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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

OR

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

Commission file number: 1-14569

PLAINS ALL AMERICAN PIPELINE, L.P.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

76-0582150  
(I.R.S. Employer  
Identification No.)

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

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

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

At August 8, 2001, there were outstanding 27,015,939 Common Units, 1,307,190  
Class B Common Units and 10,029,619 Subordinated Units.

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PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES  
TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	----
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Balance Sheets:	
June 30, 2001 and December 31, 2000.....	3
Consolidated Statements of Income:	
For the three and six months ended June 30, 2001 and 2000.....	4
Consolidated Statements of Cash Flows:	
For the six months ended June 30, 2001 and 2000.....	5
Consolidated Statement of Partners' Capital:	
For the six months ended June 30, 2001.....	6
Notes to Consolidated Financial Statements.....	7
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	15
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.....	23
PART II. OTHER INFORMATION.....	24

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

	JUNE 30, 2001	DECEMBER 31, 2000
	----- (UNAUDITED)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,054	\$ 3,426
Accounts receivable and other current assets	439,547	347,698
Inventory	125,852	46,780
	-----	-----
Total current assets	566,453	397,904
	-----	-----
PROPERTY AND EQUIPMENT		
Less allowance for depreciation and amortization	624,893	467,619
	(36,651)	(26,974)
	-----	-----
	588,242	440,645
	-----	-----
OTHER ASSETS		
Pipeline linefill	41,525	34,312
Other	17,612	12,940
	-----	-----
	\$1,213,832	\$885,801
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 423,305	\$328,542
Due to affiliates	17,997	20,951
Short-term debt and current portion of long-term debt	96,527	1,300
	-----	-----
Total current liabilities	537,829	350,793
	-----	-----
LONG-TERM LIABILITIES		
Bank debt	372,580	320,000
Other long-term liabilities and deferred credits	1,017	1,009
	-----	-----
Total liabilities	911,426	671,802
	-----	-----
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
PARTNERS' CAPITAL		
Common unitholders (27,015,939 and 23,049,239 units outstanding at June 30, 2001 and December 31, 2000 respectively)	303,323	217,073
Class B common unitholders (1,307,190 units outstanding)	20,341	21,042
Subordinated unitholders (10,029,619 units outstanding)	(32,699)	(27,316)
General partner	11,441	3,200
	-----	-----
Total partners' capital	302,406	213,999
	-----	-----
	\$1,213,832	\$885,801
	=====	=====

See notes to consolidated financial statements.

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

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
REVENUES	\$1,586,617	\$1,481,834	\$3,106,741	\$3,484,341
COST OF SALES AND OPERATIONS	1,550,230	1,449,060	3,037,624	3,415,015
Gross Margin	36,387	32,774	69,117	69,326
EXPENSES				
General and administrative	15,041	7,949	24,030	16,575
Depreciation and amortization	6,503	4,661	11,173	14,799
Total expenses	21,544	12,610	35,203	31,374
OPERATING INCOME	14,843	20,164	33,914	37,952
Interest expense	(8,101)	(6,150)	(14,707)	(15,308)
Gain on sale of assets	-	-	-	48,188
Interest and other income	325	3,049	367	10,531
Income before extraordinary item and cumulative effect of accounting change	7,067	17,063	19,574	81,363
Extraordinary item	-	(11,002)	-	(15,147)
Cumulative effect of accounting change (Note 5)	-	-	508	-
NET INCOME	\$ 7,067	\$ 6,061	\$ 20,082	\$ 66,216
NET INCOME - LIMITED PARTNERS	\$ 6,794	\$ 5,874	\$ 19,483	\$ 64,826
NET INCOME - GENERAL PARTNER	\$ 273	\$ 187	\$ 599	\$ 1,390
BASIC AND DILUTED NET INCOME PER LIMITED PARTNER UNIT				
Income before extraordinary item and cumulative effect of accounting change	\$ 0.19	\$ 0.49	\$ 0.54	\$ 2.32
Extraordinary item	-	(0.32)	-	(0.43)
Cumulative effect of accounting change	-	-	0.02	-
Net income	\$ 0.19	\$ 0.17	\$ 0.56	\$ 1.89
WEIGHTED AVERAGE UNITS OUTSTANDING	35,685	34,386	35,039	34,386

See notes to consolidated financial statements.

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

	SIX MONTHS ENDED JUNE 30,	
	2001	2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 20,082	\$ 66,216
Items not affecting cash flows from operating activities:		
Depreciation and amortization	11,173	14,799
Gain on the sale of assets	-	(48,188)
Cumulative effect of accounting change	(508)	-
Change in derivative fair value	652	-
Other noncash items	5,741	4,712
Change in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable and other current assets	(85,477)	162,125
Inventory	(77,119)	2,493
Accounts payable and other current liabilities	81,424	(207,607)
Due to affiliates	(2,947)	-
Pipeline linefill	-	(929)
Other long-term liabilities and deferred credits	-	(29)
	-----	-----
Net cash used in operating activities	(46,979)	(6,408)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid in connection with acquisitions	(160,584)	-
Additions to property and equipment and other assets	(9,412)	(5,548)
Proceeds from sales of assets	1,077	223,859
	-----	-----
Net cash provided by (used in) investing activities	(168,919)	218,311
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (to) from affiliates	-	(18,029)
Proceeds from long-term debt	1,114,780	443,050
Proceeds from short-term debt	193,150	45,250
Payment of subordinated debt - general partner	-	(114,000)
Principal payments of long-term debt	(1,061,200)	(485,900)
Principal payments of short-term debt	(98,345)	(100,969)
Costs incurred in connection with financing arrangements	(7,972)	(6,500)
Proceeds from issuance of units	106,209	-
Distributions to unitholders	(33,096)	(26,973)
	-----	-----
Net cash provided by (used in) financing activities	213,526	(264,071)
	-----	-----
Net increase (decrease) in cash and cash equivalents	(2,372)	(52,168)
Cash and cash equivalents, beginning of period	3,426	53,768
	-----	-----
Cash and cash equivalents, end of period	\$ 1,054	\$ 1,600
	=====	=====

See notes to consolidated financial statements.

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL  
(in thousands)  
(unaudited)

	COMMON UNITS		CLASS B COMMON UNITS		SUBORDINATED UNITS		GENERAL PARTNER	TOTAL PARTNERS' CAPITAL
	UNITS	AMOUNT	UNITS	AMOUNT	UNITS	AMOUNT	AMOUNT	AMOUNT
Balance at December 31, 2000	23,049	\$217,073	1,307	\$21,042	10,030	\$(27,316)	\$ 3,200	\$213,999
Issuance of units	3,967	98,640	-	-	-	-	2,878	101,518
Noncash compensation expense	-	-	-	-	-	-	5,741	5,741
Distributions	-	(21,608)	-	(1,225)	-	(9,403)	(860)	(33,096)
Other comprehensive income	-	(3,941)	-	(205)	-	(1,575)	(117)	(5,838)
Net income	-	13,159	-	729	-	5,595	599	20,082
Balance at June 30, 2001	27,016	\$303,323	1,307	\$20,341	10,030	\$(32,699)	\$11,441	\$302,406

See notes to consolidated financial statements.

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

Note 1 -- Organization and Accounting Policies

We are a Delaware limited partnership that was formed in September, 1998 to acquire and operate the midstream crude oil business and assets of Plains Resources Inc. and its wholly owned subsidiaries. On November 23, 1998, we completed our initial public offering and the transactions whereby we became the successor to the business of the midstream subsidiaries of Plains Resources. Our operations are conducted through Plains Marketing, L.P., All American Pipeline, L.P. and Plains Marketing Canada, L.P. The terms "Plains All American" and the "Partnership" herein refer to Plains All American Pipeline, L.P. and its affiliated operating partnerships. We are engaged in interstate and intrastate transportation, marketing, and terminalling of crude oil. Our operations are conducted primarily in Texas, California, Oklahoma, Louisiana, the Gulf of Mexico and the Canadian Provinces of Alberta and Saskatchewan.

The accompanying financial statements and related notes present our consolidated financial position as of June 30, 2001 and December 31, 2000; the results of our operations for the three and six months ended June 30, 2001 and 2000; cash flows for the six months ended June 30, 2001 and 2000; and changes in partners' capital for the six months ended June 30, 2001. The financial statements have been prepared in accordance with the instructions to interim reporting as prescribed by the Securities and Exchange Commission ("SEC"). All adjustments consisting only of normal recurring adjustments that, in the opinion of management, were necessary for a fair statement of the results for the interim periods, have been reflected. All significant intercompany transactions have been eliminated. Certain reclassifications have been made to prior period amounts to conform with current period presentation. The results of operations for the three and six months ended June 30, 2001 should not be taken as indicative of the results to be expected for the full year. The interim financial statements should be read in conjunction with our consolidated financial statements and notes thereto presented in our 2000 Annual Report on Form 10-K.

Note 2 -- Transfer of Our General Partner

On June 8, 2001, Plains All American Inc., our former general partner and a wholly owned subsidiary of Plains Resources Inc., sold a portion of its ownership in our partnership to an investor group including, among others, affiliates of Kayne Anderson Capital Advisors, EnCap Investments, Strome Investment Management, James C. Flores and our current management for aggregate consideration of approximately \$155.2 million.

In connection with this transaction, a new entity jointly owned by the investor group and Plains Resources Inc. became our general partner and assumed all of the general partner's rights and obligations under our partnership agreement. The investor group purchased approximately 5.2 million subordinated units from an affiliate of Plains Resources Inc. As a result of this transaction and our recent equity offering, Plains Resources' effective ownership in us has been reduced to approximately 33% from approximately 54%. Plains Resources has agreed to make available to our management group an additional 2% of the general partner interest on substantially the same terms as the other investors.

Note 3 -- Equity Offering

On May 31, 2001, we completed a public offering of 3,750,000 common units. Additionally, on June 22, 2001, we issued another 216,700 units pursuant to the underwriter's overallotment option. Total net cash proceeds from the offering (which aggregates to 3,966,700 units), including our general partner's proportionate contribution, were approximately \$100.7 million and were used to repay borrowings under our revolving credit facility, a portion of which were used to finance the Murphy Acquisition (see Note 6).

Note 4 -- Derivative Instruments and Hedging Activities

On January 1, 2001, we adopted Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS 137 and SFAS 138. Under SFAS 133, all derivative instruments are recorded on the balance sheet at fair value. If the derivative does not qualify as a hedge or is not designated as a hedge, the gain or loss on the derivative is recognized currently in earnings. To qualify for hedge accounting, the derivative must qualify either as a fair value hedge, cash flow hedge or foreign currency hedge. As of June 30, 2001, our transactions consisted of only cash flow and foreign currency hedges (which are defined as fair value hedges) and the remaining discussion will relate exclusively to these types of derivative instruments. If the derivative qualifies for cash flow hedge accounting, the gain or loss on the derivative is deferred in accumulated Other Comprehensive Income ("OCI"), a

component of Partners' Capital, to the extent the hedge is effective. Fair value hedge gains or losses are taken directly to earnings in the current period.

The relationship between the hedging instrument and the hedged item must be highly effective in achieving the offset of changes in cash flows attributable to the hedged risk both at the inception of the contract and on an ongoing basis. Hedge accounting is discontinued prospectively when a hedge instrument becomes ineffective. Gains and losses deferred in OCI related to cash flow hedges that become ineffective remain unchanged until the related product is delivered. If it is determined that it is probable that a hedged forecasted transaction will not occur, deferred gains or losses on the hedging instrument are recognized in earnings immediately.

Gains and losses on hedging instruments related to OCI and adjustments to carrying amounts on hedged volumes are included in revenues in the period that the related volumes are delivered. Gains and losses of hedging instruments, which represent hedge ineffectiveness, are included in earnings in the period in which they occur.

We utilize various derivative instruments, for purposes other than trading, to hedge our exposure to price fluctuations on crude in storage and expected purchases, sales and transportation of crude oil. The derivative instruments consist primarily of futures and option contracts traded on the New York Mercantile Exchange. We also utilize interest rate collars to manage the interest rate exposure on our long-term debt and foreign currency hedges to manage exchange rate exposure.

On January 1, 2001, in accordance with the transition provisions of SFAS 133, we recorded a loss of \$8.3 million in OCI representing the cumulative effect of an accounting change to recognize at fair value all cash flow derivatives. We also recorded a noncash gain of \$0.5 million in earnings as a cumulative effect adjustment.

At June 30, 2001, a \$5.8 million unrealized loss was recorded to OCI together with related assets and liabilities of \$6.9 million and \$12.9 million, respectively. Earnings included a non-cash gain of \$0.2 million related to the ineffective portion of our cash flow hedges, as well as the gain/loss on our fair value hedges (included in revenues in the income statement). Our hedge-related assets and liabilities are included in other current assets and other current liabilities in the balance sheet.

As of June 30, 2001, the total amount of deferred net losses on derivative instruments recorded in OCI are expected to be reclassified to earnings during the next twelve-month period. At June 30, 2001 we had the following open crude oil hedge positions:

	2001		2002	
	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr
Volume (bbls)				
Short positions	812,000	-	-	-
Long positions	-	762,000	132,000	250,000
Average price (\$/bbl)	\$25.13	\$26.84	\$27.28	\$25.56

At June 30, 2001, we had an interest rate collar arrangement to protect interest rate fluctuations on a portion of our outstanding debt for an aggregate notional principal amount of \$125.0 million. This instrument is based on LIBOR rates and provides for a floor of 6.1% and a ceiling of 8.0% with an expiration date of August 2002.

During the second quarter of 2001, gains of \$0.5 million were relieved from OCI and the fair value of open positions decreased \$2.7 million. Additionally, certain derivative positions were terminated prior to maturity. As such, a \$5.8 million loss related to all positions (open and closed hedges) was recorded in OCI at June 30, 2001.

