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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported)--August 1, 2002

Plains All American Pipeline, L.P.  
(Exact name of Registrant as specified in its charter)

DELAWARE	0-9808	76-0582150
(State or other	(Commission File Number)	(I.R.S. Employer
jurisdiction		Identification No.)
of incorporation or		
organization)		

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

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

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Item 2. Acquisition of Assets

Plains All American Pipeline, L.P. (the "Partnership") acquired certain businesses from Shell Pipeline Company, L.P. and Equilon Enterprises LLC including their interests in the Basin Pipeline System, the Rancho Pipeline System and the Permian Basin Gathering System. The purchase price of approximately \$322.7 million is net of interest earned on the deposit and the settlement of pre-existing accounts receivable and inventory balances and purchase price adjustments as provided for in the amended purchase and sale agreement, and includes other transaction and closing costs. The Partnership funded the acquisition with borrowings under its revolving credit facility, for which Fleet National Bank serves as agent. The acquisition closed on August 1, 2002, which is also the effective date. Certain financial statements, including carve out financial statements of the businesses acquired and pro forma financial statements, are attached to this Form 8-K as Exhibits 99.1, 99.2 and 99.3.

Item 7. Financial Statements and Exhibits

(c) Exhibits

23.1 Consent of PricewaterhouseCoopers LLP.

99.1 Basin Pipeline System, Rancho Pipeline System and the Permian Basin Gathering System, Unaudited Combined Interim Financial Statements as of and for the six months ended June 30, 2002.

99.2 Basin Pipeline System, Rancho Pipeline System and the Permian Basin Gathering System, Audited Combined Financial Statements as of and for the year ended December 31, 2001.

99.3 Unaudited Pro Forma Consolidated Financial Statements of Plains All American Pipeline, L.P.

99.4 Purchase and Sale Agreement, effective May 2, 2002 by and between Shell Pipeline Company LP, a Delaware limited partnership (formerly known as Equilon Pipeline Company LLC) and Equilon Enterprises LLC dba Shell Oil Products US, a Delaware limited liability company (individually "Shell Pipeline" or "SOP US" and collectively "Seller") and Plains All American Pipeline, L.P. ("Buyer"), a Delaware limited partnership.

SIGNATURES

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

PLAINS ALL AMERICAN PIPELINE, L.P.

Date: August 9, 2002

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

By: Plains All American GP LLC, its general partner

/s/ Phillip D. Kramer

By: \_\_\_\_\_  
Phillip D. Kramer  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

/s/ Greg L. Armstrong

By: \_\_\_\_\_  
Greg L. Armstrong  
Chairman of the Board, Chief  
Executive Officer and Director of  
Plains All American GP LLC  
(Principal Executive Officer)

Date: August 9, 2002

## Index to Exhibits

- 23.1 Consent of PricewaterhouseCoopers LLP.
- 99.1 Basin Pipeline System, Rancho Pipeline System and the Permian Basin Gathering System, Unaudited Combined Interim Financial Statements as of and for the six months ended June 30, 2002.
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- 99.3 Unaudited Pro Forma Consolidated Financial Statements of Plains All American Pipeline, L.P.
- 99.4 Purchase and Sale Agreement, effective May 2, 2002 by and between Shell Pipeline Company LP, a Delaware limited partnership (formerly known as Equilon Pipeline Company LLC) and Equilon Enterprises LLC dba Shell Oil Products US, a Delaware limited liability company (individually "Shell Pipeline" or "SOP US" and collectively "Seller") and Plains All American Pipeline, L.P. ("Buyer"), a Delaware limited partnership.

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 report dated August 2, 2002 relating to the financial statements of Basin Pipeline, Rancho Pipeline and the Permian Basin Gathering System, which appears in this Current Report on Form 8-K of Plains All American Pipeline, L.P. dated August 9, 2002.

PricewaterhouseCoopers LLP

Houston, Texas  
August 9, 2002

Basin Pipeline System, Rancho Pipeline System and  
the Permian Basin Gathering System  
Transportation Business  
Unaudited Combined Interim Financial Statements  
June 30, 2002

Basin Pipeline System, Rancho Pipeline System and  
the Permian Basin Gathering System

Transportation Business

Combined Balance Sheet

	June 30, 2002	December 31, 2001
	-----	-----
	(unaudited)	
	(dollars in thousands)	
Assets		
Current assets:		
Accounts receivable:		
Trade.....	\$ 4,595	\$ 5,017
Reimbursement of expenses.....	439	858
Allowance oil inventory.....	16,833	16,105
Materials and supplies.....	613	545
	-----	-----
	22,480	22,525
Property and equipment, net.....	31,392	31,951
	-----	-----
	\$53,872	\$54,476
	=====	=====
Liabilities and Owner's Net Investment		
Current liabilities:		
Accounts payable--trade.....	\$ 3	\$ 48
Payable to Parent.....	132	86
Environmental remediation.....	1,014	998
Property tax payable.....	1,135	1,208
	-----	-----
	2,284	2,340
Commitments and contingencies (Note 6)		
Noncurrent liabilities:		
Environmental remediation.....	1,788	127
Total liabilities.....	4,072	2,467
Owner's net investment.....	49,800	52,009
	-----	-----
	\$53,872	\$54,476
	=====	=====

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

Basin Pipeline System, Rancho Pipeline System and  
the Permian Basin Gathering System  
Transportation Business

Combined Statement of Income and Owner's Net Investment

Six Months Ended June 30, 2002 and 2001 (unaudited)

	2002	2001
	-----	-----
	(dollars in thousands)	
Revenues:		
Pipeline tariffs.....	\$24,124	\$26,781
Allowance oil.....	1,714	3,366
Other.....		693
	-----	-----
	25,838	30,840
	-----	-----
Costs and expenses:		
Operating costs.....	12,284	11,867
General and administrative.....	9,907	9,369
Depreciation.....	1,311	1,139
	-----	-----
	23,502	22,375
	-----	-----
Net income.....	2,336	8,465
Deemed distribution to parent.....	(4,545)	(4,895)
Owner's net investments beginning of period	52,009	43,375
	-----	-----
Owner's net investment, end of period.....	\$49,800	\$46,945
	=====	=====

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



Basin Pipeline System, Rancho Pipeline System and the Permian Basin Gathering  
System  
Transportation Business

Combined Statement of Cash Flows

Six Months Ended June 30, 2002 and 2001 (unaudited)

	2002 ----- (dollars in thousands)	2001 ----- (dollars in thousands)
Cash flows provided by operating activities:		
Net income.....	\$ 2,336	\$ 8,465
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	1,311	1,139
Change in allowance oil inventory.....	(728)	(2,867)
(Increase) decrease in working capital:		
Receivables.....	841	(1,195)
Inventories.....	(68)	337
Payables and accruals.....	(56)	(394)
Environmental remediation liability--noncurrent.....	1,661	(17)
Net cash provided by operating activities.....	5,297	5,468
Cash flows (used for) investing activities:		
Capital expenditures.....	(752)	(573)
Net cash used for investing activities.....	(752)	(573)
Cash flows (used for) financing activities:		
Deemed distributions to parent company.....	(4,545)	(4,895)
Net cash used for financing activities.....	(4,545)	(4,895)
Net increase in cash and cash equivalents.....	--	--
Cash and cash equivalents at beginning of period.....	--	--
Cash and cash equivalents at end of period.....	\$ -- =====	\$ -- =====

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

BASIN PIPELINE SYSTEM, RANCHO PIPELINE SYSTEM AND  
THE PERMIAN BASIN GATHERING SYSTEM  
TRANSPORTATION BUSINESS

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2002 (unaudited)

1. Organization and Basis of Presentation

The accompanying unaudited combined financial statements present the combined assets, liabilities, revenues and expenses of the historical operations of the transportation businesses comprised of the Basin Pipeline System, the Rancho Pipeline System and the Permian Basin Gathering System (collectively the Businesses) owned by Equilon Enterprises LLC dba Shell Oil Products US and related entities (collectively referred to as Equilon). The Businesses are involved in the transportation of crude oil.

The unaudited combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to SEC rules and regulations. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting only of normal, recurring adjustments considered necessary for a fair presentation, have been included. The results of operations for the six months ended June 30, 2002, should not be taken as indicative of the results to be expected for the full year. For further information, refer to the combined financial statements and notes thereto for the year ended December 31, 2001.

Throughout the period covered by the unaudited combined financial statements, Equilon owned and managed the Businesses' operations. Prior to 2002, Equilon was owned by Shell Oil Company and its consolidated subsidiaries (Shell Oil) with a 56 percent equity interest and Texaco Inc. and its consolidated subsidiaries (Texaco) with a 44 percent equity interest. In 2002, Shell acquired Texaco's equity interest. The accompanying unaudited combined financial statements do not include any adjustments related to push down accounting as a result of Shell Oil's acquisition and are prepared in accordance with SEC rules and regulations based on Equilon's historical accounting records.

The accompanying unaudited combined financial statements are presented on a carve-out basis to include the historical operations of the Businesses owned by Equilon. In this context, no direct owner relationship existed among the various operations comprising the Businesses as described above. Accordingly, Equilon's net investment in the Businesses (owner's net investment) is shown in lieu of stockholder's equity in the combined financial statements.

The unaudited combined statement of income and owner's net investment includes all revenues and costs directly attributable to the Businesses, including costs for facilities, functions and services used by the Businesses. The results of operations also include allocations, generally based on total payroll costs, of Equilon's general corporate expenses primarily related to corporate and regional payroll costs.

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

BASIN PIPELINE SYSTEM, RANCHO PIPELINE SYSTEM AND  
THE PERMIAN BASIN GATHERING SYSTEM  
TRANSPORTATION BUSINESS

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

June 30, 2002 (unaudited)

All of the allocations and estimates in the unaudited combined financial statements as of June 30, 2002 and for the six months ended June 30, 2002 and 2001 were based on assumptions that Equilon management believes were reasonable under the circumstances. However, these allocations and estimates are not necessarily indicative of the costs and expenses that would have resulted if the Businesses had been operated as a separate entity. It is not practicable to estimate the costs and expenses that would have resulted on a stand-alone basis.

2. New Accounting Standards

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 142 (Goodwill and Other Intangible Assets). This statement requires that goodwill no longer be amortized but should be tested for impairment at least on an annual basis. Other intangible assets are to be amortized over their useful life and reviewed for impairment in accordance with the provisions of SFAS No. 121 (Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of). Intangible assets with an indefinite useful life can no longer be amortized until its useful life becomes determinable. SFAS 142 is effective for fiscal years beginning after December 15, 2001, however, it does apply to any goodwill acquired in a business combination completed after June 30, 2001. The adoption of SFAS 142 did not have any impact to the Businesses.

In August 2001, the FASB issued SFAS 143 (Accounting for Obligations Associated with the Retirement of Long-Lived Assets). This statement requires the following: (a) an existing legal obligation associated with the retirement of a tangible long-lived asset be recognized as a liability when incurred and the amount of the liability be initially measured at fair value, (b) an entity recognize subsequent changes in the liability that result from the passage of time and revisions in either the timing or amount of estimated cash flows, and (c) upon initially recognizing a liability for an asset retirement obligation, an entity capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. SFAS 143 will be effective for financial statements issued for fiscal years beginning after June 15, 2002. The Businesses are currently evaluating the effects of this pronouncement.

In October 2001, the FASB issued SFAS 144 (Accounting for the Impairment or Disposal of Long-Lived Assets). This statement supersedes SFAS 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. The requirements of this statement provide that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. The scope of discontinued operations will be expanded to include all components of an entity with operations that can be distinguished from the rest of the entity and will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of this statement are effective for fiscal years beginning after December 15, 2001. The adoption of SFAS 144 did not have a significant impact on the Businesses.

3. Allowance Oil Inventory

During the six months ended June 30, 2002 the Businesses sold allowance oil inventory for a loss of \$0.6 million. During the six months ended June 30, 2001 the sale of allowance oil inventory was not material.

BASIN PIPELINE SYSTEM, RANCHO PIPELINE SYSTEM AND  
THE PERMIAN BASIN GATHERING SYSTEM  
TRANSPORTATION BUSINESS

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

June 30, 2002 (unaudited)

4. Other Revenue

Other revenue consists of a fixed fee received from third parties in connection with selling microwave frequencies and conversion to newer technologies. The microwave frequencies were used to transmit data related to the pipeline such as temperatures, pressure and volumes. The newer technologies relate to the use of various methods such as cellular and satellite systems. The costs incurred to convert to the newer technologies were not material.

