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

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FORM 10-K

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

For the fiscal year ended December 31, 1998

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

For the transition period from _____ to _____

Commission file number: 1-14569
PLAINS ALL AMERICAN PIPELINE, L.P.
(Exact name of registrant as specified in its charter)

| Delaware | 76-0582150 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| 500 Dallas<br>Houston, Texas | 77002 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (713) 654-1414

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class: | Name of each exchange on which registered: |
|---|---|
| Common Units | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days.

Yes [x] No [_]

The aggregate value of the Common Units held by non-affiliates of the registrant (treating all executive officers and directors of the registrant, for this purpose, as if they may be affiliates of the registrant) was approximately $223,207,250 on March 22, 1999 based on $17.125 per unit, the closing price of the Common Units as reported on the New York Stock Exchange on such date).

At March 22, 1999, there were outstanding 20,059,239 Common Units and 10,029,619 Subordinated Units.

DOCUMENTS INCORPORATED BY REFERENCE: None

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

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PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements and information that are based on the beliefs of Plains All American Pipeline, L.P. and its general partner, as well as assumptions made by, and information currently available to, the partnership and the general partner. 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 the partnership's business strategy, plans and objectives of management of the partnership for future operations. Such statements reflect the current views of the partnership and the general partner with respect to future events, based on what they believe are reasonable assumptions. These statements, however, are subject to certain risks, uncertainties and assumptions, including, but not limited to (i) the availability of adequate supplies of and demand for crude oil in the areas in which the partnership operates, (ii) the impact of crude oil price fluctuations, (iii) the effects of competition, (iv) the success of the partnership=s risk management activities, (v) the availability (or lack thereof) of acquisition or combination opportunities, (vi) the impact of current and future laws and governmental regulations, (vii) environmental liabilities that are not covered by an indemnity or insurance, (viii) general economic, market or business conditions and (ix) uncertainties inherent in the Year 2000 Issue. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those in the forward-looking statements. Except as required by applicable securities laws, the partnership does not intend to update these forward-looking statements and information.

PART I

Items 1. and 2. BUSINESS AND PROPERTIES

General

Plains All American Pipeline, L.P. ("PAA") and its operating partnerships, Plains Marketing, L.P. ("Marketing") and All American Pipeline, L.P. ("AAPL") (PAA, Marketing and AAPL collectively the "Partnership") were formed in late 1998 to acquire and operate the midstream crude oil business and assets of certain wholly owned subsidiaries ("Plains Midstream Subsidiaries" or "Predecessor") of Plains Resources Inc. ("Plains Resources"). All 1998 operating data included herein includes the results of the Partnership and the Predecessor. Plains All American Inc. (the "General Partner"), a wholly owned subsidiary of Plains Resources, is the general partner of the Partnership and the Partnership. The Partnership is engaged in interstate and intrastate crude oil pipeline transportation and crude oil terminalling and storage activities and gathering and marketing activities. The Partnership's operations are concentrated in California, Texas, Oklahoma, Louisiana and the Gulf of Mexico.

The Partnership owns and operates the All American Pipeline, a 1,233-mile seasonally heated, 30-inch, common carrier crude oil pipeline extending from California to West Texas, and the SJV Gathering System, a 45-mile, 16-inch, crude oil gathering system in the San Joaquin Valley of California, both of which the General Partner purchased from Wingfoot Ventures Seven, Inc. ("Wingfoot"), a wholly owned subsidiary of The Goodyear Tire & Rubber Company ("Goodyear"), in July 1998 for approximately $400 million (the "Acquisition"). The All American Pipeline is one of the newest interstate crude oil pipelines in the United States, having been constructed by Goodyear between 1985 and 1987 at a cost of approximately $1.6 billion, and is the largest capacity crude oil pipeline connecting California and Texas, with a design capacity of 300,000 barrels per day of heavy crude oil. In West Texas, the All American Pipeline interconnects with other crude oil pipelines that serve the Gulf Coast and Cushing, Oklahoma, the largest crude oil trading hub in the United States (the "Cushing Interchange") and the designated delivery point for New York Mercantile Exchange ("NYMEX") crude oil futures contracts.

Production currently transported on the All American Pipeline originates from the Santa Ynez field operated by Exxon and the Point Arguello field operated by Chevron, both offshore California, and from the San Joaquin Valley. Exxon and Chevron, as well as Texaco and Sun Operating L.P., which are other working interest owners, are contractually obligated to ship all of their production from these offshore fields on the All American Pipeline through August 2007. The SJV Gathering System is used primarily to transport crude oil from fields in the San Joaquin Valley to the All American Pipeline and to intrastate pipelines owned by third parties. The capacity of the SJV Gathering System is approximately 140,000 barrels per day. In addition to transporting third-party volumes for a tariff, the Partnership is engaged in 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.

At the Cushing Interchange, the Partnership owns and operates a two million barrel, above-ground crude oil terminalling and storage facility that has an estimated daily throughput capacity of approximately 800,000 barrels per day (the "Cushing Terminal"). The Cushing Terminal was completed in 1993, making it the most modern facility in the area, and includes state-of-the-art design features. The Partnership has initiated an expansion project that will add one million barrels of storage capacity at an aggregate cost of approximately $10 million. The expansion project is expected to be completed in the second quarter of 1999. Upon completion of the expansion project, management believes the Cushing Terminal will be the third largest facility at the Cushing Interchange (and the largest not owned by a major oil company) with an estimated 12% of that area's storage capacity. The Partnership also owns 586,000 barrels of tank capacity along the SJV Gathering System, 955,000 barrels of tank capacity along the All American Pipeline and 360,000 barrels of tank capacity at Ingleside, Texas on the Gulf Coast (the "Ingleside Terminal").

The Partnership's terminalling and storage operations generate revenue from the Cushing Terminal through a combination of storage and throughput fees from (i) refiners and gatherers seeking to segregate or custom blend crude oil for refining feedstocks, (ii) pipelines, refiners and traders requiring segregated tankage for foreign crude oil, (iii) traders who make or take delivery under NYMEX contracts and (iv) producers seeking to increase their marketing alternatives. The Cushing Terminal and the Partnership's other storage facilities also facilitate the Partnership's merchant activities by enabling the Partnership to buy and store crude oil when the price of crude oil in a given month is less than the price of crude oil in a subsequent month (a "contango" market) and to simultaneously sell crude oil futures contracts for delivery of the crude oil in such subsequent month at the higher futures price, thereby locking in a profit.

The Partnership's gathering and marketing operations include the purchase of crude oil at the wellhead and the bulk purchase of crude oil at pipeline and terminal facilities, the transportation of crude oil on trucks, barges or pipelines, and the subsequent resale or exchange of crude oil at various points along the crude oil distribution chain. The crude oil distribution chain extends from the wellhead where crude oil moves by truck and gathering systems to terminal and pipeline injection stations and major pipelines and

is transported to major crude oil trading locations for ultimate consumption by refineries. In many cases, the Partnership matches supply and demand needs by performing a merchant function--generating gathering and marketing margins by buying crude oil at competitive prices, efficiently transporting or exchanging the crude oil along the distribution chain and marketing the crude oil to refineries or other customers. When there is a higher demand than supply of crude oil in the near term, the price of crude oil in a given month exceeds the price of crude oil in a subsequent month (a "backward" market). A backward market has a positive impact on marketing margins because crude oil gatherers can capture a premium for prompt deliveries. As premiums are paid for prompt deliveries, storage opportunities are generally not profitable.

For the year ended December 31, 1998, the Partnership's pro forma gross margin, earnings before interest expense, income taxes, depreciation and amortization ("EBITDA") and net income totaled $74.1 million, $68.2 million and $43.9 million, respectively. On a pro forma basis, the All American Pipeline and the SJV Gathering System accounted for approximately 69% of the Partnership's gross margin for the year ended December 31, 1998, while the terminalling and storage activities and gathering and marketing activities accounted for approximately 31%. See Item 6, "Selected Financial and Operating Data".

Initial Public Offering and Concurrent Transactions

On November 23, 1998, the Partnership completed an initial public offering (the "IPO") of 13,085,000 common units representing limited partner interests (the "Common Units") and received therefrom net proceeds of approximately $244.7 million. Concurrently with the closing of the IPO, certain transactions described in the following paragraphs were consummated in connection with the formation of the Partnership and the Partnership. Such transactions and the transactions which occurred in conjunction with the IPO are referred to in this report as the "Transactions."

Certain of the Plains Midstream Subsidiaries were merged into Plains Resources, which sold the assets of these subsidiaries to the Partnership in exchange for $64.1 million and the assumption of $11.0 million of related indebtedness. At the same time, the General Partner conveyed all of its interest in the All American Pipeline and the SJV Gathering System to the Partnership in exchange for (i) 6,974,239 Common Units, 10,029,619 Subordinated Units and an aggregate 2% general partner interest in the Partnership, (ii) the right to receive Incentive Distributions as defined in the Partnership Agreement; and (iii) the assumption by the Partnership of $175 million of indebtedness incurred by the General Partner in connection with the acquisition of the All American Pipeline and the SJV Gathering System.

In addition to the $64.1 million paid to Plains Resources, the Partnership distributed approximately $177.6 million to the General Partner and used approximately $3 million of the remaining proceeds to pay expenses incurred in connection with the Transactions. The General Partner used $121.0 million of the cash distributed to it to retire the remaining indebtedness incurred in connection with the acquisition of the All American Pipeline and the SJV Gathering System and to pay certain other costs associated with the Transactions for the Partnership. The balance, $56.6 million, was distributed to Plains Resources, which used the cash to repay indebtedness and for other general corporate purposes.

In addition, concurrently with the closing of the IPO, the Partnership entered into a $225 million bank credit agreement (the "Bank Credit Agreement") that includes a $175 million term loan facility (the "Term Loan Facility") and a $50 million revolving credit facility (the "Revolving Credit Facility"). The Partnership may borrow up to $50 million under the Revolving Credit Facility for acquisitions, capital improvements, working capital and general business purposes. At closing, the Partnership had $175 million outstanding under the Term Loan Facility, representing indebtedness assumed from the General Partner.