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

#### Note 5 -- Comprehensive Income

Comprehensive income includes net income and certain items recorded directly to Partners' Capital and classified as OCI. Following the adoption of SFAS 133, we recorded a charge to OCI of \$8.3 million related to the change in fair value



of certain derivative financial instruments that qualified for cash flow hedge accounting. The following table reflects comprehensive income for the six months ended June 30, 2001 (in thousands of dollars):

Total Comprehensive Income at January 1, 2001	\$ -
Cumulative effect of change in accounting principle	(8,337)
Reclassification adjustment for settled contracts	6,791
Changes in fair value of open hedging positions	(4,340)
Currency translation adjustment	48
	-----
Other Comprehensive Income at June 30, 2001	(5,838)
Net income for the six months ended June 30, 2001	20,082
	-----
Total Comprehensive Income at June 30, 2001	\$14,244
	=====

#### Note 6 -- Acquisitions

##### Murphy Oil Company Ltd. Midstream Operations

In May 2001, we closed the acquisition of substantially all of the crude oil pipeline, gathering, storage and terminalling assets of Murphy Oil Company Ltd. for approximately \$161 million in cash ("the Murphy Acquisition"), including financing and transaction costs. The purchase included \$7.2 million for excess inventory in the pipeline systems. The principal assets acquired include approximately 450 miles of crude oil and condensate transmission mainlines and associated gathering and lateral lines, approximately 1.1 million barrels of crude oil storage and terminalling capacity located primarily in Kerrobert, Saskatchewan, approximately 200,000 barrels of pipeline linefill, an inactive 108-mile mainline system and 121 trailers used primarily for crude oil transportation. We have reactivated the 108-mile mainline system and began shipping volumes in May of 2001.

Murphy has agreed to continue to transport production from fields previously delivering crude oil to these pipeline systems, under a new long-term contract. The current volume is approximately 11,000 barrels per day. The pipeline systems transport approximately 200,000 barrels per day of light, medium and heavy crudes, as well as condensate.

The Murphy Acquisition has been accounted for using the purchase method of accounting and the purchase price was allocated in accordance with Accounting Principles Board Opinion No. 16, Business Combinations, ("APB 16") as follows (in thousands):

Crude oil pipeline, gathering and terminal assets	\$150,182
Pipeline linefill	7,602
Net working capital items	1,953
Other property and equipment	487
Other assets, including debt issue costs	360
	-----
Total	\$160,584
	=====

##### Pro Forma Results for the Murphy Acquisition

The following unaudited pro forma data is presented to show pro forma revenues, net income and basic and diluted net income per limited partner unit for the partnership as if the Murphy Acquisition and the equity offering discussed in Note 3 had occurred on January 1, 2000 (in thousands):

	SIX MONTHS ENDED JUNE 30,	
	2001	2000
Revenues	\$3,268,006	\$3,819,106
Income before extraordinary item and cumulative effect of accounting change	\$ 23,629	\$ 83,468
Net income	\$ 24,137	\$ 68,321
Basic and diluted income before extraordinary item and cumulative effect of accounting change per limited partner unit	\$ 0.65	\$ 2.38
Basic and diluted net income per limited partner unit	\$ 0.67	\$ 1.94

#### CANPET Energy Group Inc.

In July 2001, we acquired the assets of CANPET Energy Group Inc. ("CANPET"), a Calgary-based Canadian crude oil and liquefied petroleum gas marketing company, for approximately \$42.0 million plus excess inventory at the closing date of approximately \$25 million. Approximately \$24.0 million of the purchase price, plus the excess inventory, was paid in cash at closing and the remainder, which is subject to certain performance standards, will be paid in common units in April 2004 if such standards are met. CANPET activities include gathering approximately 75,000 barrels per day of crude oil and marketing approximately 26,000 barrels per day of natural gas liquids. Tangible assets include a crude oil handling facility, a 130,000-barrel tank facility and working capital of approximately \$8.6 million. Financing for the acquisition was provided through borrowings under our bank credit facility.

#### Note 7 -- Credit Agreements

In May 2001, we entered into new amended and restated credit facilities that replaced our existing credit facilities. Our credit facilities currently consist of:

- a \$630.0 million senior secured revolving credit and term loan facility, which is secured by substantially all of our assets. The facility consists of a \$500.0 million domestic revolving facility (with a \$10.0 million letter of credit sublimit), a \$30.0 million Canadian revolving facility (with a \$5.0 million letter of credit sublimit) and a \$100.0 million term loan. The facility matures, as to the aggregate \$530.0 million domestic and Canadian revolver portions, in April, 2005 and, as to the \$100.0 million term portion, in May, 2006. On the revolver portions, no principal is scheduled for payment prior to maturity; however, if we issue privately-placed or public debt, the net proceeds of such debt must be used to repay then-outstanding loans under the domestic revolver, and with the repayment and depending on the amount of net proceeds, the domestic revolver commitment will be reduced by 40% to 50% of its original amount. The term portion of this facility has four scheduled annual payments of principal, commencing May 4, 2002, in the respective amounts of 1%, 7%, 8% and 8% of the original term principal amount, with the remaining principal balance scheduled for payment on the stated maturity date of May 5, 2006. If any part of the term portion is prepaid prior to its first anniversary, a 1% premium will be due on that portion. The revolving credit and term loan facility bears interest at our option at either the base rate, as defined, plus an applicable margin, or LIBOR plus an applicable margin, and further, the Canadian revolver may effectively bear interest based upon bankers' acceptance rates. We incur a commitment fee on the unused portion of the revolver portion of this credit facility.
- A \$200.0 million senior secured letter of credit and borrowing facility, the purpose of which is to provide standby letters of credit to support the purchase and exchange of crude oil and other specified petroleum products for resale and borrowings to finance crude oil inventory and other specified petroleum products that have been hedged against future price risk. The letter of credit facility is secured by substantially all of our assets and has a sublimit for cash borrowings of \$100.0 million to purchase crude oil and other petroleum products that have been hedged against future price risk and to fund margin requirements under NYMEX contracts used to facilitate our hedging activities. The letter of credit facility expires in April, 2004. Aggregate availability under the letter of credit facility for direct borrowings and letters of credit is limited to a borrowing base that is determined monthly based on certain of our current assets and current liabilities, primarily inventory and accounts receivable and accounts payable related to the purchase and sale of crude oil and other specified petroleum products.

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

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

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

- . a current ratio (as defined) of 1.0 to 1.0;
- . a debt coverage ratio which is not greater than 4.75 to 1.0 through September 29, 2001, 4.50 to 1 from September 30, 2001 through June 29, 2002, 4.25 to 1.0 from June 30, 2002 through December 30, 2002 and 4.0 to 1.0 thereafter;
- . an interest coverage ratio which is not less than 2.75 to 1.0; and
- . a debt to capital ratio of not greater than 0.73 to 1.0 prior to December 31, 2002 and 0.65 to 1.0 thereafter.

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

#### Note 8 -- Distributions

On February 14, 2001 we paid a cash distribution of \$0.4625 per unit on our outstanding common units, Class B units and subordinated units. The distribution was paid to unitholders of record on February 7, 2001 for the period October 1, 2000 through December 31, 2000. The total distribution paid was approximately \$16.3 million, with approximately \$7.5 million paid to our public unitholders and the remainder paid to our prior general partner for its limited and general partner interests. The distribution was in excess of the minimum quarterly distribution specified in the Partnership Agreement.

On May 15, 2001, we paid a cash distribution of \$0.475 per unit on our outstanding common units, Class B units and subordinated units. The distribution was paid to unitholders of record on May 3, 2001 for the period January 1, 2001 through March 31, 2001. The total distribution paid was approximately \$16.8 million, with approximately \$7.7 million paid to our public unitholders and the remainder to our prior general partner for its limited and general partner interests.

On July 24, 2001 we declared a cash distribution of \$0.50 per unit on our outstanding common units, Class B units and subordinated units. The distribution is payable on August 14, 2001 to holders of record on August 3, 2001. The total distribution to be paid is approximately \$19.9 million, with approximately \$13.5 million to be paid to our common unitholders, \$0.7 million to our Class B common unitholders, \$5.0 million to our subordinated unitholders, and the remainder to be paid to our general partner for its general partner interests.

#### Note 9 -- Operating Segments

Our operations consist of two operating segments: (1) Pipeline Operations - engages in interstate and intrastate crude oil pipeline transportation and related merchant activities; and (2) Gathering, Marketing, Terminalling and Storage Operations - engages in purchases and resales of crude oil at various points along the distribution chain and the leasing of terminalling and storage facilities.

(IN THOUSANDS) (UNAUDITED)	PIPELINE	MARKETING, GATHERING, TERMINALLING & STORAGE	TOTAL
<b>THREE MONTHS ENDED JUNE 30, 2001</b>			
Revenues:			
External Customers	\$ 91,815	\$ 1,494,802	\$ 1,586,617
Intersegment (a)	5,166	1,245	6,411
Other revenue	-	325	325
Total revenues of reportable segments	\$ 96,981	\$ 1,496,372	\$ 1,593,353
Segment gross margin (b)	\$ 18,699	\$ 17,688	\$ 36,387
Segment gross profit (c)	17,668	9,298	26,966
Income allocated to reportable segments (d)	10,929	1,758	12,687
Noncash compensation expense	n/a	n/a	5,620
Income before extraordinary item and cumulative effect of accounting change	n/a	n/a	\$ 7,067
Total assets	451,887	761,945	1,213,832
<b>THREE MONTHS ENDED JUNE 30, 2000</b>			
Revenues:			
External Customers	\$ 106,520	\$ 1,375,314	\$ 1,481,834
Intersegment (a)	6,083	-	6,083
Other	2,706	343	3,049
Total revenues of reportable segments	\$ 115,309	\$ 1,375,657	\$ 1,490,966
Gain on sale of assets			
Segment gross margin (b)	\$ 12,759	\$ 20,015	\$ 32,774
Segment gross profit (c)	12,093	12,732	24,825
Income allocated to reportable segments	10,718	6,345	17,063
Noncash compensation expense	n/a	n/a	-
Income before extraordinary item and cumulative effect of accounting change	n/a	n/a	\$ 17,063
Total assets	319,558	499,750	819,308
<b>SIX MONTHS ENDED JUNE 30, 2001</b>			
Revenues:			
External Customers	\$ 179,853	\$ 2,926,888	\$ 3,106,741
Intersegment (a)	8,475	1,245	9,720
Other revenue	-	367	367
Total revenues of reportable segments	\$ 188,328	\$ 2,928,500	\$ 3,116,828
Segment gross margin (b)	\$ 32,591	\$ 36,526	\$ 69,117
Segment gross profit (c)	31,100	19,728	50,828
Income allocated to reportable segments (d)	20,979	4,336	25,315
Noncash compensation expense	n/a	n/a	5,741
Income before extraordinary item and cumulative effect of accounting change	n/a	n/a	\$ 19,574
Total assets	451,887	761,945	1,213,832
<b>SIX MONTHS ENDED JUNE 30, 2000</b>			
Revenues:			
External Customers	\$ 286,578	\$ 3,197,763	\$ 3,484,341
Intersegment (a)	60,498	-	60,498
Other	9,679	852	10,531
Total revenues of reportable segments	\$ 356,755	\$ 3,198,615	\$ 3,555,370
Gain on sale of assets	\$ 48,188	\$ -	\$ 48,188
Segment gross margin (b)	25,914	43,412	69,326
Segment gross profit (c)	24,291	28,591	52,882
Income allocated to reportable segments (d)	73,105	8,389	81,494
Noncash compensation expense	n/a	n/a	131
Income before extraordinary item and cumulative effect of accounting change	n/a	n/a	\$ 81,363
Total assets	319,558	499,750	819,308

- a) Intersegment sales were conducted on an arm's length basis.
- b) Gross margin is calculated as revenues less cost of sales and operations expenses.
- c) Gross profit is calculated as revenues less costs of sales and operations expenses and general and administrative expenses, excluding noncash compensation expense.
- d) Excludes noncash compensation expense, as it is not allocated to the reportable segments.

#### Note 10 -- Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS 141") and No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires all business combinations initiated after June 30, 2001, to be accounted for under the purchase method. For all business combinations for which the date of acquisition is after June 30, 2001, this Standard also establishes specific criteria for the recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off immediately as an extraordinary gain, rather than deferred and amortized. SFAS 142 changes the accounting for goodwill and other intangible assets after an acquisition. The most significant changes made by SFAS 142 are: 1) goodwill and intangible assets with indefinite lives will no longer be amortized; 2) goodwill and intangible assets with indefinite lives must be tested for impairment at least annually; and 3) the amortization period for intangible assets with finite lives will no longer be limited to forty years. At this time, we cannot reasonably estimate the effect of the adoption of this statement on either our financial position, results of operations, or cash flows.

We will account for all future business combinations, including the CANPET acquisition, under SFAS 141. Effective January 1, 2002, we will adopt SFAS 142, as required. At that time, amortization will cease on the unamortized portion of the goodwill arising from the Scurlock acquisition.

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

#### Note 11 -- Contingencies

During 1997, the All American Pipeline experienced a leak in a segment of its pipeline in California that resulted in an estimated 12,000 barrels of crude oil being released into the soil. Immediate action was taken to repair the pipeline leak, contain the spill and to recover the released crude oil. We have expended approximately \$400,000 to date in connection with this spill. We do not expect additional costs related to this site to exceed \$350,000, although we can provide no assurances in that regard.

Prior to being acquired by our predecessor in 1996, the Ingleside Terminal experienced releases of refined petroleum products into the soil and groundwater underlying the site due to activities on the property. We are undertaking a voluntary state-administered remediation of the contamination on the property. We have spent approximately \$145,000 to date in investigating the contamination at this site. We do not anticipate the total additional costs related to this site to exceed \$250,000, although no assurance can be given that the actual cost could not exceed such estimate. In addition, a portion of any such costs may be reimbursed to us from Plains Resources.

#### Litigation

Texas Securities Litigation. On November 29, 1999, a class action lawsuit was filed in the United States District Court for the Southern District of Texas entitled *Di Giacomo v. Plains All American Pipeline, L.P., et al.* The suit alleged that Plains All American and certain of the officers and directors of Plains All American Inc. (our general partner at the time) violated federal securities laws, primarily in connection with unauthorized trading by a former employee. An additional

nineteen cases were filed in the Southern District of Texas, some of which name Plains All American Inc. and Plains Resources as additional defendants. All of the federal securities claims have been consolidated into two actions. The first consolidated action is that filed by purchasers of Plains Resources' common stock and options, and is captioned Koplovitz v. Plains Resources Inc., et al. The second consolidated action is that filed by purchasers of our common units, and is captioned Di Giacomo v. Plains All American Pipeline, L.P., et al. Plaintiffs alleged that the defendants were liable for securities fraud violations under Rule 10b-5 and Section 20(a) of the Securities Exchange Act of 1934 and for making false registration statements under Sections 11 and 15 of the Securities Act of 1933.

