii) transportation, terminaling, storage and/or pipeline assets and associated gathering assets in which Plains MLP or any Wholly Owned Subsidiary of Plains MLP owns, directly or indirectly, less than all of the ownership interest therein, such Investments under clauses (i) and (ii) above in an aggregate amount not to exceed at any one time outstanding (A) the Dollar Equivalent of $35,000,000 minus (B) any outstanding Indebtedness under Section 7.1(f)(ii),

(g) subject to Section 7.18(d), Investments directly or indirectly by Restricted Persons in Unrestricted Subsidiaries (i) consisting of Qualified Equity Proceeds, and (ii) Investments other than Qualified Equity Proceeds in an aggregate amount not to exceed, at any one time outstanding, the Dollar Equivalent of $100,000,000; for calculation purposes hereof: (1) any return on investment from any Unrestricted Subsidiary shall reduce the aggregate outstanding Investments subject to the limitation set forth in clause (ii) by an amount equal to the Non-Equity Investment to Total Investment Ratio times such investment return (e.g., if an Unrestricted Subsidiary is capitalized with $100,000,000, $40,000,000 of which is Qualified Equity Proceeds and $60,000,000 of which is subject to the limitation set forth in clause (ii), and $10,000,000 is returned by such Unrestricted Subsidiary, the $60,000,000 subject to clause (ii) would be reduced by 6/10ths or $6,000,000 of such return); (2) in the event any Unrestricted Subsidiary is designated a Restricted Person pursuant to Section 7.18, executes and delivers Security Documents pursuant to Section 6.14 and becomes a Guarantor pursuant to Section 6.17, the aggregate outstanding Investments subject to the limitation set forth in clause (ii) shall be reduced by the lesser of (i) Investments in such redesignated Subsidiary not constituting Qualified Equity Proceeds and (ii) the Non-Equity Investment to Total Investment Ratio times the fair market value of such redesignated Subsidiary as of the date of such designation as a Restricted Person, as reasonably determined by Borrower; as used herein, "Qualified Equity Proceeds" means proceeds of private or public offerings of equity securities by Restricted Persons after January 31, 2002 that within three months after the receipt thereof are (1) contributed as capital to one or more specified Unrestricted Subsidiaries, or (2) expressly designated as funds to be contributed as capital to one or more specified Unrestricted Subsidiaries, and are contributed pursuant to such designation within six months after such designation, and "Non-Equity Investment to Total Investment Ratio" means with respect to any Unrestricted Subsidiary, the ratio of (I) Investments in such Unrestricted Subsidiary not constituting Qualified Equity Proceeds to (II) all Investments in such Unrestricted Subsidiary, and

(h) other Investments, excluding Investments in Unrestricted Subsidiaries, such other Investments not to exceed in the aggregate in respect of all Restricted Persons the Dollar Equivalent of $10,000,000.

The definition of "Restricted Person" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

"Restricted Person" means any of Plains MLP and each Subsidiary of Plains MLP, including but not limited to Borrower, All American, and each Subsidiary of Borrower and All American, but excluding, for the avoidance of doubt, Unrestricted Subsidiaries.

The following definition of "Restriction Exception" is hereby added to Section 1.1 of the Original Agreement in appropriate alphabetical order:

"Restriction Exception" means (i) any instrument governing Indebtedness or equity interests, or any other agreement relating to any property or assets, of a Person whose capital stock or other equity interests are partially acquired by a Restricted Person pursuant to a Permitted Acquisition, as such instrument or agreement is in effect at the time of such acquisition (except with respect to Indebtedness incurred in connection with, or in contemplation of, such acquisition), which is not applicable to any Restricted Person, or the property or assets of any Restricted Person, other than the partially-acquired Person, or the property or assets of such partially-acquired Person or such partially-acquired Person's Subsidiaries; provided that in the case of Indebtedness, such Indebtedness is permitted hereunder, or (ii) provisions with respect to the disposition or distribution of assets in joint venture agreements or other similar agreements entered into in the ordinary course of business.

The definition of "Subsidiary" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled or owned more than fifty percent by such Person; provided, however, that no Unrestricted Subsidiary shall be deemed a "Subsidiary" of Plains MLP or any Subsidiary of Plains MLP for purposes of any Loan Document except as provided in Section 7.18.

The following definition of "Unrestricted Subsidiary" is hereby added to Section 1.1 of the Original Agreement in appropriate alphabetical order:

"Unrestricted Subsidiary" shall have the meaning given it in Section 7.18.

(S) 2.2. Agreement to Deliver Security Documents. Section 6.14 of the Original Agreement is hereby amended in its entirety to read as follows:

Section 6.14. Agreement to Deliver Security Documents. Restricted Persons will deliver, and will cause each Person, other than Unrestricted Subsidiaries, in which it owns any capital stock or other equity interest (other than interests described in clause (d) of the definition of "Permitted Investments") to deliver, to further secure the Obligations whenever requested by Administrative Agent in its sole and absolute discretion, deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other Security Documents in form and substance satisfactory to Administrative Agent for the purpose of granting, confirming, and perfecting first and prior liens or security interests in any real or personal property now owned or hereafter acquired by any Restricted Person; provided, with respect to any such property for which the consent or approval of third parties is required for the delivery of such Security Documents, Restricted Persons shall not be required to deliver, or to cause such Person to deliver, such Security Documents with respect to such property, but shall use their commercially reasonable best efforts, as determined by Administrative Agent, to deliver, or to cause such Person to deliver, such Security Documents with respect to such property. Without limiting the foregoing, each Restricted Person shall be required to grant a Lien in favor of Administrative Agent for the benefit of Lenders encumbering such Restricted Person's ownership interest in any Unrestricted Subsidiary; provided, no Security Document granting any such Lien on such ownership interest in such Unrestricted Subsidiary shall restrict or limit the ownership or operation of such Unrestricted Subsidiary except as otherwise restricted or limited herein.

(S) 2.3. Guaranties of Subsidiaries. The first sentence of Section 6.17 of the Original Agreement is hereby amended in its entirety to read as follows:

Each Subsidiary of Plains MLP, and any other Person, other than Unrestricted Subsidiaries, in which any Subsidiary of Plains MLP owns any capital stock or other equity interest (other than interests described in clause (d) of the definition of "Permitted Investments"), now existing or created, acquired or coming into existence after the date hereof shall, promptly upon request by Administrative Agent, execute and deliver to Administrative Agent an absolute and unconditional guaranty of the timely repayment of the Obligations and the due and punctual performance of the obligations of Borrower hereunder (in each case for which such Subsidiary is not a borrower, account party or similar primary and direct obligor), which guaranty shall be satisfactory to Administrative Agent in form and substance; provided, with respect to any such Subsidiary or other Person that is not a Wholly Owned Subsidiary of Plains MLP, for which consent or approval of third parties is required for the delivery of such guaranty, such Subsidiary or such other Person shall not be required to deliver such guaranty, but shall use its commercially reasonable best efforts, as determined by Administrative Agent, to deliver such guaranty. Notwithstanding any provision contained herein, in no event shall any Unrestricted Subsidiary be required to execute and deliver any guaranty for, or in respect of, the Obligations, or any part thereof.

(S) 2.4. Limitation on Indebtedness. Section 7.1(f) of the Original Agreement is hereby amended in its entirety to read as follows:

(f) guaranties by Plains MLP, Borrower or any Guarantor of trade payables incurred and paid in the ordinary course of business on ordinary trade terms by (A) any Restricted Person, or (B) any other Person in which Plains MLP or any Wholly Owned Subsidiary of Plains MLP owns less than all of such Person's capital stock or other equity interest; provided, that the outstanding trade payables amount guaranteed at any time under this clause (B) shall not exceed (1) $50,000,000 minus (2) any outstanding Investments under clause (f) of the definition of Permitted Investments.

(S) 2.5. Limitation on Liens. The reference to "Section 7.1(g)" set forth in Section 7.2(i) of the Original Agreement is hereby amended to refer instead to "Section 7.1(h)".

(S) 2.6. Limitations on Mergers; Issuances of Securities. The second, third and fourth sentences of Section 7.4 are hereby amended in their entirety to read as follows:

Any Person, other than Borrower, that is a Subsidiary of a Restricted Person may, however, be merged into or consolidated with (i) another Subsidiary of such Restricted Person, so long as (A) neither is a Guarantor, or (B) a Guarantor is the surviving business entity, (ii) such Restricted Person, so long as such Restricted Person is the surviving business entity, or (iii) any other Person pursuant or incidental to, or in connection with, any contemporaneous or substantially contemporaneous Permitted Acquisition, provided that such merging or consolidating Subsidiary (1) is not Borrower, Guarantor or a Wholly Owned Subsidiary of Plains MLP, other than a Wholly Owned Subsidiary that was formed, acquired or created solely for purposes of such acquisition or otherwise conducted no operations and owned no assets, other than of an inconsequential amount and (2) does not own any Collateral. Plains MLP will not issue any securities other than (i) limited partnership interests and any options or warrants giving the holders thereof only the right to acquire such interests, (ii) general partnership interests to General Partner, and (iii) debt securities permitted by Section 7.1(g). No Subsidiary of Plains MLP will issue any additional shares of its capital stock, partnership interests or other securities or any options, warrants or other rights to acquire such additional shares, partnership interests or other securities, except a Subsidiary of a Restricted Person may issue additional shares, partnership interests or other securities (i) to Persons so long as such Restricted Person's and Plains MLP's aggregate ownership in such issuing Subsidiary is not diminished after giving effect thereto, or (ii) to any other Person pursuant or incidental to, or in connection with, any contemporaneous or substantially contemporaneous Permitted Acquisition, provided that such issuing Subsidiary (1) is not

Borrower, Guarantor or a Wholly Owned Subsidiary of Plains MLP, other than a Wholly Owned Subsidiary that was formed, acquired or created solely for purposes of such acquisition or otherwise conducted no operations and owned no assets, other than of an inconsequential amount and (2) does not own any Collateral.