5. Related Party Transactions

The Businesses have entered into transactions with Shell, Texaco and Equilon, including the affiliates of these companies. Such transactions are in the ordinary course of business and include the transportation of crude oil and petroleum products.

The aggregate amounts of such transactions for the six months ended June 30, 2002 and 2001 were as follows:

-	Six months ended June 30,	
-	-----	
-	2002	2001
-	-----	-----
-	(dollars in thousands)	
Pipeline tariff revenue	\$16,636	\$11,450

6. Environmental Liabilities

Similar to other companies in the crude oil transportation industry, the Businesses incur costs for preventive and corrective actions at facilities and those environmental costs of operations and remediation activities are accrued on a basis consistent with the accounting policy set forth in prior periods. The Businesses may be obligated to take remedial action as a result of the enactment of laws or the issuance of new regulations or to correct for the effects of the Businesses' actions on the environment. Most of the expenditures to fulfill these obligations relate to facilities where past operations followed practices and procedures that were considered appropriate under regulations, if any, existing at the time, but may now require investigatory or remedial work to adequately protect the environment or address new regulatory requirements. The Businesses have accrued \$2.8 million at June 30, 2002 for planned environmental remediation activities, and this accrual, in management's opinion, is appropriate based on existing facts and circumstances. Additions to the accrual during the six months ended June 30, 2002 and 2001 were approximately \$2 million and zero, respectively. The increase in the accrual during the six months ended June 30, 2002 was primarily related to the acceleration of timing of the remediation efforts which caused a change in the remediation methods to be used.

BASIN PIPELINE SYSTEM, RANCHO PIPELINE SYSTEM AND  
THE PERMIAN BASIN GATHERING SYSTEM  
TRANSPORTATION BUSINESS

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

June 30, 2002 (unaudited)

7. Subsequent Event

In May 2002, Equilon entered into a purchase and sale agreement (the agreement) with Plains All American Pipeline, L.P. (PAA) to sell the Businesses for approximately \$305 million in cash, excluding direct acquisition and other costs. The sale excluded crude oil held in inventory for shippers and allowance oil inventory held for Equilon and other working capital items and branding rights, trademarks and other similar property. The sale closed on August 1, 2002.

Basin Pipeline System, Rancho Pipeline System and  
the Permian Basin Gathering System  
Transportation Business  
Audited Combined Financial Statements  
December 31, 2001

Report of Independent Accountants

To the Board of Directors of  
Plains All American GP LLC

We have audited the accompanying combined balance sheet of the Basin Pipe Line System, Rancho Pipe Line System and the Permian Basin Gathering System Transportation Businesses (the Businesses) as of December 31, 2001, and the related combined statements of income and owner's net investment and of cash flows for the year then ended. These combined financial statements are the responsibility of the Businesses' management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the accompanying combined financial statements were prepared for the purpose of complying with certain rules and regulations of the Securities and Exchange Commission for inclusion in a Form 8-K to be filed in connection with the acquisition of the Businesses by Plains All American Pipeline, L.P.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Businesses at December 31, 2001, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Houston, Texas  
August 2, 2002

Basin Pipeline System, Rancho Pipeline System and  
the Permian Basin Gathering System

Transportation Business

Combined Balance Sheet

December 31, 2001

(dollars in  
thousands)

Assets	
Current assets:	
Accounts receivable:	
Trade.....	\$ 5,017
Reimbursement of expenses.....	858
Allowance oil inventory.....	16,105
Materials and supplies.....	545
	-----
	22,525
Property and equipment, net.....	31,951
	-----
	54,476
	=====
Liabilities and Owner's Net Investment	
Current liabilities:	
Accounts payable--trade.....	48
Payable to parent.....	86
Environmental remediation.....	998
Property tax payable.....	1,208
	-----
	2,340
Commitments and contingencies (Note 8)	
Noncurrent liabilities:	
Environmental remediation.....	127
	-----
Total liabilities.....	2,467
Owner's net investment.....	52,009
	-----
	\$54,476
	=====

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



Basin Pipeline System, Rancho Pipeline System and  
the Permian Basin Gathering System

Transportation Business

Combined Statement of Income and Owner's Net Investment

Year Ended December 31, 2001

	(dollars in thousands)
Revenues:	
Pipeline tariffs.....	\$52,853
Allowance oil.....	6,144
Other.....	693
	-----
	59,690
	-----
Costs and expenses:	
Operating costs.....	26,226
General and administrative.....	16,571
Depreciation.....	2,375
	-----
	45,172
	-----
Net income.....	14,518
Deemed distribution to parent.....	(5,884)
Owner's net investment, beginning of year	43,375
	-----
Owner's net investment, end of year.....	\$52,009
	=====

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

Basin Pipeline System, Rancho Pipeline System and  
the Permian Basin Gathering System

Transportation Business

Combined Statement of Cash Flows

December 31, 2001

	(dollars in thousands)
Cash flows provided by operating activities:	
Net income.....	\$14,518
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation.....	2,375
Change in allowance oil inventory.....	(9,230)
(Increase) decrease in working capital:	
Receivables.....	(842)
Inventories.....	245
Payables and accruals.....	658
Environmental remediation liability--noncurrent.....	53
	-----
Net cash provided by operating activities.....	7,777
Cash flows used for investing activities:	
Capital expenditures.....	(1,893)
Net cash used for investing activities.....	(1,893)
	-----
Cash flows used for financing activities:.....	
Deemed distributions to parent company.....	(5,884)
Net cash used for financing activities.....	(5,884)
Net increase in cash and cash equivalents.....	--
Cash and cash equivalents at beginning of period.....	--
	-----
Cash and cash equivalents at end of period.....	\$ --
	=====

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

BASIN PIPELINE SYSTEM, RANCHO PIPELINE SYSTEM AND  
THE PERMIAN BASIN GATHERING SYSTEM  
TRANSPORTATION BUSINESS

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001

1. Organization and Basis of Presentation

The accompanying combined financial statements present, in conformity with accounting principles generally accepted in the United States of America, the combined assets, liabilities, revenues and expenses of the historical operations of the transportation businesses comprised of the Basin Pipeline System, the Rancho Pipeline System and the Permian Basin Gathering System (collectively the Businesses) owned by Equilon Enterprises LLC dba Shell Oil Products US and related entities (collectively referred to as Equilon). Throughout the period covered by the combined financial statements, Equilon owned and managed the Businesses' operations. Prior to 2002, Equilon was owned by Shell Oil Company and its consolidated subsidiaries (Shell Oil) with a 56 percent equity interest and Texaco Inc. and its consolidated subsidiaries (Texaco) with a 44 percent equity interest. In 2002, Shell acquired Texaco's equity interest. The accompanying combined financial statements do not include any adjustments related to push down accounting as a result of Shell Oil's acquisition and are prepared in accordance with SEC rules and regulations based on Equilon's historical accounting records.

The Basin Pipeline System consists of all the partnership interests in Basin Pipeline Holdings LP which owns an undivided interest of approximately 85 percent in an approximately 514 mile crude oil pipeline from Jal, New Mexico to Cushing, Oklahoma. The Rancho Pipeline System consists of all the partnership interests in Rancho Pipeline Holdings LP which owns an undivided interest of approximately 55 percent in an approximately 445 mile crude oil pipeline from Mesa Station in McCamey, Texas to Houston, Texas. The Businesses are also the operator of the Basin Pipeline and Rancho Pipeline Systems. The Permian Basin Gathering System consists of various gathering pipelines and stations and real property located in western Texas. The combined financial statements include the Businesses' pro rata share of the assets, liabilities, revenues and expenses primarily since the undivided interests are not subject to joint control and the Businesses are only responsible for their pro rata share of direct costs.

The accompanying combined financial statements are presented on a carve-out basis to include the historical operations of the Businesses owned by Equilon. In this context, no direct owner relationship existed among the various operations comprising the Businesses as described above. Accordingly, Equilon's net investment in the Businesses (owner's net investment) is shown in lieu of stockholder's equity in the combined financial statements.

The combined statement of income and owner's net investment includes all revenues and costs directly attributable to the Businesses, including costs for facilities, functions and services used by the Businesses. The results of operations also include allocations, generally based on total payroll costs, of Equilon's general corporate expenses primarily related to corporate and regional payroll costs.

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

BASIN PIPELINE SYSTEM, RANCHO PIPELINE SYSTEM AND  
THE PERMIAN BASIN GATHERING SYSTEM  
TRANSPORTATION BUSINESS

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

December 31, 2001

All of the allocations and estimates in the combined financial statements were based on assumptions that Equilon management believes were reasonable under the circumstances. However, these allocations and estimates are not necessarily indicative of the costs and expenses that would have resulted if the Businesses had been operated as a separate entity. It is not practicable to estimate the costs and expenses that would have resulted on a stand-alone basis.

2. Significant Accounting Policies

Use of Estimates

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

Revenue Recognition

Revenues for the transportation of crude are recognized (1) based upon regulated tariff rates and the related transportation volumes and (2) when the delivery of crude is made to the shipper or another common carrier pipeline. Allowance oil revenue is recognized when the Businesses receive the allowance oil volumes which is valued at current market value. Any allowance oil sold is presented as a by-product and recorded in revenue net of the selling price and the cost of the inventory when initially recorded. The sale of allowance oil inventory was not material.

Receivable for Reimbursement of Expenses

The receivable for reimbursement of expenses relates to reimbursement from the other owners of the undivided interests discussed in Note 1 when the Businesses have paid expenses on their behalf.

Property and Equipment

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

Line pipe.....	20-25 years
Pump station equipment	20-25 years
Oil tanks.....	20-25 years
Buildings and other...	5-25 years

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

BASIN PIPELINE SYSTEM, RANCHO PIPELINE SYSTEM AND  
THE PERMIAN BASIN GATHERING SYSTEM  
TRANSPORTATION BUSINESS

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

December 31, 2001

Impairment of Long-Lived Assets

The carrying values of long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. Recoverability of the carrying value of an asset is assessed by reference to an estimate of the asset's undiscounted future net cash flows. Measurement of any impairment would include a comparison of discounted estimated future net cash flows to the net carrying value of the related assets.

Inventories

Inventories consist of allowance oil held in pipelines and materials and supplies. Allowance oil is recorded when received at the current fair value based on a percentage, as specified in the published tariff document, of volume transported. Any transportation product gains or losses for measurement differences, evaporation or other reasons adjust the allowance oil and is recorded in operating costs. This inventory is valued at lower of cost or market with its cost determined using the average cost method based on the amount initially recorded.

Materials and supplies are recorded at purchased costs using the average cost method and valued at lower of cost or market.

Environmental Liabilities

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

The Businesses determine the appropriate amount of each obligation by considering all of the available data, including technical evaluations of the currently available facts, interpretation of existing laws and regulations, prior experience with similar sites and the estimated reliability of financial projections.

The Businesses adjust the environmental liabilities, as required, based on the latest experience with similar sites, changes in environmental laws and regulations or their interpretation, development of new technology, or new information related to the extent of the Businesses' obligation. Other environmental expenditures, principally maintenance or preventive in nature, are expensed or capitalized as appropriate.

Income Taxes

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

BASIN PIPELINE SYSTEM, RANCHO PIPELINE SYSTEM AND  
THE PERMIAN BASIN GATHERING SYSTEM  
TRANSPORTATION BUSINESS

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

December 31, 2001

3. Other Revenue

Other revenue consists of a fixed fee received from third parties in connection with selling microwave frequencies and conversion to newer technologies. The microwave frequencies were used to transmit data related to the pipeline such as temperatures, pressure and volumes. The newer technologies relate to the use of various methods such as cellular and satellite systems. The costs incurred to convert to the newer technologies were not material.

4. Property and Equipment

	Cost	Accumulated depreciation	Net
	-----	-----	-----
-			
Line pipe.....	\$ 81,254	\$(64,698)	\$16,556
Oil tanks.....	11,414	(9,393)	2,021
Pump station equipment	26,032	(14,492)	11,540
Buildings.....	5,842	(4,369)	1,473
Land.....	361		361
	-----	-----	-----
	\$124,903	\$(92,952)	\$31,951
	=====	=====	=====

5. Related Party Transactions

The Businesses have entered into transactions with Shell, Texaco and Equilon, including the affiliates of these companies. Such transactions are in the ordinary course of business and include the transportation of crude oil and petroleum products.