We and Plains Resources reached an agreement with representatives for the plaintiffs for the settlement of all of the class actions, and in January 2001, we deposited approximately \$30.0 million under the terms of the settlement agreement. The total cost of the settlement to us and Plains Resources, including interest and expenses and after insurance reimbursements, was \$14.9 million. Of that amount, \$1.0 million was allocated to Plains Resources by agreement between special independent committees of the board of directors of Plains All American Inc. and the board of directors of Plains Resources. The settlement is subject to final approval by the court. The settlement agreement does not affect the Texas Derivative Litigation and Delaware Derivative Litigation described below.

Delaware Derivative Litigation. On December 3, 1999, two derivative lawsuits were filed in the Delaware Chancery Court, New Castle County, entitled Susser v. Plains All American Inc., et al and Senderowitz v. Plains All American Inc., et al. These suits, and three others which were filed in Delaware subsequently, named Plains All American Inc., its directors and certain of its officers as defendants, and allege that the defendants breached the fiduciary duties that they owed to Plains All American Pipeline, L.P. and its unitholders by failing to monitor properly the activities of its employees. The court has consolidated all of the cases under the caption In Re Plains All American Inc. Shareholders Litigation, and has designated the complaint filed in Susser v. Plains All American Inc. as the complaint in the consolidated action. A motion to dismiss was filed on behalf of the defendants on August 11, 2000.

The plaintiffs in the Delaware derivative litigation seek that the defendants

- . account for all losses and damages allegedly sustained by Plains All American from the unauthorized trading losses;
- . establish and maintain effective internal controls ensuring that our affiliates and persons responsible for our affairs do not engage in wrongful practices detrimental to Plains All American;
- . pay for the plaintiffs' costs and expenses in the litigation, including reasonable attorneys' fees, accountants' fees and experts' fees; and
- . provide the plaintiffs any additional relief as may be just and proper under the circumstances.

We have reached an agreement in principle with the plaintiffs, subject to approval by the Delaware court, to settle the Delaware litigation for approximately \$1.1 million.

Texas Derivative Litigation. On July 11, 2000, a derivative lawsuit was filed in the United States District Court of the Southern District of Texas entitled Fernandes v. Plains All American Inc., et al, naming Plains All American Inc., its directors and certain of its officers as defendants. This lawsuit contains the same claims and seeks the same relief as the Delaware derivative litigation, described above. A motion to dismiss was filed on behalf of the defendants on August 14, 2000.

We intend to vigorously defend the claims made in the Texas derivative litigation. We believe that Delaware court approval of the settlement of the Delaware derivative litigation will effectively preclude prosecution of the Texas derivative litigation. However, there can be no assurance that we will be successful in our defense or that this lawsuit will not have a material adverse effect on our financial condition, results of operation, or cash flows.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a Delaware limited partnership that was formed in September of 1998 to acquire and operate the midstream crude oil business and assets of Plains Resources Inc. and its wholly owned subsidiaries. On November 23, 1998, we completed our initial public offering and the transactions whereby we became the successor to the business of the midstream subsidiaries of Plains Resources. Our operations are conducted through Plains Marketing, L.P., All American Pipeline, L.P. and Plains Marketing Canada, L.P. We are engaged in interstate and intrastate transportation marketing, and terminalling of crude oil. Our operations are conducted primarily in Texas, California, Oklahoma, Louisiana, the Gulf of Mexico and the Canadian Provinces of Alberta and Saskatchewan.

**Pipeline Operations.** Our activities from pipeline operations generally consist of transporting third-party volumes of crude oil for a tariff and merchant activities designed to capture price differentials between the cost to purchase and transport crude oil to a sales point and the price received for such crude oil at the sales point. Tariffs on our pipeline systems vary by receipt point and delivery point. The gross margin generated by our tariff activities depends on the volumes transported on the pipeline and the level of the tariff charged, as well as the fixed and variable costs of operating the pipeline. Our ability to generate a profit on margin activities is not tied to the absolute level of crude oil prices but is generated by the difference between an index-related price paid and other costs incurred in the purchase of crude oil and an index-related price at which we sell crude oil. We are well positioned to take advantage of these price differentials due to our ability to move purchased volumes on our pipeline systems. We combine reporting of gross margin for tariff activities and margin activities due to the sharing of fixed costs between the two activities.

**Terminalling and Storage Activities and Gathering and Marketing Activities.** Gross margin from terminalling and storage activities is dependent on the throughput volume of crude oil stored and the level of fees generated at our terminalling and storage facilities. Gross margin from our gathering and marketing activities is dependent on our ability to sell crude oil at a price in excess of our aggregate cost. These operations are not directly affected by the absolute level of crude oil prices, but are affected by overall levels of supply and demand for crude oil and fluctuations in market related indices.

Recent Events

**Strategic Transaction Involving General Partner.** On June 8, 2001, Plains All American Inc., our former general partner and a wholly owned subsidiary of Plains Resources Inc., sold a portion of its ownership in our partnership to an investor group including, among others, affiliates of Kayne Anderson Capital Advisors, EnCap Investments, Strome Investment Management, James C. Flores and our current management for aggregate consideration of approximately \$155.2 million.

In connection with this transaction, a new entity jointly owned by the investor group and Plains Resources Inc. became our general partner and assumed all of the general partner's rights and obligations under our partnership agreement. The investor group purchased approximately 5.2 million subordinated units from an affiliate of Plains Resources Inc. As a result of this transaction and our recent equity offering, Plains Resources' effective ownership in us has been reduced to approximately 33% from approximately 54%. Plains Resources has agreed to make available for sale to our management group an additional 2% of the general partner interest on substantially the same terms as the other investors.

**Murphy Oil Company Ltd. Midstream Operations.** In May 2001, we closed the acquisition of substantially all of the crude oil pipeline, gathering, storage and terminalling assets of Murphy Oil Company Ltd. for approximately \$161 million in cash (the "Murphy Acquisition"), including financing and transaction costs. The purchase included \$7.2 million for excess inventory in the pipeline systems. The principal assets acquired include approximately 450 miles of crude oil and condensate transmission mainlines and associated gathering and lateral lines, approximately 1.1 million barrels of crude oil storage and terminalling capacity located primarily in Kerrobert, Saskatchewan, approximately 200,000 barrels of linefill, an inactive 108-mile mainline system and 121 trailers used primarily for crude oil transportation. We have reactivated the 108-mile mainline system and began shipping volumes in May of 2001.

Murphy has agreed to continue to transport production from fields currently delivering crude oil to these pipeline systems, under a new long-term contract. The current volume is approximately 11,000 barrels per day. The pipeline systems transport approximately 200,000 barrels per day of light, medium and heavy crudes, as well as condensate.

CANPET Energy Group Inc. In July 2001, we acquired the assets of CANPET Energy Group Inc. ("CANPET") a Calgary based Canadian crude oil and liquefied petroleum gas marketing company, for approximately \$42.0 million plus excess inventory at the closing date of approximately \$25 million. Approximately \$24.0 million of the purchase price, plus the excess inventory, was paid in cash at closing and the remainder which is subject to certain performance standards will be paid in common units in April, 2004, if such standards are met. CANPET activities include gathering approximately 75,000 barrels per day of crude oil and marketing approximately 26,000 barrels per day of natural gas liquids. Tangible assets include a crude oil handling facility, a 130,000-barrel tank facility and working capital of approximately \$8.6 million. Financing for the acquisition was provided through borrowings under our bank credit facility.

#### Results of Operations

##### Three Months Ended June 30, 2001 and 2000

For the three months ended June 30, 2001, we reported net income of \$7.1 million on total revenue of \$1.6 billion compared to net income for the same period in 2000 of \$6.1 million on total revenues of \$1.5 billion. The results for the three months ended June 30, 2001 and 2000 include the following unusual items:

##### 2001

- . a \$6.0 million charge associated with the vesting of phantom partnership units as a result of the sale by our former general partner of a portion of its general partner interest. \$5.6 million of the charge was noncash and was satisfied by units owned by our former general partner. This portion of the charge had no impact on equity or the number of outstanding units as it was offset by a deemed capital contribution by our former general partner and the units were satisfied by units owned by our former general partner.

##### 2000

- . an extraordinary loss of \$11.0 million related to the refinancing of our credit agreements, and
- . \$2.9 million of previously deferred gains on interest rate swap terminations recognized due to the early extinguishment of debt.

Excluding these unusual items, we would have reported net income of \$13.1 million and \$14.2 million for the three months ended June 30, 2001 and 2000, respectively.

The following table sets forth our operating results for the periods indicated and includes the impact of these unusual items discussed above (in thousands) (unaudited):



THREE MONTHS ENDED  
JUNE 30,

-----  
2001                      2000  
-----

OPERATING RESULTS:

Revenues	\$ 1,586,617	\$ 1,481,834
	=====	=====
Gross margin:		
Pipeline	\$ 18,699	\$ 12,759
Gathering and marketing and terminalling and storage	17,688	20,015
	-----	-----
Total	36,387	32,774
General and administrative expense	(15,041)	(7,949)
	-----	-----
Gross profit	\$ 21,346	\$ 24,825
	=====	=====
Net income	\$ 7,067	\$ 6,061
	=====	=====

AVERAGE DAILY VOLUMES (BARRELS):

Pipeline Activities:		
All American		
Tariff activities	68	74
Margin activities	56	57
Canada	210	-
Other	152	118
	-----	-----
Total	486	249
	=====	=====
Lease gathering	322	237
Bulk purchases	17	26
	-----	-----
Total	339	263
	=====	=====
Terminal throughput	151	61
	=====	=====
Storage leased to third parties, monthly average volumes	2,427	1,953
	=====	=====

Revenues. Revenues increased to \$1.59 billion for the second quarter of 2001 compared to the 2000 second quarter amount of \$1.48 billion. The increase is primarily attributable to the Murphy Acquisition. The impact on revenues from the increase in volumes from the Murphy Acquisition, as well as the increase in our domestic lease volumes, were offset by lower crude oil prices.

Cost of Sales and Operations. Cost of sales and operations increased to \$1.55 billion in the second quarter of 2001 compared to \$1.45 billion in the same quarter of 2000, primarily due to the reasons discussed above under "Revenues".

General and Administrative. General and administrative expenses were \$15.0 million for the quarter ended June 30, 2001, compared to \$7.9 million for the second quarter in 2000. The increase in 2001 is predominantly due to a \$5.6 million noncash charge and \$0.4 million cash charge related to the vesting of phantom partnership units, as well as expenses incurred as a result of the Murphy Acquisition.

Depreciation and Amortization. Depreciation and amortization expense was \$6.5 million for the quarter ended June 30, 2001, compared to \$4.7 million for the second quarter of 2000. The majority of this increase is due to the Murphy Acquisition.

Interest expense. Interest expense was \$8.1 million for the quarter ended June 30, 2001, compared to \$6.2 million for the 2000 quarter. The increase is primarily due to the increase in debt levels in the second quarter as a result of the net effect of the Murphy Acquisition and the proceeds from the issuance of common units as well as lower interest rates. Interest expense was approximately \$6.6 million in the first quarter of 2001.

Early extinguishment of debt. During the quarter ended June 30, 2000, we recognized an extraordinary loss, consisting primarily of unamortized debt issue costs totaling \$11.0 related to the refinancing of our credit facilities. In addition, interest and other income for the second quarter 2000 includes \$2.9 million of previously deferred gains from terminated interest rate swaps as a result of the debt extinguishment.

## Segment Results

Pipeline Operations. Gross margin from pipeline operations increased 47% to \$18.7 million for the quarter ended June 30, 2001 from \$12.8 million for the prior year quarter. Increased margins from the Murphy Acquisition, a 10% increase in the tariff rate on the All American Pipeline, as well as increased volumes on the Scurlock and West Texas gathering systems were all contributing factors in the increase. These increases were partially offset by increased fuel and power expenses.

Average daily volumes on our pipelines during the second quarter of this year were 486,000 barrels per day compared to 249,000 barrels per day last year. The 237,000 barrel per day increase includes increases of 210,000 barrels per day due to the Murphy Acquisition and 27,000 barrels per day on our existing pipeline systems. Tariff transport volumes on the All American Pipeline decreased from an average of 74,000 barrels per day for the quarter ended June 30, 2000 to 68,000 barrels per day in the comparable quarter of 2001, due to a decrease in shipments of offshore California production.

Gathering and Marketing Activities and Terminalling and Storage Activities. Gross margin from gathering, marketing, terminalling and storage activities was approximately \$17.7 million for the quarter ended June 30, 2001 compared to \$20.0 million in the prior year quarter. This decrease is due to tightened margins as a result of a contango market as well as increased operating costs related to higher fuel and power costs. Incremental margins from the Murphy Acquisition partially offset the decreases discussed above.

Total gathering volumes increased from an average of 263,000 barrels per day in the second quarter of 2000 to approximately 339,000 barrels per day in the current year period. Approximately half of this increase is due to the Murphy Acquisition with the remainder coming from an acquisition of certain facilities from Placid Oil Company in December 2000, as well as increases from our existing domestic business units. Terminal throughput averaged approximately 151,000 barrels per day and 61,000 barrels per day in the first quarter of 2001 and 2000, respectively, primarily due to throughput arrangements with refiners and the existence of a contango market.

### Six Months Ended June 30, 2001 and 2000

For the six months ended June 30, 2001, we reported net income of \$20.1 million on total revenue of \$3.1 billion, compared to a net income for the same period in 2000 of \$66.2 million on total revenues of \$3.5 billion. The results for the six months ended June 30, 2001 and 2000 include the following unusual items:

#### 2001

- a \$6.1 million charge associated with the vesting of phantom partnership units primarily as a result of the sale by our former general partner of a portion of its general partner interest. \$5.7 million of the charge was noncash and was satisfied by units owned by our former general partner. This portion of the charge had no impact on equity or the number of outstanding units as it was offset by a deemed capital contribution by our former general partner and the units were satisfied by units owned by our former general partner, and
- \$0.5 million cumulative effect gain as a result of the adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133").

#### 2000

- a \$28.1 million gain on the sale of crude oil linefill;
- a \$20.1 million gain on the sale of the segment of the All American Pipeline that extends from Emidio, California, to McCamey, Texas;
- \$9.7 million of previously deferred gains on interest rate swap terminations recognized due to the early extinguishment of debt;
- an extraordinary loss of \$15.1 million related to the early extinguishment of debt, and
- amortization of \$4.6 million of debt issue costs associated with facilities put in place during the fourth quarter of 1999.