The following chart depicts the organization and ownership of PAA, Marketing and AAPL after giving effect to the consummation of the Transactions, including the sale of the Common Units sold in the IPO. The percentages reflected in the organization chart represent the approximate ownership interest in each of PAA, Marketing and AAPL individually and not on an aggregate basis. The effective aggregate ownership percentages at the top of the chart reflect the ownership interest of the Unitholders in the Partnership, Marketing and AAPL on a combined basis. The 2% ownership of the General Partner reflects the approximate effective ownership interest of the General Partner in the Partnership, Marketing and AAPL on a combined basis.

[CHART APPEARS HERE]

Market Overview

The Department of Energy segregates the United States into five Petroleum Administration Defense Districts ("PADDs") to gather information relating to crude oil supply to key refining areas in the event of a national emergency. The oil industry utilizes these districts in reporting statistics regarding crude oil supply and demand. The All American Pipeline serves, directly or through connecting lines, PADD V, which consists of seven western states, including Alaska and Hawaii, PADD II, which consists of 15 states in the Midwest, and PADD III, which consists of six states located in the South, principally bordering the Gulf of Mexico. The table below sets forth supply, demand and shortfall information for each PADD for 1998 and is derived from information published by the Energy Information Administration.

| Petroleum Administration Defense District | Refinery Demand | Regional Supply | Supply Shortfall |
|---|---|---|---|
| | (thousands of barrels per day) | | |
| PADD I (East Coast) | 1,600 | -- | 1,600 |
| PADD II (Midwest) | 3,300 | 500 | 2,800 |
| PADD III (South) | 6,900 | 3,300 | 3,600 |
| PADD IV (Rockies) | 500 | 300 | 200 |
| PADD V (West Coast) | 2,500 | 2,100 | 400 |
| Total | 14,800 | 6,200 | 8,600 |

As reflected in the table above, only 15% of the total refinery demand for crude oil in PADD II can be supplied with crude oil produced in PADD II, with the remainder (approximately 2.8 million barrels per day) provided by intra-U.S. transfers of domestic crude oil production and imports from Canada and foreign sources. In the 15-year period ending December 31, 1998, production from PADD II has fallen approximately 52%, declining from approximately 1.1 million barrels per day in 1984 to approximately 523,000 barrels per day in 1998. Over this same time period, refinery demand for crude oil in this area has risen approximately 18%, increasing from approximately 2.8 million barrels per day in 1984 to approximately 3.3 million barrels per day in 1998. Accordingly, over the last 15 years PADD II's reliance on sources outside the region has increased by approximately 1.1 million barrels per day. Historically, PADD II refiners have relied on crude oil production from PADD V to meet a portion of their refinery input requirements.

Within PADD V, the supply/demand trend is quite different. Despite significant population growth, PADD V refinery inputs (crude oil demand) have decreased from a high of approximately 2.6 million barrels per day in 1989 to an average of approximately 2.5 million barrels per day over the last five years. This net decrease in refinery inputs is primarily due to (i) a reduction in the number of operating refineries and (ii) an increase in the conversion capacity of California refineries (which represent approximately 70% of the total PADD V refinery inputs). Between 1985 and 1998, the number of operating California refineries has declined from 34 (at approximately 79% of total capacity) to 21 (at approximately 95% of total capacity). A portion of the capacity lost due to refinery closures has been met by higher capacity utilization at the continuing refineries. Meanwhile, these units have been upgrading facilities to produce legislatively-mandated cleaner-burning gasolines. As California refineries have become more efficient, producing greater volumes of higher value products such as gasoline from a lesser quantity of crude oil, overall refinery demand for crude oil in PADD V has decreased. Excluding Hawaii, which imports approximately 80,000 barrels per day of foreign crude oil, and taking into account geographically captive Canadian volumes which are transported to the Washington state area, PADD V supply currently exceeds demand. In 1997 and 1998, a number of large producers in California and Alaska announced multi-year capital programs designed to increase production in California and Alaska. Subsequently, several of these producers announced reductions in their 1999 capital spending programs in response to the record low oil prices experienced in late-1998 and early 1999, dampening the outlook for near term production growth. As a result, the Partnership is unable to determine the long-term effects the low oil price environment will have on California and Alaskan production volumes. However, because of its low cost structure and the demand for crude oil in PADD II, the Partnership believes the All American Pipeline will continue to be used to transport California crude oil to connections with pipelines in Texas that will deliver such crude oil to the Cushing Interchange in PADD II as well as the Gulf Coast areas in PADD III.

Pending Acquisition

On March 17, 1999, the Partnership signed a definitive agreement with Marathon Ashland Petroleum LLC to acquire Scurlock Permian LLC and certain other pipeline assets. The cash purchase price for the acquisition is approximately $138 million, plus associated closing and financing costs. The purchase price is subject to adjustment at closing for working capital on April 1, 1999, the effective date of the acquisition. Closing of the transaction is subject to regulatory review and approval, consents from third parties, and customary due diligence. Subject to satisfaction of the foregoing conditions, the transaction is expected to close in the second quarter of 1999. The Partnership has received a financing commitment from one of its existing lenders, which in addition to other

financial resources currently available to the Partnership, will provide the funds necessary to complete the transaction. The definitive agreement provides that if either party fails to perform its obligations thereunder through no fault of the other party, such defaulting party shall pay the nondefaulting party $7.5 million as liquidated damages.

Scurlock Permian LLC, a wholly owned subsidiary of Marathon Ashland Petroleum LLC, is engaged in crude oil transportation, trading and marketing, operating in 14 states with more than 2,400 miles of active pipelines, numerous storage terminals and a fleet of more than 225 trucks. Its largest asset is an 800-mile pipeline and gathering system located in the Spraberry Trend in West Texas that extends into Andrews, Glasscock, Howard, Martin, Midland, Regan, Upton and Irion Counties, Texas. The assets to be acquired also include approximately one million barrels of crude oil used for working inventory.

Crude Oil Pipeline Operations

All American Pipeline

The All American Pipeline is a common carrier crude oil pipeline system that transports crude oil produced from fields offshore and onshore California to locations in California and West Texas pursuant to tariff rates regulated by the Federal Energy Regulatory Commission ("FERC"). As a common carrier, the All American Pipeline offers transportation services to any shipper of crude oil, provided that the crude oil tendered for transportation satisfies the conditions and specifications contained in the applicable tariff. The All American Pipeline transports crude oil for third parties as well as for the Partnership.

The All American Pipeline is comprised of a heated pipeline system which extends approximately 10 miles from Exxon's onshore facilities at Las Flores on the California coast to Chevron's onshore facilities at Gaviota, California (24-inch diameter pipe) and continues from Gaviota approximately 1,223 miles through Arizona and New Mexico to West Texas (30-inch diameter pipe) where it interconnects with other pipelines. These interconnecting common carrier pipelines transport crude oil to the refineries located along the Gulf Coast and to the Cushing Interchange. At the Cushing Interchange, these pipelines connect with other pipelines that deliver crude oil to Midwest refiners. The All American Pipeline also includes various pumping and heating stations, as well as approximately one million barrels of crude oil storage tank capacity, to facilitate the transportation of crude oil. The tank capacity is located at stations in Sisquoc, Pentland and Cadiz, California, and at the station in Wink, Texas. The Partnership owns approximately 5.0 million barrels of crude oil that is used to maintain the All American Pipeline's linefill requirements.

The All American Pipeline has a designed throughput capacity of 300,000 barrels per day of heavy crude oil and larger volumes of lighter crude oils. As currently configured, the pipeline's daily throughput capacity is approximately 216,000 barrels of heavy oil. In order to achieve designed capacity, certain nominal capital expenditures would be required. The All American Pipeline is operated from a control room in Bakersfield, California with a supervisory control and data acquisition ("SCADA") computer system designed to continuously monitor quantities of crude oil injected in and delivered through the All American Pipeline as well as pressure and temperature variations. This technology also allows for the batching of several different types of crude oil with varying gravities. The SCADA system is designed to enhance leak detection capabilities and provides for remote-controlled shut-down at every pump station on the All American Pipeline. Pumping stations are linked by telephone and microwave communication systems for remote-control operation of the All American Pipeline which allows most of the pump stations to operate without full time site personnel.

The Partnership performs scheduled maintenance on the pipeline and makes repairs and replacements when necessary or appropriate. As one of the most recently constructed major crude oil pipeline systems in the United States, the All American Pipeline requires a relatively low level of maintenance capital expenditures. The Partnership attempts to control corrosion of the pipeline through the use of corrosion inhibiting chemicals injected into the crude stream, external pipe coatings and an anode bed based cathodic protection system. The Partnership monitors the structural integrity of the All American Pipeline through a program of periodic internal inspections using electronic "smart pig" instruments. The Partnership conducts a weekly aerial surveillance of the entire pipeline and right-of-way to monitor activities or encroachments on rights-of-way. Maintenance facilities containing equipment for pipe repair, digging and light equipment maintenance are strategically located along the pipeline. The Partnership believes that the All American Pipeline has been constructed and is maintained in all material respects in accordance with applicable federal, state and local laws and regulations, standards prescribed by the American Petroleum Institute and accepted industry standards of practice.

System Supply

The All American Pipeline transports several different types of crude oil, including (i) Outer Continental Shelf ("OCS") crude oil received at the onshore facilities of the Santa Ynez field at Las Flores, California and the onshore facilities of the Point Arguello field located at Gaviota, California, (ii) Elk Hills crude oil, received at Pentland, California from a connection with the SJV

Gathering System and (iii) various crude oil blends received at Pentland from the SJV Gathering System, including West Coast Heavy and Mojave Blend.