The fifth sentence of Section 7.4 is hereby deleted in its entirety.

(S) 2.7. Limitation on Sales of Property. Section 7.5 of the Original Agreement is hereby amended by deleting "and" at the end of clause (c), adding an amended clause (d) as follows:

> (d) in exchange for other property; provided that (i) such exchange is for fair consideration, (ii) the property to be acquired in such exchange constitutes a Permitted Acquisition, (iii) the fair market value of such property being exchanged is not in the aggregate in excess of the Dollar Equivalent of $25,000,000 in any Fiscal Year, as reasonably determined by Borrower (any such determination in excess of $10,000,000 being determined in good faith by certified resolution of the board of directors of the corporate general partner of Borrower and subject to, at Administrative Agent's reasonable request, confirmation by appraisal), and (iv) such exchange will not materially impair or diminish the value of the Collateral or any Restricted Person's financial condition, business or operations; and

and redesignating existing clause "(d)" as clause "(e)".

The first sentence following such new clause (d) and redesignated clause (e) of Section 7.5 is hereby amended in its entirety to read as follows:

> No Restricted Person will sell, transfer or otherwise dispose of capital stock of or interest in any of its Subsidiaries except (i) to Plains MLP or a Wholly Owned Subsidiary of Plains MLP or (ii) to any other Person pursuant or incidental to, or in connection with, any contemporaneous or substantially contemporaneous Permitted Acquisition, provided that such Subsidiary whose capital stock or interests are being transferred (1) is not Borrower, Guarantor or a Wholly Owned Subsidiary of Plains MLP, other than a Wholly Owned Subsidiary that was formed, acquired or created solely for purposes of such acquisition or otherwise conducted no operations and owned no assets, other than of an inconsequential amount and (2) does not own any Collateral; provided, in the event any limited partner interests issued by Plains Marketing Canada, L.P. to CanPet Energy Group (USA), Inc. or CanPet Energy Group Inc. pursuant to Section 7.4 are exchanged for units issued by Plains MLP, Lenders hereby consent to the contribution by Plains MLP to Borrower of any and all such partnership interests.

The reference to "clause (a) or (c)" in the last sentence of Section 7.5 is hereby amended to refer instead to "clauses (a), (c) or (d)".

(S) 2.8. Limitation on Dividends and Redemptions. The first sentence of Section 7.6 of the Original Agreement is hereby amended in its entirety to read as follows:

Section 7.6 Limitation on Dividends and Redemptions. No Restricted Person will declare or pay any dividends on, or make any other distribution in respect of, any class of its capital stock or any partnership, limited liability company or other interest in it, nor will any Restricted Person directly or indirectly purchase, redeem, acquire or retire (or make any capital contribution to purchase, redeem, acquire or retire) any shares of the capital stock of or partnership or limited liability company interests in any Restricted Person (whether such interests are now or hereafter issued, outstanding or created), or cause or permit any reduction or retirement of the capital stock of any Restricted Person, while any Loan or any Commitment is outstanding.

(S) 2.9. Prohibited Contracts. The reference to "as described in the Disclosure Schedule" set forth in the first sentence of Section 7.10 of the Original Agreement is hereby amended to refer instead to "as described in the Disclosure Schedule or pursuant to a Restriction Exception, the substance of which, in detail satisfactory to Administrative Agent, is promptly reported to Administrative Agent".

(S) 2.10. Debt Coverage Ratio. Section 7.12 of the Original Agreement is hereby amended in its entirety to read as follows:

Section 7.12 Debt Coverage Ratio. (a) At the end of any Fiscal Quarter, (b) on any date on which General Partner declares a distribution permitted under Section 7.6 and (c) on the date of any Permitted Acquisition, both immediately prior to and after giving effect to the consummation thereof, the Debt Coverage Ratio will not be greater than 4.00 to 1.0. As used herein, "Debt Coverage Ratio" means the ratio of (a) Consolidated Funded Indebtedness to (b) Consolidated EBITDA for the four Fiscal Quarter period (or other period specified below) most recently ended prior to the date of determination for which financial statements contemplated by Section 6.2(a) or (b) are available to Borrower; provided, for purposes of this Section 7.12, if, since the beginning of the four Fiscal Quarter period ending on the date for which Consolidated EBITDA is determined, any Restricted Person shall have made any asset disposition or acquisition, shall have consolidated or merged with or into any Person (other than another Restricted Person), or shall have made any disposition or acquisition of a Restricted Person or disposition or acquisition of any partial ownership interest in any other Person, Consolidated EBITDA shall be calculated giving pro forma effect thereto as if the disposition, acquisition, consolidation or merger had occurred on the first day of such period; provided, with respect to any Person not constituting a Subsidiary of Plains MLP, such pro forma calculation of Consolidated EBITDA, with respect to any such Person, shall be limited to not more than 75% of (i) such Restricted Person's ownership interest in such Person times (ii) the difference of such Person's (A) Consolidated EBITDA minus (B) Interest Expense and capital expenditures. Such pro forma effect shall include adjustments with respect to management fees previously distributed with respect to the assets subject to the CanPet Acquisition and the acquisition of the remaining 50% of the Manito Pipeline in mid calendar year 2000, and shall otherwise be determined (i) in good faith by the chief financial officer of Borrower, and (ii) without giving effect to any anticipated or proposed change in operations, revenues, expenses or other items included in the computation of Consolidated EBITDA, except with the consent of Majority Lenders.

(S) 2.11. Unrestricted Subsidiaries. Article VII of the Original Agreement is hereby amended by adding a new Section 7.18 at the end thereof, to read as follows:

Section 7.18 Unrestricted Subsidiaries. Plains MLP or any Wholly Owned Subsidiary of Plains MLP may designate one or more direct Subsidiaries that are not Borrower or Guarantors (each such Subsidiary, and each of its Subsidiaries, each an "Unrestricted Subsidiary"), which Unrestricted Subsidiaries shall be subject to the following:

(a) No Unrestricted Subsidiary shall be deemed to be a "Restricted Person" or a "Subsidiary" of Plains MLP for purposes of this Agreement or any other Loan Document, and no Unrestricted Subsidiary shall be subject to or included within the scope of any provision herein or in any other Loan Document, including without limitation any representation, warranty, covenant or Event of Default herein or in any other Loan Document, except as set forth in this Section 7.18.

(b) No Restricted Person shall guarantee or otherwise become liable in respect of any Liability or other obligation of, grant any Lien on any of its property to secure any Liability or other obligation of, make any Investment in (except as described in clause (g) of the definition of Permitted Investments), or provide any other form of credit support to, any Unrestricted Subsidiary, and no Restricted Person shall enter into any contract or agreement with any Unrestricted Subsidiary, except in the course of ordinary business on terms no less favorable to such Restricted Person, as applicable, than could be obtained in a comparable arm's length transaction with a non-Affiliate of such Restricted Person.

(c) Borrower shall at all times maintain, as between Restricted Persons and Unrestricted Subsidiaries, the separate existence of each Unrestricted Subsidiary.

(d) No Restricted Person shall make any Investment in any Unrestricted Subsidiary pursuant to clause(g) of the definition of "Permitted Investment" except in connection with the capitalization of an Unrestricted Subsidiary to consummate a proposed acquisition, disclosed to Administrative Agent in writing, of (1) the acquisition of the capital stock or other equity interest in a Person whose business, assets and operations consist of Petroleum Products and/or gas marketing, gathering, transportation, storage, terminaling and pipeline operation; provided, if a Restricted Person acquires less than all of the capital stock or other equity interest acquired, such business, assets and operations shall consist of transportation, storage, terminaling and/or pipeline operations and associated gathering assets, or (2) the acquisition of all or a portion of a line of business or the business, assets or operations of a Person (whether in a single transaction or a series of related transactions) consisting of Petroleum Products and/or gas marketing, gathering, transportation, storage, terminaling and pipeline operation; provided, if a Restricted Person acquires less than all of the ownership interest of the business, assets or operations acquired, such business, assets and operations shall consist of transportation, storage, terminaling and/or pipeline operations and associated gathering assets; provided, further, the aggregate amount of any such Permitted Investments in such Unrestricted Subsidiary in excess of the purchase price and associated acquisition costs relating to such acquisition shall, promptly following the consummation of such acquisition, be distributed back to such investing Restricted Person. In the event such Unrestricted Subsidiary shall fail to timely consummate such specified acquisition or such specified acquisition shall otherwise be abandoned, such Unrestricted Subsidiary shall be deemed to be a "Subsidiary" of Plains MLP for purposes of this Agreement and shall be subject to the terms and conditions hereof.