The aggregate amounts of such transactions for the year ended December 31, 2001 were as follows:

	(dollars in thousands)
Pipeline tariff revenue	\$24,935

The accounts payable to parent primarily represents maintenance costs and general and administrative costs charged to the Businesses by the parent and its affiliates.

6. Pension Plans and Other Postretirement Benefits

Certain of the Businesses' employees participate in the Alliance Pension Plan (a defined benefit plan) and the Alliance Savings Plan (a defined contribution plan). Also, certain of the Businesses' employees participate in Equilon sponsored benefit plans that provide healthcare benefits. Such plans are unfunded, and the costs are shared by Equilon and its employees. The Businesses' allocated expense related to these plans was approximately \$1.2 million during the year ended December 31, 2001.

BASIN PIPELINE SYSTEM, RANCHO PIPELINE SYSTEM AND  
THE PERMIAN BASIN GATHERING SYSTEM  
TRANSPORTATION BUSINESS

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

December 31, 2001

7. New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 142 (Goodwill and Other Intangible Assets). This statement requires that goodwill no longer be amortized but should be tested for impairment at least on an annual basis. Other intangible assets are to be amortized over their useful life and reviewed for impairment in accordance with the provisions of SFAS No. 121 (Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of). Intangible assets with an indefinite useful life can no longer be amortized until its useful life becomes determinable. SFAS 142 is effective for fiscal years beginning after December 15, 2001, however, it does apply to any goodwill acquired in a business combination completed after June 30, 2001. The adoption of SFAS 142 did not have any impact to the Businesses.

In August 2001, the FASB issued SFAS 143 (Accounting for Obligations Associated with the Retirement of Long-Lived Assets). This statement requires the following: (a) an existing legal obligation associated with the retirement of a tangible long-lived asset be recognized as a liability when incurred and the amount of the liability be initially measured at fair value, (b) an entity recognize subsequent changes in the liability that result from the passage of time and revisions in either the timing or amount of estimated cash flows, and (c) upon initially recognizing a liability for an asset retirement obligation, an entity capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. SFAS 143 will be effective for financial statements issued for fiscal years beginning after June 15, 2002. The Businesses are currently evaluating the effects of this pronouncement.

In October 2001, the FASB issued SFAS 144 (Accounting for the Impairment or Disposal of Long-Lived Assets). This statement supersedes SFAS 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. The requirements of this statement provide that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. The scope of discontinued operations will be expanded to include all components of an entity with operations that can be distinguished from the rest of the entity and will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of this statement are effective for fiscal years beginning after December 15, 2001. The adoption of SFAS 144 did not have a significant impact on the Businesses.

8. Commitments and Contingencies

The Businesses lease certain real property, equipment and operating facilities under various operating leases. The Businesses also incur costs associated with leased land, rights-of-way, permits and regulatory fees, the contracts for which generally extend beyond one year but can be cancelled at any time should they not be required for operations. Future noncancellable commitments related to these items at December 31, 2001 were not significant.

Total lease expense incurred for 2001 was approximately \$0.5 million.

BASIN PIPELINE SYSTEM, RANCHO PIPELINE SYSTEM AND  
THE PERMIAN BASIN GATHERING SYSTEM  
TRANSPORTATION BUSINESS

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

December 31, 2001

The Businesses are subject to possible loss contingencies including actions or claims based on environmental laws, federal regulations, and other matters. While it is impossible to ascertain the ultimate legal and financial liability with respect to many such contingent liabilities and commitments, the Businesses have accrued amounts (undiscounted) related to certain such liabilities where the outcome is deemed both probable and reasonably measurable.

Similar to other companies in the crude oil transportation industry, the Businesses incur costs for preventive and corrective actions at facilities and those environmental costs of operations and remediation activities are accrued on a basis consistent with the accounting policy set forth in Note 2. The Businesses may be obligated to take remedial action as a result of the enactment of laws or the issuance of new regulations or to correct for the effects of the Businesses' actions on the environment. Most of the expenditures to fulfill these obligations relate to facilities where past operations followed practices and procedures that were considered appropriate under regulations, if any, existing at the time, but may now require investigatory or remedial work to adequately protect the environment or address new regulatory requirements. The Businesses have accrued \$1.1 million at December 31, 2001 for planned environmental remediation activities, and this accrual, in management's opinion, is appropriate based on existing facts and circumstances. Expensed environmental costs were approximately \$1 million for the year ended December 31, 2001.

9. Subsequent Event

Subsequent to December 31, 2001, Equilon entered into a purchase and sale agreement (the agreement) with Plains All American Pipeline, L.P. (PAA) to sell the Businesses for approximately \$305 million in cash, excluding direct acquisition and other costs. The sale excluded crude oil held in inventory for shippers and allowance oil inventory held for Equilon and other working capital items and branding rights, trademarks and other similar property. The sale closed on August 1, 2002.



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

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

The acquisition of certain businesses from Shell Pipeline Company ("Shell"), including its interests in the Basin Pipeline System, the Rancho Pipeline System and the Permian Basin Gathering System (the "Shell Acquisition"). The purchase price of approximately \$322.7 million is net of interest earned on the deposit and the settlement of pre-existing accounts receivable and inventory balances and purchase price adjustments as provided for in the amended purchase and sale agreement, and includes other transaction and closing costs. The acquisition closed on August 1, 2002 which was also the effective date. The acquisition will be accounted for using the purchase method of accounting.

The unaudited pro forma consolidated balance sheet as of June 30, 2002 and the unaudited pro forma statements of operations for the six months ended June 30, 2002 and the year ended December 31, 2001 are based upon the following, respectively:

- (1) The historical balance sheet of Plains All American Pipeline, L.P. at June 30, 2002.
- (2) The historical consolidated statement of operations of Plains All American Pipeline, L.P. for the six months ended June 30, 2002 and the historical combined statement of operations for the businesses acquired in the Shell Acquisition for the same period.
- (3) The historical consolidated statement of operations of Plains All American Pipeline, L.P. for the year ended December 31, 2001 and the historical combined statement of operations for the businesses acquired in the Shell Acquisition for the same period.

The unaudited pro forma consolidated financial statements are not necessarily indicative of the results of the actual or future operations or financial condition that would have been achieved had the transactions occurred at the dates assumed (as noted below). The unaudited pro forma consolidated financial statements should be read in conjunction with the notes thereto and the historical audited financial statements of Plains All American Pipeline, L.P. for the year ended December 31, 2001 and the unaudited interim financial statements for Plains All American Pipeline, L.P. for the six months ended June 30, 2002 as well as those for the businesses acquired in the Shell Acquisition, for the same periods.

The following unaudited pro forma consolidated statements of operations for the six months ended June 30, 2002 and the year ended December 31, 2001 have been prepared as if the transaction described above had taken place on January 1, 2001. The unaudited pro forma consolidated balance sheet at June 30, 2002 assumes the transaction was consummated on that date.

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

June 30, 2002

(in thousands)

	Plains All American Historical -----	Pro Forma Acquisition Adjustments -----	Plains All American As Adjusted -----
<b>CURRENT ASSETS</b>			
Cash and cash equivalents.....	\$ 5,792	\$ 288,243 (a) (288,243)(b)	\$ 5,792
Accounts receivable and other current assets.....	514,034	--	514,034
Inventory.....	67,289	(9,100)(b)	58,189
	-----	-----	-----
Total current assets.....	587,115	(9,100)	578,015
<b>PROPERTY AND EQUIPMENT</b>			
PROPERTY AND EQUIPMENT.....	685,636	322,700 (b)	1,008,336
Less allowance for depreciation and amortization.....	(60,320)	--	(60,320)
	-----	-----	-----
	625,316	322,700	948,016
	-----	-----	-----
<b>OTHER ASSETS</b>			
Pipeline linefill.....	58,242	--	58,242
Other.....	67,331	(15,750)(b)	51,581
	-----	-----	-----
	\$1,338,004	\$ 297,850	\$1,635,854
	=====	=====	=====
<b>CURRENT LIABILITIES</b>			
Accounts payable and other current liabilities.....	\$ 476,675	\$ 9,607 (b)	\$ 486,282
Due to affiliates.....	19,170	--	19,170
Short-term debt.....	57,847	--	57,847
	-----	-----	-----
Total current liabilities.....	553,692	9,607	563,299
<b>LONG-TERM LIABILITIES</b>			
Bank debt.....	381,591	288,243 (a)	669,834
Other long-term liabilities.....	4,785	--	4,785
	-----	-----	-----
Total liabilities.....	940,068	297,850	1,237,918
	-----	-----	-----
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>PARTNERS' CAPITAL</b>			
Common unitholders (31,915,939 units outstanding).....	405,031	--	405,031
Class B common unitholders (1,307,109 units outstanding)	19,389	--	19,389
Subordinated unitholders (10,029,619 units outstanding).	(40,005)	--	(40,005)
General partner.....	13,521	--	13,521
	-----	-----	-----
Total partners' capital.....	397,936	--	397,936
	-----	-----	-----
	\$1,338,004	\$ 297,850	\$1,635,854
	=====	=====	=====

See notes to unaudited pro forma consolidated financial statements

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES  
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

For the Six Months Ended June 30, 2002

(in thousands, except per unit data)

	Plains All American Historical -----	Shell Acquisition Historical -----	Pro Forma Acquisition Adjustments -----	Plains All American As Adjusted -----
REVENUES.....	\$3,530,670	\$25,838	\$(2,005)(d)	\$3,554,503
COST OF SALES AND OPERATIONS.....			(2,005)(d)	
	3,450,575	12,284	(1,383)(f)	3,459,471
	-----	-----	-----	-----
Gross Margin.....	80,095	13,554	1,383	95,032
	-----	-----	-----	-----
EXPENSES				
General and administrative.....	21,877	9,907	(7,061)(e)	24,723
Depreciation and amortization.....			(1,311)(g)	
	14,144	1,311	4,880 (h)	19,024
	-----	-----	-----	-----
Total Expenses.....	36,021	11,218	(3,492)	43,747
	-----	-----	-----	-----
OPERATING INCOME.....	44,074	2,336	4,875	51,285
Interest expense.....	(12,807)	--	(5,600)(c)	(18,407)
Interest and other income.....	(35)	--	--	(35)
	-----	-----	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS.....	\$ 31,232	\$ 2,336	\$ (725)	\$ 32,843
	=====	=====	=====	=====
INCOME FROM CONTINUING OPERATIONS-- LIMITED PARTNERS.....	\$ 29,356			\$ 30,935
	=====			=====
INCOME FROM CONTINUING OPERATIONS-- GENERAL PARTNER.....	\$ 1,876			\$ 1,908
	=====			=====
BASIC AND DILUTED INCOME FROM CONTINUING OPERATIONS PER LIMITED PARTNER UNIT...	\$ 0.68			\$ 0.72
	=====			=====
WEIGHTED AVERAGE UNITS OUTSTANDING.....	43,253			43,253
	=====			=====

See notes to unaudited pro forma consolidated financial statements

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES  
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

For the Twelve Months Ended December 31, 2001

(in thousands, except per unit data)

	Plains All American Historical -----	Shell Acquisition Historical -----	Pro Forma Acquisition Adjustments -----	Plains All American As Adjusted -----
REVENUES.....	\$6,868,215	\$59,690	\$ (2,266)(d)	\$6,925,639
COST OF SALES AND OPERATIONS.....			(2,266)(d)	
	6,720,970	26,226	(2,765)(f)	6,742,165
INVENTORY VALUATION ADJUSTMENT.....	4,984	--	--	4,984
	-----	-----	-----	-----
Gross Margin.....	142,261	33,464	2,765	178,490
EXPENSES				
General and administrative.....	46,586	16,571	(9,916)(e)	53,241
Depreciation and amortization.....			(2,375)(g)	
	24,307	2,375	9,759 (h)	34,066
	-----	-----	-----	-----
Total Expenses.....	70,893	18,946	(2,532)	87,307
	-----	-----	-----	-----
OPERATING INCOME.....	71,368	14,518	5,297	91,183
Interest expense.....	(29,082)	--	(17,865)(c)	(46,947)
Gain on sale of assets.....	984	--	--	984
Interest and other income.....	401	--	--	401
	-----	-----	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS.....	\$ 43,671	\$14,518	\$(12,568)	\$ 45,621
	=====	=====	=====	=====
INCOME FROM CONTINUING OPERATIONS-- LIMITED PARTNERS.....	\$ 41,742			\$ 43,653
	=====			=====
INCOME FROM CONTINUING OPERATIONS-- GENERAL PARTNER.....	\$ 1,929			\$ 1,968
	=====			=====
BASIC AND DILUTED INCOME FROM CONTINUING OPERATIONS PER LIMITED PARTNER UNIT.....	\$ 1.12			\$ 1.16
	=====			=====
WEIGHTED AVERAGE UNITS OUTSTANDING.	37,528			37,528
	=====			=====