Excluding these unusual items, we would have reported net income of \$25.7 million and \$28.1 million for the six months ended June 30, 2001 and 2000, respectively.

The following table sets forth our operating results for the periods indicated and includes the impact of the unusual items discussed above (in thousands) (unaudited):

	SIX MONTHS ENDED	
	JUNE 30,	
	2001	2000
-----		
OPERATING RESULTS:		
Revenues	\$ 3,106,741	\$ 3,484,341
	=====	=====
Gross margin:		
Pipeline	\$ 32,591	\$ 25,914
Gathering and marketing and terminalling and storage	36,526	43,412
	-----	-----
Total	69,117	69,326
General and administrative expense	(24,030)	(16,575)
	-----	-----
Gross profit	\$ 45,087	\$ 52,751
	=====	=====
Net income	\$ 20,082	\$ 66,216
	=====	=====

	SIX MONTHS ENDED	
	JUNE 30,	
	2001	2000
-----		
AVERAGE DAILY VOLUMES (BARRELS):		
Pipeline Activities:		
All American		
Tariff activities	69	73
Margin activities	61	58
Canada(1)	210	-
Other	157	116
	-----	-----
Total	497	247
	=====	=====
Lease gathering	324	247
Bulk purchases	19	28
	-----	-----
Total	343	275
	=====	=====
Terminal throughput	143	55
	=====	=====
Storage leased to third parties, monthly average volumes	2,165	1,387
	=====	=====

(1) Represents average daily volumes from the effective date, April 1, 2001.

Revenues. Revenues decreased to \$3.11 billion from \$3.48 billion in the first half of 2000. The decrease is primarily attributable to lower crude oil prices, offset somewhat by higher pipeline and gathering volumes, primarily attributable to the Murphy Acquisition.

Cost of Sales and Operations. Cost of sales and operations decreased to \$3.04 billion from \$3.42 billion in the first half of 2000, primarily due to the reasons discussed above under "Revenues".

General and Administrative. General and administrative expenses were \$24.0 million for the six months ended June 30, 2001, compared to \$16.6 million for the same period in 2000. The increase in 2001 is primarily due to a \$6.1 million charge attributable to the vesting of phantom partnership units in the second quarter as a result of the sale by our former general partner of a portion of its general partner interest. \$5.7 million of the charge was noncash and was satisfied by units owned by our former general partner. This portion of the charge had no impact on partner's capital or the number of outstanding units as it was offset by a deemed capital contribution by our former general partner.

Depreciation and Amortization. Depreciation and amortization expense was \$11.2 million for the six months ended June 30, 2001, compared to \$14.8 million for the first half of 2000. The decrease is primarily due to the increased amortization of debt issue costs in the 2000 period associated with facilities put in place during the fourth quarter of 1999 as a result of the unauthorized trading losses and somewhat offset in the current year period by the depreciation attributable to the Murphy Acquisition.

Interest expense. Interest expense was \$14.7 million for the six months ended June 30, 2001, compared to \$15.3 million for the same period in 2000. The decrease is due to a lower average debt balance as well as lower interest rates.

Gain on sale of linefill. We initiated the sale of 5.2 million barrels of crude oil linefill from the All American Pipeline in November 1999. The sale was completed in March 2000. We recognized a gain of \$28.1 million in connection with the sale of the linefill in the first quarter of 2000.

Gain on sale of pipeline segment. On March 24, 2000, we completed the sale of the segment of the All American Pipeline that extends from Emidio, California to McCamey, Texas to a unit of El Paso Energy Corporation for proceeds of approximately \$124.0 million, which are net of associated transaction costs and estimated costs to remove certain equipment. We recognized a total gain of \$20.1 million in connection with the sale in the first quarter of 2000.

Early extinguishment of debt. During the six months ended June 30, 2000, we recognized extraordinary losses, consisting primarily of unamortized debt issue costs, totaling \$15.1 million related to the permanent reduction of the All American Pipeline, L.P. term loan facility and the refinancing of our credit facilities. In addition, interest and other income for the six months ended June 30, 2000, includes \$9.7 million of previously deferred gains from terminated interest rate swaps as a result of the debt extinguishments.

Cumulative effect of accounting change. During the first quarter of 2001, we recognized a \$0.5 million cumulative effect gain as a result of the adoption of SFAS 133 effective January 1, 2001.

#### Segment Results

Pipeline Operations. Gross margin from pipeline operations increased to \$32.6 million for the six months ended June 30, 2001 compared to \$25.9 million for the prior year period. Increased margins from the Murphy Acquisition, a 10% increase in the tariff rate on the All American Pipeline, as well as increased volumes on the Scurlock gathering systems were all contributing factors in the increase.

Average daily volumes on our pipelines during the first half of this year were 497,000 barrels per day compared to 247,000 barrels per day last year. The 250,000 barrel per day increase includes increases of 210,000 barrels per day due to the Murphy Acquisition and 40,000 barrels per day on our existing pipeline systems. Tariff transport volumes on the All American Pipeline decreased from an average of 73,000 barrels per day for the six months ended June 30, 2000 to 69,000 barrels per day in the comparable period of 2001, primarily due to a decrease in shipments of offshore California production.

Gathering and Marketing Activities and Terminalling and Storage Activities. Gross margin from gathering, marketing, terminalling and storage activities was approximately \$36.5 million for the six months ended June 30, 2001 compared to \$43.4 million in the prior year period. This decrease is due to tightened margins as a result of a contango crude market as well as increased operating costs related to higher fuel and power costs. Incremental margins from the Murphy Acquisition partially offset the decreases discussed above.

Total gathering volumes increased from an average of 275,000 barrels per day in the first half of 2000 to approximately 343,000 barrels per day in the current year period. Approximately half of this increase is due to the Murphy Acquisition with the remainder coming from an acquisition of certain facilities from Placid Oil Company in December 2000, as well as our existing domestic business units. Terminal throughput averaged approximately 143,000 barrels per day and 55,000 barrels per day in the first half of 2001 and 2000, respectively, primarily due to throughput arrangements with refiners and the existence of a contango market.

#### Liquidity and Capital Resources

##### Credit Agreements

In May 2001, we entered into new amended and restated credit facilities that replaced our existing credit facilities. Our \$500.0 million senior secured revolving credit facility was replaced by a \$630.0 million senior secured revolving credit and term loan facility, which is secured by substantially all of our assets. The facility consists of a \$500.0 million domestic revolving facility (with a \$10.0 million letter of credit sublimit), a \$30.0 million Canadian revolving facility (with a \$5.0 million letter of credit sublimit) and a \$100.0 million term loan. The facility matures, as to the aggregate \$530.0 million domestic and Canadian revolver portions, in April, 2005 and, as to the \$100.0 million term portion, in May, 2006. We also amended our \$200 million senior secured letter of credit and borrowing facility. For a complete discussion of our credit facilities, see Note 7 to the Consolidated Financial Statements.

## Liquidity

Cash generated from operations and our credit facilities are our primary sources of liquidity. At June 30, 2001, we had working capital of approximately \$28.6 million. On August 8, 2001, subsequent to the closing of the CANPET acquisition, PAA had approximately \$439.8 million outstanding under its \$630 million of credit facilities (excluding the letter of credit and borrowing facility). Accordingly, PAA can borrow up to an additional \$190 million subject to covenants contained in the agreement.

We believe that we have sufficient liquid assets, cash from operations and borrowing capacity under our credit agreements to meet our financial commitments, debt service obligations, contingencies and anticipated capital expenditures.

## Cash Flows

(IN MILLIONS) (UNAUDITED)	SIX MONTHS ENDED JUNE 30,	
	2001	2000
Cash provided by (used in):		
Operating activities	\$ (47.0)	\$ (6.4)
Investing activities	(168.9)	218.3
Financing activities	213.5	(264.1)

**Operating Activities.** Net cash used in operating activities for the first half of 2001 resulted primarily from purchases of hedged inventory maintained in storage until delivery due to the existence of a contango market. All of this inventory was hedged for delivery in the third quarter.

**Investing Activities.** Net cash used for investing activities for the first half of 2001 included approximately \$161 million for the Murphy Acquisition.

**Financing activities.** Cash provided by financing activities for the first half of 2001 resulted from our credit facilities that were used to finance the Murphy Acquisition and the issuance of additional units which raised approximately \$100.7 million of equity capital. Proceeds from the equity offering were used to repay indebtedness under the credit facilities.

## Contingencies

Following our announcement in November 1999 of our losses resulting from unauthorized trading by a former employee, numerous class action lawsuits were filed in the United States District Court of the Southern District of Texas against us, certain of our general partner's officers and directors and in some of these cases, our general partner and Plains Resources Inc. alleging violations of the federal securities laws. In addition, derivative lawsuits were filed in the Delaware Chancery Court and the United States District Court of the Southern District of Texas against our general partner, its directors and certain of its officers alleging the defendants breached the fiduciary duties owed to us and our unitholders by failing to monitor properly the activities of our traders. The class actions and the Delaware derivative suits have been settled, subject to court approval. See Part II, Item 1 - "Legal Proceedings".

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

## Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS 141") and No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires all business combinations initiated after June 30, 2001, to be accounted for under the purchase method. For all business combinations for which the date of acquisition is after June 30, 2001, this Standard also establishes specific criteria for the recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off immediately as an extraordinary gain, rather than deferred and amortized. SFAS 142 changes the accounting for goodwill and other intangible assets after an acquisition. The most significant changes made by SFAS 142 are: 1) goodwill and intangible assets with indefinite lives will no longer be amortized; 2) goodwill and intangible assets with indefinite lives must

be tested for impairment at least annually; and 3) the amortization period for intangible assets with finite lives will no longer be limited to forty years. At this time, we cannot reasonably estimate the effect of the adoption of this statement on either our financial position, results of operations, or cash flows.

We will account for all future business combinations, including the CANPET acquisition, under SFAS 141. Effective January 1, 2002, we will adopt SFAS 142, as required. At that time, amortization will cease on the unamortized portion of the goodwill arising from the Scurlock acquisition.

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

#### Forward-Looking Statements and Associated Risks

All statements, other than statements of historical fact, included in this report are forward-looking statements, including, but not limited to, statements identified by the words "anticipate," "believe," "estimate," "expect," "plan," "intend" and "forecast" and similar expressions and statements regarding our business strategy, plans and objectives of our management for future operations. These statements reflect our current views and those of our general partner with respect to future events, based on what we believe are reasonable assumptions. These statements, however, are subject to certain risks, uncertainties and assumptions, including, but not limited to:

- . the availability of adequate supplies of and demand for crude oil in the areas in which we operate;
- . the impact of crude oil price fluctuations; successful third-party drilling efforts and completion of announced oil-sands project ;
- . the effects of competition;
- . the success of our risk management activities;
- . the availability of favorable acquisition or combination opportunities; our ability to receive credit on satisfactory terms
- . unanticipated shortages or cost increases of power supplies, materials or labor
- . weather interference with business operations or project construction
- . successful integration and future performance of recently acquired assets;
- . the impact of current and future laws and governmental regulations;
- . environmental liabilities not covered by indemnity or insurance; and
- . general economic, market or business conditions.

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, actual results may vary materially from the results anticipated in the forward-looking statements. Except as required by applicable securities laws, we do not intend to update these forward-looking statements and information.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various market risks, including volatility in crude oil commodity prices and interest rates. To manage such exposure, we monitor our inventory levels and our expectations of future commodity prices and interest rates when making decisions with respect to risk management. We do not enter into derivative transactions for speculative trading purposes that would expose us to price risk. Substantially all of our derivative contracts are exchanged or traded with major financial institutions and the risk of credit loss is considered remote.

On January 1, 2001, we adopted SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS 137 and SFAS 138. Under SFAS 133, all derivative instruments are recorded on the balance sheet at fair value. If the derivative does not qualify as a hedge or is not designated as a hedge, the gain or loss on the derivative is recognized currently in earnings. To qualify for hedge accounting, the derivative must qualify either as a fair value hedge, cash flow hedge or foreign currency hedge. As of June 30, 2001, our transactions consisted of only cash flow and foreign currency hedges (which are defined as fair value hedges) and the remaining discussion will relate exclusively to these types of derivative instruments. If the derivative qualifies for cash flow hedge accounting, the gain or loss on the derivative is deferred in accumulated Other Comprehensive Income ("OCI"), a component of Partners' Capital, to the extent the hedge is effective. Fair value hedge gains or losses are taken directly to earnings in the current period.

We utilize various derivative instruments, for purposes other than trading, to hedge our exposure to price fluctuations on crude in storage and expected purchases, sales and transportation of crude oil. The derivative instruments consist primarily of futures and option contracts traded on the New York Mercantile Exchange. We also utilize interest rate collars to manage the interest rate exposure on our long-term debt and foreign currency hedges to manage exchange rate exposure.

At June 30, 2001, a \$5.8 million unrealized loss was recorded to OCI together with related assets and liabilities of \$6.9 million and \$12.9 million, respectively. Earnings included a noncash gain of \$0.2 million related to the ineffective portion of our cash flow hedges as well as the gain/loss on our fair value hedges, (included in revenues in the income statement). Our hedge-related assets and liabilities are included in other current assets and other current liabilities in the balance sheet.

As of June 30, 2001, the total amount of deferred net losses on derivative instruments recorded in OCI are expected to be reclassified to earnings during the next twelve-month period. At June 30, 2001 we had the following open crude oil hedge positions:

	2001		2002	
	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr
Volume (bbls)				
Short positions	812,000	-	-	-
Long positions	-	762,000	132,000	250,000
Average price (\$/bbl)	\$25.13	\$26.84	\$27.28	\$25.56

At June 30, 2001, we had an interest rate collar arrangement to protect interest rate fluctuations on a portion of our outstanding debt for an aggregate notional principal amount of \$125.0 million. This instrument is based on LIBOR rates and provides for a floor of 6.1% and a ceiling of 8.0% with an expiration date of August 2002.

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

## PART II. OTHER INFORMATION

### Items 1. LEGAL PROCEEDINGS

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

We and Plains Resources reached an agreement with representatives for the plaintiffs for the settlement of all of the class actions, and in January 2001, we deposited approximately \$30.0 million under the terms of the settlement agreement. The total cost of the settlement to us and Plains Resources, including interest and expenses and after insurance reimbursements, was \$14.9 million. Of that amount, \$1.0 million was allocated to Plains Resources by agreement between special independent committees of the board of directors of Plains All American Inc. and the board of directors of Plains Resources. The settlement is subject to final approval by the court. The settlement agreement does not affect the Texas Derivative Litigation and Delaware Derivative Litigation described below.