(e) Restricted Persons shall notify each Lender Party, not later than five (5) Business Days after any executive officer of Restricted Persons has knowledge of, under any Environmental Law, any claim of the Dollar Equivalent of $1,000,000 or more, any notice of potential liability which might be reasonably likely to exceed such amount, or any other material adverse claim thereunder asserted against any Unrestricted Subsidiary or with respect to any Unrestricted Subsidiary's properties, stating that such notice is being given pursuant to this Section 7.18.

The board of directors of the corporate general partner of the Borrower may designate any Unrestricted Subsidiary to become a Restricted Person if a Default or Event of Default is not continuing, such designation would not result in a Default or an Event of Default, and immediately thereafter such Subsidiary has no outstanding Indebtedness. Immediately thereafter, Borrower shall promptly notify the Administrative Agent of such designation and provide to it an officer's certificate that such designation was made in compliance with this Section 7.18.

ARTICLE III. -- Conditions of Effectiveness

(S) 3.1. Effective Date. This Amendment shall become effective as of the date first written above, when and only when:

(i) Administrative Agent shall have received, at Administrative Agent's office (A) a counterpart of this Amendment executed and delivered by Borrower, Plains MLP, All American and Majority Lenders, and (B) a contemporaneous amendment to the Revolver Agreement, amending various provisions therein consistent with the amendments set forth herein, in form and substance acceptable to Administrative Agent, executed and delivered by such Persons so as to make such amendment effective,

(ii) in consideration hereof Borrower shall have paid to Administrative Agent for the account of each Lender executing and delivering this Amendment an amendment fee in immediately available funds equal to one-twentieth of one percent (0.05%) of each such Lender's Percentage Share of the Maximum Facility Amount; and

(iii) Administrative Agent shall have additionally received all of the following documents, each document (unless otherwise indicated) being dated the date of receipt thereof by Administrative Agent, duly authorized, executed and delivered, and in form and substance satisfactory to Administrative Agent:

(A) Officer's Certificate. A certificate of a duly authorized officer of General Partner, to the effect that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of the date thereof, and

(B) Supporting Documents. Such supporting documents as Administrative Agent may reasonably request.

ARTICLE IV. -- Representations and Warranties

(S) 4.1. Representations and Warranties of Plains MLP and Borrower. In order to induce Administrative Agent and Lenders to enter into this Amendment, Plains MLP and Borrower represent and warrant to Administrative Agent and each Lender that:

(a) The representations and warranties contained in Article V of the Original Agreement are true and correct at and as of the time of the effectiveness hereof, except to the extent that such representation and warranty was made as of a specific date.

(b) Each Restricted Person is duly authorized to execute and deliver this Amendment and each other Amendment Document, to the extent a party thereto, and each Borrower is and will continue to be duly authorized to borrow and perform its obligations under the Credit Agreement. Each Restricted Person has duly taken all action necessary to authorize the execution and delivery of this Amendment and each other Amendment Document, to the extent a party thereto, and to authorize the performance of their respective obligations hereunder.

(c) The execution and delivery by each Restricted Person of this Amendment and each other Amendment Document, to the extent a party thereto, the performance by each Restricted Person of its respective obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, do not and will not conflict with any provision of any Law or of the organizational documents of any Restricted Person, or of any material agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person, or result in the creation of any Lien upon any assets or properties of any Restricted Person, except in favor of Administrative Agent for the benefit of Lenders and other Permitted Liens. Except for those which have been duly obtained, no consent, approval, authorization or order of any Tribunal or third party is required in connection with the execution and delivery by any Restricted Person of this Amendment or any other Amendment Document, or to consummate the transactions contemplated hereby and thereby.

(d) When duly executed and delivered, each of this Amendment and each other Amendment Document, and each of the Loan Documents, as amended hereby and thereby, will be a legal and binding instrument and agreement of each Restricted Person to the extent a party thereto, enforceable in accordance with its terms, (subject, as to enforcement of remedies, to applicable bankruptcy, insolvency and similar laws applicable to creditors' rights generally).

ARTICLE V. -- Miscellaneous

(S) 5.1. Ratification of Agreements. The Original Agreement, as hereby amended, is hereby ratified and confirmed in all respects. The Loan Documents (including but not limited to each Guaranty), as they may be amended or affected by this Amendment or any other Amendment Document, are hereby ratified and confirmed in all respects by each Restricted Person to the extent a party thereto. Any reference to the Credit Agreement in any Loan Document shall be deemed to refer to this Amendment also. The execution, delivery and effectiveness of this Amendment and the other Amendment Documents shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Administrative Agent or any Lender under the Credit Agreement or any other Loan Document nor constitute a waiver of any provision of the Credit Agreement or any other Loan Document.

(S) 5.2. Ratification of Security Documents. Restricted Persons, Administrative Agent, and Lenders each acknowledge and agree that any and all indebtedness, liabilities or obligations arising under or in connection with the LC Obligations or the Notes are Obligations and are secured indebtedness under, are guarantied by, and are secured by, each and every Security Document to which any Restricted Person is a party. Each Restricted Person hereby re-pledges, re-grants and re-assigns a security interest in and lien on every asset of the such Restricted Person described as Collateral in any Security Document and re-guarantees all Obligations under the Credit Agreement.

(S) 5.3. Ratification of Intercreditor Agreement. Each Lender hereby acknowledges and confirms that all Obligations under the Credit Agreement, as amended hereby, and the "Obligations" under the Marketing Credit Agreement, as amended on the date hereof, shall be and shall remain subject to the terms and entitled to the benefits of the Intercreditor Agreement.

(S) 5.4. Survival of Agreements. All representations, warranties, covenants and agreements of the Restricted Persons herein shall survive the execution and delivery of this Amendment and the performance hereof, including without limitation the making or granting of each Loan, and shall further survive until all of the Obligations under the Credit Agreement are paid in full. All statements and agreements contained in any certificate or instrument delivered by any Restricted Person hereunder or under the Credit Agreement to Administrative Agent or any Lender shall be deemed to constitute representations and warranties by, or agreements and covenants of, such Restricted Person under this Amendment and under the Credit Agreement.

(S) 5.5. Loan Documents. This Amendment and each other Amendment Document is a Loan Document, and all provisions in the Credit Agreement pertaining to Loan Documents apply hereto.

(S) 5.6. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW

YORK AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA IN ALL RESPECTS, INCLUDING CONSTRUCTION, VALIDITY AND PERFORMANCE.

(S) 5.7. Counterparts. This Amendment may be separately executed in counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment.

IN WITNESS WHEREOF, this Amendment is executed as of the date first above written.

BORROWER: PLAINS MARKETING, L.P.

By: Plains Marketing GP Inc., General Partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

GUARANTORS: ALL AMERICAN PIPELINE, L.P.

By: Plains Marketing GP Inc., General Partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

PLAINS ALL AMERICAN PIPELINE, L.P.

By: Plains AAP, L.P., General Partner

By: Plains All American LLC, General Partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

LENDER PARTIES:

FLEET NATIONAL BANK,
Administrative Agent, LC Issuer and Lender

By: /s/ Terrence Ronan

Terrence Ronan, Managing Director

FIRST UNION NATIONAL BANK, Lender

By: /s/ Robert R. Wetteroff

Robert R. Wetteroff, Sr. Vice Pres.

BANK OF AMERICA, N.A., Lender

By:

Name:
Title:

BANK ONE, NA, Lender

By:

Name:
Title:

FORTIS CAPITAL CORP., Lender

By:

Name:
Title:

By:

Name:
Title:

U.S. BANK NATIONAL ASSOCIATION, Lender

By:

Name:
Title:

BANK OF SCOTLAND, Lender

By:

Name:
Title:

WELLS FARGO BANK (TEXAS),
NATIONAL ASSOCIATION, Lender

By: ------------------------------------
Name:
Title:

THE BANK OF NOVA SCOTIA, Lender

By: ------------------------------------
Name:
Title:

CREDIT AGRICOLE INDOSUEZ, Lender

By: ------------------------------------
Name:
Title:

By: ------------------------------------
Name:
Title:

TORONTO DOMINION (TEXAS), INC., Lender

By: ------------------------------------
Name:
Title:

SOUTHWEST BANK OF TEXAS, N.A., Lender

By: ------------------------------------
Name:
Title:

UNION BANK OF CALIFORNIA, N.A., Lender

By: ------------------------------------
Name:
Title:

COMERICA BANK-TEXAS, Lender

By:

Name:
Title:

BNP PARIBAS, Lender

By:

Name:
Title:

By:

Name:
Title:

GUARANTY BANK, Lender

By:

Name:
Title:

SIEMENS FINANCIAL SERVICES INC., Lender

By:

Name:
Title:

CONSENT AND AGREEMENT

Each of the undersigned hereby consents to the provisions of this Amendment and the transactions contemplated herein and hereby (i) acknowledges and agrees that any and all indebtedness, liabilities or obligations arising under or in connection with the Notes are Obligations and are secured indebtedness under, and are secured by, each and every Security Document to which it is a party, (ii) re-pledges, re-grants and re-assigns a security interest in and lien on all of its assets described as collateral in any Security Document, (iii) ratifies and confirms its Guaranty dated May 4, 2001 made by it for the benefit of Administrative Agent and Lenders, and (iv) expressly acknowledges and agrees that the undersigned guarantees all indebtedness, liabilities and obligations arising under or in connection with any and all Notes pursuant to the terms of such Guaranty, and agrees that its obligations and covenants thereunder are unimpaired hereby and shall remain in full force and effect.