See notes to unaudited pro forma consolidated financial statements

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Note 1--Pro Forma Adjustments

The pro forma adjustments are as follows:

- a. Reflects the net proceeds of borrowings under the bank credit facility to fund the Shell Acquisition at closing.
- b. Records the assets purchased in the Shell Acquisition based on the purchase method of accounting. The purchase price was \$322.7 million and consisted of (i) approximately \$304 million in cash of which \$15.7 million was paid as a deposit in May 2002, (ii) an estimated \$9.1 million related to the settlement of pre-existing inventory balances and (iii) the accrual of approximately \$9.6 million of other transaction and closing costs (See Note 2).
- c. Reflects the adjustment to interest expense for the increase in long term debt of \$304 million from a draw down on the credit facility using historical interest rates of 5.88% and 3.68% for the periods ended December 31, 2001 and June 30, 2002, respectively. The impact to interest expense of a 1/8% change in interest rates would be approximately \$0.4 million per year.
- d. Reflects the elimination of crude oil transportation revenues included in Shell's historical financial statements and the offsetting expense included in PAA's historical financial statements related to an existing contract whereby PAA transported crude oil on the assets acquired from Shell. On a pro forma basis, these transactions constitute intercompany activities and thus are eliminated in consolidation.
- e. Reflects the adjustment to general and administrative expenses relating to Shell's historical allocation of corporate overhead costs primarily related to payroll costs associated with corporate office management personnel including executives and other corporate office expenses. These costs for PAA's operation of the assets are already included in our historical results.
- f. Reflects the reduction of operating expenses related to certain field personnel which were not hired as part of the acquisition as well as the decreases in salaries and benefits associated with the remaining employees.
- g. To reverse historical depreciation as recorded by Shell.
- h. Reflects depreciation on the acquired assets based on the straight-line method of depreciation over an average useful life of 30 years. The increase over historical depreciation is due to the difference in Shell's historical book value versus the purchase price at fair value.

Note 2--Purchase Price Allocation

The Shell Acquisition presented in these pro forma statements has been accounted for using the purchase method of accounting and the purchase price has been allocated in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations". The purchase consists of the acquisition of certain businesses from Shell Pipeline Company, including its interests in the Basin

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED  
FINANCIAL STATEMENTS--(Continued)

Pipeline System, the Rancho Pipeline System and the Permian Basin Gathering System. The purchase price of approximately \$322.7 million is net of interest earned on the deposit and the settlement of pre-existing accounts receivable and inventory balances and purchase price adjustments as provided for in the amended purchase and sale agreement, and includes other transaction and closing costs. The acquisition closed on August 1, 2002 which was also the effective date. The total purchase price and its allocation are preliminary as the resolution of certain claims and the ultimate amount of transaction costs are based on estimates at this time. We do not expect the resolution of these items to have a material impact on the allocation presented below. The purchase price allocation, based on discounted cash flows which approximate fair value, is as follows (in thousands):

Crude oil pipeline assets....	\$248,900
Crude oil pipeline facilities	72,450
Land.....	1,000
Other property and equipment.	350
	-----
Total.....	\$322,700
	=====

## PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (the "Agreement"), is entered into effective the 2nd day of May 2002, by and between Shell Pipeline Company LP, a Delaware limited partnership (formerly known as Equilon Pipeline Company LLC) and Equilon Enterprises LLC dba Shell Oil Products US, a Delaware limited liability company (individually "Shell Pipeline" or "SOP US" and collectively "Seller") and Plains All American Pipeline, L. P. ("Buyer"), a Delaware limited partnership. Seller and Buyer are hereinafter sometimes referred to individually as a "Party" or collectively as the "Parties." Other definitions used in this Agreement are found in Annex A attached hereto and made a part hereof.

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

## Article 1

## Purchase and Sale

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

(1) The crude oil pipeline systems shown on Exhibits "A" and "A-1" through "A-4", attached hereto and made a part hereof (the "Pipelines");

(2) All of the partnership interests in Rancho Pipeline Holdings LP and Basin Pipeline Holdings LP (the "Companies"), including the general partners of each;

(3) All real property interests described and shown on Exhibits "B-1" through "B-4" attached hereto and made a part hereof ("Real Property");

(4) Rights-of-Way and Permits appurtenant to or associated with the Pipelines as further described on Exhibits "C-1" through "C-4", attached hereto and made a part hereof;

(5) The Assigned Contracts as further described on Exhibits "D-1" through "D-4" attached hereto and made a part hereof;

(6) Any and all pipe, pumps, motors, valves, fittings, miscellaneous equipment and facilities, and buildings associated with the Pipelines as further described on Exhibit "E-1" through "E-4" attached hereto and made a part hereof ("Equipment"); and

(7) Books and Records.

B. The Property shall not include any real or personal property interests described on the attached Exhibits "F-1" through "F-4" (the "Excluded Assets"). In particular, Seller is not selling to Buyer any of its allowance oil or other oil held in inventory for Seller in any of the Pipelines or in the assets of the Companies. For all of the Excluded Assets, Buyer grants Seller a sixty (60) day right of access, commencing on the Effective Date, to remove such assets, in a reasonable, safe and prudent manner, from the Property.

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

## Article 2

### Purchase Price

A. Price. The price to be paid by Buyer to Seller for the Property shall be three hundred fifteen million dollars (\$315,000,000.00) (the "Purchase Price") payable at Closing (as defined below) less the Earnest Money held by Seller, by wire transfer in immediately available funds to an account to be designated by Seller.

B. Earnest Money. As evidence of Buyer's ability to perform this Agreement and good faith intent to comply with the terms hereof, Buyer has deposited with Seller an amount equal to five percent (5%) of the Purchase Price as Earnest Money (hereinafter "Earnest Money"). The Earnest Money shall accrue interest at a per annum rate calculated on a daily basis using the three month treasury bill rate published in The Wall Street Journal for any applicable day (with the rate for any day for which a rate is not published being the rate most recently published). All references to Earnest Money shall include interest on the Earnest Money as calculated by using the preceding sentence.

If the transaction fails to close because any of the conditions to Closing in Section 3A. is not satisfied, Seller will refund the Earnest Money to Buyer and Buyer and Seller shall each be relieved of all further liability hereunder. Provided, however, if Buyer violates the terms of this Agreement and such violation is not cured by Buyer within 30 days following written notice of such violation from Seller to Buyer, Seller shall be entitled to retain the Earnest Money, as liquidated damages and not as a penalty.

Provided further, however, if Seller violates the terms of this Agreement and such violation is not cured by Seller within 30 days following written notice of such violation from Buyer to Seller, Seller shall return the Earnest Money to Buyer and shall also pay Buyer an additional fifteen million dollars (\$15,000,000.00), as liquidated damages and not as a penalty and Buyer and Seller shall each be relieved of all further liability hereunder. The Parties agree that if another owner in either of the Basin or Rancho pipeline systems attempts to delay Closing by claiming that it was owed a right of first refusal, Buyer will grant Seller a reasonable time to cure the delay.

## Article 3

### Closing

Closing shall take place on the first day of the month immediately following the month in which the waiting period(s) of the HSR Act expire at Seller's offices in Houston, Texas ("Closing"), or at such other time and place as agreed to in writing by the Parties. Control of operations, risk of loss, and transfer of title to the Property from Seller to Buyer shall be effective as of 7:00 a.m. local time on the Closing Date.



A. Conditions to Closing. Except as expressly waived by the Parties, the obligations of the Parties to close this transaction are subject to the complete satisfaction, prior to Closing, of each of the following conditions, which conditions the Parties intend to be conditions precedent to Seller's obligation to convey the Property and to Buyer's obligation to pay the Purchase Price:

(1) All representations and warranties of the Parties set forth in this Agreement shall be true in all material respects as of the Closing Date as if made on the Closing Date, and the Parties shall have performed all covenants and conditions required by this Agreement to be performed at or prior to Closing and shall have taken all other actions reasonably necessary to close this transaction.

(2) No Law shall exist or shall have been enacted restricting or substantially delaying this transaction.

(3) Neither Party shall have exercised any right it may have to terminate or refuse to close under this Agreement.

(4) If in the judgment of either Seller or Buyer, the pre-merger notification requirements of the HSR Act are applicable to this transaction, then both Seller and Buyer shall file with the Federal Trade Commission and the Department of Justice their respective Notification and Report Forms and any supplemental information, if any, and will comply with the requirements of the HSR Act. The respective obligations of the Parties to consummate this transaction are expressly made subject to satisfactory compliance with the HSR Act, including the expiration of any waiting period(s) required thereunder.

(5) If applicable, each Party shall have complied with the requirements of federal and state securities Laws.

(6) No Casualty Loss shall have occurred prior to Closing, unless Buyer notifies Seller that it is willing to close despite the Casualty Loss. The term "Casualty Loss" shall mean any single event of loss or damage to the Property or any portion thereof which causes a Material Adverse Environmental Condition or a Material Defect.

(7) Each Party shall have received a certificate, dated as of the Closing Date, signed by the other Party's Secretary or Assistant Secretary certifying the incumbency of the officers executing this Agreement on behalf of such Party and any documents to be executed and delivered by it at the Closing.

(8) Seller shall have executed and delivered to Buyer the Conveyance Documents.

(9) Seller shall have paid to Buyer the Seller's portion of the property Tax in accordance with Section 6.B.

B. If any condition or obligation of a Party has not been satisfied or waived, and Closing has not occurred by the close of business on the Closing Date, the Party to whom said obligation is owed may terminate this Agreement immediately upon the giving of written notice thereof to the Party owing such obligation. Buyer shall return all records, maps, files, papers, and other property of Seller then in its possession, and except as provided in Section 2(B), neither Party shall hereafter have any liability under this Agreement. This provision shall not, however, apply to limit the liability of a Party who has willfully caused termination hereof by any act or failure to act in violation of the terms and provisions of this Agreement.

## Article 4

### Allocation of Proceeds and Purchase Price

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

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

## Article 5

### Responsibility For Contractual Payments and Obligations

A. Seller shall be responsible for all rentals, contractual payments, compensation owed to employees, operating costs, expenses, fees, vendor and contractor invoices, billings, charges, assessments and other indebtedness and obligations arising from the ownership, operation, use or maintenance of the Property prior to the Effective Date. Buyer shall be responsible for all such payments and obligations arising from the ownership, operation, use or maintenance of the Property on and after the Effective Date. Seller shall be responsible for all Taxes arising from the ownership, operation, use or maintenance of the Property on or before the Closing Date, and Buyer shall be responsible for all Taxes arising from the ownership, operation or maintenance of the Property after the Closing Date. As of the Effective Date (or in the case of Taxes, after the Closing Date) Buyer shall assume and perform all obligations and implied covenants of Seller relating to the Property (whether such obligations are to a grantor, a governmental body or any other Person) to the extent the same are attributable to periods of time on and after the Effective Date (or in the case of Taxes, after the Closing Date), including, but not limited to, any obligations arising with respect to the abandonment, or removal (as the case may be) of any existing facilities, Pipeline, appurtenant or associated equipment or other personal property located on or included in the Property; provided, however, such assumed obligations shall exclude, and Seller agrees to retain and perform all obligations relating to the Property to the extent the same arise out of any Contracts which are not described on Exhibits "D-1" through "D-4" hereto, all obligations that relate to the Excluded Assets, and all obligations of Seller under Article 12 hereof. For clarification, the obligations of Seller under this Article 5 shall not be subject to or governed by Article 12 or Article 13.

B. To the extent utilities have not been placed in Buyer's name as of the Effective Date, charges and credits for water, electricity, sewage, gas, and all other utilities shall be adjusted and apportioned between Seller and Buyer through the Effective Date.