OCS Supply. Exxon, which owns all of the Santa Ynez production, and Chevron, Texaco and Sun Operating L.P., which own approximately one-half of the Point Arguello production, have entered into transportation agreements committing to transport all of their production from these fields on the All American Pipeline. These agreements, which expire in August 2007, provide for a minimum tariff with annual escalations. At December 31, 1998, the tariffs averaged $1.41 per barrel for deliveries to connecting pipelines in California and $2.96 per barrel for deliveries to connecting pipelines in West Texas. The agreements do not require these owners to transport a minimum volume. The producers from the Point Arguello field who do not have contracts with the Partnership have no other means of transporting their production and, therefore, ship their volumes on the All American Pipeline at the posted tariffs. During 1998, approximately $33.6 million, or 45%, of the Partnership's pro forma gross margin was attributable to volumes received from the Santa Ynez field and approximately $12.9 million, or 17%, was attributable to volumes received from the Point Arguello field. Transportation of volumes from the Point Arguello field on the All American Pipeline commenced in 1991 and from the Santa Ynez field in 1994. The table below sets forth the historical volumes received from both of these fields.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
| | (barrels in thousands) | | | | | | | |
| Average daily volumes received from: | | | | | | | | |
| Point Arguello (at Gaviota) | 26 | 30 | 41 | 60 | 73 | 63 | 47 | 29 |
| Santa Ynez (at Las Flores) | 68 | 85 | 95 | 92 | 34 | -- | -- | -- |
| Total | 94 | 115 | 136 | 152 | 107 | 63 | 47 | 29 |

Absent operational or economic disruptions, the Partnership anticipates that production from Point Arguello will continue to decline at percentage rates which approximate historical decline rates, but that average production received from the Santa Ynez field for 1999 will generally approximate 60,000 to 65,000 barrels per day. In connection with a proposed transfer of its ownership in Point Arguello to a private independent oil company, Chevron provided notice to the other working interest owners of its resignation as operator of the Point Arguello field. The Partnership is unable to determine at this time if the proposed transfer will occur or the consequences any such transfer or the absence of any such transfer will have on Point Arguello production and the resulting pipeline transportation volumes.

According to information published by the Minerals Management Service ("MMS"), significant additional proved, undeveloped reserves have been identified offshore California which have the potential to be delivered on the All American Pipeline. Future volumes of crude oil deliveries on the All American Pipeline will depend on a number of factors that are beyond the Partnership's control, including (i) the economic feasibility of developing the reserves, (ii) the economic feasibility of connecting such reserves to the All American Pipeline and (iii) the ability of the owners of such reserves to obtain the necessary governmental approvals to develop such reserves. The owners of these reserves are currently participating in a study (California Offshore Oil and Gas Energy Resources, "COOGER") with various private organizations and regulatory agencies to determine the best sites to locate onshore facilities that will be required to handle and process potential production from these undeveloped fields as well as the best methods of controlling potential environmental dangers associated with offshore drilling and production. These owners have also agreed to suspend drilling on the undeveloped leases until the COOGER study is completed. The COOGER study is anticipated to be completed by June 30, 1999, at which time owners of these undeveloped reserves must submit their development plans to the MMS. There can be no assurance that the owners will develop such reserves, that the MMS will approve development plans or that future regulations or litigation will not prevent or retard their ultimate development and production. There also can be no assurance that, if such reserves were developed, a competing pipeline might not be built to transport the production. In addition, a June 12, 1998 Executive Order of the President of the United States extends until the year 2012 a statutory moratorium on new leasing of offshore California fields. Existing fields are authorized to continue production, but federal, state and local agencies may restrict permits and authorizations for their development, and may restrict new onshore facilities designed to serve offshore production of crude oil. San Luis Obispo and Santa Barbara counties have adopted zoning ordinances that prohibit development, construction, installation or expansion of any onshore support facility for offshore oil and gas activity in the area, unless approved by a majority of the votes cast by the voters of either county in an authorized election. Any such restrictions, should they be imposed, could adversely affect the future delivery of crude oil to the All American Pipeline.

San Joaquin Valley Supply. In addition to OCS production, crude oil from fields in the San Joaquin Valley is delivered into the All American Pipeline at Pentland through connections with the SJV Gathering System and pipelines operated by EOTT, L.P. and ARCO. The San Joaquin Valley is one of the most prolific oil producing regions in the continental United States, producing

approximately 591,000 barrels per day of crude oil during the first nine months of 1998 that accounted for approximately 65% of total California production and 11% of the total production in the lower 48 states. The following table reflects the historical production for the San Joaquin Valley as well as total California production (excluding OCS volumes) as reported by the California Division of Oil and Gas.

| | Year Ended December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1998(1) | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 | 1990 | 1989 |
| | (barrels in thousands) | | | | | | | | | |
| Average daily volumes: | | | | | | | | | | |
| San Joaquin Valley production | 591 | 584 | 579 | 569 | 578 | 588 | 609 | 634 | 629 | 646 |
| Total California production (excluding OCS volumes) | 780 | 781 | 772 | 764 | 784 | 803 | 835 | 875 | 879 | 907 |

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(1) Reflects information through September 1998.

Drilling and exploitation activities have increased in the San Joaquin Valley over the last few years, primarily due to the change in ownership of several large fields and technological advances in horizontal drilling and steam assisted recovery methods that have improved the overall economics of field development and reductions in the operating costs of these fields. The near term outlook for any potential production increases has been adversely affected by the depressed price of oil and related reductions in capital spending plans announced by several California producers.

Alaskan North Slope Supply. Historically, the All American Pipeline had also transported volumes of Alaskan North Slope crude oil. In 1996, the U.S. government repealed the export ban on crude oil produced from the Alaskan North Slope which had effectively prohibited the sale of Alaskan North Slope crude oil to sources outside the U.S. Prior to its repeal, this ban had the impact of increasing volumes of Alaskan crude oil delivered into the California market. Shipments of Alaskan North Slope crude oil on the All American Pipeline ceased in February 1997, shortly after the repeal of the export ban. In addition, ARCO sold the only pipeline that could bring Alaskan North Slope crude oil to the All American Pipeline. This pipeline will be converted to natural gas service thereby eliminating the physical capability to ship Alaskan North Slope crude oil on the All American Pipeline.

System Demand

Deliveries from the All American Pipeline are made to refineries within California, along the Gulf Coast or in the Midwest through connecting pipelines of other companies. Demand for crude oil shipped on the All American Pipeline in each of these markets is affected by numerous factors, including refinery utilization and crude oil slate requirements, regional crude oil production, foreign imports, intra-U.S. transfers of crude oil and the price differential (net of transportation cost) between the California and Midwest markets.

Deliveries are made to California refineries through connections with third-party pipelines at Sisquoc, Pentland and Mojave. The deliveries at Sisquoc and Pentland are OCS crude oil while the deliveries at Mojave are primarily Mojave Blend. Crude oil transported to West Texas is primarily West Coast Heavy and is delivered to third-party pipelines at Wink and McCamey, Texas. At Wink, West Coast Heavy crude is blended with Domestic Sweet Crude to increase the gravity (the blend is commonly referred to as West Coast Sour), permitting delivery into third party pipelines that can transport the crude to the Cushing Interchange. At McCamey, West Coast Heavy and OCS crude oil are delivered to a third-party pipeline that supplies refiners on the Gulf Coast.

The following table sets forth All American Pipeline average deliveries per day within and outside California for each of the years in the five-year period ended December 31, 1998.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 1998 | 1997 | 1996 | 1995 | 1994 |
| | (barrels in thousands) | | | | |
| Average daily volumes delivered to: | | | | | |
| California | | | | | |
| Sisquoc | 24 | 21 | 17 | 11 | 21 |
| Pentland | 69 | 74 | 71 | 65 | 56 |
| Mojave | 22 | 32 | 6 | -- | -- |
| Total California | 115 | 127 | 94 | 76 | 77 |
| Texas | 59 | 68 | 113 | 141 | 108 |
| Total | 174 | 195 | 207 | 217 | 185 |

SJV Gathering System

The SJV Gathering System is a proprietary pipeline system that only transports crude oil purchased by the Partnership. As a proprietary pipeline, the SJV Gathering System is not subject to common carrier regulations and does not transport crude oil for third parties. The primary purpose of the pipeline is to gather crude oil from various sources in the San Joaquin Valley and to blend such crude oil along the pipeline system in order to deliver either West Coast Heavy or Mojave Blend into the All American Pipeline. Certain crude streams are segregated and delivered into either the All American Pipeline or to third party pipelines connected to the SJV Gathering System.

The SJV Gathering System was constructed in 1987 with a design capacity of approximately 140,000 barrels per day. The system consists of a 16-inch pipeline that originates at the Belridge station and extends 45 miles south to a connection with the All American Pipeline at the Pentland station. The SJV Gathering System is connected to several fields, including the South Belridge, Elk Hills and Midway Sunset fields, three of the seven largest producing fields in the lower 48 states. The SJV Gathering System also includes approximately 586,000 barrels of tank capacity, which has historically been used to facilitate movements along the pipeline system.

The SJV Gathering System is operated in conjunction with, and with the same SCADA system used in the operations of, the All American Pipeline. The Partnership also takes measures to protect the pipeline from corrosion and routinely inspects the pipeline using the same procedures and practices employed in the operation of the All American Pipeline. Like the All American Pipeline, the SJV Gathering System was constructed and is maintained in all material respects in accordance with applicable federal, state and local laws and regulations, standards recommended by the American Petroleum Institute and accepted industry standards of practice.

The SJV Gathering System is supplied with the crude oil production primarily from major oil companies' equity production from the South Belridge, Cymeric, Midway Sunset and Elk Hills fields. The table below sets forth the historical volumes received into the SJV Gathering System.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 1998 | 1997 | 1996 | 1995 | 1994 |
| | (barrels in thousands) | | | | |
| Total average daily volumes | 85 | 91 | 67 | 50 | 54 |

To increase utilization and margins relating to the SJV Gathering System, the Partnership has initiated a wellhead gathering, transportation and marketing program in the San Joaquin Valley. The new program is similar to a program to purchase crude oil from independent producers successfully implemented by the Plains Midstream Subsidiaries in Texas, Oklahoma, Kansas and Louisiana under which volumes increased from 1,300 barrels per day in 1990 to 88,000 barrels per day in 1998. The Partnership has committed resources to its new gathering program by hiring an additional lease buyer, activating an existing truck unloading station and arranging to make additional connections with other pipeline systems in the San Joaquin Valley, including access into the Pacific Pipeline. In addition, the Partnership has entered into an arrangement with various parties whereby the Partnership has reserved up to 40,000 barrels per day of capacity for movements into the Pacific Pipeline, and all crude oil sourced by one such party from the Midway Sunset field will be delivered by the Partnership into the Pacific Pipeline via the SJV Gathering System. Construction of the Pacific Pipeline, a pipeline system that will serve the LA Basin, was completed in early 1999. See "Competition."