PLAINS MARKETING CANADA LLC

By: Plains Marketing, L.P., its sole member

By: Plains Marketing GP Inc.,
its general partner

By: /s/ Phil Kramer
Phil Kramer, Exec. Vice President

PMC (NOVA SCOTIA) COMPANY

By: /s/ Phil Kramer
Phil Kramer, Exec. Vice President

PLAINS MARKETING CANADA, L.P.

By: PMC (Nova Scotia) Company,
General Partner

By: /s/ Phil Kramer
Phil Kramer, Exec. Vice President

EXHIBIT 10.39

FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
[Revolving Credit Facility]

THIS FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT [Revolving Credit Facility] (this "Amendment") dated as of the 31st day of January, 2002, by and among PLAINS MARKETING, L.P. ("US Borrower"), ALL AMERICAN PIPELINE, L.P. and PLAINS ALL AMERICAN PIPELINE, L.P., as guarantors, FLEET NATIONAL BANK, as Administrative Agent, THE TORONTO-DOMINION BANK, as Canadian Agent, PMC (NOVA SCOTIA) COMPANY ("Term Borrower"), PLAINS MARKETING CANADA, L.P. ("Canadian Revolver Borrower"), and the Lenders party hereto.

W I T N E S S E T H:

WHEREAS, US Borrower, All American, Plains MLP, Administrative Agent, Canadian Agent, Term Borrower, Canadian Revolver Borrower and Lenders entered into that certain Amended and Restated Credit Agreement [Revolving Credit Facility] dated as of May 4, 2001 (as amended, supplemented, or restated to the date hereof, the "Original Agreement") for the purposes and consideration therein expressed, pursuant to which Lenders became obligated to make and made loans to US Borrower, Term Borrower and Canadian Revolver Borrower as therein provided; and

WHEREAS, US Borrower, All American, Plains MLP, Administrative Agent, Canadian Agent, Term Borrower, Canadian Revolver Borrower and Lenders desire to amend the Original Agreement for the purposes described herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Original Agreement, in consideration of the loans that may hereafter be made by Lenders to US Borrower, Term Borrower and Canadian Revolver Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I. -- Definitions and References

(S) 1.1. Terms Defined in the Original Agreement. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Original Agreement shall have the same meanings whenever used in this Amendment.

(S) 1.2. Other Defined Terms. Unless the context otherwise requires, the following terms when used in this Amendment shall have the meanings assigned to them in this (S) 1.2.

"Amendment" means this Fifth Amendment to Amended and Restated Credit Agreement [Revolving Credit Facility].

"Amendment Documents" means this Amendment.

"Credit Agreement" means the Original Agreement as amended hereby.

ARTICLE II. -- Amendments

(S) 2.1. Definitions. The definition of "Consolidated Net Worth" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

> "Consolidated Net Worth" means the remainder of all Consolidated assets, as determined in accordance with GAAP, of Plains MLP and its Subsidiaries minus the sum of (i) Plains MLP's Consolidated liabilities, as determined in accordance with GAAP, and (ii) the book value of any equity interests in any of Plains MLP's Subsidiaries which equity interests are owned by a Person other than Plains MLP or a Wholly Owned Subsidiary of Plains MLP. The effect of any increase or decrease of net worth in any period as a result of items of income or loss not reflected in the determination of net income but reflected in the determination of comprehensive income (to the extent provided under GAAP as in effect on the date hereof) shall be excluded in determining Consolidated Net Worth.

The definition of "Permitted Acquisitions" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

> "Permitted Acquisitions" means (A) the acquisition of the capital stock or other equity interest in a Person whose business, assets and operations consist of Petroleum Products and/or gas marketing, gathering, transportation, storage, terminaling and pipeline operation; provided, if a Restricted Person acquires less than all of the capital stock or other equity interest acquired, such business, assets and operations shall consist of transportation, storage, terminaling and/or pipeline operations and associated gathering assets, or (B) the acquisition of all or a portion of a line of business or the business, assets or operations of a Person (whether in a single transaction or a series of related transactions) consisting of Petroleum Products and/or gas marketing, gathering, transportation, storage, terminaling and pipeline operation; provided, if a Restricted Person acquires less than all of the ownership interest of the business, assets or operations acquired, such business, assets and operations shall consist of transportation, storage, terminaling and/or pipeline operations and associated gathering assets; provided, further, in each case under clauses (A) and (B) above (i) prior to and after giving effect to such acquisition no Default or Event of Default shall have occurred and be continuing; and (ii) all representations and warranties shall be true and correct as if restated immediately following the consummation of such acquisition, except to the extent that any such representation or warranty was made as of a specific date or updated, modified or supplemented as of a subsequent date with the consent of Majority Lenders.

The definition of "Permitted Investments" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

> "Permitted Investments" means:
>
> (a) Cash Equivalents,

(b) Investments described in the Disclosure Schedule,

(c) Investments by Plains MLP or any of its Subsidiaries in (1) any Wholly Owned Subsidiary of Plains MLP which is (or substantially contemporaneously with such Investment will become) a Borrower or a Guarantor, or (2) any business, asset or operation which is (or contemporaneously with such Investment becomes) wholly-owned by Plains MLP or any Wholly Owned Subsidiary of Plains MLP which is (or substantially contemporaneously with such Investment will become) a Borrower or a Guarantor,

(d) Investments in publicly traded units of master limited partnerships whose dividends are "qualifying income" as such term is defined in Section 7704 of the Code (provided, the amount of any such Investments under this clause (d) minus any amounts received on such Investments (excluding dividends thereon) shall not at any time exceed the Dollar Equivalent of $5,000,000),

(e) Permitted Acquisitions,

(f) Investments by Plains MLP or any of its Subsidiaries in (i) any Person owning transportation, terminaling, storage and/or pipeline assets and associated gathering assets in which Plains MLP or any Wholly Owned Subsidiary of Plains MLP owns, directly or indirectly, less than all of the capital stock or other equity interest, or (ii) transportation, terminaling, storage and/or pipeline assets and associated gathering assets in which Plains MLP or any Wholly Owned Subsidiary of Plains MLP owns, directly or indirectly, less than all of the ownership interest therein, such Investments under clauses (i) and (ii) above in an aggregate amount not to exceed at any one time outstanding (A) the Dollar Equivalent of $35,000,000 minus (B) any outstanding Indebtedness under Section 7.1(f)(ii),

(g) subject to Section 7.17(d), Investments directly or indirectly by Restricted Persons in Unrestricted Subsidiaries (i) consisting of Qualified Equity Proceeds, and (ii) Investments other than Qualified Equity Proceeds in an aggregate amount not to exceed, at any one time outstanding, the Dollar Equivalent of $100,000,000; for calculation purposes hereof: (1) any return on investment from any Unrestricted Subsidiary shall reduce the aggregate outstanding Investments subject to the limitation set forth in clause (ii) by an amount equal to the Non-Equity Investment to Total Investment Ratio times such investment return (e.g., if an Unrestricted Subsidiary is capitalized with $100,000,000, $40,000,000 of which is Qualified Equity Proceeds and $60,000,000 of which is subject to the limitation set forth in clause (ii), and $10,000,000 is returned by such Unrestricted Subsidiary, the $60,000,000 subject to clause (ii) would be reduced by 6/10ths or $6,000,000 of such return); (2) in the event any Unrestricted Subsidiary is designated a Restricted Person pursuant to Section 7.17, executes and delivers Security Documents pursuant to Section 6.14 and becomes a Guarantor pursuant to Section 6.17, the aggregate outstanding Investments subject to the limitation set forth in clause (ii) shall be reduced by the lesser of (i) Investments in such redesignated Subsidiary not constituting Qualified Equity Proceeds and (ii) the Non-Equity Investment to Total

Investment Ratio times the fair market value of such redesignated Subsidiary as of the date of such designation as a Restricted Person, as reasonably determined by US Borrower; as used herein, "Qualified Equity Proceeds" means proceeds of private or public offerings of equity securities by Restricted Persons after January 31, 2002 that within three months after the receipt thereof are (1) contributed as capital to one or more specified Unrestricted Subsidiaries, or (2) expressly designated as funds to be contributed as capital to one or more specified Unrestricted Subsidiaries, and are contributed pursuant to such designation within six months after such designation, and "Non-Equity Investment to Total Investment Ratio" means with respect to any Unrestricted Subsidiary, the ratio of (I) Investments in such Unrestricted Subsidiary not constituting Qualified Equity Proceeds to (II) all Investments in such Unrestricted Subsidiary, and

(h) other Investments, excluding Investments in Unrestricted Subsidiaries, such other Investments not to exceed in the aggregate in respect of all Restricted Persons the Dollar Equivalent of $10,000,000.