Delaware Derivative Litigation. On December 3, 1999, two derivative lawsuits were filed in the Delaware Chancery Court, New Castle County, entitled *Susser v. Plains All American Inc., et al* and *Senderowitz v. Plains All American Inc., et al.* These suits, and three others which were filed in Delaware subsequently, named Plains All American Inc., its directors and certain of its officers as defendants, and allege that the defendants breached the fiduciary duties that they owed to Plains All American Pipeline, L.P. and its unitholders by failing to monitor properly the activities of its employees. The court has consolidated all of the cases under the caption *In Re Plains All American Inc. Shareholders Litigation*, and has designated the complaint filed in *Susser v. Plains All American Inc.* as the complaint in the consolidated action. A motion to dismiss was filed on behalf of the defendants on August 11, 2000.

The plaintiffs in the Delaware derivative litigation seek that the defendants

- . account for all losses and damages allegedly sustained by Plains All American from the unauthorized trading losses;
- . establish and maintain effective internal controls ensuring that our affiliates and persons responsible for our affairs do not engage in wrongful practices detrimental to Plains All American;
- . pay for the plaintiffs' costs and expenses in the litigation, including reasonable attorneys' fees, accountants' fees and experts' fees; and
- . provide the plaintiffs any additional relief as may be just and proper under the circumstances.

We have reached an agreement in principle with the plaintiffs, subject to approval by the Delaware court, to settle the Delaware litigation for approximately \$1.1 million.

Texas Derivative Litigation. On July 11, 2000, a derivative lawsuit was filed in the United States District Court of the Southern District of Texas entitled *Fernandes v. Plains All American Inc., et al*, naming Plains All American Inc., its directors and certain of its officers as defendants. This lawsuit contains the same claims and seeks the same relief as the Delaware derivative litigation, described above. A motion to dismiss was filed on behalf of the defendants on August 14, 2000.

We intend to vigorously defend the claims made in the Texas derivative litigation. We believe that Delaware court approval of the settlement of the Delaware derivative litigation will effectively preclude prosecution of the Texas derivative litigation. However, there can be no assurance that we will be successful in our defense or that this lawsuit will not have a material adverse effect on our financial position or results of operation.

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



Items 2, 3, 4 & 5 are not applicable and have been omitted.

Item 6 - Exhibits and Reports on Form 8-K

A. Exhibits

- \* 3.1 - Amendment 3 to the Second Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. dated as of April 27, 2001.
- 3.2 - Amendment 4 to the Second Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. dated as of June 27, 2001.
- \* 3.3 - Amendment No. 1 to the Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P. dated as of April 27, 2001.
- \* 3.4 - Amendment No. 1 to the Amended and Restated Agreement of Limited Partnership of All American Pipeline, L.P. dated as of April 27, 2001.
- 3.5 - Amendment No. 2 to the Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P. dated as of June 27, 2001 (incorporated by reference to Exhibit 3.2 to Form 8-K filed July 10, 2001).
- 3.6 - Amendment No. 2 to the Amended and Restated Agreement of Limited Partnership of All American Pipeline, L.P. dated as of June 27, 2001 (incorporated by reference to Exhibit 3.3 to Form 8-K filed July 10, 2001).
- 3.7 - Amended and Restated Limited Partnership Agreement of Plains AAP, L.P., dated as of June 8, 2001. (incorporated by reference to Exhibit 3.1 to Form 8-K filed June 11, 2001).
- 3.8 - Amended and Restated Limited Liability Company Agreement of Plains All American GP, LLC dated as of June 8, 2001 (incorporated by reference to Exhibit 3.2 to Form 8-K filed June 11, 2001).
- 4.1 - Registration Rights Agreement, dated as of June 8, 2001, among Plains All American Pipeline, L.P., Sable Holdings, L.P., E-Holdings III, L.P., KAFU Holdings, LP, PAA Management, L.P., Mark E. Strome, Strome Hedgecap Fund, L.P., John T. Raymond and Plains All American Inc. (incorporated by reference to Exhibit 4.1 to Form 8-K filed June 11, 2001).
- 10.1 - Contribution, Assignment and Amendment Agreement, dated as of June 27, 2001, among Plains All American Pipeline, L.P., Plains Marketing, L.P., All American Pipeline, L.P., Plains AAP, L.P. Plains All American GP LLC and Plains Marketing GP Inc.
- 10.2 - Contribution, Assignment and Amendment Agreement, dated as of June 8, 2001 among Plains All American Inc., Plains AAP, L.P. and Plains All American GP LLC (incorporated by reference to Exhibit 10.1 to Form 8-K filed June 11, 2001).
- 10.3 - Separation Agreement, dated as of June 8, 2001 among Plains Resources Inc., Plains All American Inc., Plains All American GP LLC, Plains AAP, L.P. and Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 10.2 to Form 8-K filed June 11, 2001).
- 10.4 - Pension and Employee Benefits Assumption and Transition Agreement, dated as of June 8, 2001 among Plains Resources Inc., Plains All American Inc. and Plains All American GP LLC (incorporated by reference to Exhibit 10.3 to Form 8-K filed June 11, 2001).
- \* 10.6 - First Amendment to Amended and Restated Credit Agreement (Letter of Credit and Hedged Inventory Facility) dated as of May 25, 2001 among Plains Marketing, L.P., All American Pipeline, L.P. and Plains All American Pipeline, L.P. and Fleet National Bank and certain other lenders.
- \* 10.7 - Second Amendment to Amended and Restated Credit Agreement (Letter of Credit and Hedged Inventory Facility) dated as of June 26, 2001 among Plains Marketing, L.P., All American Pipeline, L.P. and Plains All American Pipeline, L.P. and Fleet National Bank and certain other lenders.
- \* 10.8 - First Amendment to Amended and Restated Credit Agreement (Revolving Credit Facility) dated as of May 25, 2001 among Plains Marketing, L.P., All American Pipeline, L.P. and Plains All American Pipeline, L.P., and

Fleet National Bank, The Toronto-Dominion Bank, PMC (Nova Scotia) Company, Plains Marketing Canada, L.P. and certain other lenders.

- \* 10.9 - Second Amendment to Amended and Restated Credit Agreement (Revolving Credit Facility) dated as of June 26, 2001 among Plains Marketing, L.P., All American Pipeline, L.P. and Plains All American Pipeline, L.P., and Fleet National Bank, The Toronto-Dominion Bank, PMC (Nova Scotia) Company, Plains Marketing Canada, L.P. and certain other lenders.

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\* Filed herewith

B. Reports on Form 8-K

A Current Report on Form 8-K was filed on July 10, 2001, in connection with amendments to the Partnership's and the operating limited partnerships' partnership agreements related to the restructuring of the general partner ownership of the Partnership's principal operating subsidiary partnerships.

A Current Report on Form 8-K was filed on July 2, 2001, in connection with the deferral of the private placement of Senior Notes.

A Current Report on Form 8-K was filed on June 27, 2001, in connection with the restructuring of the general partner ownership of the Partnership's principal operating subsidiary partnerships.

A Current Report on Form 8-K was filed on June 25, 2001, in connection with the acquisition of properties for Murphy Oil Company, Ltd.

A Current Report on Form 8-K was filed on June 11, 2001, in connection with the restructuring of the ownership of our general partner.

A Current Report on Form 8-K was filed on May 25, 2001, in connection with a proposed private placement of Senior Notes.

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 and thereunto duly authorized.

PLAINS ALL AMERICAN PIPELINE, L.P.

By: PLAINS ALL AMERICAN GP LLC  
Its General Partner

Date: August 14, 2001

By: /s/PHILLIP D. KRAMER

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Phillip D. Kramer, Executive Vice  
President and Chief Financial Officer

AMENDMENT NO. 3 TO THE SECOND AMENDED AND RESTATED  
AGREEMENT OF LIMITED PARTNERSHIP OF  
PLAINS ALL AMERICAN PIPELINE, L.P.

THIS AMENDMENT NO. 3 TO THE SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF PLAINS ALL AMERICAN PIPELINE, L.P. (this "Amendment"), dated as of April 27, 2001, is entered into and effectuated by Plains All American Inc., a Delaware corporation, as the General Partner, pursuant to the authority granted to it in Section 13.1(d) of the Second Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P., dated as of November 17, 1998, as amended (the "Partnership Agreement"). Capitalized terms used but not defined herein are used as defined in the Partnership Agreement.

WHEREAS, Section 13.1(d) of the Partnership Agreement provides that the General Partner, without the approval of any Limited Partners, may amend any provision of the Partnership Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect a change that, in the discretion of the General Partner, does not adversely affect the Limited Partners in any material respect; and

WHEREAS, the General Partner deems it in the best interest of the Partnership to effect this amendment in order to provide (i) that Section 6.3(c) of the Partnership Agreement apply to taxes paid by any member of the Partnership Group, amounts withheld by any member of the Partnership Group for taxes, and amounts seized by any taxing authority from any member of the Partnership Group and (ii) that Section 9.4 of the Partnership Agreement apply to distributions of income between members of the Partnership Group; and

WHEREAS, the General Partner has determined that this Amendment will be beneficial to the Limited Partners, including the holders of the Common Units;

NOW, THEREFORE, Sections 6.3(c) and 9.4 of the Partnership Agreement are hereby amended and restated in their entirety as follows:

Section 6.3 Requirement and Characterization of Distributions;  
Distributions to Record Holders.

(c) The General Partner shall have the discretion to treat as a distribution of Available Cash to all or less than all of the Partners or Assignees (i) taxes paid by any member of the Partnership Group on behalf of such Partners or Assignees, (ii) amounts withheld by any member of the Partnership Group for taxes with respect to such Partners or Assignees and (iii) amounts seized by any taxing authority from any member of the Partnership Group with respect to taxes owed by such Partners or Assignees.

Section 9.4 Withholding.

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership and each Operating Partnership to comply with any withholding requirements established under the Code or any other federal, state, local or foreign law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership or any member of the Partnership Group is required or elects to withhold or pay over to any taxing authority, or any taxing authority seizes, any amount resulting from the allocation or distribution of income to any member of the Partnership Group, Partner or Assignee, the amount withheld, paid over or seized may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 to the Partner or Assignee to whom such withholding, payment or seizure is attributed.

This Amendment will be governed by and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, this Amendment has been executed as the date first written above.

PLAINS ALL AMERICAN INC.,  
General Partner

By:

-----  
Name: Tim Moore  
Title: Vice President

AMENDMENT NO. 1 TO THE AMENDED AND RESTATED  
AGREEMENT OF LIMITED PARTNERSHIP OF  
PLAINS MARKETING, L.P.

THIS AMENDMENT NO. 1 TO THE AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF PLAINS MARKETING, L.P. (this "Amendment"), dated as of April 27, 2001, is entered into and effectuated by Plains All American Inc., a Delaware corporation, as the General Partner, pursuant to the authority granted to it in Section 13.1(d) of the Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P., dated as of November 17, 1998, as amended (the "Partnership Agreement"). Capitalized terms used but not defined herein are used as defined in the Partnership Agreement.

WHEREAS, Section 13.1(d) of the Partnership Agreement provides that the General Partner, without the approval of any Limited Partners, may amend any provision of the Partnership Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect a change that, in the discretion of the General Partner, does not adversely affect the Limited Partners in any material respect; and

WHEREAS, the General Partner deems it in the best interest of the Partnership to effect this amendment in order to provide (i) that Section 6.3(c) of the Partnership Agreement apply to taxes paid by any member of the Partnership Group, amounts withheld by any member of the Partnership Group for taxes, and amounts seized by any taxing authority from any member of the Partnership Group and (ii) that Section 9.4 of the Partnership Agreement apply to distributions of income between members of the Partnership Group; and

WHEREAS, the General Partner has determined that this Amendment will be beneficial to the Limited Partners, including the holders of the Common Units;

NOW, THEREFORE, Sections 6.3(c) and 9.4 of the Partnership Agreement are hereby amended and restated in their entirety as follows:

Section 6.3 Distributions.

(c) The General Partner shall have the discretion to treat as a distribution of Available Cash to all or less than all of the Partners or Assignees (i) taxes paid by any member of the Partnership Group on behalf of such Partners or Assignees, (ii) amounts withheld by any member of the Partnership Group for taxes with respect to such Partners or Assignees and (iii) amounts seized by any taxing authority from any member of the Partnership Group with respect to taxes owed by such Partners or Assignees.

Section 9.4 Withholding.

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state, local or foreign law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold or pay over to any taxing authority, or any taxing authority seizes, any amount resulting from the allocation or distribution of income to any member of the Partnership Group, Partner or Assignee, the amount withheld, paid over or seized may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 to the Partner or Assignee to whom such withholding, payment or seizure is attributed.

This Amendment will be governed by and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, this Amendment has been executed as the date first written above.

PLAINS ALL AMERICAN INC.,  
General Partner

By: \_\_\_\_\_  
Name: Tim Moore  
Title: Vice President



AMENDMENT NO. 1 TO THE AMENDED AND RESTATED  
AGREEMENT OF LIMITED PARTNERSHIP OF  
ALL AMERICAN PIPELINE, L.P.

THIS AMENDMENT NO. 1 TO THE AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF ALL AMERICAN PIPELINE, L.P. (this "Amendment"), dated as of April 27, 2001, is entered into and effectuated by Plains All American Inc., a Delaware corporation, as the General Partner, pursuant to the authority granted to it in Section 13.1(d) of the Amended and Restated Agreement of Limited Partnership of All American Pipeline, L.P., dated as of November 17, 1998, as amended (the "Partnership Agreement"). Capitalized terms used but not defined herein are used as defined in the Partnership Agreement.

WHEREAS, Section 13.1(d) of the Partnership Agreement provides that the General Partner, without the approval of any Limited Partners, may amend any provision of the Partnership Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect a change that, in the discretion of the General Partner, does not adversely affect the Limited Partners in any material respect; and

WHEREAS, the General Partner deems it in the best interest of the Partnership to effect this amendment in order to provide (i) that Section 6.3(c) of the Partnership Agreement apply to taxes paid by any member of the Partnership Group, amounts withheld by any member of the Partnership Group for taxes, and amounts seized by any taxing authority from any member of the Partnership Group and (ii) that Section 9.4 of the Partnership Agreement apply to distributions of income between members of the Partnership Group; and

WHEREAS, the General Partner has determined that this Amendment will be beneficial to the Limited Partners, including the holders of the Common Units;

NOW, THEREFORE, Sections 6.3(c) and 9.4 of the Partnership Agreement are hereby amended and restated in their entirety as follows:

Section 6.3 Distributions.