## Article 6

### Taxes and Related Matters

A. Cooperation. Buyer and Seller agree to furnish, or cause to be furnished, to each other, upon request, as promptly as practicable, such information and assistance relating to the Property as is reasonably necessary for the filing of all Tax returns, the preparation for any audit by any taxing authority, and the prosecution or defense of any Proceeding relating to any Tax return. Seller and Buyer shall cooperate with each other in the conduct of any audit or other Proceeding related to Taxes involving the Property and each shall execute and deliver such documents as are necessary to carry out the intent of this article. Seller and Buyer agree to file such reports, certificates or returns, and provide such evidence of the applicability of exemptions, as are reasonably requested by the other Party or are required under federal, state, local, foreign or other applicable law in order to reduce or eliminate any Taxes attributable to the transaction contemplated by this Agreement.

B. Property Taxes. For purposes of this Agreement, general property Taxes in respect to the ownership or use of the Property for the calendar year in which the Closing Date occurs shall be prorated between Buyer and Seller as of the Closing Date regardless of when such general property Taxes are actually billed and payable. At Closing, Seller shall pay to Buyer Seller's share of such general property Taxes attributable to the period on or prior to the Closing Date, using estimates to the extent such general property Taxes have not been billed or are not determinable as of the Closing Date (such estimates are to be based upon (i) such Taxes for the prior year and (ii) to the extent there were no such Taxes for the prior year for any portion of the Property, a fair market valuation of the portion of the Property for which there were no such Taxes for the prior year multiplied by the applicable property Tax rates for the prior year, except in either case that appraised values for the current year, regardless of whether final, and property Tax rates adopted for the current year shall be utilized to the extent available as of the Closing Date). Buyer shall actually pay to the taxing authority all general property Taxes for the year of Closing. Notwithstanding anything in this Agreement to the contrary, no further adjustment shall be made for such general property Taxes, and Buyer hereby agrees to assume the payment of all such general property Taxes effective upon Closing.

C. Documentary Transfer Taxes. Buyer shall pay and bear all documentary transfer Taxes that may be required in connection with the purchase and sale of the Property. Seller shall pay or indemnify Buyer for any such Taxes incurred in connection with the transfer of any Property by Seller to the Companies (which indemnity shall survive Closing and not be subject to any deductible or cap under this Agreement).

D. Other Transfer Taxes. Buyer shall pay and be responsible for any other applicable transfer Taxes incurred in connection with the purchase and sale of the Property, including, without limitation, any federal, state or local sales, use, or excise Taxes, whether levied on Seller or Buyer. Buyer shall be responsible for, and will file all necessary Tax returns and other documentation with respect to all such Taxes and remit, upon the request of Seller, copies of the portions of such returns relevant to this Agreement and any necessary documentation to Seller. Seller shall pay or indemnify Buyer for any such Taxes incurred in connection with the transfer of any Property by Seller to the Companies (which indemnity shall survive Closing and not be subject to any deductible or cap under this Agreement).

E. Confidential Tax Information. After giving full effect to Article 6A, notwithstanding anything to the contrary in this Agreement, neither Party shall be required at any time to disclose to the other Party, or to any other Person, absent legal constraint, any Tax return or other confidential Tax information.

F. Deferred Like-Kind Exchange Cooperation. If so requested by Seller, Buyer shall, at no cost or obligation to Buyer, reasonably cooperate in structuring and completing all or a portion of this transaction for Seller so as to effect a disposition of "relinquished property" in connection with a multiple party deferred like-kind exchange pursuant to Section 1031 of the Code. In particular, Buyer hereby consents to the assignment of an interest in the Property to a "qualified intermediary" prior to the Closing hereunder and the assignment by Seller to such "qualified intermediary" of Seller's right to receive the Purchase Price hereunder. Buyer, however, shall not be required to act as a "qualified intermediary." The terms "replacement property," "qualified intermediary," and "relinquished property" as used herein shall have the meanings ascribed to them in Treasury Regulations Section 1.1031(k)-1. Seller shall indemnify Buyer against any Claim arising out of any transaction or action incidental or related to the matters contemplated by this Section 6.F., which indemnity shall survive Closing. No transaction or action contemplated by this Section 6.F shall result in delaying the Closing to a date later than the date on which it otherwise would have occurred. Seller's indemnity under this Section 6.F shall not be subject to any deductible or cap notwithstanding any other provision of this Agreement.

G. Allocation of Taxable Income to Periods Before and After Closing Date. Seller (or if applicable a Person or Persons owning a direct or indirect interest in Seller) shall include in its federal Tax return, and its state Tax returns for those states that follow the federal rules, any item of income, gain, loss, deduction and credit with respect to activities of the Companies or Property on or prior to the Closing Date. Seller (or if applicable a Person or Persons owning a direct or indirect interest in Seller) shall pay or cause to be paid all Taxes shown as due (or required to be shown as due) on such Tax returns. Buyer shall include the income, gain, loss, deduction and credit with respect to activities of the Companies after the Closing Date, in either (i) its own federal income Tax return, and in its own state income Tax returns for those states that follow the federal rules or (ii) in federal and state income Tax returns filed by an affiliate or affiliates of Buyer. Seller shall make no election or otherwise take any action to cause the Companies to be treated as associations under Treasury Regulation sections 7701-2 and 7701-3, and shall pay, and indemnify Buyer for (which indemnity shall survive Closing and not be subject to any deductible or cap under this Agreement), any Taxes required to be paid by the Companies attributable to the treatment of either of the Companies as an association. Both the Buyer and Seller recognize that the Texas franchise privilege period pertaining to the Companies does not end at the Closing Date. Therefore, Seller will provide Buyer with all required Tax attributes pertaining to the period prior on or prior to the Closing Date for inclusion into the Tax return to be filed for the Companies by Buyer that includes such Tax attributes in the calculation of the franchise Tax. Seller will be responsible, and will reimburse Buyer, for all increased Taxes paid by Buyer or the Companies, relating to Tax attributes generated on or prior to the Closing Date in any such Texas franchise Tax return.

H. Sale of the Companies Treated as Asset Sale for Income Tax Purposes. The sale of the partnership interests in the Companies shall be treated for federal income tax purposes, and for state income tax purposes in those states that follow the federal rules, as a sale of the underlying assets of the Companies in exchange for the Purchase Price at the Closing Date.

I. Occasional Sale. This purchase and sale constitutes an isolated or occasional sale and is not subject to sales or use tax with any of the taxing authorities having jurisdiction over this transaction, and no sales tax need be collected by Seller from Buyer at Closing. Seller agrees to cooperate with Buyer in demonstrating the requirements for an isolated or occasional sale or that other sales tax exemptions have been met.

J. Certification of Non-Foreign Status. Seller shall provide to Buyer prior to Closing a certification of non-foreign status as described in Treasury Regulation section 1.1445-2(b)(2).

## Article 7

### Seller's Representations

Seller represents and warrants the following:

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

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

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

D. Shell Pipeline is a limited partnership and SOP US is a limited liability company, each duly organized, validly existing and in good standing under the Laws of the State of Delaware and duly qualified to carry on business in the states in which its business requires it to be qualified. The Companies will be limited partnerships duly organized and validly existing under the Laws of the State of Delaware. The Companies have not yet been organized, and will not, prior to the Closing, engage in any business activities or have any liabilities or assets other than the ownership interests in the Basin or Rancho pipeline systems that will be transferred to them in connection with this Agreement.

E. Seller has the power and authority necessary to enter into and perform this Agreement and the transaction contemplated hereby, and the execution, delivery and performance of this Agreement by Seller, and the transaction contemplated hereby, will not, with the passage of time or the giving of notice or both: (1) violate any provision of the formation documents of Seller, (2) violate any material agreement or instrument to which Seller is a party or by which Seller is bound, (3) violate any judgment, order, ruling or decree applicable to Seller as a party in interest, (4) violate any Law applicable to Seller or to this Agreement or (5) result in the creation or imposition of any Lien on any of the Property.

F. The execution, delivery, and performance by Seller of this Agreement and the consummation of the transaction contemplated hereby have been duly authorized by all requisite action on the part of Seller. This Agreement has been duly executed and delivered on behalf of Seller, and, at the Closing,

all documents and instruments required hereunder to be executed and delivered by Seller shall have been duly executed and delivered by Seller. This Agreement does, and such documents and instruments shall, constitute legal, valid and binding obligations of Seller enforceable in accordance with their terms, subject, however, to the effect of bankruptcy, insolvency, reorganization, moratorium and similar Laws from time to time in effect relating to the rights and remedies of creditors, as well as to general principles of equity (regardless of whether such enforceability is considered in a Proceeding in equity or at law).

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

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

I. Except as set forth in the Disclosure Schedule, to Seller's knowledge, Seller and the Companies have filed in a timely manner all required Tax returns related to the Property and the Companies have paid (except amounts being diligently contested in good faith by appropriate Proceedings and disclosed in Section 7I of the Disclosure Schedule) all required Tax or similar assessments arising from or related to the Property and the Companies, including any interest, penalties or additions attributable thereto. Except as set forth in the Disclosure Schedule, no Proceeding or other actions which are pending, threatened or open seek the assessment or collection of additional Taxes of any kind from Seller or the Companies specifically relating to any portion of the Property or the Companies, and no other examination by the Internal Revenue Service or any other taxing authority affecting any portion of the Property or the Companies is now pending. Taxes which Seller or the Companies are required by Law to withhold or collect in respect to the Property or the Companies have been withheld or collected and have been paid over to the proper Governmental Authorities or are properly held by Seller or the Companies for such payment when due and payable. The Companies each are and have at all times been treated (or, if not yet formed, will be treated) as disregarded entities under Treasury Regulation sections 7701-2 and 7701-3 and have not elected (or, if not yet formed, will not elect) to be treated as associations taxable as corporations under Treasury Regulation sections 7701-2 and 7701-3. None of the Property (including assets held or to be held by the Companies at Closing) constitutes an interest in a partnership for federal income tax purposes.

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

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

Disclosure Schedule, to Seller's knowledge, the Pipelines, Real Property, Rights of Way, and Equipment are free and clear of all Liens (except for Permitted Encumbrances) created by, through or under Seller, but not otherwise.

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

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

N. To Seller's knowledge, the disclosures by Seller in connection with the environmental insurance provided for under Article 12 are true and complete.

O. Shell Pipeline owns, or will own at Closing, title to 100% of the partnership interests in each of the Companies and such partnership interests will be assigned and transferred to Buyer at Closing free and clear of any encumbrance, security agreement, voting agreement, restriction, preferential right, lien or charge of any kind or character.

#### Article 8

##### Covenants of Seller

Seller covenants with Buyer that in addition to the manner in which Articles 5, 6, 7 and 12 of this Agreement would otherwise apply, the provisions of Articles 5, 6, 7 and 12 shall be applied to the assets and liabilities of the Companies without regard to their separate existence and shall be interpreted and applied as if such separate existence did not exist.

#### Article 9

##### Buyer's Representations

Buyer represents the following:

A. EXCEPT AS SET FORTH HEREIN, BUYER HAS CONDUCTED OR WILL CONDUCT ITS OWN EVALUATION OF THE PHYSICAL CONDITION OF THE PROPERTY AND IS ACQUIRING THE PROPERTY ON AN "AS IS", "WHERE IS" BASIS, PURSUANT TO BUYER'S INDEPENDENT INSPECTIONS, ESTIMATES, COMPUTATIONS, REPORTS, STUDIES, AND EVALUATIONS OF THE PREMISES. FURTHER, BUYER ACKNOWLEDGES THAT THE PROPERTY HAS BEEN USED FOR THE TRANSPORTATION OF CRUDE OIL OR PETROLEUM/REFINED PRODUCTS, OR BOTH AND MAY HAVE BEEN THE SUBJECT OF ONE OR MORE RELEASES OF CRUDE OIL OR PETROLEUM/REFINED PRODUCTS, OR BOTH AS A RESULT OF ITS USE.

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

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

D. Buyer assumes the risk of any transfer restrictions, renegotiation requirements or expiration of any easements, licenses, Rights-of-Way, Permits, franchises or other agreements applicable to the Property. Seller agrees to cooperate, including the execution of customary documents, substantially in the form attached hereto as Exhibit "M", with Buyer's efforts to obtain the necessary consent, renewal or reissuance of same.