The definition of "Restricted Person" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

"Restricted Person" means any of Plains MLP and each Subsidiary of Plains MLP, including but not limited to US Borrower, All American, Term Borrower, Canadian Revolver Borrower and each Subsidiary of US Borrower, All American, Term Borrower, and Canadian Revolver Borrower, but excluding, for the avoidance of doubt, Unrestricted Subsidiaries.

The following definition of "Restriction Exception" is hereby added to Section 1.1 of the Original Agreement in appropriate alphabetical order:

"Restriction Exception" means (i) any instrument governing Indebtedness or equity interests, or any other agreement relating to any property or assets, of a Person whose capital stock or other equity interests are partially acquired by a Restricted Person pursuant to a Permitted Acquisition, as such instrument or agreement is in effect at the time of such acquisition (except with respect to Indebtedness incurred in connection with, or in contemplation of, such acquisition), which is not applicable to any Restricted Person, or the property or assets of any Restricted Person, other than the partially-acquired Person, or the property or assets of such partially-acquired Person or such partially-acquired Person's Subsidiaries; provided that in the case of Indebtedness, such Indebtedness is permitted hereunder, or (ii) provisions with respect to the disposition or distribution of assets in joint venture agreements or other similar agreements entered into in the ordinary course of business.

The definition of "Subsidiary" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled or owned more than fifty percent by such Person; provided, however, that no Unrestricted Subsidiary shall be deemed a "Subsidiary" of Plains MLP or any Subsidiary of Plains MLP for purposes of any Loan Document except as provided in Section 7.17.

The following definition of "Unrestricted Subsidiary" is hereby added to Section 1.1 of the Original Agreement in appropriate alphabetical order:

"Unrestricted Subsidiary" shall have the meaning given it in Section 7.17.

(S) 2.2. Agreement to Deliver Security Documents. Section 6.14 of the Original Agreement is hereby amended in its entirety to read as follows:

Section 6.14. Agreement to Deliver Security Documents. Restricted Persons will deliver, and will cause each Person, other than Unrestricted Subsidiaries, in which it owns any capital stock or other equity interest (other than interests described in clause (d) of the definition of "Permitted Investments"), to deliver, to further secure the Obligations whenever requested by Administrative Agent in its sole and absolute discretion, deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other Security Documents in form and substance satisfactory to Administrative Agent for the purpose of granting, confirming, and perfecting first and prior liens or security interests in any real or personal property now owned or hereafter acquired by any Restricted Person; provided, with respect to any such property for which the consent or approval of third parties is required for the delivery of such Security Documents, Restricted Persons shall not be required to deliver, or to cause such Person to deliver, such Security Documents with respect to such property, but shall use their commercially reasonable best efforts, as determined by Administrative Agent, to deliver, or to cause such Person to deliver, such Security Documents with respect to such property. Without limiting the foregoing, each Restricted Person shall be required to grant a Lien in favor of Administrative Agent for the benefit of Lenders encumbering such Restricted Person's ownership interest in any Unrestricted Subsidiary; provided, no Security Document granting any such Lien on such ownership interest in such Unrestricted Subsidiary shall restrict or limit the ownership or operation of such Unrestricted Subsidiary except as otherwise restricted or limited herein.

(S) 2.3. Guaranties of Subsidiaries. The first sentence of Section 6.17 of the Original Agreement is hereby amended in its entirety to read as follows:

Each Subsidiary of Plains MLP, and any other Person, other than Unrestricted Subsidiaries, in which any Subsidiary of Plains MLP owns any capital stock or other equity interest (other than interests described in clause (d) of the definition of "Permitted Investments"), now existing or created, acquired or coming into existence after the date hereof shall, promptly upon request by Administrative Agent, execute and deliver to Administrative Agent an absolute and unconditional guaranty of the timely repayment of the Obligations and the due and punctual performance of the obligations of US Borrower, Term Borrower, and Canadian Revolver Borrower hereunder (in each case for which such

Subsidiary is not a borrower, account party or similar primary and direct obligor), which guaranty shall be satisfactory to Administrative Agent in form and substance; provided, with respect to any such Subsidiary or other Person that is not a Wholly Owned Subsidiary of Plains MLP, for which consent or approval of third parties is required for the delivery of such guaranty, such Subsidiary or such other Person shall not be required to deliver such guaranty, but shall use its commercially reasonable best efforts, as determined by Administrative Agent, to deliver such guaranty. Notwithstanding any provision contained herein, in no event shall any Unrestricted Subsidiary be required to execute and deliver any guaranty for, or in respect of, the Obligations, or any part thereof.

(S) 2.4. Limitation on Indebtedness. Section 7.1(f) of the Original Agreement is hereby amended in its entirety to read as follows:

(f) guaranties by Plains MLP, any Borrower or any Guarantor of trade payables incurred and paid in the ordinary course of business on ordinary trade terms by (i) any Restricted Person, or (ii) any other Person in which Plains MLP or any Wholly Owned Subsidiary of Plains MLP owns less than all of such Person's capital stock or other equity interest; provided, that the outstanding trade payables amount guaranteed at any time under this clause (ii) shall not exceed (A) $50,000,000 minus (B) any outstanding Investments under clause (f) of the definition of Permitted Investments.

(S) 2.5. Limitation on Liens. The reference to "Section 7.1(g)" set forth in Section 7.2(i) of the Original Agreement is hereby amended to refer instead to "Section 7.1(h)".

(S) 2.6. Limitations on Mergers; Issuances of Securities. The second, third and fourth sentences of Section 7.4 are hereby amended in their entirety to read as follows:

Any Person, other than US Borrower, Term Borrower, or Canadian Revolver Borrower, that is a Subsidiary of a Restricted Person may, however, be merged into or consolidated with (i) another Subsidiary of such Restricted Person, so long as (A) neither is a Guarantor, or (B) a Guarantor is the surviving business entity, (ii) such Restricted Person, so long as such Restricted Person is the surviving business entity, or (iii) any other Person pursuant or incidental to, or in connection with, any contemporaneous or substantially contemporaneous Permitted Acquisition, provided that such merging or consolidating Subsidiary (1) is not a Borrower, Guarantor or a Wholly Owned Subsidiary of Plains MLP, other than a Wholly Owned Subsidiary that was formed, acquired or created solely for purposes of such acquisition or otherwise conducted no operations and owned no assets, other than of an inconsequential amount and (2) does not own any Collateral. Plains MLP will not issue any securities other than (i) limited partnership interests and any options or warrants giving the holders thereof only the right to acquire such interests, (ii) general partnership interests to General Partner, and (iii) debt securities permitted by Section 7.1(g). No Subsidiary of Plains MLP will issue any additional shares of its capital stock, partnership interests or other securities or any options, warrants or other rights to acquire such additional shares, partnership interests or other securities, except a Subsidiary of a Restricted Person may issue additional shares, partnership interests or other securities (i) to Persons so long as such Restricted Person's and Plains MLP's aggregate ownership in such issuing Subsidiary is not diminished after giving effect thereto, or (ii) to any other Person pursuant or incidental to, or in connection with, any contemporaneous or substantially contemporaneous Permitted Acquisition, provided that such issuing Subsidiary (1) is not a Borrower, Guarantor or a Wholly Owned Subsidiary of Plains MLP, other than a Wholly Owned Subsidiary that was formed, acquired or created solely for purposes of such acquisition or otherwise conducted no operations and owned no assets, other than of an inconsequential amount and (2) does not own any Collateral.

The fifth sentence of Section 7.4 is hereby deleted in its entirety.

(S) 2.7. Limitation on Sales of Property. Section 7.5 of the Original Agreement is hereby amended by deleting "and" at the end of clause (c), adding an amended clause (d) as follows:

(d) in exchange for other property; provided that (i) such exchange is for fair consideration, (ii) the property to be acquired in such exchange constitutes a Permitted Acquisition, (iii) the fair market value of such property being exchanged is not in the aggregate in excess of the Dollar Equivalent of $25,000,000 in any Fiscal Year, as reasonably determined by US Borrower (any such determination in excess of $10,000,000 being determined in good faith by certified resolution of the board of directors of the corporate general partner of US Borrower and subject to, at Administrative Agent's reasonable request, confirmation by appraisal), and (iv) such exchange will not materially impair or diminish the value of the Collateral or any Restricted Person's financial condition, business or operations; and

and redesignating existing clause "(d)" as clause "(e)".

The first sentence following such new clause (d) and redesignated clause (e) of Section 7.5 is hereby amended in its entirety to read as follows:

No Restricted Person will sell, transfer or otherwise dispose of capital stock of or interest in any of its Subsidiaries except (i) to Plains MLP or a Wholly Owned Subsidiary of Plains MLP or (ii) to any other Person pursuant or incidental to, or in connection with, any contemporaneous or substantially contemporaneous Permitted Acquisition, provided that such Subsidiary whose capital stock or interests are being transferred (1) is not a Borrower, Guarantor or a Wholly Owned Subsidiary of Plains MLP, other than a Wholly Owned Subsidiary that was formed, acquired or created solely for purposes of such acquisition or otherwise conducted no operations and owned no assets, other than of an inconsequential amount and (2) does not own any Collateral; provided, in the event any limited partner interests issued by Canadian Revolver Borrower to CanPet Energy Group (USA), Inc. or CanPet Energy Group Inc. pursuant to Section 7.4 are exchanged for units issued by Plains MLP, Lenders hereby consent to the contribution by Plains MLP to US Borrower of any and all such partnership interests.