Terminalling and Storage Activities and Gathering and Marketing Activities

Terminalling and Storage

The Cushing Terminal was constructed in 1993 to capitalize on the crude oil supply and demand imbalance in the Midwest caused by the continued decline of regional production supplies, increasing imports and an inadequate pipeline and terminal infrastructure. The Cushing Terminal is also used to support and enhance the margins associated with the Partnership's merchant activities relating to its lease gathering and bulk trading activities. The Ingleside Terminal was constructed in 1979 and purchased by the Plains Midstream Subsidiaries in 1996 to enhance its lease gathering activities in South Texas.

The Cushing Terminal has a total storage capacity of two million barrels, comprised of fourteen 100,000 barrel tanks and four 150,000 barrel tanks used to store and terminal crude oil. The Cushing Terminal also includes a pipeline manifold and pumping system that has an estimated daily throughput capacity of approximately 800,000 barrels per day. The pipeline manifold and pumping system is designed to support up to ten million barrels of tank capacity. The Cushing Terminal is connected to the major pipelines and terminals in the Cushing Interchange through pipelines that range in size from 10 inches to 24 inches in diameter. A one million

barrel expansion project to add four 250,000 barrel tanks is currently underway at the Cushing Terminal with completion targeted for the second quarter of 1999.

The Cushing Terminal is a state-of-the-art facility designed to serve the needs of refiners in the Midwest. In order to service an expected increase in the volumes as well as the varieties of foreign and domestic crude oil projected to be transported through the Cushing Interchange, the Partnership incorporated certain attributes into the design of the Cushing Terminal including (i) multiple, smaller tanks to facilitate simultaneous handling of multiple crude varieties in accordance with normal pipeline batch sizes, (ii) dual header systems connecting each tank to the main manifold system to facilitate efficient switching between crude grades with minimal contamination, (iii) bottom drawn sump pumps that enable each tank to be efficiently drained down to minimal remaining volumes to minimize crude contamination and maintain crude integrity, (iv) a mixer on each tank to facilitate blending crude grades to refinery specifications, and (v) a manifold and pump system that allows for receipts and deliveries with connecting carriers at their maximum operating capacity. As a result of incorporating these attributes into the design of the Cushing Terminal, the Partnership believes it is favorably positioned to serve the needs of Midwest refiners to handle increasing varieties of crude transported through the Cushing Interchange.

The Cushing Terminal also incorporates numerous environmental and operational safeguards. The Partnership believes that its terminal is the only one at the Cushing Interchange for which each tank has a secondary liner (the equivalent of double bottoms), leak detection devices and secondary seals. The Cushing Terminal is the only terminal at the Cushing Interchange equipped with above ground pipelines. Like the All American Pipeline and the SJV Gathering System, the Cushing Terminal is operated by a SCADA system and each tank is cathodically protected. In addition, each tank is equipped with an audible and visual high level alarm system to prevent overflows; a floating roof that minimizes air emissions and prevents the possible accumulation of potentially flammable gases between fluid levels and the roof of the tank; and a foam line that, in the event of a fire, is connected to the automated fire water distribution system.

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

The Ingleside Terminal was constructed in 1979 and purchased by the Plains Midstream Subsidiaries in 1996 to enhance its lease gathering activities in South Texas. The Ingleside Terminal is located near the Gulf Coast port of Corpus Christi, Texas. The Ingleside Terminal is comprised of 11 tanks ranging in size from a minimum of 15,000 barrels to a maximum of 50,000 barrels. Three of these tanks are heated, which allows for storage of heavier products. The terminal has access to the receipt of crude oil and refined petroleum products from trucks and barges. Likewise, the terminal can deliver crude oil and refined petroleum products to barges and trucks. The Partnership leases a barge dock approximately one mile from the Ingleside Terminal and is connected to the dock by four pipelines ranging in size from 8 inches to 12 inches in diameter. The dock lease can be extended in five-year intervals through 2021.

The Partnership's terminalling and storage operations generate revenue through terminalling and storage fees paid by third parties as well as by utilizing the tankage in conjunction with its merchant activities. Storage fees are generated when the Partnership leases tank capacity to third parties. Terminalling fees, also referred to as throughput fees, are generated when the Partnership receives crude oil from one connecting pipeline (generally received in batch sizes of 25,000 to 400,000 barrels) and redelivers such crude oil to another connecting carrier in volumes that allow the refinery to receive its crude oil on a ratable basis throughout a delivery period (which is generally three to ten days). Both terminalling and storage fees are generally earned from (i) refiners and gatherers that segregate or custom blend crudes for refining feedstocks, (ii) pipeline operators, refiners or traders that need segregated tankage for foreign cargoes, (iii) traders who make or take delivery under NYMEX contracts and (iv) producers and resellers that seek to increase their marketing alternatives. The tankage that is used to support the Partnership's arbitrage activities position the Partnership to capture margins in a contango market or when the market switches from contango to backwardation. The following table sets forth the daily throughput volumes for the Partnership's terminalling and storage operations, and quantity of tankage leased to third parties from 1994 through 1998.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 1998 | 1997 | 1996 | 1995 | 1994 |
| | (barrels in thousands) | | | | |
| Throughput volumes (average daily volumes): | | | | | |
| Cushing Terminal | 69 | 69 | 56 | 43 | 29 |
| Ingelside Terminal | 11 | 8 | 3 | -- | -- |
| Total | 80 | 77 | 59 | 43 | 29 |
| Storeage leased to third parties (monthly average volumes): | | | | | |
| Cushing Terminal | 890 | 414 | 203 | 208 | 464 |
| Ingleside Terminal | 260 | 254 | 211 | -- | -- |
| Total | 1,150 | 668 | 414 | 208 | 464 |

The Partnership has committed 1.5 million barrels of its capacity at the Cushing Terminal to storage arrangements with third parties through mid-1999.

Gathering and Marketing Activities

The Partnership's gathering and marketing activities are primarily conducted in Louisiana, Texas, Oklahoma and Kansas and include (i) purchasing crude oil from producers at the wellhead and in bulk from aggregators at major pipeline interconnects and trading locations, (ii) transporting such crude oil on its own proprietary gathering assets or assets owned and operated by third parties when necessary or cost effective, (iii) exchanging such crude oil for another grade of crude oil or at a different geographic location, as appropriate, in order to maximize margins or meet contract delivery requirements and (iv) marketing crude oil to refiners or other resellers. For the year ended December 31, 1998 the Partnership purchased approximately 88,000 barrels per day of crude oil directly at the wellhead. The Partnership purchases crude oil from producers under contracts that range in term from a thirty-day evergreen to two years. Gathering and marketing activities are characterized by large volumes of transactions with lower margins relative to pipeline and terminalling and storage operations.

The following table shows the average daily volume of the Partnership's lease gathering and bulk purchases from 1995 through 1998.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 1998 | 1997 | 1996 | 1995 |
| | (barrels in thousands) | | | |
| Lease gathering | 88 | 71 | 59 | 46 |
| Bulk purchases | 95 | 49 | 32 | 10 |
| Total volumes | 183 | 120 | 91 | 56 |

Crude Oil Purchases. In a typical producer's operation, crude oil flows from the wellhead to a separator where the petroleum gases are removed. After separation, the crude oil is treated to remove water, sand and other contaminants and is then moved into the producer's on-site storage tanks. When the tank is full, the producer contacts the Partnership's field personnel to purchase and transport the crude oil to market. The Partnership utilizes pipelines, trucks and barges owned and operated by third parties and the Partnership's truck fleet and gathering pipelines to transport the crude oil to market. The Partnership owns approximately 29 trucks, 30 tractor-trailers and 22 injection stations.

Pursuant to a Crude Oil Marketing Agreement with Plains Resources (the "Crude Oil Marketing Agreement"), the Partnership is the exclusive marketer/purchaser for all of Plains Resources' equity crude oil production. The Crude Oil Marketing Agreement provides that the Partnership will purchase for resale at market prices all of Plains Resources' crude oil production for which it will charge a fee of $0.20 per barrel. This fee will be adjusted every three years based upon then existing market conditions. The Crude Oil Marketing Agreement will terminate upon a "change of control" of Plains Resources or the General Partner. On a pro forma basis, revenues generated under the Crude Oil Marketing Agreement for the year ended December 31, 1998 would have been approximately $1.5 million. For the year ended December 31, 1998, Plains Resources produced approximately 20,800 barrels per day which would be subject to the Crude Oil Marketing Agreement. Plains Resources owns an approximate 100% working interest in each of its fields.

Bulk Purchases. In addition to purchasing crude oil at the wellhead from producers, the Partnership purchases crude oil in bulk at major pipeline terminal points. This production is transported from the wellhead to the pipeline by major oil companies, large independent producers or other gathering

and marketing companies. The Partnership purchases crude oil in bulk when it believes additional opportunities exist to realize margins further downstream in the crude oil distribution chain. The opportunities to earn additional margins vary over time with changing market conditions. Accordingly, the margins associated with the Partnership's bulk

purchases fluctuate from period to period. The Partnership's bulk purchasing activities are concentrated in California, Texas, Louisiana and at the Cushing Interchange.

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

As the Partnership purchases crude oil, it establishes a margin by selling crude oil for physical delivery to third party users, such as independent refiners or major oil companies, or by entering into a future delivery obligation with respect to futures contracts on the NYMEX. Through these transactions, the Partnership seeks to maintain a position that is substantially balanced between crude oil purchases and sales and future delivery obligations. The Partnership from time to time enters into fixed price delivery contracts, floating price collar arrangements, financial swaps and oil futures contracts as hedging devices. To ensure a fixed price for future production, the Partnership may sell a futures contract and thereafter either (i) make physical delivery of its crude oil to comply with such contract or (ii) buy a matching futures contract to unwind its futures position and sell its crude oil to a customer. The Partnership's policy is generally to purchase only crude oil for which it has a market and to structure its sales contracts so that crude oil price fluctuations do not materially affect the gross margin which it receives. The Partnership does not acquire and hold crude oil, futures contracts or other derivative products for the purpose of speculating on crude oil price changes that might expose the Partnership to indeterminable losses.