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

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

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

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

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

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



Company Act of 1935, as amended or (3) a "foreign person" within the meaning of Section 1445 of the Code.

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

#### Article 10

##### Pre-Acquisition Review

A. During the period commencing on the date of this Agreement and ending thirty (30) days prior to Closing (the "Review Period"), Buyer and its Affiliates and the employees, agents and consultants of either shall have the right to do the following, at Buyer's expense and with the cooperation and assistance of Seller, subject to Buyer's executed confidentiality agreement ("Confidentiality Agreement"), and also subject to Buyer supplying to Seller, at least thirty (30) days prior to Closing, copies of any reports and/or assessments prepared by Buyer or its Affiliates or the consultants of either, concerning the condition of the Property:

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

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

Buyer shall not have the right to perform any phase II environmental assessments.

B. Except as required by Law, all information acquired by Buyer in any inspection, inventory, study, or examination of the Property, and the results of any analysis thereof, shall be kept confidential by Buyer from anyone other than Seller or Buyer's representatives in accordance with Buyer's executed Confidentiality Agreement.

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

D. Except as hereinafter provided, Buyer shall have the option of terminating this Agreement by providing written notice to Seller on or before the last day of the Review Period, in the event Buyer determines during the Review Period that the Property is subject to any: (1) Material Adverse Environmental Condition, or (2) Material Defect. To be effective, any such notice shall specifically identify and describe the basis for such termination, and shall include substantiating evidence thereof. Minor deviations in the location of a pipeline relative to a defined right-of-way in an easement or encroachments on the right of way shall not be deemed to constitute a Material Defect for purposes of this Agreement.

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

F. Notwithstanding the above, if Buyer can provide substantiating evidence that the Property is subject to Material Adverse Environmental Conditions or Material Defects that, when totaled together, would expose Buyer to costs to remedy or cure, or the potential for exposure for claims, damages, penalties assessments or costs in excess of ten percent (10%) of the Purchase Price, Buyer, in its sole discretion, may terminate this Agreement.

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

## Article 11

### Title

A. At Closing, Seller shall grant, transfer, assign, convey, and deliver to Buyer or the Companies, and Buyer shall accept from Seller, by means of a Special Warranty Deed, and other Conveyance Documents, good and marketable title to the Property, free and clear at Closing of any lawful claims of any third party claiming by, through or under Seller, but not otherwise.

B. This Agreement is expressly conditioned upon Buyer's approval of Seller's title to, ownership of, interest in, and right to possess the Property. During the period commencing on the date of this Agreement and ending twenty (20) days before Closing ("Title Examination Period"), Buyer and its Affiliates and their employees, agents and contractors shall have full access to and the right (subject to the executed Confidentiality Agreement) to examine all of Seller's records relating to the Property, including but not limited to, those listed on Exhibits "C-1" through "C-4" attached hereto, for all purposes related to this transaction.

C. On or before the last day of the Title Examination Period, Buyer shall give Seller written notice of the land and property interests included in the Property which have a Significant Title Defect. Minor deviations in the location of a Pipeline, relative to a defined Right-of-Way in an easement, shall not be deemed to constitute a Significant Title Defect for purposes of this Agreement. If any

Significant Title Defect cannot be or is not cured by Seller during the period commencing upon the date of this Agreement and ending on or before the Effective Date, Buyer may, at its election: (1) terminate this Agreement without further obligation or liability by giving written notice to Seller any time prior to Closing; (2) offer to acquire the Property, including the portion affected by the Significant Title Defect, subject to the terms of this Agreement, but at a reduced Purchase Price, which offer Seller may accept or reject in its sole discretion; or (3) acquire the Property, including the portion affected by the Significant Title Defect, without adjustment to the Purchase Price.

## Article 12

### Seller's Responsibility for Claims Relating to the Property

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

(1) (a) Ongoing Remediation Sites. Seller agrees to retain full responsibility for all costs, including capital, operating and maintenance costs, incurred in connection with (i) any investigation or monitoring of Environmental Conditions or (ii) any clean-up, remedial, removal or restoration work of those Environmental Conditions, either of which is ongoing on the Closing Date and that is required by any federal, state or local governmental agency or political subdivision with applicable jurisdiction because of the presence, suspected presence, release or suspected release of a Hazardous Substance in the air, soil, surface water, or groundwater on or emanating from the Property (hereinafter the "Ongoing Remedial Work"). The Ongoing Remedial Work is listed in Section 12A. of the Disclosure Statement. The performance of Ongoing Remedial Work will be by the Seller, in the name of the Seller. The Seller will obtain all necessary licenses, manifests, permits and approvals to perform such work. All Ongoing Remedial Work and the disposal of all waste generated by the Ongoing Remedial Work will be performed in accordance with all applicable Laws. Buyer grants to Seller, at no cost to Seller, ingress, egress, access to and use of lands (including land farming activities) and utilities, including but not limited to, electricity and water, as needed by Seller to complete any of the remedial activities described in Section 12A. (1)(a). Seller's responsibility for sites listed in Section 12A of the Disclosure Schedule shall terminate upon Seller's receipt from the applicable regulatory agency of one of the following: (i) concurrence that remediation efforts are complete and the site may be closed; (ii) No Further Action Required letter; or (iii) concurrence with the results of Seller's Risk Based Corrective Action Plan. For releases that were less than the regulatory reporting threshold at the time of the release, Seller's responsibility for these sites would terminate when laboratory results indicate contamination concentrations are below agency clean up requirements. Seller will conduct all communications concerning Seller's remediation activities with all regulatory agencies having jurisdiction. Seller will provide Buyer copies of all correspondence with the applicable regulatory agency concerning Seller's active remediation sites, but Buyer is prohibited from communicating with the regulatory agency concerning Seller's remediation activities.

(b) Subsequent Spill on Ongoing Remediation Site. Should Buyer have a reportable release that adversely impacts or affects Seller's Ongoing Remedial Work, then Seller will transfer to Buyer the net present value of the unexpended dollars remaining in the budgeted amount as listed in Section 12A of the Disclosure Schedule for the specific Ongoing Remedial Work at the site where Buyer's release occurred. Buyer shall thereafter assume full responsibility for the Ongoing Remedial Work at the specific site along with the remediation of Buyer's own

release. Buyer shall immediately indemnify Seller for anything relating to the particular Ongoing Remedial Work under Sections 13A.(2) or 13C.

(2) Environmental Insurance. Seller will provide Buyer (at Seller's expense) with an environmental insurance policy which will provide the following coverages: (i) On-Site Clean Up of Unknown Pre-Existing Conditions (Coverage A), (ii) Third Party claims for On-Site Bodily Injury and Property Damage arising from Unknown Pre-Existing Conditions (Coverage C), (iii) Off-Site Clean Up of Unknown Pre- Existing Conditions (Coverage D) and (iv) Third Party claims for Off-Site Bodily Injury and Property Damage arising from Unknown Pre-Existing Conditions (Coverage F). The Buyer (and its general partner and Affiliates) as well as the Seller will be named as named insureds under such policy. The limit of liability will be \$70,000,000 each incident/coverage section aggregate, with a deductible of \$100,000 each incident aggregated at \$1,000,000 and having a \$10,000 maintenance deductible each incident thereafter. In addition, the policy will include environmental cost cap insurance to include coverage for Clean-Up costs from identified pollutants within the Remediation Plan and pollutants different than those in the Remediation Plan with a limit of \$5,000,000 each incident and in the aggregate applying to the Ongoing Remedial Work for the benefit of Seller. The policies will have a ten (10) year coverage term, with policy inception being the transaction closure date. Specific coverage details may be reviewed within the insurance policy provided at or within a reasonable period prior to Closing. A specimen of such policy is attached hereto as Exhibit L.

(3) Post Closing Assessment. Buyer is prohibited (for purposes of this Agreement) from conducting post closing environmental assessments, except in those cases where a reasonably prudent pipeline operator, not afforded the indemnities and insurance provided in this Agreement, would conduct such assessments in the ordinary course of business or where required by a regulatory agency having jurisdiction as a result of a post Closing release on the Property. Should Buyer conduct a post Closing environmental assessment (i) which is not in accordance with the provisions of the environmental insurance policy referred to in Section 12A(2) of this Agreement, (ii) in a case where a reasonably prudent pipeline operator, not afforded the indemnities and insurance provided in this Agreement, would not conduct such an assessment in the ordinary course of business or (iii) where not required by a regulatory agency having jurisdiction as a result of a post Closing release on the Property, the Buyer shall indemnify, defend, and hold harmless the Buyer Indemnitees from any and all Claims arising out of such post Closing environmental assessment.

B. SELLER'S GENERAL INDEMNITY OF BUYER. TO THE FULLEST EXTENT PERMITTED BY LAW, BUT NO FURTHER, SELLER SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS BUYER AND ITS AFFILIATES, AND THE DIRECTORS, OFFICERS, SHAREHOLDERS, OWNERS, EMPLOYEES, TENANTS, CONTRACTORS, ATTORNEYS, AGENTS, SUCCESSORS AND ASSIGNS OF ANY OF THEM ("SELLER INDEMNITEES"), FROM ANY AND ALL LOSSES, LIABILITIES, LIENS, ENCUMBRANCES, DAMAGES, JUDGMENTS, DEMANDS, SUITS, CLAIMS, ASSESSMENTS, CHARGES, FINES, PENALTIES, OR EXPENSES, INCLUDING ATTORNEYS' FEES AND OTHER COSTS OF LITIGATION WHICH RESULT FROM INJURIES TO OR DEATH OF ANY PERSONS, OR DAMAGES TO PROPERTY OF ANY KIND OR CHARACTER WHICH OCCUR PRIOR TO THE EFFECTIVE DATE AND WHICH ARISE OUT OF, IN CONNECTION WITH, OR RESULT FROM: (1) THE OWNERSHIP, POSSESSION, OPERATION, USE OR MAINTENANCE OF THE PROPERTY BY SELLER BEFORE THE EFFECTIVE DATE; OR (2) THE MATERIAL BREACH BY SELLER OF ANY OF ITS OBLIGATIONS OR REPRESENTATIONS HEREUNDER. SUCH

INDEMNIFICATION SHALL APPLY EVEN THOUGH THE INDEMNIFIED EVENT OR OCCURRENCE ARISES FROM OR IS CAUSED BY THE CONCURRENT OR CONTRIBUTORY NEGLIGENCE, OR BOTH (WHETHER ACTIVE OR PASSIVE OR OF ANY KIND OR NATURE) OR FAULT OF BUYER, BUT SUCH INDEMNIFICATION SHALL NOT APPLY IF CAUSED BY THE GROSS NEGLIGENCE OF BUYER. THIS PARAGRAPH SHALL NOT APPLY TO ANY ENVIRONMENTAL LIABILITIES.

C. LIMITATION ON INDEMNITIES. (1) EXCLUDING THE INDEMNITIES REFERENCED IN CLAUSE (2) BELOW, THE INDEMNITIES CONTAINED IN SECTION 12B. SHALL APPLY TO MATTERS ACCRUING OR ARISING PRIOR TO THE EFFECTIVE DATE FOR WHICH SELLER HAS RECEIVED NOTICE FROM BUYER WITHIN THREE (3) YEARS AFTER THE EFFECTIVE DATE AND ARE SUBJECT TO A FIVE HUNDRED THOUSAND DOLLAR (\$500,000.00) DEDUCTIBLE PER CLAIM TO BE PAID BY BUYER AND A TOTAL AGGREGATE CAP OF ALL AMOUNTS TO BE PAID BY SELLER OF TWENTY-FIVE MILLION DOLLARS (\$25,000,000.00). EXCEPT WITH REGARD TO THE INDEMNITIES REFERENCED IN CLAUSE (2) BELOW AND MATTERS COVERED BY ARTICLE 6, SELLER SHALL NOT BE LIABLE TO ANY PERSON OR COMBINATION OF PERSONS UNDER SECTION 12B. FOR MORE THAN TWENTY-FIVE MILLION DOLLARS (\$25,000,000.00) NOR SHALL SELLER HAVE ANY LIABILITY UNDER SECTION 12B. FOR ANY CLAIM FOR WHICH SELLER HAS NOT RECEIVED NOTICE FROM BUYER WITHIN THE THREE (3) YEAR PERIOD FOLLOWING THE EFFECTIVE DATE.