The reference to "clause (a) or (c)" in the last sentence of Section 7.5 is hereby amended to refer instead to "clauses (a), (c) or (d)".

(S) 2.8. Limitation on Dividends and Redemptions. The first sentence of Section 7.6 of the Original Agreement is hereby amended in its entirety to read as follows :

Section 7.6 Limitation on Dividends and Redemptions. No Restricted Person will declare or pay any dividends on, or make any other distribution in respect of, any class of its capital stock or any partnership, limited liability company or other interest in it, nor will any Restricted Person directly or indirectly purchase, redeem, acquire or retire (or make any capital contribution to purchase, redeem, acquire or retire) any shares of the capital stock of or partnership or limited liability company interests in any Restricted Person (whether such interests are now or hereafter issued, outstanding or created), or cause or permit any reduction or retirement of the capital stock of any Restricted Person, while any Loan or any US Commitment or any Canadian Commitment is outstanding.

(S) 2.9. Prohibited Contracts. The reference to "as described in the Disclosure Schedule" set forth in the first sentence of Section 7.10 of the Original Agreement is hereby amended to refer instead to "as described in the Disclosure Schedule or pursuant to a Restriction Exception, the substance of which, in detail satisfactory to Administrative Agent, is promptly reported to Administrative Agent".

(S) 2.10. Debt Coverage Ratio. Section 7.12 of the Original Agreement is hereby amended in its entirety to read as follows:

Section 7.12 Debt Coverage Ratio. (a) At the end of any Fiscal Quarter, (b) on any date on which General Partner declares a distribution permitted under Section 7.6 and (c) on the date of any Permitted Acquisition, both immediately prior to and after giving effect to the consummation thereof, the Debt Coverage Ratio will not be greater than 4.00 to 1.0. As used herein, "Debt Coverage Ratio" means the ratio of (a) Consolidated Funded Indebtedness to (b) Consolidated EBITDA for the four Fiscal Quarter period (or other period specified below) most recently ended prior to the date of determination for which financial statements contemplated by Section 6.2(a) or (b) are available to Borrower; provided, for purposes of this Section 7.12, if, since the beginning of the four Fiscal Quarter period ending on the date for which Consolidated EBITDA is determined, any Restricted Person shall have made any asset disposition or acquisition, shall have consolidated or merged with or into any Person (other than another Restricted Person), or shall have made any disposition or acquisition of a Restricted Person or disposition or acquisition of any partial ownership interest in any other Person, Consolidated EBITDA shall be calculated giving pro forma effect thereto as if the disposition, acquisition, consolidation or merger had occurred on the first day of such period; provided, with respect to any Person not constituting a Subsidiary of Plains MLP, such pro forma calculation of Consolidated EBITDA, with respect to any such Person, shall be limited to not more than 75% of (i) such Restricted Person's ownership interest in such Person times (ii) the difference of such Person's (A) Consolidated EBITDA minus (B) Interest Expense and capital expenditures. Such pro forma effect shall include adjustments with respect to management fees previously distributed with respect to the assets subject to the CanPet Acquisition and the acquisition of the remaining 50% of the Manito Pipeline in mid calendar year 2000, and shall otherwise be determined (i) in good faith by the chief financial officer of Borrower, and (ii) without giving effect to any anticipated or proposed change in operations, revenues, expenses or other items included in the computation of Consolidated EBITDA, except with the consent of Majority Lenders.

(S) 2.11. <u>Unrestricted Subsidiaries</u>. Article VII of the Original Agreement is hereby amended by adding a new Section 7.17 at the end thereof, to read as follows:

Section 7.17 <u>Unrestricted Subsidiaries</u>. Plains MLP or any Wholly Owned Subsidiary of Plains MLP may designate one or more direct Subsidiaries that are not Borrowers or Guarantors (each such Subsidiary, and each of its Subsidiaries, each an "<u>Unrestricted Subsidiary</u>"), which Unrestricted Subsidiaries shall be subject to the following:

(a) No Unrestricted Subsidiary shall be deemed to be a "Restricted Person" or a "Subsidiary" of Plains MLP for purposes of this Agreement or any other Loan Document, and no Unrestricted Subsidiary shall be subject to or included within the scope of any provision herein or in any other Loan Document, including without limitation any representation, warranty, covenant or Event of Default herein or in any other Loan Document, except as set forth in this Section 7.17.

(b) No Restricted Person shall guarantee or otherwise become liable in respect of any Liability or other obligation of, grant any Lien on any of its property to secure any Liability or other obligation of, make any Investment in (except as described in clause (g) of the definition of Permitted Investments), or provide any other form of credit support to, any Unrestricted Subsidiary, and no Restricted Person shall enter into any contract or agreement with any Unrestricted Subsidiary, except in the course of ordinary business on terms no less favorable to such Restricted Person, as applicable, than could be obtained in a comparable arm's length transaction with a non-Affiliate of such Restricted Person.

(c) Borrowers shall at all times maintain, as between Restricted Persons and Unrestricted Subsidiaries, the separate existence of each Unrestricted Subsidiary.

(d) No Restricted Person shall make any Investment in any Unrestricted Subsidiary pursuant to clause(g) of the definition of "Permitted Investment" except in connection with the capitalization of an Unrestricted Subsidiary to consummate a proposed acquisition, disclosed to Administrative Agent in writing, of (1) the acquisition of the capital stock or other equity interest in a Person whose business, assets and operations consist of Petroleum Products and/or gas marketing, gathering, transportation, storage, terminaling and pipeline operation; <u>provided</u>, if a Restricted Person acquires less than all of the capital stock or other equity interest acquired, such business, assets and operations shall consist of transportation, storage, terminaling and/or pipeline operations and associated gathering assets, or (2) the acquisition of all or a portion of a line of business or the business, assets or operations of a Person (whether in a single transaction or a series of related transactions) consisting of Petroleum Products and/or gas marketing, gathering, transportation, storage, terminaling and pipeline operation;

provided, if a Restricted Person acquires less than all of the ownership interest of the business, assets or operations acquired, such business, assets and operations shall consist of transportation, storage, terminaling and/or pipeline operations and associated gathering assets; provided, further, the aggregate amount of any such Permitted Investments in such Unrestricted Subsidiary in excess of the purchase price and associated acquisition costs relating to such acquisition shall, promptly following the consummation of such acquisition, be distributed back to such investing Restricted Person. In the event such Unrestricted Subsidiary shall fail to timely consummate such specified acquisition or such specified acquisition shall otherwise be abandoned, such Unrestricted Subsidiary shall be deemed to be a "Subsidiary" of Plains MLP for purposes of this Agreement and shall be subject to the terms and conditions hereof.

(e) Restricted Persons shall notify each Lender Party, not later than five (5) Business Days after any executive officer of Restricted Persons has knowledge of, under any Environmental Law, any claim of the Dollar Equivalent of $1,000,000 or more, any notice of potential liability which might be reasonably likely to exceed such amount, or any other material adverse claim thereunder asserted against any Unrestricted Subsidiary or with respect to any Unrestricted Subsidiary's properties, stating that such notice is being given pursuant to this Section 7.17.

The board of directors of the corporate general partner of the US Borrower may designate any Unrestricted Subsidiary to become a Restricted Person if a Default or Event of Default is not continuing, such designation would not result in a Default or an Event of Default, and immediately thereafter such Subsidiary has no outstanding Indebtedness. Immediately thereafter, US Borrower shall promptly notify the Administrative Agent of such designation and provide to it an officer's certificate that such designation was made in compliance with this Section 7.17.

ARTICLE III. -- Conditions of Effectiveness

(S) 3.1. Effective Date. This Amendment shall become effective as of the date first written above, when and only when

(i) Administrative Agent shall have received, at Administrative Agent's office (A) a counterpart of this Amendment executed and delivered by US Borrower, Term Borrower, Canadian Revolver Borrower, Plains MLP, All American and Majority Lenders, and consented to by each Guarantor, (B) a contemporaneous amendment to the Marketing Credit Agreement, amending various provisions therein consistent with the amendments set forth herein, in form and substance acceptable to Administrative Agent, executed and delivered by such Persons so as to make such amendment effective;

(ii) (A) In consideration hereof, US Borrower shall have paid to Administrative Agent for the account of each Lender executing and delivering this Amendment an amendment fee in immediately available funds equal to one-twentieth of one percent (0.05%) of each such Lender's Commitment, and (B) US Borrower shall have paid all other fees required to be paid to Administrative Agent or any Lender pursuant to any Loan Documents, including fees and expenses of Thompson & Knight LLP, counsel to Administrative Agent; and

(iii) Administrative Agent shall have additionally received all of the following documents, each document (unless otherwise indicated) being dated the date of receipt thereof by Administrative Agent, duly authorized, executed and delivered, and in form and substance satisfactory to Administrative Agent:

(A) Officer's Certificate. A certificate of a duly authorized officer of General Partner, to the effect that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of the date thereof, and

(B) Supporting Documents. Such supporting documents as Administrative Agent may reasonably request.