Risk management strategies, including those involving price hedges using NYMEX futures contracts, have become increasingly important in creating and maintaining margins. Such hedging techniques require significant resources dedicated to managing futures positions. The Partnership's management monitors crude oil volumes, grades, locations and delivery schedules and coordinates marketing and exchange opportunities, as well as NYMEX hedging positions. This coordination ensures that the Partnership's NYMEX hedging activities are successfully implemented.

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

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

Credit. The Partnership's merchant activities involve the purchase of crude oil for resale and require significant extensions of credit by the Partnership's suppliers of crude oil. In order to assure the Partnership's ability to perform its obligations under crude purchase agreements, various credit arrangements are negotiated with the Partnership's crude oil suppliers. Such arrangements include open lines of credit directly with the Partnership and standby letters of credit issued under the Letter of Credit Facility. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources, Liquidity and Financial Condition."

When the Partnership markets crude oil, it must determine the amount, if any, of the line of credit to be extended to any given customer. If the Partnership determines that a customer should receive a credit line, it must then decide on the amount of credit that should be extended. Since typical Partnership sales transactions can involve tens of thousands of barrels of crude oil, the risk of nonpayment and nonperformance by customers is a major consideration in the Partnership's business. The Partnership believes its sales are made to creditworthy entities or entities with adequate credit support.

Credit review and analysis are also integral to the Partnership's leasehold purchases. Payment for all or substantially all of the monthly leasehold production is sometimes made to the operator of the lease. The operator, in turn, is responsible for the correct payment and distribution of such production proceeds to the proper parties. In these situations, the Partnership must determine whether the operator has sufficient financial resources to make such payments and distributions and to indemnify and defend the Partnership in the event any third party should bring a protest, action or complaint in connection with the ultimate distribution of production proceeds by the operator.

Operating Activities

The following table presents certain information with respect to the Predecessor's and the Partnership's pipeline activities and its terminalling and storage and gathering and marketing activities during the year ended December 31, 1998.

| | November 23, 1998 Through December 31, 1998 | January 1, 1998 Through November 22, 1998 | Combined Total 1998 |
|---|---|---|---|
| | | (Predecessor) (in thousands) | |
| Sales to unaffiliated customers: | | | |
| Pipeline | $ 56,118 | $221,305 | $277,423 |
| Terminalling and storage and gathering and marketing | 122,785 | 755,496 | 878,281 |
| Operating profits: | | | |
| Pipeline(1) | $ 3,546 | $ 13,222 | $ 16,768 |
| Terminalling and storage and gathering and marketing | 3,953 | 17,759 | 21,712 |
| Identifiable assets: | | | |
| Pipeline | N/A | N/A | $472,144 |
| Terminalling and storage and gathering and marketing | N/A | N/A | 138,064 |

- ----------
(1) Consists primarily of pipeline tariff and margin revenues less pipeline margin purchases and operating costs.
(2) Consists primarily of crude oil sales and terminalling and storage revenues less crude oil purchases and operating costs.

Customers

Sempra Energy Trading Corporation and Koch Oil Company accounted for 30% and 17%, respectively, of the Partnership's 1998 revenues. No other individual customer accounted for greater than 10% of the Partnership's revenue.

Competition

The All American Pipeline encounters competition from foreign oil imports and other pipelines that serve the California market and the refining centers in the Midwest and on the Gulf Coast.

Construction of the Pacific Pipeline, a competing crude oil pipeline system connecting the San Joaquin Valley to refinery markets in the Los Angeles Basin was completed in March 1999. A substantial portion of the shipments expected to be transported on the Pacific Pipeline will be redirected from barge and train service. However, the Partnership expects that certain volumes currently transported on the All American Pipeline may be redirected to Los Angeles on such pipeline.

Competition among common carrier pipelines is based primarily on transportation charges, access to producing areas and demand for the crude oil by end users. The Partnership believes that high capital requirements, environmental considerations and the difficulty in acquiring rights of way and related permits make it unlikely that a competing pipeline system comparable in size and scope to the All American Pipeline will be built in the foreseeable future.

The Partnership faces intense competition in its terminalling and storage activities and gathering and marketing activities. Its competitors include other crude oil pipelines, the major integrated oil companies, their marketing affiliates and independent gatherers, brokers and marketers of widely varying sizes, financial resources and experience. Some of these competitors have capital resources many times greater than the Partnership's and control substantially greater supplies of crude oil.

## Regulation

The Partnership's operations are subject to extensive regulation. Many departments and agencies, both federal and state, are authorized by statute to issue and have issued rules and regulations binding on the oil industry and its individual participants. The failure to comply with such rules and regulations can result in substantial penalties. The regulatory burden on the oil industry increases the Partnership's cost of doing business and, consequently, affects its profitability. However, the Partnership does not believe that it is affected in a significantly different manner by these regulations than its competitors. Due to the myriad and complex federal and state statutes and regulations which may affect the Partnership, directly or indirectly, the following discussion of certain statutes and regulations should not be relied upon as an exhaustive review of all regulatory considerations affecting the Partnership's operations.

### Pipeline Regulation

The Partnership's pipelines are subject to regulation by the Department of Transportation ("DOT") under the Hazardous Liquids Pipeline Safety Act of 1979, as amended ("HLPSA") relating to the design, installation, testing, construction, operation, replacement and management of pipeline facilities. The HLPSA requires the Partnership and other pipeline operators to comply with regulations issued pursuant to HLPSA, to permit access to and allow copying of records and to make certain reports and provide information as required by the Secretary of Transportation.

The Pipeline Safety Act of 1992 (the "Pipeline Safety Act") amends the HLPSA in several important respects. It requires the Research and Special Programs Administration ("RSPA") of DOT to consider environmental impacts, as well as its traditional public safety mandate, when developing pipeline safety regulations. In addition, the Pipeline Safety Act mandates the establishment by DOT of pipeline operator qualification rules requiring minimum training requirements for operators, and requires that pipeline operators provide maps and records to RSPA. It also authorizes RSPA to require that pipelines be modified to accommodate internal inspection devices, to mandate the installation of emergency flow restricting devices for pipelines in populated or sensitive areas and to order other changes to the operation and maintenance of petroleum pipelines. The Partnership believes that its pipeline operations are in substantial compliance with applicable HLPSA and Pipeline Safety Act requirements. Nevertheless, significant expenses could be incurred in the future if additional safety measures are required or if safety standards are raised and exceed the current pipeline control system capabilities.

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

### Transportation and Sale of Crude Oil

In October 1992 Congress passed the Energy Policy Act of 1992 ("Energy Policy Act"). The Energy Policy Act deemed petroleum pipeline rates in effect for the 365-day period ending on the date of enactment of the Energy Policy Act or that were in effect on the 365th day preceding enactment and had not been subject to complaint, protest or investigation during the 365-day period to be just and reasonable under the Interstate Commerce Act. The Energy Policy Act also provides that complaints against such rates may only be filed under the following limited circumstances: (i) a substantial change has occurred since enactment in either the economic circumstances or the nature of the services which were a basis for the rate; (ii) the complainant was contractually barred from challenging the rate prior to enactment; or (iii) a provision of the tariff is unduly discriminatory or preferential.

The Energy Policy Act further required the FERC to issue rules establishing a simplified and generally applicable ratemaking methodology for petroleum pipelines, and to streamline procedures in petroleum pipeline proceedings. On October 22, 1993, the FERC responded to the Energy Policy Act directive by issuing Order No. 561, which adopts a new indexing rate methodology for petroleum pipelines. Under the new regulations, which were effective January 1, 1995, petroleum pipelines are able to change their rates within prescribed ceiling levels that are tied to the Producer Price Index for Finished Goods, minus one percent. Rate increases made pursuant to the index will be subject to protest, but such protests must show that the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline's increase in costs. The new indexing methodology can be applied to any existing rate, even if the rate is under investigation. If such rate is subsequently adjusted, the ceiling level established under the index must be likewise adjusted.

In Order No. 561, the FERC said that as a general rule pipelines must utilize the indexing methodology to change their rates. The FERC indicated, however, that it was retaining cost-of-service ratemaking, market-based rates, and settlements as alternatives to the indexing approach. A pipeline can follow a cost-of-service approach when seeking to increase its rates above index levels for uncontrollable circumstances. A pipeline can seek to charge market-based rates if it can establish that it lacks market power. In addition, a pipeline can establish rates pursuant to settlement if agreed upon by all current shippers. Initial rates for new services can be established through a cost-of-service proceeding or through an uncontested agreement between the pipeline and at least one shipper not affiliated with the pipeline.

On May 10, 1996, the Court of Appeals for the District of Columbia Circuit affirmed Order No. 561. The Court held that by establishing a general indexing methodology along with limited exceptions to indexed rates, FERC had reasonably balanced its dual responsibilities of ensuring just and reasonable rates and streamlining ratemaking through generally applicable procedures.

In a recent proceeding involving Lakehead Pipe Line Company, Limited Partnership (Opinion No. 397), FERC concluded that there should not be a corporate income tax allowance built into a petroleum pipeline's rates to reflect income attributable to noncorporate partners since noncorporate partners, unlike corporate partners, do not pay a corporate income tax. This result comports with the principle that, although a regulated entity is entitled to an allowance to cover its incurred costs, including income taxes, there should not be an element included in the cost of service to cover costs not incurred. Opinion No. 397 was affirmed on rehearing in May 1996. Appeals of the Lakehead opinions were taken, but the parties to the Lakehead proceeding subsequently settled the case, with the result that appellate review of the tax and other issues never took place.

There is also pending at the FERC a proceeding involving another publicly traded limited partnership engaged in the common carrier transportation of crude oil (the "Santa Fe Proceeding") in which the FERC could further limit its current position related to the tax allowance permitted in the rates of publicly traded partnerships, as well as possibly alter the FERC's current application of the FERC oil pipeline ratemaking methodology. On September 25, 1997, the administrative law judge in the Santa Fe Proceeding issued an initial decision addressing various aspects of the tax allowance issue as it affects publicly traded partnerships, as well as various technical issues involving the application of the FERC oil pipeline ratemaking methodology. The administrative law judge's initial decision in the Santa Fe Proceeding is currently pending review by the FERC. In such review, it is possible that the FERC could alter its current rulings on the tax allowance issue or on the application of the FERC oil pipeline ratemaking methodology.