(2) THE INDEMNITIES CONTAINED IN SECTION 12B. FOR LOSSES, LIABILITIES, LIENS, ENCUMBRANCES, DAMAGES, JUDGMENTS, DEMANDS, SUITS, CLAIMS, ASSESSMENTS, CHARGES, FINES, PENALTIES OR EXPENSES WHICH RESULT FROM INJURIES TO OR DEATH OF ANY PERSONS SHALL APPLY TO MATTERS ACCRUING OR ARISING PRIOR TO THE EFFECTIVE DATE FOR WHICH SELLER HAS RECEIVED NOTICE FROM BUYER AT ANY TIME FOLLOWING THE EFFECTIVE DATE AND ARE SUBJECT TO A CUMULATIVE DEDUCTIBLE OF FIVE MILLION DOLLARS (\$5,000,000) TO BE PAID BY BUYER.

(3) FOR PURPOSES OF THIS AGREEMENT, SECTIONS 12B. AND 12C. SHALL NOT APPLY TO ANY CLAIM FOR PERSONAL INJURY OR DEATH THAT IS COVERED BY THE INSURANCE PROVIDED PURSUANT TO SECTION 12A.(2).

D. Buyer's Participation in Legal Process. Buyer shall have the right at all times to participate in the preparation for and conducting of any hearing or trial related to the provisions of this Article 12B for which it would receive indemnification, as well as the right to appear on its own behalf at any such hearing or trial. Any such participation or appearance by Buyer shall be at its sole cost and expense.

### Article 13

#### Buyer's Responsibility for Claims Relating to the Property

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

(1) Future Remediation Sites. Regardless of when the release causing the Environmental Condition occurred, Buyer agrees to accept full responsibility for (i) any investigation or monitoring of Environmental Conditions or (ii) any clean-up, remedial, removal or restoration

work of those Environmental Conditions, if any, either of which may be necessary on or after the Effective Date and required by any federal, state or local governmental agency or political subdivision with applicable jurisdiction because of the presence, suspected presence, release or suspected release of Hazardous Substances in the air, soil, surface water, or groundwater on or emanating from the Property (hereinafter the "Future Remedial Work"). With regard to any Environmental Condition attributable to a post-closing release, Buyer shall pay all costs, including capital, operating and maintenance costs. With regard to any Environmental Condition attributable to a pre-closing release, the environmental insurance described in 12A.(2) shall apply. The performance of any Future Remedial Work will be by the Buyer, in the name of Buyer. The Buyer will obtain all necessary licenses, manifests, permits and approvals to perform such work. All Future Remedial Work and the disposal of all waste generated by the Future Remedial Work will be in accordance with all applicable Laws. Except as otherwise provided in this Agreement, Buyer does not assume any responsibility for Ongoing Remedial Work as that work is set out in Section 12 A(1) above.

(2) ENVIRONMENTAL INDEMNITY. BUYER HEREBY AGREES TO INDEMNIFY, DEFEND AND HOLD SELLER AND ITS AFFILIATES AND THE DIRECTORS, OFFICERS, SHAREHOLDERS, OWNERS, EMPLOYEES, TENANTS, CONTRACTORS, ATTORNEYS, AGENTS, SUCCESSORS AND ASSIGNS OF ANY OF THEM ("BUYER INDEMNITEES") HARMLESS FROM ANY CLAIMS (INCLUDING WITHOUT LIMITATION THIRD PARTY CLAIMS FOR PERSONAL INJURY, INCLUDING EXPOSURE, OR REAL OR PERSONAL PROPERTY DAMAGE), ACTIONS, ADMINISTRATIVE PROCEEDINGS (INCLUDING INFORMAL PROCEEDINGS), JUDGMENTS, DAMAGES, PUNITIVE DAMAGES, PENALTIES, FINES, COSTS, LIABILITIES (INCLUDING SUMS PAID IN SETTLEMENT OF CLAIMS), INTEREST OR LOSSES, CONSULTANT FEES, ATTORNEYS' FEES AND EXPERT FEES THAT ARISE DIRECTLY OR INDIRECTLY FROM OR AS A RESULT OF THE EXISTENCE OF ENVIRONMENTAL CONDITIONS ACCRUING OR ARISING ON OR AFTER THE EFFECTIVE DATE OR A VIOLATION OF APPLICABLE ENVIRONMENTAL LAW IN CONNECTION WITH THE OPERATION OF THE PIPELINES BY BUYER ON OR AFTER THE EFFECTIVE DATE. THIS SECTION 13A.(2) SHALL SURVIVE IN PERPETUITY FROM AND AFTER THE EFFECTIVE DATE.

B. BUYER'S GENERAL INDEMNITY OF SELLER. TO THE FULLEST EXTENT PERMITTED BY LAW, BUT NO FURTHER, BUYER SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS SELLER AND ITS AFFILIATES AND THE DIRECTORS, OFFICERS, SHAREHOLDERS, OWNERS, EMPLOYEES, TENANTS, CONTRACTORS, ATTORNEYS, AGENTS, SUCCESSORS AND ASSIGNS OF ANY OF THEM ("BUYER INDEMNITEES") FROM ANY AND ALL LOSSES, LIABILITIES, LIENS, ENCUMBRANCES, DAMAGES, JUDGMENTS, DEMANDS, SUITS, CLAIMS, ASSESSMENTS, CHARGES, FINES, PENALTIES, OR EXPENSES (INCLUDING ATTORNEYS' FEES AND OTHER COSTS OF LITIGATION), WHICH RESULT FROM INJURIES TO OR DEATH OF ANY PERSONS, OR DAMAGES TO PROPERTY OF ANY KIND OR CHARACTER WHICH OCCUR ON OR AFTER THE EFFECTIVE DATE AND WHICH ARISE OUT OF, IN CONNECTION WITH, OR RESULT FROM: (1) THE OWNERSHIP, POSSESSION, OPERATION, USE OR MAINTENANCE OF THE PROPERTY BY BUYER ON AND AFTER THE EFFECTIVE DATE; OR (2) THE MATERIAL BREACH BY BUYER OF ANY OF ITS OBLIGATIONS OR REPRESENTATIONS HEREUNDER. SUCH INDEMNIFICATION SHALL APPLY EVEN THOUGH THE INDEMNIFIED EVENT OR OCCURRENCE ARISES FROM OR IS CAUSED BY THE CONCURRENT OR CONTRIBUTORY NEGLIGENCE, OR

BOTH (WHETHER ACTIVE OR PASSIVE OR OF ANY KIND OR NATURE) OR FAULT OF SELLER, BUT SUCH INDEMNIFICATION SHALL NOT APPLY IF CAUSED BY THE GROSS NEGLIGENCE OF SELLER. THIS PARAGRAPH SHALL NOT APPLY TO ENVIRONMENTAL LIABILITIES AS SET OUT IN SECTION 13A.(2). THIS SECTION 13B. SHALL SURVIVE IN PERPETUITY FROM AND AFTER THE EFFECTIVE DATE.

C. BUYER'S FURTHER INDEMNITY. EXCEPT AS OTHERWISE PROVIDED HEREIN, BUYER FURTHER AGREES TO INDEMNIFY, DEFEND AND HOLD BUYER INDEMNITEES HARMLESS FROM ANY CLAIMS (INCLUDING WITHOUT LIMITATION THIRD PARTY CLAIMS FOR PERSONAL INJURY, INCLUDING EXPOSURE, DEATH OR REAL OR PERSONAL PROPERTY DAMAGE) ACTIONS, ADMINISTRATIVE PROCEEDINGS, [INCLUDING INFORMAL PROCEEDINGS] JUDGMENTS, DAMAGES, COSTS, LIABILITIES (INCLUDING SUMS PAID IN SETTLEMENT OF CLAIMS) INTEREST OR LOSSES, CONSULTANT FEES, ATTORNEYS' FEES AND EXPERT FEES (1) FOR WHICH SELLER DID NOT RECEIVE NOTIFICATION AS REQUIRED BY SECTION 12C(1) WITHIN THREE (3) YEARS AFTER THE EFFECTIVE DATE, OR (2) WHICH ARE WITHIN BUYER'S PER CLAIM DEDUCTIBLE SET FORTH IN SECTION 12C(1), OR (3) WHICH ARE WITHIN BUYER'S CUMULATIVE DEDUCTIBLE SET FORTH IN SECTION 12C(2), OR (4) WHICH ARE COVERED BY SECTION 12C(1) AND ARE IN EXCESS OF SELLER'S AGGREGATE CAP SET OUT IN SECTION 12.C(1). THIS SECTION 13C. SHALL SURVIVE IN PERPETUITY FROM AND AFTER THE EFFECTIVE DATE.

D. NO PUNITIVE DAMAGES. THE FOREGOING INDEMNITIES BY BUYER UNDER THIS ARTICLE 13 SHALL NOT COVER OR INCLUDE ANY PUNITIVE DAMAGES, PENALTIES OR FINES.

E. Seller's Participation in Legal Process. Seller shall have the right at all times to participate in the preparation for and conduction of any hearing or trial related to the provisions of this Article 13 for which it would receive indemnification, as well as the right to appear on its own behalf at any such hearing or trial. Any such participation or appearance by Seller shall be at its sole cost and expense.

#### Article 14

##### Claims Procedure

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

A. In the event that any Claim for which an Indemnifying Party would be liable to an Indemnified Party hereunder is asserted against or sought to be collected from such Indemnified Party by a Third Person, such Indemnified Party shall, within forty-five (45) calendar days of the receipt thereof, give notice (the "Claim Notice") to the Indemnifying Party of such Claim specifying the nature of and specific basis for such Claim and the estimated amount thereof, to the extent then feasible, which estimate shall not be binding upon the Indemnified Party in its effort to collect the final amount of such Claim. The failure to give any such notice shall not affect the rights of the Indemnified Party to indemnification hereunder unless the Indemnified Party has proceeded to contest, defend or settle the

Claim with respect to which it has failed to give prior notice to the Indemnifying Party. Additionally, to the extent the Indemnifying Party is prejudiced thereby, the failure to so notify the Indemnifying Party of any such Claim shall relieve the Indemnifying Party from liability that it may have to the Indemnified Party under the indemnification provisions contained in Article 12 or Article 13, as applicable, but only to the extent of the loss directly attributable to such failure to notify and shall not relieve the Indemnifying Party from any liability that it may have to the Indemnified Party otherwise.

B. The Indemnifying Party shall be given the opportunity, at its cost and expense, to contest and defend, by all appropriate legal Proceedings, any Claim with respect to which it is called upon to indemnify the Indemnified Party under the provisions of this Agreement; provided, however, that notice of the intention to so contest and defend shall be delivered by the Indemnifying Party to the Indemnified Party within thirty (30) calendar days following receipt of the Claim Notice. If the Indemnifying Party does not give notice to the Indemnified Party of its election to contest and defend any such Claim within such period then the Indemnifying Party shall be bound by the result obtained with respect thereto by the Indemnified Party and shall be responsible for all costs incurred in connection therewith. The Claim which the Indemnifying Party elects to contest and defend may be conducted in the name and on behalf of the Indemnifying Party or the Indemnified Party as may be appropriate. Such Claim shall be conducted by counsel employed by the Indemnifying Party who shall be reasonably satisfactory to the Indemnified Party and the Indemnified Party shall have the right to participate in such Claim and to be represented by counsel of its own choosing at its own cost and expense. If the Indemnified Party joins in any such Claim, the Indemnifying Party shall have full authority to determine all action to be taken with respect thereto; provided that if the Indemnifying Party reserves its rights with respect to its indemnification obligations under this Agreement as to such Claim, then the Indemnified Party shall have full authority to determine all action to be taken with respect thereto. At any time after the commencement of defense of any Claim, the Indemnifying Party may request the Indemnified Party to agree in writing to the abandonment of such contest or to the payment or compromise by the Indemnifying Party of the asserted Claim provided the Indemnifying Party agrees in writing to be solely liable for all Losses relating to such Claim, whereupon such action shall be taken unless the Indemnified Party determines that the contest should be continued and notifies the Indemnifying Party in writing within fifteen (15) calendar days of such request from the Indemnifying Party. In the event that the Indemnified Party determines that the contest should be continued, the amount for which the Indemnifying Party would otherwise be liable hereunder shall not exceed the amount which the Indemnifying Party had agreed to pay in payment or consideration of such Claim, provided the other Party to the contested Claim had agreed in writing to accept such amount in payment or compromise of the Claim as of the time the Indemnifying Party made request therefor to the Indemnified Party, and further provided that under such proposed compromise, the Indemnified Party would be fully and completely released from any further liability or obligation with respect to the matters which are the subject of such contested Claim.