ARTICLE IV. -- Representations and Warranties

(S) 4.1. Representations and Warranties of Plains MLP and Borrowers. In order to induce Administrative Agent and Lenders to enter into this Amendment, Plains MLP and Borrowers represent and warrant to Administrative Agent and each Lender that:

(a) The representations and warranties contained in Article V of the Original Agreement are true and correct at and as of the time of the effectiveness hereof, except to the extent that such representation and warranty was made as of a specific date.

(b) Each Restricted Person is duly authorized to execute and deliver this Amendment and each other Amendment Document, to the extent a party thereto, and each Borrower is and will continue to be duly authorized to borrow and perform its obligations under the Credit Agreement. Each Restricted Person has duly taken all action necessary to authorize the execution and delivery of this Amendment and each other Amendment Document, to the extent a party thereto, and to authorize the performance of their respective obligations hereunder.

(c) The execution and delivery by each Restricted Person of this Amendment and each other Amendment Document, to the extent a party thereto, the performance by each Restricted Person of its respective obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, do not and will not conflict with any provision of any Law or of the organizational documents of any Restricted Person, or of any material agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person, or result in the creation of any Lien upon any assets or properties of any Restricted Person, except in favor of Administrative Agent or Canadian Agent for the benefit of Lenders and other Permitted Liens. Except for those which have been duly obtained, no consent, approval, authorization or order of any Tribunal or third party is required in connection with the execution and delivery by any Restricted Person of this Amendment or any other Amendment Document, or to consummate the transactions contemplated hereby and thereby.

(d) When duly executed and delivered, each of this Amendment and each other Amendment Document, and each of the Loan Documents, as amended hereby and thereby, will be a legal and binding instrument and agreement of each Restricted Person to the extent a party thereto, enforceable in accordance with its terms, (subject, as to enforcement of remedies, to applicable bankruptcy, insolvency and similar laws applicable to creditors' rights generally).

ARTICLE V. -- Miscellaneous

(S) 5.1. Ratification of Agreements. The Original Agreement, as hereby amended, is hereby ratified and confirmed in all respects. The Loan Documents (including but not limited to each Guaranty), as they may be amended or affected by this Amendment or any other Amendment Document, are hereby ratified and confirmed in all respects by each Restricted Person to the extent a party thereto. Any reference to the Credit Agreement in any Loan Document shall be deemed to refer to this Amendment also. The execution, delivery and effectiveness of this Amendment and the other Amendment Documents shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Administrative Agent, Canadian Agent or any Lender under the Credit Agreement or any other Loan Document nor constitute a waiver of any provision of the Credit Agreement or any other Loan Document.

(S) 5.2. Ratification of Security Documents. Restricted Persons, Administrative Agent, and Lenders each acknowledge and agree that any and all indebtedness, liabilities or obligations, arising under or in connection with the LC Obligations or the Notes, are Obligations and are secured indebtedness under, are guarantied by, and are secured by, each and every Security Document to which any Restricted Person is a party. Each Restricted Person hereby re-pledges, re-grants and re-assigns a security interest in and lien on every asset of the such Restricted Person described as Collateral in any Security Document and re-guarantees all Obligations under the Credit Agreement.

(S) 5.3. Ratification of Intercreditor Agreement. Each Lender hereby acknowledges and confirms that all Obligations under the Credit Agreement, as amended hereby, and the "Obligations" under the Marketing Credit Agreement, as amended on the date hereof, shall be and shall remain subject to the terms and entitled to the benefits of the Intercreditor Agreement.

(S) 5.4. Survival of Agreements. All representations, warranties, covenants and agreements of the Restricted Persons herein shall survive the execution and delivery of this Amendment and the performance hereof, including without limitation the making or granting of each Loan, and shall further survive until all of the Obligations under the Credit Agreement are paid in full. All statements and agreements contained in any certificate or instrument delivered by any Restricted Person hereunder or under the Credit Agreement to Administrative Agent, Canadian Agent or any Lender shall be deemed to constitute representations and warranties by, or agreements and covenants of, such Restricted Person under this Amendment and under the Credit Agreement.

(S) 5.5. __Loan Documents__. This Amendment and each other Amendment Document is a Loan Document, and all provisions in the Credit Agreement pertaining to Loan Documents apply hereto.

(S) 5.6. __GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA IN ALL RESPECTS, INCLUDING CONSTRUCTION, VALIDITY AND PERFORMANCE.__

(S) 5.7. __Counterparts__. This Amendment may be separately executed in counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment.

IN WITNESS WHEREOF, this Amendment is executed as of the date first above written.

US BORROWER: PLAINS MARKETING, L.P.

By: Plains Marketing GP Inc., General Partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

GUARANTORS: ALL AMERICAN PIPELINE, L.P.

By: Plains Marketing GP Inc., General Partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

PLAINS ALL AMERICAN PIPELINE, L.P.

By: Plains AAP, L.P., General Partner

By: Plains All American LLC, General Partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice President

CANADIAN REVOLVER BORROWER: PLAINS MARKETING CANADA, L.P.,

By: PMC (Nova Scotia) Company, General Partner

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice Pres.

TERM BORROWER: PMC (NOVA SCOTIA) COMPANY

By: /s/ Phil Kramer

Phil Kramer, Exec. Vice Pres.

LENDER PARTIES:

FLEET NATIONAL BANK,
Administrative Agent, LC Issuer and Lender

By: /s/ Terrence Ronan

Terrence Ronan, Managing Director

FIRST UNION NATIONAL BANK, Lender

By: /s/ Robert R. Wetteroff

Robert R. Wetteroff, Sr. Vice Pres.

BANK OF AMERICA, N.A., Lender

By: ____
Name:
Title:

BANK ONE, NA, Lender

By: ____
Name:
Title:

FORTIS CAPITAL CORP., Lender

By: ____
Name:
Title:

By: ____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION, Lender

By: ____
Name:
Title:

BANK OF SCOTLAND, Lender

By: ____
Name:
Title:

WELLS FARGO BANK (TEXAS),
NATIONAL ASSOCIATION, Lender

By: ____
Name:
Title:

THE BANK OF NOVA SCOTIA, Lender

By: ____
Name:
Title:

CREDIT AGRICOLE INDOSUEZ, Lender

By: ____
Name:
Title:

By: ____
Name:
Title:

TORONTO DOMINION (TEXAS), INC., Lender

By: ____
Name:
Title:

SOUTHWEST BANK OF TEXAS, N.A., Lender

By: ____
Name:
Title:

UNION BANK OF CALIFORNIA, N.A., Lender

By: ____
Name:
Title:

COMERICA BANK-TEXAS, Lender

By: ____

Name:
Title:

BNP PARIBAS, Lender

By: ____

Name:
Title:

By: ____

Name:
Title:

HELLER FINANCIAL, INC., Lender

By: ____

Name:
Title:

THE TORONTO-DOMINION BANK,
Canadian Administration Agent

By:____
Name:
Title:

THE TORONTO-DOMINION BANK,
Canadian Revolver Lender

By:____
Name:
Title:

BNP PARIBAS (CANADA), Canadian Revolver Lender

By:____
Name:
Title:

By:____
Name:
Title:

HELLER FINANCIAL CANADA, LTD.,
Canadian Revolver Lender

By:____
Name:
Title:

PILGRIM PRIME RATE TRUST
PILGRIM SENIOR INCOME FUND
ML CLO XX PILGRIM AMERICA (CAYMAN) LTD.
ML CLO XII PILGRIM AMERICA (CAYMAN) LTD.
PILGRIM CLO 1999 - 1 LTD.
SEQUILS - PILGRIM I, LTD.
PILGRIM AMERICA HIGH INCOME
INVESTMENTS LTD., each a Lender

By: ING Pilgrim Investments, LLC,
as its investment manager

By:____
Name:
Title:

MORGAN STANLEY PRIME INCOME TRUST, Lender

By:____
Name:
Title:

FLAGSHIP CLO 2001-1
FLAGSHIP CLO II, each a Lender

By: Flagship Capital Management, Inc.