The FERC generally has not investigated rates, such as those currently charged by the Partnership, which have been mutually agreed to by the pipeline and the shippers or which are significantly below cost of service rates that might otherwise be justified by the pipeline under the FERC's cost-based ratemaking methods. Substantially all of the Partnership's gross margins on transportation are produced by rates that are either grandfathered or set by agreement of the parties. The rates for substantially all of the crude oil transported from California to West Texas are grandfathered and not subject to decreases through the application of indexing. These rates have not been decreased through application of the indexing method. Rates for OCS crude are set by transportation agreements with shippers that do not expire until 2007 and provide for a minimum tariff with annual escalation. The FERC has twice approved the agreed OCS rates, although application of the PPFIG-1 index method would have required their reduction. When these OCS agreements expire in 2007, they will be subject to renegotiation or to any of the other methods for establishing rates under Order No. 561. As a result, the Partnership believes that the rates now in effect can be sustained, although no assurance can be given that the rates currently charged by the Partnership would ultimately be upheld if challenged. In addition, the Partnership does not believe that an adverse determination on the tax allowance issue in the Santa Fe Proceeding would have a detrimental impact upon the current rates charged by the Partnership.

### Trucking Regulation

The Partnership operates a fleet of trucks to transport crude oil as a private carrier. As a private carrier, the Partnership is subject to certain motor carrier safety regulations issued by the DOT. The trucking regulations cover, among other things, driver operations, keeping of log books, truck manifest preparations, the placement of safety placards on the trucks and trailer vehicles, drug and alcohol testing, safety of operation and equipment, and many other aspects of truck operations. The Partnership is also subject to OSHA with respect to its trucking operations.

## Environmental Regulation

### General

Various federal, state and local laws and regulations governing the discharge of materials into the environment, or otherwise relating to the protection of the environment, affect the Partnership's operations and costs. In particular, the Partnership's activities in connection with storage and transportation of crude oil and other liquid hydrocarbons and its use of facilities for treating, processing

or otherwise handling hydrocarbons and wastes therefrom are subject to stringent environmental regulation. As with the industry generally, compliance with existing and anticipated regulations increases the Partnership's overall cost of business. Such areas affected include capital costs to construct, maintain and upgrade equipment and facilities. While these regulations affect the Partnership's capital expenditures and earnings, the Partnership believes that such regulations do not affect its competitive position in that the operations of its competitors that comply with such regulations are similarly affected. Environmental regulations have historically been subject to frequent change by regulatory authorities, and the Partnership is unable to predict the ongoing cost to it of complying with these laws and regulations or the future impact of such regulations on its operation. Violation of federal or state environmental laws, regulations and permits can result in the imposition of significant civil and criminal penalties, injunctions and construction bans or delays. A discharge of hydrocarbons or hazardous substances into the environment could, to the extent such event is not insured, subject the Partnership to substantial expense, including both the cost to comply with applicable regulations and claims by neighboring landowners and other third parties for personal injury and property damage.

Water

The Oil Pollution Act ("OPA") was enacted in 1990 and amends provisions of the Federal Water Pollution Control Act of 1972 ("FWPCA") and other statutes as they pertain to prevention and response to oil spills. The OPA subjects owners of facilities to strict, joint and potentially unlimited liability for removal costs and certain other consequences of an oil spill, where such spill is into navigable waters, in certain environmentally sensitive areas, along shorelines or in the exclusive economic zone of the U.S. In the event of an oil spill into such waters, substantial liabilities could be imposed upon the Partnership. States in which the Partnership operates have also enacted similar laws. Regulations are currently being developed under OPA and state laws that may also impose additional regulatory burdens on the Partnership.

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

Some states maintain groundwater protection programs that require permits for discharges or operations that may impact groundwater conditions. The Partnership believes that it is in substantial compliance with these state requirements.

Air Emissions

The operations of the Partnership are subject to the Federal Clean Air Act and comparable state and local statutes. The Partnership believes that its operations are in substantial compliance with such statutes in all states in which they operate.

Amendments to the Federal Clean Air Act enacted in late 1990 (the "1990 Federal Clean Air Act Amendments") require or will require most industrial operations in the U.S. to incur capital expenditures in order to meet air emission control standards developed by the Environmental Protection Agency (the "EPA") and state environmental agencies. In addition, the 1990 Federal Clean Air Act Amendments include a new operating permit for major sources ("Title V permits"), which applies to some of the Partnership's facilities. Although no assurances can be given, the Partnership believes implementation of the 1990 Federal Clean Air Act Amendments will not have a material adverse effect on the Partnership's financial condition or results of operations.

Solid Waste

The Partnership generates hazardous and non-hazardous solid wastes that are subject to the requirements of the Federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes. The EPA is considering the adoption of stricter disposal standards for non-hazardous wastes, including oil and gas wastes that are currently exempt from RCRA requirements. At present, the Partnership is not required to comply with a substantial portion of the RCRA requirements because the Partnership's operations generate minimal quantities of hazardous wastes. However, it is possible that oil and wastes, currently generated during operations, will in the future be designated as "hazardous wastes." Hazardous wastes are subject to more rigorous and costly disposal requirements than are non-hazardous wastes. Such changes in the regulations could result in additional capital expenditures or operating expenses by the Partnership.

Hazardous Substances

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as "Superfund," imposes liability, without regard to fault or the legality of the original act, on certain classes of persons that contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of the site and companies that disposed or arranged for the disposal of the hazardous substances found at the site. CERCLA also authorizes the EPA and, in some instances,

third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. In the course of its ordinary operations, the Partnership may generate waste that may fall within CERCLA's definition of a "hazardous substance." The Partnership may be jointly and severally liable under CERCLA for all or part of the costs required to clean up sites at which such hazardous substances have been disposed or released into the environment.

The Partnership currently owns or leases, and has in the past owned or leased, properties where hydrocarbons are being or have been handled. Although the Partnership has utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties owned or leased by the Partnership or on or under other locations where such wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes was not under the Partnership's control. These properties and wastes disposed thereon may be subject to CERCLA, RCRA and analogous state laws. Under such laws, the Partnership could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including contaminated groundwater) or to perform remedial plugging operations to prevent future contamination.

OSHA

The Partnership is also subject to the requirements of the Federal Occupational Safety and Health Act ("OSHA") and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that certain information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and citizens. The Partnership believes that its operations are in substantial compliance with OSHA requirements, including general industry standards, record keeping requirements, employee training regulations and monitoring of occupational exposure to regulated substances.

Endangered Species Act

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

Hazardous Materials Transportation Requirements

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

Environmental Remediation

During 1997, the All American Pipeline experienced a leak in a segment of its pipeline in California which resulted in an estimated 12,000 barrels of crude oil being released into the soil. Immediate action was taken to repair the pipeline leak, contain the spill and to recover the released crude oil. The Partnership has submitted a closure plan to the Regional Water Quality Board ("RWQB"). At the request of the RWQB, groundwater monitoring wells have been installed from which water samples will be analyzed semi-annually. No hydrocarbon contamination was detected in initial analyses taken in January 1999. The RWQB approval of PAA's closure plan is not expected until subsequent semi-annual analyses have been performed. If the Partnership's closure plan is disapproved, a government mandated remediation of the spill could require significant expenditures (currently estimated to be approximately $350,000), provided however, no assurance can be given that the actual cost thereof will not exceed such estimate. The Partnership does not believe the ultimate resolution of this issue will have a material adverse affect on the Partnership's consolidated financial position, results of operations or cash flows.

Prior to being acquired by the Partnership's predecessors 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. The Partnership has proposed a voluntary state-administered remediation of the contamination on the property to determine whether the contamination extends outside the property boundaries. If the Partnership's plan is disapproved, a government mandated remediation of the spill could require more significant expenditures, currently estimated to approximate $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 the Partnership from Plains Resources. The Partnership does not believe the ultimate resolution of this issue will have a material adverse affect on the Partnership's

consolidated financial position, results of operations or cash flows. See Item 13, "Certain Relationships and Related Transactions--Relationship with Plains Resources--Indemnity from the General Partner."

The Partnership may experience future releases of crude oil into the environment from its pipeline and storage operations, or discover releases that were previously unidentified. While the Partnership maintains 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 the All American Pipeline, the SJV Gathering System, the Cushing Terminal, the Ingleside Terminal or other Partnership assets may substantially affect the Partnership's business.

Operational Hazards and Insurance

A pipeline may experience damage as a result of an accident or other natural disaster. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damages and suspension of operations. The Partnership maintains insurance of various types that it considers to be adequate to cover its operations and properties. The insurance covers all of the Partnership's assets in amounts considered reasonable. The insurance policies are subject to deductibles that the Partnership considers reasonable and not excessive. The Partnership's insurance does not cover every potential risk associated with operating pipelines, including the potential loss of significant revenues. Consistent with insurance coverage generally available to the industry, the Partnership's insurance policies provide limited coverage for losses or liabilities relating to pollution, with broader coverage for sudden and accidental occurrences.

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

Title to Properties

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

Some of the leases, easements, rights-of-way, permits and licenses transferred to the Partnership, upon its formation in 1998, required the consent of the grantor to transfer such rights, which in certain instances is a governmental entity. The General Partner believes that it has obtained such third-party consents, permits and authorizations as are sufficient for the transfer to the Partnership of the assets necessary for the Partnership to operate its business in all material respects as described in this report. With respect to any consents, permits or authorizations which have not yet been obtained, the General Partner believes that such consents, permits or authorizations will be obtained within a reasonable period, or that the failure to obtain such consents, permits or authorizations will have no material adverse effect on the operation of the Partnership's business.

The General Partner believes that the Partnership has satisfactory title to all of its assets. Although title to such properties are subject to encumbrances in certain cases, such as customary interests generally retained in connection with acquisition of real property, liens related to environmental liabilities associated with historical operations, liens for current taxes and other burdens and minor easements, restrictions and other encumbrances to which the underlying properties were subject at the time of acquisition by the Plains Midstream Subsidiaries or the Partnership, the General Partner believes that none of such burdens will materially detract from the value of such properties or from the Partnership's interest therein or will materially interfere with their use in the operation of the Partnership's business.