(c) The General Partner shall have the discretion to treat as a distribution of Available Cash to all or less than all of the Partners or Assignees (i) taxes paid by any member of the Partnership Group on behalf of such Partners or Assignees, (ii) amounts withheld by any member of the Partnership Group for taxes with respect to such Partners or Assignees and (iii) amounts seized by any taxing authority from any member of the Partnership Group with respect to taxes owed by such Partners or Assignees.

Section 9.4 Withholding.

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state, local or foreign law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold or pay over to any taxing authority, or any taxing authority seizes, any amount resulting from the allocation or distribution of income to any member of the Partnership Group, Partner or Assignee, the amount withheld, paid over or seized may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 to the Partner or Assignee to whom such withholding, payment or seizure is attributed.

This Amendment will be governed by and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, this Amendment has been executed as the date first written above.

PLAINS ALL AMERICAN INC.,  
General Partner

By: -----

Name: Tim Moore  
Title: Vice President

FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT  
[Letter of Credit and Hedged Inventory Facility]

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT [Letter of Credit and Hedged Inventory Facility] (this "Amendment") dated as of the 25th day of May, 2001, by and among PLAINS MARKETING, L.P. ("Borrower"), ALL AMERICAN PIPELINE, L.P. and PLAINS ALL AMERICAN PIPELINE, L.P., as guarantors, FLEET NATIONAL BANK, as Administrative Agent, and the Lenders party hereto.

W I T N E S S E T H:

WHEREAS, Borrower, All American, Plains MLP, Administrative Agent and Lenders entered into that certain Amended and Restated Credit Agreement [Letter of Credit and Hedged Inventory Facility] dated as of May 4, 2001 (the "Original Agreement") for the purposes and consideration therein expressed, pursuant to which Lenders became obligated to make and made loans to Borrower as therein provided; and

WHEREAS, Borrower, All American, Plains MLP, Administrative Agent and Lenders desire to amend the Original Agreement for the purposes described herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Original Agreement, in consideration of the loans which may hereafter be made by Lenders to Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I. -- Definitions and References

(S) 1.1. Terms Defined in the Original Agreement. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Original Agreement shall have the same meanings whenever used in this Amendment.

(S) 1.2. Other Defined Terms. Unless the context otherwise requires, the following terms when used in this Amendment shall have the meanings assigned to them in this (S) 1.2.

"Amendment" means this First Amendment to Amended and Restated Credit Agreement [Letter of Credit and Hedged Inventory Facility].

"Amendment Documents" means this Amendment.

"Credit Agreement" means the Original Agreement as amended hereby.

ARTICLE II. -- Amendments

(S) 2.1. Definitions. (a) The definitions of "Change of Control", "Consolidated Net Worth", "General Partner" and "Wholly-Owned Subsidiary" set forth in Section 1.1 of the Agreement are hereby amended in their entirety to read as follows:

"Change of Control" means the occurrence of any of the following events:

(i) Qualifying Directors cease for any reason to constitute collectively a majority of the members of the board of directors of GP LLC (the "Board") then in office;

(ii) GP LLC shall cease to be, directly or indirectly, the sole legal and beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of all of the general partner interests (including all securities which are convertible into general partner interests) of the General Partner;

(iii) General Partner shall cease to be, directly or indirectly, the sole legal and beneficial owner (as defined above) of all of the general partner interests (including all securities which are convertible into general partner interests) of Plains MLP;

(iv) Plains MLP shall cease to be, directly or indirectly, the sole legal and beneficial owner (as defined above) of all (a) equity interests of Plains Newco LLC, (b) limited partner interests of Borrower and All American, (c) partner interests of Plains Marketing Canada, L.P. (other than the limited partner interests of Plains Marketing Canada, L.P. that may be issued to CanPet Energy Group (USA), Inc. or CanPet Energy Group Inc. as permitted under Section 7.4), or (d) capital stock of PMC (Nova Scotia) Company; or

(v) Neither General Partner nor Plains MLP shall continue to be, directly or indirectly, the sole legal and beneficial owner of the general partner interest in Borrower and All American.

As used herein, "Qualifying Director" means (i) any Person designated by any Qualifying Owner as its representative on the Board, (ii) so long as Qualifying Owners own a majority of the ownership interests of GP LLC entitling the holders thereof to vote in elections for directors of GP LLC, any Person elected by a majority of such owners of GP LLC entitled to vote thereon, and (iii) the chief executive officer of GP LLC, and "Qualifying Owner" means Plains Resources Inc., Kayne Anderson Investment Management, EnCap Investments LLC, Sable Minerals, or any Affiliate of any of the foregoing.

"Consolidated Net Worth" means the remainder of all Consolidated assets, as determined in accordance with GAAP, of Plains MLP and its Subsidiaries minus the sum of Plains MLP's Consolidated liabilities, as determined in accordance with GAAP. The effect of any increase or decrease in net worth in any period as a result of items of income or loss not reflected in the determination

of net income but reflected in the determination of comprehensive income (to the extent provided under GAAP as in effect on the date hereof) shall be excluded in determining Consolidated Net Worth.

"General Partner" means Plains AAP, L.P., a Delaware limited partnership, in its capacity as the sole general partner of Plains MLP.

"Wholly Owned Subsidiary" means any Subsidiary of a Person, all of the issued and outstanding stock, limited liability company membership interests, or partnership interests of which (including all rights or options to acquire such stock or interests) are directly or indirectly (through one or more Subsidiaries) owned by such Person.

(b) Clause (A) of the definition of "Permitted Acquisitions" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

(A) the acquisition of all of the capital stock or other equity interest in a Person

(c) The following definitions of "GP LLC" and "Plains Newco LLC" are hereby added to Section 1.1 of the Original Agreement, for placement in alphabetical order in relation to the other definitions in Section 1.1, to read as follows:

"GP LLC" means Plains All American GP LLC, a Delaware limited liability company.

"Plains Newco LLC" means a Delaware limited liability company or other entity that is wholly-owned, directly or indirectly, by Plains MLP that is or may become the general partner of US Borrower and All American.

(S) 2.3. Limitation on Issuance of Securities. The reference to "to such Restricted Person, to Plains MLP or to General Partner" set forth in the fourth sentence of Section 7.4 of the Original Agreement is hereby amended to refer instead to "to such Restricted Person or to Plains MLP".

(S) 2.4. Limitation on Dividends and Redemptions. The reference to ", and to the General Partner pursuant to and in accordance with such Subsidiary's partnership agreement" set forth in clause (i) of Section 7.6 of the Original Agreement is hereby deleted.

(S) 2.5. Events of Default. The references to "General Partner" set forth in clauses (i) and (j) of Section 8.1 of the Original Agreement are hereby amended to refer instead to "GP LLC or General Partner".

(S) 2.6. Consents re: PAAI Sale Transaction. As generally set forth in Plains MLP's Form 8-K and Plains Resources Inc.'s Form 8-K, each filed with the Securities and Exchange Commission on May 10, 2001, Plains Resources Inc. ("Resources"), PAAI LLC and PAAI, the sole general partner of Plains MLP, Borrower and All American as of the date hereof, have entered into one or more agreements providing in part for the sale and transfer by PAAI of a portion of its general partner interest in Plains MLP and by PAAI LLC of certain of its

subordinated interests in Plains MLP (together with all other transfers contemplated in connection therewith, the "PAAI Sale Transaction"). To the extent any transfer pursuant to the PAAI Sale Transaction shall, for the purpose of Section 7.4 of the Credit Agreement, constitute the issue of any security, then such issuance may violate Section 7.4 of the Credit Agreement, which would constitute an Event of Default under Section 8.1(d) of the Credit Agreement. Lenders hereby consent to such issuance and waive any violation of Section 7.4 of the Credit Agreement or Event of Default caused thereby. Additionally, pursuant to the PAAI Sale Transaction, one or more Restricted Persons may enter into transitional agreements with Resources and/or other Affiliates of such Restricted Persons with respect to certain management and operational matters, and such transactions with such Affiliates may violate Section 7.9 of the Credit Agreement, which would constitute an Event of Default under Section 8.1(d) of the Credit Agreement. Lenders hereby consent to Restricted Persons' entry into such transitional agreements with such Affiliates and waive any violation of Section 7.9 of the Credit Agreement or Event of Default caused thereby; provided, such transitional agreements shall be on terms which are no less favorable to such Restricted Persons than those which would have been obtainable at the time in arm's-length transactions with Persons other than such Affiliates.

(S)2.7. Waiver and Consent re: Restructuring. PAAI and Plains MLP may, prior to the effectiveness of this Amendment, restructure the general partner interests in US Borrower and All American such that a direct or indirect wholly-owned Subsidiary of Plains MLP will hold such general partner interests, which would constitute a Change of Control under the Original Agreement and an Event of Default under Section 8.1(k) of the Original Agreement. Lenders hereby consent to any such restructuring prior to the effectiveness of this Amendment and waive any Change of Control and Event of Default under Section 8.1(k) of the Original Agreement caused thereby.

#### ARTICLE III. -- Conditions of Effectiveness

(S) 3.1. Effective Date. This Amendment, other than the waiver set forth in Section 2.7 hereof, shall become effective on the closing date provided for in the agreements governing the PAAI Sale Transaction contemporaneous with such closing (and the waiver set forth in Section 2.7 hereof shall become effective as of the date hereof), when and only when (i) Administrative Agent shall have received, at Administrative Agent's office, a counterpart of this Amendment executed and delivered by Borrower, Plains MLP, All American and Majority Lenders, (ii) Administrative Agent shall have additionally received all of the following documents, each document (unless otherwise indicated) being dated the date of receipt thereof by Administrative Agent, duly authorized, executed and delivered, and in form and substance satisfactory to Administrative Agent:

(A) Officer's Certificate. A certificate of a duly authorized officer of General Partner, to the effect that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of the date thereof, and

(B) Supporting Documents. Such supporting documents as Administrative Agent may reasonably request.

ARTICLE IV. -- Representations and Warranties

(S) 4.1. Representations and Warranties of Plains MLP and Borrowers. In order to induce Administrative Agent and Lenders to enter into this Amendment, Plains MLP and Borrowers represent and warrant to Administrative Agent and each Lender that:

(a) The representations and warranties contained in Article V of the Original Agreement are true and correct at and as of the time of the effectiveness hereof, except to the extent that such representation and warranty was made as of a specific date.

(b) Each Restricted Person is duly authorized to execute and deliver this Amendment and each other Amendment Document, to the extent a party thereto, and each Borrower is and will continue to be duly authorized to borrow and perform its obligations under the Credit Agreement. Each Restricted Person has duly taken all action necessary to authorize the execution and delivery of this Amendment and each other Amendment Document, to the extent a party thereto, and to authorize the performance of their respective obligations hereunder.

(c) The execution and delivery by each Restricted Person of this Amendment and each other Amendment Document, to the extent a party thereto, the performance by each Restricted Person of its respective obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, do not and will not conflict with any provision of any Law or of the organizational documents of any Restricted Person, or of any material agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person, or result in the creation of any Lien upon any assets or properties of any Restricted Person, except in favor of Administrative Agent for the benefit of Lenders and other Permitted Liens. Except for those which have been duly obtained, no consent, approval, authorization or order of any Tribunal or third party is required in connection with the execution and delivery by any Restricted Person of this Amendment or any other Amendment Document, or to consummate the transactions contemplated hereby and thereby.

(d) When duly executed and delivered, each of this Amendment and each other Amendment Document, and each of the Loan Documents, as amended hereby and thereby, will be a legal and binding instrument and agreement of each Restricted Person to the extent a party thereto, enforceable in accordance with its terms, (subject, as to enforcement of remedies, to applicable bankruptcy, insolvency and similar laws applicable to creditors' rights generally).

ARTICLE V. -- Miscellaneous

(S) 5.1. Ratification of Agreements. The Original Agreement, as hereby amended, is hereby ratified and confirmed in all respects. The Loan Documents (including but not limited to each Guaranty), as they may be amended or affected by this Amendment or any other Amendment Document, are hereby ratified and confirmed in all respects by each Restricted Person to the extent a party thereto. Any reference to the Credit Agreement in any Loan



Document shall be deemed to refer to this Amendment also. The execution, delivery and effectiveness of this Amendment and the other Amendment Documents shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Administrative Agent or any Lender under the Credit Agreement or any other Loan Document nor constitute a waiver of any provision of the Credit Agreement or any other Loan Document.

(S) 5.2. Ratification of Security Documents. Restricted Persons, Administrative Agent, and Lenders each acknowledge and agree that any and all indebtedness, liabilities or obligations arising under or in connection with the LC Obligations or the Notes are Obligations and are secured indebtedness under, are guarantied by, and are secured by, each and every Security Document to which any Restricted Person is a party. Each Restricted Person hereby re-pledges, re-grants and re-assigns a security interest in and lien on every asset of the such Restricted Person described as Collateral in any Security Document and re-guarantees all Obligations, as amended hereby.

(S) 5.3. Ratification of Intercreditor Agreement. Each Lender hereby acknowledges and confirms that all Obligations under the Credit Agreement, as amended hereby, and the "Obligations" under the Marketing Credit Agreement, as amended on the date hereof, shall be and shall remain subject to the terms and entitled to the benefits of the Intercreditor Agreement.

(S) 5.4. Survival of Agreements. All representations, warranties, covenants and agreements of the Restricted Persons herein shall survive the execution and delivery of this Amendment and the performance hereof, including without limitation the making or granting of each Loan, and shall further survive until all of the Obligations are paid in full. All statements and agreements contained in any certificate or instrument delivered by any Restricted Person hereunder or under the Credit Agreement to Administrative Agent or any Lender shall be deemed to constitute representations and warranties by, or agreements and covenants of, such Restricted Person under this Amendment and under the Credit Agreement.

(S) 5.5. Loan Documents. This Amendment and each other Amendment Document is a Loan Document, and all provisions in the Credit Agreement pertaining to Loan Documents apply hereto.