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

D. If any Indemnified Party should have a Claim against the Indemnifying Party hereunder that does not involve a Claim being asserted against or sought to be collected from it by a Third Person, the Indemnified Party shall send a Claim Notice with respect to such Claim to the Indemnifying Party. If



the Indemnifying Party disputes such Claim, such dispute shall be resolved in the manner set forth in Article 35 hereof.

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

F. Upon payment of the amount of any loss, liability, lien, encumbrance, damage, judgment, demand, suit, claim, assessment, charge, fine, penalty or expense (including attorneys' fees and other costs of litigation) by the Buyer pursuant to this Agreement, the Seller shall assign to the Buyer and subrogate the Buyer to, without payment of any further consideration, all rights and remedies of the Seller in respect of the payment and shall provide all reasonable cooperation and assistance required by the Buyer in making and prosecuting a claim for recovery against any Person to the extent that payment is made by Buyer. Seller may not take any action to impair any such right or remedy of Buyer to recover any such payment made by Buyer. By way of clarification, the provisions of this Section 14F shall apply (without limitation) to amounts paid by Buyer pursuant to Articles 5, 13, 14 and 15.

#### Article 15

##### Incidental Contamination and NORM

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

#### Article 16

##### Tariffs and Allocation of Carrier Obligations and Proceeds

A. Buyer agrees that, for a Pipeline which has tariffs on file with a regulatory agency, it will either adopt the Seller's tariff or file its own to be effective as of the Effective Date, if required by law to do so. If there is a protest regarding Seller's cancellation of its tariff, as between Seller and Buyer, Buyer will manage and direct the response to the protest with Seller's cooperation. Seller will be responsible for all regulatory agency and Third Person contacts.

B. The Pipelines contain crude oil which is held for the account of shipper(s). It is understood that title to the contents of the Pipelines will remain with the shipper(s) and that Buyer assumes the obligation to handle such contents in accordance with applicable published tariff provisions. Further, to

the extent that such crude oil has been tendered for shipment in the Pipelines under an applicable published tariff, but not yet delivered, Buyer shall receive that crude oil for transportation in accordance with applicable published tariffs.

#### Article 17

##### Segregations

Buyer will continue the following segregation activities at Wasson and Hendrick stations for a period of ten (10) years after the Closing at no cost to Seller or any of its Affiliates.

A. Wasson Segregation: Tanks No. 340 and 818 at Wasson Station shall be segregated and shall only receive crude commonly known as high gravity sour crude from the Wasson Gathering System and the Northwest Seminole System. The gravity of this crude is currently 34 deg API or greater. If nominated in a sufficient quantity by a shipper, the crude shall be batched to Basin via the Wasson to Jal line and batched on the Basin pipeline for delivery at Cushing.

B. Hendrick Segregation: Tank No. 256 shall be segregated to receive crude from the TXL gathering system via Wheeler to the Hendrick pipeline system. The crude which shall continue to be segregated at Hendrick is commonly referred to as low sulfur sour crude. If nominated by a shipper, the crude shall be delivered to Plains All American's Wink Station via the Shell Pipeline 6/8" pipeline which is one of the Pipelines being sold in this transaction.

C. If neither Seller nor any Affiliate of Seller utilizes the segregated tank capacity under clause A or B above for a period of 12 consecutive months, then the rights granted to Seller under such clause A or B (as applicable) shall terminate.

#### Article 18

##### Cooperation

From the date of this Agreement, the Parties shall execute and deliver such additional documents and shall use all Reasonable Efforts: (1) to take or cause to be taken all such actions as may be necessary or advisable to close and make effective this transaction, (2) upon the request of Buyer, after Closing, Seller shall assist in obtaining consents from Third Persons which are necessary or appropriate to transfer any portion of the Property, (3) upon the request of Buyer, assist Buyer in arranging meetings with managerial and supervisory personnel and employees of Seller engaged in the business conducted in connection with the Property for the purposes of Buyer describing employment opportunities with Buyer and Buyer determining to whom it may elect to submit employment offers, such assistance to include the distribution of notices prepared by Buyer notifying the employees and/or the collective bargaining representatives of the time, date and location of such meetings, (4) upon request by Buyer, to assist Buyer in making presentations to the Texas Railroad Commission regarding the extension of the time periods for any required testing of the pipelines included in the Property by making available for attendance at such meetings the appropriate personnel with the requisite level of knowledge about such pipelines, (5) upon request by Buyer, to assist Buyer in contacting, following the expiration of the Review Period, the other owners of the Basin and Rancho pipeline systems for the purposes of facilitating Buyer succeeding to Seller's status as operator, and (6) upon or after the Closing, upon request of Buyer to resign as operator of the Basin and Rancho pipeline systems. It shall

be Buyer's responsibility to obtain all governmental and Third Person consents and approvals necessary for the issuance, reissuance or transfer of environmental and land use permits, applications, Rights -of-Way, authorities to construct, Permits to operate, authorizations and licenses used or held by Seller or otherwise required in connection with the ownership, operation, use and maintenance of the Property. After Closing, each Party, at the request of the other Party, and without additional consideration, shall execute and deliver, from time to time, such additional documents of conveyance and transfer as may be necessary to accomplish the orderly transfer of the Property to Buyer in the manner contemplated in this Agreement.

#### Article 19

##### Survival of Provisions

All representations and warranties, covenants of the Parties and the indemnification obligations of the Parties set forth in this Agreement shall survive the Closing.

#### Article 20

##### Costs and Expenses

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

#### Article 21

##### Risk of Loss

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

#### Article 22

##### Joint Venture, Partnership and Agency

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

#### Article 23

##### Files and Records

Not later than sixty (60) calendar days after Closing, Seller shall deliver to Buyer originals of the files, records, documents and data referred to in Section 1.A.7. If this transaction is not closed as to any portion of the Property, all originals or copies of files, records and documents referred to in Section 1.A.7, obtained from Seller in connection with the exercise of Buyer's Pre-Acquisition Review, and related solely to that portion of the Property not transferred as contemplated herein, shall be returned to Seller within five (5) calendar days after Closing.

## Article 24

### Publicity

Seller and Buyer shall, and each shall use its reasonable efforts to cause its Affiliates to, cooperate in the development and distribution of all news releases and other public disclosures, irrespective of the form of communication, relating to the proposed transaction described in this Agreement, and to ensure that no such releases or disclosures are made without prior notice to, and the prior written consent of, the other Party; provided, however, no news release or other disclosure whatsoever may disclose the terms of this Agreement unless both Parties agree to the form and content of such disclosure, including electronic communications, each being under no obligation to agree and having the right to withhold agreement for any reason; provided, however, that either Party may make all disclosures which, in the written opinion of counsel, are required under applicable Law, including, but not limited to, regulations of the Securities and Exchange Commission, with the Party making the disclosure giving the other Party as much advance notice thereof as is feasible.

## Article 25

### Recording and Filing

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

## Article 26

### Confidentiality

Seller and Buyer (and their respective Affiliates) each acknowledge that the information and material, in whatever form, including, but not limited to, this Agreement and the Exhibits, Annex and Disclosure Schedule (collectively, the "Confidential Information") disclosed or made available to it by, and relating to the other (and its Affiliates) prior to the Effective Date is confidential. Seller and Buyer (and their respective Affiliates) each further agree that it shall use reasonable efforts not to make disclosure of the Confidential Information to any Person, irrespective of the form of communication, other than its members or owners, officers, employees, advisers and representatives to whom such disclosure is necessary or convenient for (i) the completion of the transaction contemplated by this Agreement, (ii) as required to convey title, (iii) as required by Law, including regulations of the Securities and Exchange Commission (iv) in an arbitration proceeding as described in Article 35 or (v) as may be required by a court of competent jurisdiction. Seller and Buyer (and their respective Affiliates) shall each appropriately notify each officer, employee, adviser and representative to whom any such disclosure is made, that such disclosure is made in confidence and shall be kept in confidence.

Article 27

Notices

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

Buyer's Address:

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

Seller's Address:

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

With a copy to:

Plains All American Pipeline, L.P.  
333 Clay Street, Suite 1600  
Houston, Texas 77002  
Attn: Lawrence J. Dreyfuss  
Telephone: (713) 646-4143  
Fax: (713) 646-4216

Article 28

Time of Performance

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

Article 29

Entire Agreement

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

Article 30

Assignment

Buyer may not sell, assign, transfer, or convey, option, mortgage, pledge or hypothecate its rights and obligations hereunder to any Third Person without the prior written consent of Seller, which consent shall not be unreasonably withheld, other than the pre-existing security agreements in favor of the lenders under Buyer's senior secured credit facility which do not have a detrimental effect on

Seller. Upon any authorized sale, assignment, transfer, conveyance, option, mortgage, pledge or hypothecation hereunder, all of the terms, covenants and conditions of this Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of Buyer, but Buyer shall remain liable for the performance of its obligations hereunder. In connection with Closing, Buyer shall have the right to designate one or more of its Affiliates to be the transferee under the Conveyance Documents.

#### Article 31

##### Crude Oil Inventory

The Pipelines will be gauged at 7:00 a.m. local time on the Effective Date, at which time the custody of all shippers' oil will be transferred to Buyer, and Buyer shall become responsible to each shipper for oil in Buyer's custody. The inventory will be determined by the inventory determination procedure contained in Exhibit "K" attached hereto and the quantity and quality of the crude oil in Seller's possession shall be accurately set forth on the final shipper's statements. At the time of the transfer of custody of the shippers' oil, Seller shall become a shipper of any allowance oil or other oil held in inventory for Seller which remains in the Pipelines on the Effective Date.

#### Article 32

##### Applicable Law

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

#### Article 33

##### Headings

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

Article 34

Exhibits

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

Annex A	Definitions
Exhibits "A" & "A-1-A-4"	Pipelines
Exhibits "B-1-B-4"	Real Property
Exhibits "C-1-C-4"	Rights-of Way and Permits
Exhibits "D-1-D-4"	Assigned Contracts
Exhibits "E-1-E-4"	Equipment
Exhibits "F-1-F-4"	Excluded Assets
Exhibit "G"	Purchase Price Allocation
Exhibit "H"	Assignment [Partial Assignment]
Exhibit "I"	Special Warranty Deed
Exhibit "J"	Bill of Sale
Exhibit "K"	Inventory Determination Procedure
Exhibit "L"	Specimen Insurance Policy
Exhibit "M"	Form of Consent to Assignment

Disclosure Schedule

Article 35

Dispute Resolution

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

Article 36

Other Provisions

A. Transition Services. Seller will assist and cooperate with Buyer in order to effectuate an orderly transition. Upon Buyer's request, and at Buyer's expense, Seller will provide transition services, to the extent it can perform these services requested by Buyer, including services relating to the operatorship of the Basin or Rancho pipeline systems if Buyer encounters problems in succeeding to Seller's position as operator of those systems for a period not to exceed six (6) months. The transition services shall include monitoring and control services, joint interest accounting services, field operations as needed, and such other services as may be reasonably requested by Buyer which can

be performed by Seller. At the Closing Seller and Buyer shall execute an agreement covering such transition services, which agreement shall be in form and content reasonably satisfactory to Seller and Buyer.

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

Buyer shall not destroy or otherwise dispose of any records, files and other data acquired hereunder for a period of three (3) years following the Closing (except as to Tax records for which the period shall be the applicable statute of limitations) except upon thirty (30) days prior written notice to Seller. During such periods, Buyer shall make such records, files and other data available to Seller or its authorized representatives for any business, legal or technical need in a manner which does not unreasonably interfere with Buyer's business operations.

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

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

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

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

SHELL PIPELINE COMPANY LP

/s/ Stacy Methvin  
By: \_\_\_\_\_  
Title: President

EQUILON ENTERPRISES LLC DBA  
SHELL OIL PRODUCTS US

/s/ Rob J. Routs  
By: \_\_\_\_\_  
Title: President

PLAINS ALL AMERICAN PIPELINE, L. P.  
By Plains AAP, L. P.  
Its General Partner  
By Plains All American GP LLC  
Its General Partner

/s/ Harry N. Pefanis  
By: \_\_\_\_\_  
Title: President