By:____
Title:

ALLSTATE LIFE INSURANCE COMPANY
AIMCO CDO SERIES 2000-A
AIMCO CLO SERIES 2001-A, each a Lender

By:____
Name:

By:____
Name:
Its Authorized Signatories

SWISS LIFE US RAINBOW LIMITED THE ING INCOME HOLDINGS FUND, LTD.
ARCHIMEDES FUNDING IV (CAYMAN), LTD.
NEMEAN CLO, LTD., each a Lender

By: ING Capital Advisors LLC,
as Investment Manager

By:____
Title:

ARCHIMEDES FUNDING III, LTD.
SEQUILS-ING-I (HBDGM), LTD.
ORYX CLO, LTD., each a Lender

By: ING Capital Advisors LLC,
as Collateral Manager

By:____
Title:

BALANCED HIGH YIELD FUND II, LTD., Lender

By: ING Capital Advisors LLC,
as Asset Manager

By:____
Title:

FIDELITY ADVISOR SERIES II: FIDELITY ADVISOR
FLOATING RATE HIGH INCOME FUND, a Lender

By:____
Title:

TRYON CLO LTD. 2000-I
ELC (CAYMAN) LTD. 1999-II
ELC (CAYMAN) LTD. 1999-III
ELC (CAYMAN) LTD. 2000-I
APEX (IDM) CDO I, LTD., each a Lender

By:____
Title:

MONUMENT CAPITAL LTD., Lender
By: Alliance Capital Management, L.P.,
as Investment Manager

By: Alliance Capital Management Corporation,
as General Partner

By:____
Name:
Title:

NEW ALLIANCE GLOBAL CDO LIMITED, Lender
By: Alliance Capital Management, L.P., as Sub-advisor

By: Alliance Capital Management Corporation,
as General Partner

By:____
Name:
Title:

SENIOR LOAN FUND
BLACKROCK SENIOR LOAN TRUST, each a Lender

By:____
Name:
Title:

CARLYLE HIGH YIELD PARTNERS II, LTD.
CARLYLE HIGH YIELD PARTNERS III, LTD.,
each a Lender

By:____
Name:
Title:

WINGED FOOT FUNDING TRUST

By:____

Name:

Title:

JUPITER FUNDING TRUST

By:____

Name:

Title:

OLYMPIC FUNDING TRUST, SERIES 1999-1

By:____

Name:

Title:

MUIRFIELD TRADING LLC, each a Lender

By:____

Name:

Title:

FIRST DOMINION FUNDING I

FIRST DOMINION FUNDING II, each a Lender

By:____

Name:

Title:

SEQUILS-CUMBERLAND I, LTD., Lender

By: Deerfield Capital Management, L.L.C.
as its Collateral Manager

By:____

Name:

Title

EMERALD ORCHARD, LIMITED, Lender

By:____

Name:

Title:

HIGHLAND LOAN FUNDING V LTD., Lender

By: Highland Capital Management, L.P.,
as Collateral Manager

By:____

Name:

Title:

AMARA I FINANCE, LTD.
AMARA 2 FINANCE, LTD.
OASIS COLLATERALIZED HIGH INCOME
PORTFOLIO-1, LTD., each a Lender

By: INVESCO Senior Secured Management, Inc.,
as Subadviser

By:____
Name:
Title:

AERIES FINANCE II LTD., Lender

By: INVESCO Senior Secured Management, Inc.
as Sub-Managing Agent

By:____
Name:
Title:

AVALON CAPITAL LTD.
AVALON CAPITAL LTD. 2, each a Lender

By: INVESCO Senior Secured Management, Inc.
as Portfolio Advisor

By:____
Name:
Title:

CERES II FINANCE LTD., Lender

By: INVESCO Senior Secured Management, Inc.,
as Sub-Managing Agent (Financial)

By:____
Name:
Title:

CHARTER VIEW PORTFOLIO, Lender

By: INVESCO Senior Secured Management, Inc.,
as Investment Advisor

By:____
Name:
Title:

By: INVESCO Senior Secured Management, Inc.,
as attorney in fact

By:____
Name:
Title:

SEQUILS-LIBERTY, LTD.

By: INVESCO Senior Secured Management, Inc.,
as Collateral Manager

By:____
Name:
Title:

MASSACHUSETTS MUTUAL LIFE INSURANCE
COMPANY, Lender

By: David L. Babson & Company Inc.,
as Investment Advisor

By:____
Name:
Title:

MAPLEWOOD (CAYMAN) LIMITED, Lender

By: David L. Babson & Company Inc. under delegated
authority from Massachusetts Mutual Life
Insurance Company as Investment Manager

By:____
Name:
Title:

SAAR HOLDINGS CDO LIMITED
SIMSBURY CLO, LIMITED
SOMERS CDO, LIMITED, each a Lender

By: David L. Babson & Company Inc. under delegated authority from Massachusetts Mutual Life Insurance Company as Collateral Manager

By:______________________________

Name:
Title:

SUFFIELD CLO, LIMITED, Lender

By: David L. Babson & Company Inc., as Collateral Manager

By:______________________________

Name:
Title:

PERSEUS CDO I, LIMITED, Lender

By: David L. Babson & Company Inc. under delegated authority from Massachusetts Mutual Life Insurance Company as Portfolio Manager

By:______________________________

Name:
Title:

BILL & MELINDA GATES FOUNDATION, Lender

By: David L. Babson & Company Inc., as Investment Adviser

By:______________________________

Name:
Title:

OAK HILL CREDIT PARTNERS I, LIMITED, Lender

By: Oak Hill CLO Management I, LLC,
as Investment Manager

By:____
Name:
Title:

OCTAGON INVESTMENT PARTNERS II, LLC, Lender

By: Octagon Credit Investors, LLC,
as sub-investment manager

By:____
Name:
Title:

OCTAGON INVESTMENT PARTNERS III, LTD.,
Lender

By: Octagon Credit Investors, LLC,
as Portfolio Manager

By:____
Name:
Title:

OCTAGON INVESTMENT PARTNERS IV, LTD.,
Lender

By: Octagon Credit Investors, LLC,
as collateral manager

By:____
Name:
Title:

DELANO COMPANY
ROYALTON COMPANY
BEDFORD CDO, LIMITED
ADDISON CDO, LIMITED
JISSEKIKUN FUNDING, LTD.
BALBOA CDO I, LIMITED
SEQUILS-MAGNUM, LTD.
SAN JOAQUIN CDO I LIMITED, each a Lender

By: Pacific Investment Management Company, LLC,
as its Investment Advisor

By:____
Name:
Title:

CAPTIVA III FINANCE LTD.
CAPTIVA IV FINANCE LTD., each a Lender
as advised by Pacific Investment Management
Company LLC

By:____
Name:
Title:

THE SUMITOMO TRUST & BANKING CO.,
LTD. NEW YORK BRANCH, Lender

By:____
Name:
Title:

TCW SELECT LOAN FUND, LIMITED, Lender

By: TCW Advisors, Inc., as its Collateral Manager

By:____
Name:
Title:

By:____
Name:
Title:

MOUNTAIN CAPITAL CLO I LTD.
MOUNTAIN CAPITAL CLO II LTD. each a Lender

By: Mountain Capital Advisors,
as its Investment Manager

By:____
Name:
Title:

KZH ING-1 LLC, Lender

By:______________________________________
Name:
Title:

KZH ING-2 LLC, Lender

By:______________________________________
Name:
Title:

KZH ING-3 LLC, Lender

By:______________________________________
Name:
Title:

KZH CNC LLC, Lender

By:______________________________________
Name:
Title:

KZH WATERSIDE LLC, Lender

By:______________________________________
Name:
Title:

KZH PONDVIEW LLC, Lender

By:______________________________________
Name:
Title:

KZH CRESCENT LLC, Lender

By:_________________________________
Name:
Title:

KZH CRESCENT-2 LLC, Lender

By:_________________________________
Name:
Title:

KZH CRESCENT-3 LLC, Lender

By:_________________________________
Name:
Title:

KZH HIGHLAND-2 LLC, Lender

By:_________________________________
Name:
Title:

KZH PAMCO LLC, Lender

By:_________________________________
Name:
Title:

FRANKLIN CLO II, LIMITED

By:_________________________________
Name:
Title:

CONSENT AND AGREEMENT

The undersigned hereby consents to the provisions of this Amendment and the transactions contemplated herein and hereby (i) acknowledges and agrees that any and all indebtedness, liabilities or obligations arising under or in connection with the Notes are Obligations and are secured indebtedness under, and are secured by, each and every Security Document to which it is a party, (ii) re-pledges, re-grants and re-assigns a security interest in and lien on all of its assets described as collateral in any Security Document, (iii) ratifies and confirms its Guaranty dated May 4, 2001 made by it for the benefit of Administrative Agent and Lenders, and (iv) expressly acknowledges and agrees that the undersigned guarantees all indebtedness, liabilities and obligations arising under or in connection with any and all Notes pursuant to the terms of such Guaranty, and agrees that its obligations and covenants thereunder are unimpaired hereby and shall remain in full force and effect.

PLAINS MARKETING CANADA LLC

By: Plains Marketing, L.P., its sole member

By: Plains Marketing GP Inc.,
its general partner

By:____
Phil Kramer, Exec. Vice President

EXHIBIT 21.1

Subsidiaries and Partnerships of Plains All American Pipeline, L.P.

Corporations

- Plains Marketing GP Inc.
- PMC (Nova Scotia) Company
- Plains Marketing & Transportation, Inc.

Partnerships

- Plains Marketing, L.P.
- All American Pipeline, L.P.
- Plains Marketing Canada, L.P

Limited Liability Companies

- Plains Marketing Canada LLC

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File Nos. 333-91141, 333-54118, 333-74920) and Form S-3 (File Nos. 333-59224, 333-68446) of Plains All American Pipeline, L.P. of our reports dated March __, 2002, relating to the consolidated financial statements, which appear in this Form 10-K.

Houston, Texas
March __, 2002