(S) 5.6. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA IN ALL RESPECTS, INCLUDING CONSTRUCTION, VALIDITY AND PERFORMANCE.

(S) 5.7. Counterparts. This Amendment may be separately executed in counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment.

IN WITNESS WHEREOF, this Amendment is executed as of the date first above written.

BORROWER: PLAINS MARKETING, L.P.

By: Plains All American Inc., General Partner

By:

-----  
Phil Kramer, Exec. Vice President

GUARANTORS: ALL AMERICAN, L.P.  
PLAINS ALL AMERICAN PIPELINE, L.P.

By: Plains All American Inc., General Partner

By:

-----  
Phil Kramer, Exec. Vice President

LENDER PARTIES:

FLEET NATIONAL BANK,  
Administrative Agent, LC Issuer and Lender

By: \_\_\_\_\_  
Terrence Ronan, Managing Director

FIRST UNION NATIONAL BANK, Lender

By: \_\_\_\_\_  
Robert R. Wetteroff, Sr. Vice Pres.

BANK OF AMERICA, N.A., Lender

By: \_\_\_\_\_  
Name:  
Title:

BANK ONE, NA (MAIN OFFICE CHICAGO),  
Lender

By: \_\_\_\_\_  
Name:  
Title:

FORTIS CAPITAL CORP., Lender

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

U.S. BANK NATIONAL ASSOCIATION, Lender

By: \_\_\_\_\_  
Name:  
Title:

BANK OF SCOTLAND, Lender

By: \_\_\_\_\_  
Name:  
Title:

WELLS FARGO BANK (TEXAS),  
NATIONAL ASSOCIATION, Lender

By: -----  
Name:  
Title:

THE BANK OF NOVA SCOTIA, Lender

By: -----  
Name:  
Title:

CREDIT AGRICOLE INDOSUEZ, Lender

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:

TORONTO DOMINION (TEXAS), INC., Lender

By: -----  
Name:  
Title:

SOUTHWEST BANK OF TEXAS, N.A., Lender

By: -----  
Name:  
Title:

UNION BANK OF CALIFORNIA, N.A., Lender

By: -----  
Name:  
Title:

COMERICA BANK-TEXAS, Lender

By: \_\_\_\_\_

Name:  
Title:

BNP PARIBAS, Lender

By: \_\_\_\_\_

Name:  
Title:

By: \_\_\_\_\_

Name:  
Title:

GUARANTY BANK, Lender

By: \_\_\_\_\_

Name:  
Title:

SIEMENS FINANCIAL SERVICES INC., Lender

By: \_\_\_\_\_

Name:  
Title:

CONSENT AND AGREEMENT

Each of the undersigned hereby consents to the provisions of this Amendment and the transactions contemplated herein and hereby (i) acknowledges and agrees that any and all indebtedness, liabilities or obligations arising under or in connection with the Notes are Obligations and are secured indebtedness under, and are secured by, each and every Security Document to which it is a party, (ii) re-pledges, re-grants and re-assigns a security interest in and lien on all of its assets described as collateral in any Security Document, (iii) ratifies and confirms its Guaranty dated May 4, 2001 made by it for the benefit of Administrative Agent and Lenders, and (iv) expressly acknowledges and agrees that the undersigned guarantees all indebtedness, liabilities and obligations arising under or in connection with any and all Notes pursuant to the terms of such Guaranty, and agrees that its obligations and covenants thereunder are unimpaired hereby and shall remain in full force and effect.

PLAINS MARKETING CANADA LLC

By: Plains Marketing, L.P., its sole member

By: Plains All American Inc.,  
its general partner

By: -----  
Phil Kramer, Exec. Vice President

PMC (NOVA SCOTIA) COMPANY

By: -----  
Phil Kramer, Exec. Vice President

PLAINS MARKETING CANADA, L.P.

By: PMC (Nova Scotia) Company,  
General Partner

By: -----  
Phil Kramer, Exec. Vice President

TO: The Lenders under the Amended and Restated Credit Agreement (LETTER OF CREDIT AND HEDGED INVENTORY FACILITY) dated as of May 4, 2001 (the "Agreement") among Plains Marketing, L.P. ("Borrower"), All American Pipeline, L.P. and Plains All American Pipeline, L.P., as guarantors, Fleet National Bank, as Administrative Agent, and the Lenders named therein.

SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

Ladies and Gentlemen:

Plains MLP proposes to issue Indebtedness pursuant to Section 7.1(g) of the Agreement and has requested that Section 7.1(g) of the Agreement be amended to permit such Indebtedness to be incurred with rights of optional redemption, provided that each Restricted Person agree not to exercise such right without the written consent of Majority Lenders, and otherwise as provided in Section 7.1(g). Accordingly, to effect this agreement on each Restricted Person, clause (1) of Section 7.1(g) of the Agreement is hereby amended to read as follows:

(1) such Indebtedness shall not permit mandatory redemption by any holder thereof solely at the option of any such holder, nor any stated maturity, in each case prior to the Maturity Date,

and a new proviso is hereby added at the end of Section 7.1(g) immediately following ";", to read as follows:

provided, further, each Restricted Person hereby covenants and agrees that it will not optionally redeem, or make any payment on or with respect to the optional redemption of such Indebtedness (or any portion thereof) prior to the Maturity Date without the written consent of Majority Lenders;

The effectiveness of this Amendment shall be conditioned upon the contemporaneous effectiveness of an amendment to the Revolver Agreement on substantially identical terms. Please execute a copy of this letter in the space provided below to evidence your consent to the foregoing and fax a copy to the Administrative Agent (c/o Terry Ronan) at 617-434-3652 by 12:00 noon, Tuesday, June 26th. The foregoing amendment shall become effective upon consent of Majority Lenders.

Thank you for your assistance on such short notice.

FLEET NATIONAL BANK, Administrative Agent

By: /s/ Terrence Ronan

-----  
Terrence Ronan, Managing Director

We hereby consent to the foregoing

-----  
[Name of Lender]

By: -----

Name:  
Title:



PLAINS MARKETING, L.P., Borrower  
ALL AMERICAN, L.P., Guarantor  
PLAINS ALL AMERICAN PIPELINE, L.P., Guarantor

By: Plains AAP, L.P., General Partner

By: Plains All American GP LLC, its General Partner

By: -----  
Tim Moore, Vice President

FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT  
[Revolving Credit Facility]

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT [Revolving Credit Facility] (this "Amendment") dated as of the 25th day of May, 2001, by and among PLAINS MARKETING, L.P. ("US Borrower"), ALL AMERICAN PIPELINE, L.P. and PLAINS ALL AMERICAN PIPELINE, L.P., as guarantors, FLEET NATIONAL BANK, as Administrative Agent, THE TORONTO-DOMINION BANK, as Canadian Agent, PMC (NOVA SCOTIA) COMPANY ("Term Borrower"), PLAINS MARKETING CANADA, L.P. ("Canadian Revolver Borrower"), and the Lenders party hereto.

W I T N E S S E T H:

WHEREAS, US Borrower, All American, Plains MLP, Administrative Agent, Canadian Agent, Term Borrower, Canadian Revolver Borrower and Lenders entered into that certain Amended and Restated Credit Agreement [Revolving Credit Facility] dated as of May 4, 2001 (the "Original Agreement") for the purposes and consideration therein expressed, pursuant to which Lenders became obligated to make and made loans to US Borrower, Term Borrower and Canadian Revolver Borrower as therein provided; and

WHEREAS, US Borrower, All American, Plains MLP, Administrative Agent, Canadian Agent, Term Borrower, Canadian Revolver Borrower and Lenders desire to amend the Original Agreement for the purposes described herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Original Agreement, in consideration of the loans which may hereafter be made by Lenders to US Borrower, Term Borrower and Canadian Revolver Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I. -- Definitions and References

(S) 1.1. Terms Defined in the Original Agreement. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Original Agreement shall have the same meanings whenever used in this Amendment.

(S) 1.2. Other Defined Terms. Unless the context otherwise requires, the following terms when used in this Amendment shall have the meanings assigned to them in this (S) 1.2.

"Amendment" means this First Amendment to Amended and Restated Credit Agreement [Revolving Credit Facility].

"Amendment Documents" means this Amendment.

"Credit Agreement" means the Original Agreement as amended hereby.

ARTICLE II. -- Amendments

(S) 2.1. Definitions. (a) The definitions of "Change of Control", "Consolidated Net Worth", "General Partner" and "Wholly-Owned Subsidiary" set forth in Section 1.1 of the Agreement are hereby amended in their entirety to read as follows:

"Change of Control" means the occurrence of any of the following events:

(i) Qualifying Directors cease for any reason to constitute collectively a majority of the members of the board of directors of GP LLC (the "Board") then in office;

(ii) GP LLC shall cease to be, directly or indirectly, the sole legal and beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of all of the general partner interests (including all securities which are convertible into general partner interests) of General Partner.

(iii) General Partner shall cease to be, directly or indirectly, the sole legal and beneficial owner (as defined above) of all of the general partner interests (including all securities which are convertible into general partner interests) of Plains MLP;

(iv) Plains MLP shall cease to be, directly or indirectly, the sole legal and beneficial owner (as defined above) of all (a) equity interests of Plains Newco LLC, (b) limited partner interests of US Borrower and All American, (c) partner interests of Plains Marketing Canada, L.P. (other than the limited partner interests of Plains Marketing Canada, L.P. that may be issued to CanPet Energy Group (USA), Inc. or CanPet Energy Group Inc. as permitted under Section 7.4), or (d) capital stock of PMC (Nova Scotia) Company; or

(v) Neither General Partner nor Plains MLP shall continue to be, directly or indirectly, the sole legal and beneficial owner of the general partner interest in US Borrower and All American.

As used herein, "Qualifying Director" means (i) any Person designated by any Qualifying Owner as its representative on the Board, (ii) so long as Qualifying Owners own a majority of the ownership interests of GP LLC entitling the holders thereof to vote in elections for directors of GP LLC, any Person elected by a majority of such owners of GP LLC entitled to vote thereon, and (iii) the chief executive officer of GP LLC, and "Qualifying Owner" means Plains Resources Inc., Kayne Anderson Investment Management, EnCap Investments LLC, Sable Minerals, or any Affiliate of any of the foregoing.

"Consolidated Net Worth" means the remainder of all Consolidated assets, as determined in accordance with GAAP, of Plains MLP and its Subsidiaries minus the sum of Plains MLP's Consolidated liabilities, as determined in accordance with GAAP. The effect of any increase or decrease in net worth in any period as a result of items of income or loss not reflected in the determination of net income but reflected in the determination

of comprehensive income (to the extent provided under GAAP as in effect on the date hereof) shall be excluded in determining Consolidated Net Worth.

"General Partner" means Plains AAP, L.P., a Delaware limited partnership, in its capacity as the sole general partner of Plains MLP.

"Wholly Owned Subsidiary" means any Subsidiary of a Person, all of the issued and outstanding stock, limited liability company membership interests, or partnership interests of which (including all rights or options to acquire such stock or interests) are directly or indirectly (through one or more Subsidiaries) owned by such Person.

(b) Clause (A) of the definition of "Permitted Acquisitions" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

(A) the acquisition of all of the capital stock or other equity interest in a Person

(c) The following definitions of "GP LLC" and "Plains Newco LLC" are hereby added to Section 1.1 of the Original Agreement, for placement in alphabetical order in relation to the other definitions in Section 1.1, to read as follows:

"GP LLC" means Plains All American GP LLC, a Delaware limited liability company.

"Plains Newco LLC" means a Delaware limited liability company or other entity that is wholly-owned, directly or indirectly, by Plains MLP that is or may become the general partner of US Borrower and All American.

(S) 2.3. Limitation on Issuance of Securities. The reference to "to such Restricted Person, to Plains MLP or to General Partner" set forth in the fourth sentence of Section 7.4 of the Original Agreement is hereby amended to refer instead to "to such Restricted Person or to Plains MLP".

(S) 2.4. Limitation on Dividends and Redemptions. The reference to ", and to the General Partner pursuant to and in accordance with such Subsidiary's partnership agreement" set forth in clause (i) of Section 7.6 of the Original Agreement is hereby deleted.

(S) 2.5. Events of Default. The references to "General Partner" set forth in clauses (i) and (j) of Section 8.1 of the Original Agreement are hereby amended to refer instead to "GP LLC or General Partner".

(S) 2.6. Consents re: PAAI Sale Transaction. As generally set forth in Plains MLP's Form 8-K and Plains Resources Inc.'s Form 8-K, each filed with the Securities and Exchange Commission on May 10, 2001, Plains Resources Inc. ("Resources"), PAAI LLC and PAAI, the sole general partner of Plains MLP, US Borrower and All American as of the date hereof, have entered into one or more agreements providing in part for the sale and transfer by PAAI of a portion of its general partner interest in Plains MLP and by PAAI LLC of certain of its

subordinated interests in Plains MLP (together with all other transfers contemplated in connection therewith, the "PAAI Sale Transaction"). To the extent any transfer pursuant to the PAAI Sale Transaction shall, for the purpose of Section 7.4 of the Credit Agreement, constitute the issue of any security, then such issuance may violate Section 7.4 of the Credit Agreement, which would constitute an Event of Default under Section 8.1(d) of the Credit Agreement. Lenders hereby consent to such issuance and waive any violation of Section 7.4 of the Credit Agreement or Event of Default caused thereby. Additionally, pursuant to the PAAI Sale Transaction, one or more Restricted Persons may enter into transitional agreements with Resources and/or other Affiliates of such Restricted Persons with respect to certain management and operational matters, and such transactions with such Affiliates may violate Section 7.9 of the Credit Agreement, which would constitute an Event of Default under Section 8.1(d) of the Credit Agreement. Lenders hereby consent to Restricted Persons' entry into such transitional agreements with such Affiliates and waive any violation of Section 7.9 of the Credit Agreement or Event of Default caused thereby; provided, such transitional agreements shall be on terms which are no less favorable to such Restricted Persons than those which would have been obtainable at the time in arm's-length transactions with Persons other than such Affiliates.

(S)2.7. Waiver and Consent re: Restructuring. PAAI and Plains MLP may, prior to the effectiveness of this Amendment, restructure the general partner interests in US Borrower and All American such that a direct or indirect wholly-owned Subsidiary of Plains MLP will hold such general partner interests, which would constitute a Change of Control under the Original Agreement and an Event of Default under Section 8.1(k) of the Original Agreement. Lenders hereby consent to any such restructuring prior to the effectiveness of this Amendment and waive any Change of Control and Event of Default under Section 8.1(k) of the Original Agreement caused thereby.