Employees

To carry out the operations of the Partnership, the General Partner or its affiliates employ approximately 210 employees. None of such employees of the General Partner is represented by labor unions, and the General Partner considers its employee relations to be good.

Item 3. LEGAL PROCEEDINGS

The Partnership, in the ordinary course of business, is a claimant and/or a defendant in various legal proceedings in which its exposure, individually and in the aggregate, is not considered material to the Partnership.

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

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

PART II

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

The Common Units, representing limited partner interests in the Partnership, are listed and traded on the New York Stock Exchange under the symbol "PAA". The Common Units began trading on November 18, 1998, at an initial public offering price of $20.00 per Common Unit. On March 22, 1999, the market price for the Common Units was $17.125 per unit and there were approximately 12,300 record holders and beneficial owners (held in street name) of the Partnership's Common Units.

The following table sets forth, for the portion of the fourth quarter 1998 in which the Common Units were traded, the range of high and low closing sales prices for the Common Units as reported on the New York Stock Exchange Composite Tape, and the amount of cash distribution paid per Common Unit for the portion of the fourth quarter 1998 commencing November 23, 1998, the date of closing of the IPO.

| | Common Unit Price Range | | |
|---|---|---|---|
| | High | Low | Cash Distribution Paid Per Unit |
| 1998: | | | |
| 4th Quarter | $20.06 | $16.75 | $0.193 (paid February 12, 1999 for period from November 23, 1998, through December 31, 1998) |

The Partnership has also issued Subordinated Units, all of which are held by an affiliate of the General Partner, for which there is no established public trading market. The Partnership will distribute to its partners (including holders of Subordinated Units), on a quarterly basis, all of its Available Cash in the manner described herein. Available Cash generally means, with respect to any quarter of the Partnership, all cash on hand at the end of such quarter less the amount of cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the Partnership's business, (ii) comply with applicable law or any Partnership debt instrument or other agreement, or (iii) provide funds for distributions to Unitholders and the General Partner in respect of any one or more of the next four quarters. Available Cash is defined in the Second Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (the APartnership Agreement") listed as an exhibit to this report. The Partnership Agreement defines Minimum Quarterly Distributions as $ 0.45 for each full fiscal quarter (prorated for the initial partial fiscal quarter commencing November 23, 1998, the closing date of the IPO through year-end 1998). The Partnership made a cash distribution in the amount of $ 5.8 million on February 12, 1999, in respect to its Common Units and Subordinated Units for the period of November 23, 1998 through year-end 1998. This payment was based upon $ 0.193 per unit, which was the Minimum Quarterly Distribution prorated for the partial quarter in accordance with the Partnership Agreement. Distributions of Available Cash to the holder of Subordinated Units are subject to the prior rights of the holders of Common Units to receive the Minimum Quarterly Distributions for each quarter during the Subordination Period, and to receive any arrearages in the distribution of Minimum Quarterly Distributions on the Common Units for prior quarters during the Subordination Period. The expiration of the Subordination Period will generally not occur prior to December 31, 2003.

Under the terms of the Partnership's Bank Credit Agreement and Letter of Credit Facility, the Partnership is prohibited from declaring or paying any distribution to Unitholders if a Default or Event of Default (as defined in such agreements) exists thereunder. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources, Liquidity and Financial Condition in Item 7 of this report.

Item 6. SELECTED FINANCIAL DATA

SELECTED FINANCIAL AND OPERATING DATA

On November 23, 1998, the Partnership completed the IPO and the Transactions whereby the Partnership became the successor to the business of the Predecessor. The following selected pro forma and historical financial information was derived from the audited consolidated financial statements of the Partnership as of December 31, 1998, and for the period from November 23, 1998 through December 31, 1998, and the audited combined financial statements of the Predecessor, as of December 31, 1997, 1996, 1995 and 1994 and for the period from January 1, 1998 through November 22, 1998 and for the years ended December 31, 1997, 1996, 1995 and 1994, including the notes thereto, certain of which appear elsewhere in this Report. The Predecessor operating data for all periods is derived from the records of the Partnership and the Predecessor. Commencing July 30, 1998, (the date of the acquisition of the All American Pipeline and the SJV Gathering System from Goodyear), the results of operations of the All American Pipeline and the SJV Gathering System are included in the results of operations of the Predecessor. The selected financial data should be read in conjunction with the consolidated and combined financial statements, including the notes thereto, and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

| | Year Ended December 31, 1998(1) | November 23, 1998 to December 31, 1998 | January 1, 1998 to November 22, 1998 | Year Ended December 31, 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|---|
| | (Pro forma) (Unaudited) | | (Predecessor) | | | (Predecessor) | |
| | | | (in thousands, except unit data) | | | | |
| Income Statement Data | | | | | | | |
| Revenues | $1,568,853 | $ 176,445 | $ 953,244 | $ 752,522 | $ 531,698 | $ 339,825 | $ 199,239 |
| Cost of Sales and Operations | 1,494,732 | 168,946 | 922,263 | 740,042 | 522,167 | 333,459 | 193,050 |
| Gross Margin | 74,121 | 7,499 | 30,981 | 12,480 | 9,531 | 6,366 | 6,189 |
| General and administrative expenses | 6,501 | 771 | 4,526 | 3,529 | 2,974 | 2,415 | 2,376 |
| Depreciation and amortization | 11,303 | 1,192 | 4,179 | 1,165 | 1,140 | 944 | 906 |
| Total expenses | 17,804 | 1,963 | 8,705 | 4,694 | 4,114 | 3,359 | 3,282 |
| Operating income | 56,317 | 5,536 | 22,276 | 7,786 | 5,417 | 3,007 | 2,907 |
| Interest expense | 12,991 | 1,371 | 11,260 | 4,516 | 3,559 | 3,460 | 3,550 |
| Interest and other income | 584 | 12 | 572 | 138 | 90 | 115 | 115 |
| Net income (loss) before provision (benefit) in lieu of income taxes | $ 43,910 | $ 4,177 | $ 11,588 | $ 3,408 | $ 1,948 | $ (338) | $ (528) |
| Provision (benefit) in lieu of income taxes | - | - | 4,563 | 1,268 | 726 | (93) | (151) |
| Net Income (loss) | $ 43,910 | $ 4,177 | $ 7,025 | $ 2,140 | $ 1,222 | $ (245) | $ (377) |
| Basic and Diluted Net Income (loss) Per Limited Partner Unit(2) | $ 1.43 | $ 0.14 | $ 0.40 | $ 0.12 | $ 0.07 | $ (0.01) | $ (0.02) |
| Weighted Average Number of Limited Partner Units Outstanding | 30,088,858 | 30,088,858 | 17,003,858 | 17,003,858 | 17,003,858 | 17,003,858 | 17,003,858 |

(Financial data continued on the next page. See footnotes on next page.)

| | Year Ended December 31, 1998(1) | November 23, 1998 to December 31, 1998 | January 1, 1998 to November 22, 1998 | Year Ended December 31, 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|---|
| | (Pro forma) (Unaudited) | | (Predecessor) | | | (Predecessor) | |
| | | | (in thousands, except barrel amounts) | | | | |
| Balance Sheet Data: (at end of period): | | | | | | | |
| Working capital(3) | $ 17,099 | $ 17,099 | N/A | $ 10,962 | $ 12,087 | $ 9,579 | $ 4,734 |
| Total assets | 610,208 | 610,208 | N/A | 149,619 | 122,557 | 82,076 | 62,847 |
| Related party debt | | | | | | | |
| Short-term | 10,790 | 10,790 | N/A | 8,945 | 9,501 | 6,524 | - |
| Long-term | - | - | N/A | 28,531 | 31,811 | 32,095 | 35,854 |
| Total debt(3) | 184,750 | 184,750 | N/A | 18,000 | - | - | - |
| Partners' Equity | 277,643 | 277,643 | N/A | - | - | - | - |
| Combined Equity | - | - | N/A | 5,975 | 3,835 | 2,613 | 2,858 |
| Other Data: | | | | | | | |
| EBITDA(4) | $ 68,204 | $ 6,740 | $ 27,027 | $ 9,089 | $ 6,647 | $ 4,066 | $ 3,928 |
| Maintenance capital expenditures(5) | 1,679 | 200 | 1,479 | 678 | 1,063 | 571 | 274 |
| Operating Data: | | | | | | | |
| Volumes (barrels per day): | | | | | | | |
| Tariff(6) | 124,500 | 110,200 | 113,700 | - | - | - | - |
| Margin(7) | 49,200 | 50,900 | 49,100 | - | - | - | - |
| Total pipeline | 173,700 | 161,100 | 162,800 | - | - | - | - |
| Lease gathering(8) | 112,900 | 126,200 | 87,100 | 71,400 | 58,500 | 45,900 | 29,600 |
| Bulk purchases(9) | 97,900 | 133,600 | 94,700 | 48,500 | 31,700 | 10,200 | - |
| Terminal throughput(10) | 79,800 | 61,900 | 81,400 | 76,700 | 59,800 | 42,500 | 28,900 |

(1) The unaudited selected pro forma financial and operating data for the year ended December 31, 1998, is based on the historical financial statements of the Partnership, the Predecessor and Wingfoot. The historical financial statements of Wingfoot reflect the historical operating results of the All American Pipeline and the SJV Gathering System through July 30, 1998. Effective July 30 1998, the Predecessor acquired the All American Pipeline and SJV Gathering system from Goodyear for approximately $400 million. The pro forma selected financial data reflects certain pro forma adjustments to the historical results of operations as if the Partnership had been formed and the Acquisition had taken place on January 1, 1998. The pro forma adjustments include: (i) pro forma depreciation and amortization expense based on the purchase price of the Wingfoot assets by the Predecessor; (ii) the elimination of interest expense on loans from Goodyear to Wingfoot as all such debt was extinguished in connection with the Acquisition; (iii) the reduction in compensation and benefits expense due to the termination of personnel in connection with the Acquisition; (iv) the elimination of interest expense of the Predecessor related to debt owed to Plains Resources as such debt was extinguished in connection with the Transactions; (v) pro forma interest on debt assumed by the Partnership on the closing date of the IPO; and (vi) the elimination of income tax expense as income taxes will be borne by the partners and not the Partnership. The pro forma adjustments do not include approximately $0.9 million of general and administrative expenses that the General Partner believes will be incurred by the Partnership as a result of its being a separate public entity.