#### ARTICLE III. -- Conditions of Effectiveness

(S) 3.1. Effective Date. This Amendment, other than the waiver set forth in Section 2.7 hereof, shall become effective on the closing date provided for in the agreements governing the PAAI Sale Transaction contemporaneous with such closing (and the waiver set forth in Section 2.7 hereof shall become effective as of the date hereof), when and only when (i) Administrative Agent shall have received, at Administrative Agent's office, a counterpart of this Amendment executed and delivered by US Borrower, Term Borrower, Canadian Revolver Borrower, Plains MLP, All American and Majority Lenders, (ii) Administrative Agent shall have additionally received all of the following documents, each document (unless otherwise indicated) being dated the date of receipt thereof by Administrative Agent, duly authorized, executed and delivered, and in form and substance satisfactory to Administrative Agent:

(A) Officer's Certificate. A certificate of a duly authorized officer of General Partner, to the effect that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of the date thereof, and

(B) Supporting Documents. Such supporting documents as Administrative Agent may reasonably request.

ARTICLE IV. -- Representations and Warranties

(S) 4.1. Representations and Warranties of Plains MLP and Borrowers. In order to induce Administrative Agent and Lenders to enter into this Amendment, Plains MLP and Borrowers represent and warrant to Administrative Agent and each Lender that:

(a) The representations and warranties contained in Article V of the Original Agreement are true and correct at and as of the time of the effectiveness hereof, except to the extent that such representation and warranty was made as of a specific date.

(b) Each Restricted Person is duly authorized to execute and deliver this Amendment and each other Amendment Document, to the extent a party thereto, and each Borrower is and will continue to be duly authorized to borrow and perform its obligations under the Credit Agreement. Each Restricted Person has duly taken all action necessary to authorize the execution and delivery of this Amendment and each other Amendment Document, to the extent a party thereto, and to authorize the performance of their respective obligations hereunder.

(c) The execution and delivery by each Restricted Person of this Amendment and each other Amendment Document, to the extent a party thereto, the performance by each Restricted Person of its respective obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, do not and will not conflict with any provision of any Law or of the organizational documents of any Restricted Person, or of any material agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person, or result in the creation of any Lien upon any assets or properties of any Restricted Person, except in favor of Administrative Agent or Canadian Agent for the benefit of Lenders and other Permitted Liens. Except for those which have been duly obtained, no consent, approval, authorization or order of any Tribunal or third party is required in connection with the execution and delivery by any Restricted Person of this Amendment or any other Amendment Document, or to consummate the transactions contemplated hereby and thereby.

(d) When duly executed and delivered, each of this Amendment and each other Amendment Document, and each of the Loan Documents, as amended hereby and thereby, will be a legal and binding instrument and agreement of each Restricted Person to the extent a party thereto, enforceable in accordance with its terms, (subject, as to enforcement of remedies, to applicable bankruptcy, insolvency and similar laws applicable to creditors' rights generally).

ARTICLE V. -- Miscellaneous

(S) 5.1. Ratification of Agreements. The Original Agreement, as hereby amended, is hereby ratified and confirmed in all respects. The Loan Documents (including but not limited to each Guaranty), as they may be amended or affected by this Amendment or any other Amendment Document, are hereby ratified and confirmed in all respects by each Restricted Person to the extent a party thereto. Any reference to the Credit Agreement in any Loan

Document shall be deemed to refer to this Amendment also. The execution, delivery and effectiveness of this Amendment and the other Amendment Documents shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Administrative Agent, Canadian Agent or any Lender under the Credit Agreement or any other Loan Document nor constitute a waiver of any provision of the Credit Agreement or any other Loan Document.

(S) 5.2. Ratification of Security Documents. Restricted Persons, Administrative Agent, and Lenders each acknowledge and agree that any and all indebtedness, liabilities or obligations arising under or in connection with the LC Obligations or the Notes are Obligations and are secured indebtedness under, are guaranteed by, and are secured by, each and every Security Document to which any Restricted Person is a party. Each Restricted Person hereby re-pledges, re-grants and re-assigns a security interest in and lien on every asset of the such Restricted Person described as Collateral in any Security Document and re-guarantees all Obligations, as amended hereby.

(S) 5.3. Ratification of Intercreditor Agreement. Each Lender hereby acknowledges and confirms that all Obligations under the Credit Agreement, as amended hereby, and the "Obligations" under the Marketing Credit Agreement, as amended on the date hereof, shall be and shall remain subject to the terms and entitled to the benefits of the Intercreditor Agreement.

(S) 5.4. Survival of Agreements. All representations, warranties, covenants and agreements of the Restricted Persons herein shall survive the execution and delivery of this Amendment and the performance hereof, including without limitation the making or granting of each Loan, and shall further survive until all of the Obligations are paid in full. All statements and agreements contained in any certificate or instrument delivered by any Restricted Person hereunder or under the Credit Agreement to Administrative Agent, Canadian Agent or any Lender shall be deemed to constitute representations and warranties by, or agreements and covenants of, such Restricted Person under this Amendment and under the Credit Agreement.

(S) 5.5. Loan Documents. This Amendment and each other Amendment Document is a Loan Document, and all provisions in the Credit Agreement pertaining to Loan Documents apply hereto.

(S) 5.6. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA IN ALL RESPECTS, INCLUDING CONSTRUCTION, VALIDITY AND PERFORMANCE.

(S) 5.7. Counterparts. This Amendment may be separately executed in counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment.

IN WITNESS WHEREOF, this Amendment is executed as of the date first above written.

US BORROWER: PLAINS MARKETING, L.P.  
By: Plains All American Inc., General Partner  
By: -----  
Phil Kramer, Exec. Vice President

GUARANTORS: ALL AMERICAN, L.P.  
PLAINS ALL AMERICAN PIPELINE, L.P.  
By: Plains All American Inc., General Partner  
By: -----  
Phil Kramer, Exec. Vice President

CANADIAN REVOLVER BORROWER: PLAINS MARKETING CANADA, L.P.,  
By: PMC (Nova Scotia) Company,  
General Partner  
By: -----  
Phil Kramer, Exec. Vice Pres.

TERM BORROWER: PMC (NOVA SCOTIA) COMPANY  
By: -----  
Phil Kramer, Exec. Vice Pres.



LENDER PARTIES:

FLEET NATIONAL BANK,  
Administrative Agent, LC Issuer and Lender

By: -----  
Terrence Ronan, Managing Director

FIRST UNION NATIONAL BANK, Lender

By: -----  
Robert R. Wetteroff, Sr. Vice Pres.

BANK OF AMERICA, N.A., Lender

By: -----  
Name:  
Title:

BANK ONE, NA (MAIN OFFICE CHICAGO),  
Lender

By: -----  
Name:  
Title:

FORTIS CAPITAL CORP., Lender

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:

U.S. BANK NATIONAL ASSOCIATION, Lender

By: -----  
Name:  
Title:

BANK OF SCOTLAND, Lender

By: -----  
Name:  
Title:

WELLS FARGO BANK (TEXAS),  
NATIONAL ASSOCIATION, Lender

By:

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Name:  
Title:

THE BANK OF NOVA SCOTIA, Lender

By:

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Name:  
Title:

CREDIT AGRICOLE INDOSUEZ, Lender

By:

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Name:  
Title:

By:

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Name:  
Title:

TORONTO DOMINION (TEXAS), INC., Lender

By:

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Name:  
Title:

SOUTHWEST BANK OF TEXAS, N.A., Lender

By:

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Name:  
Title:

UNION BANK OF CALIFORNIA, N.A., Lender

By:

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Name:  
Title:

COMERICA BANK-TEXAS, Lender

By:

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Name:  
Title:

BNP PARIBAS, Lender

By:

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Name:  
Title:

By:

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Name:  
Title:

HELLER FINANCIAL, INC., Lender

By:

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Name:  
Title:

THE TORONTO-DOMINION BANK,  
Canadian Administration Agent

By:

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Name:  
Title:

THE TORONTO-DOMINION BANK, Lender

By:

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Name:  
Title:

BANK OF AMERICA CANADA, Lender

By:

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Name:  
Title:

BNP PARIBAS (CANADA), Lender

By:

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Name:  
Title:

By:

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Name:  
Title:

HELLER FINANCIAL CANADA, LTD., Lender

By:

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Name:  
Title:

PILGRIM PRIME RATE TRUST  
PILGRIM SENIOR INCOME FUND  
ML CLO XX PILGRIM AMERICA (CAYMAN)  
LTD.  
PILGRIM CLO 1999 - 1 LTD.  
SEQUILS - PILGRIM I, LTD.  
PILGRIM AMERICA HIGH INCOME  
INVESTMENTS LTD.  
ML CLO XII PILGRIM AMERICA (CAYMAN)  
LTD., each a Lender

By: ING Pilgrim Investments, LLC,  
as its investment manager

By:

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Name:  
Title:

MORGAN STANLEY DEAN WITTER PRIME  
INCOME TRUST, Lender

By:

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Name:  
Title:

FLAGSHIP CLO-2001-1, Lender  
By: Flagship Capital Management, Inc.

By: \_\_\_\_\_  
Title:

FLAGSHIP CLO II, Lender

By: \_\_\_\_\_  
Title:

ARCHIMEDES FUNDING IV (CAYMAN), LTD.  
NEMEAN CLO, LTD., each a Lender

By: ING Capital Advisors LLC,  
as Investment Manager

By: \_\_\_\_\_  
Title:

ALLSTATE LIFE INSURANCE COMPANY  
AIMCO CDO SERIES 2000-A, each a Lender

By: \_\_\_\_\_  
Name:

By: \_\_\_\_\_  
Name:

Its Authorized Signatories

TYLER TRADING, INC., Lender

By: \_\_\_\_\_  
Name:  
Title:

FIDELITY ADVISOR SERIES II: FIDELITY  
ADVISOR FLOATING RATE HIGH INCOME  
FUND  
VARIABLE INSURANCE PRODUCTS FUND II:  
ASSET MANAGER PORTFOLIO, each a Lender

By: \_\_\_\_\_  
Title:

ELC (CAYMAN) LTD. 1999-II  
APEX (IDM) CDO I, LTD., each a Lender

By: -----  
Title:

EMERALD ORCHARD LIMITED, Lender

By: -----  
Name:  
Title:

CONSENT AND AGREEMENT

Each of the undersigned hereby consents to the provisions of this Amendment and the transactions contemplated herein and hereby (i) acknowledges and agrees that any and all indebtedness, liabilities or obligations arising under or in connection with the Notes are Obligations and are secured indebtedness under, and are secured by, each and every Security Document to which it is a party, (ii) re-pledges, re-grants and re-assigns a security interest in and lien on all of its assets described as collateral in any Security Document, (iii) ratifies and confirms its Guaranty dated May 4, 2001 made by it for the benefit of Administrative Agent and Lenders, and (iv) expressly acknowledges and agrees that the undersigned guarantees all indebtedness, liabilities and obligations arising under or in connection with any and all Notes pursuant to the terms of such Guaranty, and agrees that its obligations and covenants thereunder are unimpaired hereby and shall remain in full force and effect.

PLAINS MARKETING CANADA LLC

By: Plains Marketing, L.P., its sole member

By: Plains All American Inc.,  
its general partner

By: -----  
Phil Kramer, Exec. Vice President

TO: The Lenders under the Amended and Restated Credit Agreement (REVOLVING CREDIT FACILITY) dated as of May 4, 2001 (the "Agreement") among Plains Marketing, L.P. ("US Borrower"), All American Pipeline, L.P. and Plains All American Pipeline, L.P., as guarantors, Fleet National Bank, as Administrative Agent, The Toronto-Dominion Bank, as Canadian Agent, PMC (Nova Scotia) Company ("Term Borrower"), Plains Marketing Canada, L.P. ("Canadian Revolver Borrower"), and the Lenders named therein.

SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

Ladies and Gentlemen:

Plains MLP proposes to issue Indebtedness pursuant to Section 7.1(g) of the Agreement and has requested that Section 7.1(g) of the Agreement be amended to permit such Indebtedness to be incurred with rights of optional redemption, provided that each Restricted Person agree not to exercise such right without the written consent of Majority Lenders, and otherwise as provided in Section 7.1(g). Accordingly, to effect this agreement on each Restricted Person, clause (1) of Section 7.1(g) of the Agreement is hereby amended to read as follows:

(1) such Indebtedness shall not permit mandatory redemption by any holder thereof solely at the option of any such holder, nor any stated maturity, in each case prior to the Maturity Date,

and a new proviso is hereby added at the end of Section 7.1(g) immediately following ";", to read as follows:

provided, further, each Restricted Person hereby covenants and agrees that it will not optionally redeem, or make any payment on or with respect to the optional redemption of such Indebtedness (or any portion thereof) prior to the Maturity Date without the written consent of Majority Lenders;

The effectiveness of this Amendment shall be conditioned upon the contemporaneous effectiveness of an amendment to the Marketing Credit Agreement on substantially identical terms. Please execute a copy of this letter in the space provided below to evidence your consent to the foregoing and fax a copy to the Administrative Agent (c/o Terry Ronan) at 617-434-3652 by 12:00 noon, Tuesday, June 26th. The foregoing amendment shall become effective upon consent of Majority Lenders.

Thank you for your assistance on such short notice.

FLEET NATIONAL BANK, Administrative Agent

By: \_\_\_\_\_  
Terrence Ronan, Managing Director



We hereby consent to the foregoing

[Name of Lender]

By: -----

Name:

Title:

PLAINS MARKETING, L.P., US Borrower

By: Plains AAP, L.P., General Partner

By: Plains All American GP LLC, its general partner

By: -----  
Tim Moore, Vice President

PLAINS MARKETING CANADA, L.P., Canadian Revolver Borrower

By: PMC (Nova Scotia) Company, General Partner

By: -----  
Tim Moore, Vice President

PMC (NOVA SCOTIA) COMPANY, Term Borrower

By: -----  
Tim Moore, Vice President

PLAINS ALL AMERICAN PIPELINE, L.P., Guarantor  
ALL AMERICAN, L.P., Guarantor

By: Plains AAP, L.P., General Partner

By: Plains All American GP LLC, its general partner

By: -----  
Tim Moore, Vice President