(2) Basic and diluted net income (loss) per Unit for the Partnership is computed by dividing the limited partners' 98% interest in net income by the number of outstanding Common and Subordinated Units. For periods prior to November 23, 1998, such units are equal to the Common and Subordinated Units received by the General Partner in exchange for the assets contributed to the Partnership

(3) Excludes intercompany debt.

(4) EBITDA means earnings before interest expense, income taxes, depreciation and amortization. EBITDA provides additional information for evaluating the Partnership's ability to make the Minimum Quarterly Distribution and is presented solely as a supplemental measure. EBITDA is not a measurement presented in accordance with generally accepted accounting principles ("GAAP") and is not intended to be used in lieu of GAAP presentations of results of operations and cash provided by operating activities. The Partnership's EBITDA may not be comparable to EBITDA of other entities as other entities may not calculate EBITDA in the same manner as the Partnership.

(5) Maintenance capital expenditures are capital expenditures made to replace partially or fully depreciated assets to maintain the existing operating capacity of existing assets or extend their useful lives. Capital expenditures made to expand the Partnership's existing capacity, whether through construction or acquisition, are not considered maintenance capital

expenditures. Repair and maintenance expenditures associated with existing assets that do not extend the useful life or expand operating capacity are charged to expense as incurred.

(6) Represents crude oil deliveries on the All American Pipeline for the account of third parties.

(7) Represents crude oil deliveries on the All American Pipeline and the SJV Gathering System for the account of affiliated entities

(8) Represents barrels of crude oil purchased at the wellhead, including volumes which would have been purchased under the Crude Oil Marketing Agreement.

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

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

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

The following discussion of the financial condition and results of operations for the Partnership and its predecessor entities should be read in conjunction with the historical consolidated and combined financial statements and notes thereto of the Partnership and the Plains Midstream Subsidiaries included elsewhere in this report. For more detailed information regarding the basis of presentation for the following financial information, see the notes to the historical consolidated and combined financial statements.

General

The Partnership is a limited partnership which was formed in the third quarter of 1998 to acquire and operate the midstream crude oil business and assets of Plains Resources. The Partnership is engaged in interstate and intrastate crude oil pipeline transportation and crude oil terminalling and storage activities and gathering and marketing activities. The Partnership's operations are primarily concentrated in California, Texas, Oklahoma, Louisiana and the Gulf of Mexico. The historical results of operations discussed below are derived from the historical financial statements of the Partnership and the Predecessor included elsewhere herein.

Pipeline Operations. The activities from pipeline operations generally consist of transporting third-party volumes of crude oil for a tariff ("Tariff Activities") 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 ("Margin Activities"). Tariffs on the All American Pipeline vary by receipt point and delivery point. Tariffs for OCS crude oil delivered to California markets averaged $1.41 per barrel and tariffs for OCS volumes delivered to West Texas were $2.96 per barrel as of December 31, 1998. Tariffs for San Joaquin Valley crude oil delivered to West Texas were $1.25 per barrel as of December 31, 1998. The gross margin generated by 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. As is common with most merchant activities, the ability of the Partnership 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 the price paid and other costs incurred in the purchase of crude oil and the price at which it sells crude oil. The Partnership is well positioned to take advantage of these price differentials due to its ability to move purchased volumes on the All American Pipeline. The Partnership combines 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 the Cushing Terminal. Gross margin from the Partnership's gathering and marketing activities is dependent on the Partnership's ability to sell crude oil at a price in excess of the 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.

During periods when the demand for crude oil is weak (as was the case in late 1997, 1998 and the first quarter of 1999), the market for crude oil is often in contango, meaning that the price of crude oil in a given month is less than the price of crude oil in a subsequent month. A contango market has a generally negative impact on marketing margins, but is favorable to the storage business, because storage owners at major trading locations (such as the Cushing Interchange) can simultaneously purchase production at low current prices for storage and sell at higher prices for future delivery. When there is a higher demand than supply of crude oil in the near term, the market is backward, meaning that the price of crude oil in a given month exceeds the price of crude oil in a subsequent month. A backward market has a positive impact on marketing margins because crude oil gatherers can capture a premium for prompt deliveries. The Partnership believes that the combination of its terminalling and storage activities and gathering and marketing activities provides a counter-cyclical balance which has a stabilizing effect on the Partnership's operations and cash flow.

As the Partnership purchases crude oil, it establishes a margin by selling crude oil for physical delivery to third party users, such as independent refiners or major oil companies, or by entering into a future delivery obligation with respect to futures contracts

on the NYMEX. Through these transactions, the Partnership seeks to maintain a position that is substantially balanced between crude oil purchases and sales and future delivery obligations. The Partnership purchases crude oil on both a fixed and floating price basis. As fixed price barrels are purchased, the Partnership enters into sales arrangements with refiners, trade partners or on the NYMEX, which establishes a margin and protects it against future price fluctuations. When floating price barrels are purchased, the Partnership matches those contracts with similar type sales agreements with its customers, or likewise establishes a hedge position using the NYMEX futures market. From time to time, the Partnership will enter into arrangements which will expose it to basis risk. Basis risk occurs when crude oil is purchased based on a crude oil specification and location which is different from the countervailing sales arrangement. The Partnership's policy is only to purchase crude oil for which it has a market and to structure its sales contracts so that crude oil price fluctuations do not materially affect the gross margin which it receives. The Partnership does not acquire and hold crude oil futures contracts or other derivative products for the purpose of speculating on crude oil price changes that might expose the Partnership to indeterminable losses.

## The Partnership

### Analysis of Pro Forma Results of Operations

The pro forma results of operations discussed below are derived from the historical financial statements of the Partnership, Wingfoot (which reflect the historical operating results of the All American Pipeline and the SJV Gathering System) and the Predecessor, certain of which are included elsewhere herein. Commencing July 30, 1998, (the date of the acquisition of the All American Pipeline and the SJV Gathering System from Goodyear), the results of operations of the All American Pipeline and the SJV Gathering System are included in the results of operations of the Predecessor. The pro forma results of operations reflect certain pro forma adjustments to the historical results of operations as if the Partnership had been formed and the acquisition of the All American Pipeline and the SJV Gathering System had taken place on January 1, 1997. The pro forma adjustments include: (i) pro forma depreciation and amortization expense based on the purchase price of the Wingfoot assets by the Predecessor; (ii) the elimination of interest expense on loans from Goodyear to Wingfoot as all such debt was extinguished in connection with the Acquisition, (iii) the reduction in compensation and benefits expense due to the termination of personnel in connection with the Acquisition; (iv) the elimination of interest expense of the Predecessor related to debt owed to Plains Resources as such debt was extinguished in connection with the Transactions; (v) pro forma interest on debt assumed by the Partnership on the Closing Date and (vi) the elimination of income tax expense as income taxes will be borne by the partners and not the Partnership. The pro forma adjustments do not include approximately $0.9 million of general and administrative expenses for the years ended December 31, 1998 and 1997, respectively, that the General Partner believes will be incurred by the Partnership as a result of its being a separate public entity.

#### Year Ended December 31, 1998 and 1997

The following table sets forth certain pro forma financial and operating information of the Partnership for the periods presented.

| | Year Ended December 31, | |
|---|---|---|
| | 1998 | 1997 |
| | (in thousands) (pro forma) | |
| Operating Results: | | |
| Revenues | $ 1,568,853 | $ 1,746,491 |
| Gross margin | | |
| Pipeline | $ 50,893 | $ 70,078 |
| Terminalling and storage and gathering and marketing | 23,228 | 14,131 |
| Total | 74,121 | 84,209 |
| General and administrative expense | (6,501) | (6,182) |
| Gross profit | $ 67,620 | $ 78,027 |
| Net income (loss) | $ 43,910 | $ (10,097) |
| Average Daily Volumes (barrels) | | |
| Pipeline tariff activities | 125 | 165 |
| Pipeline margin activities | 49 | 30 |
| Total | 174 | 195 |
| Lease gathering | 113 | 94 |
| Bulk purchases | 98 | 49 |
| Terminal throughput | 80 | 77 |

The following analysis compares the pro forma results of the Partnership for the years ended December 31, 1998 and 1997.

For the year ended December 31, 1998, the Partnership's net income was $43.9 million on total revenue of $1.6 billion compared to a net loss for the year ended December 31, 1997 of $10.1 million on total revenue of $1.7 billion. The pro forma net loss for the year ended December 31, 1997 includes a non-cash impairment charge of $64.2 million related to the writedown of pipeline assets and linefill by Wingfoot in connection with the sale of Wingfoot by Goodyear to the General Partner. Based on the Partnership's purchase price allocation to property and equipment and pipeline linefill, an impairment charge would not have been required had the Partnership actually acquired Wingfoot effective January 1, 1997. Excluding this impairment charge, the Partnership's pro forma net income for 1997 would have been $54.1 million. The Partnership reported gross margin (revenues less direct expenses of purchases, transportation, terminalling and storage and other operating and maintenance expenses) of $74.1 million for the year ended December 31, 1998, reflecting a 12% decrease from the $84.2 million reported for the same period in 1997. Gross profit (gross margin less general and administrative expense) decreased 13% to $67.6 million for the year ended December 31,1998 as compared to $78.0 million for the same period in 1997.

Pipeline Operations. Tariff revenues were $57.5 million for the year ended December 31, 1998, a 30% decline from the $82.1 million reported for the same period in 1997. This decrease in tariff revenues resulted primarily from a 24% decrease in tariff transport volumes from 165,000 barrels per day for the year ended December 31, 1997 to 125,000 barrels per day for the same period in 1998 due to a decline in average daily production from the Santa Ynez field. Most of the production loss from the Santa Ynez field was of volumes that had been previously transported to West Texas at an average tariff of $2.83 per barrel. Volumes related to Margin Activities increased by 63% to an average of approximately 49,000 barrels per day. The margin between revenue and direct cost of crude purchased decreased from $17.6 million for the year ended December 31, 1997 to $14.5 million for the same period in 1998 as a result of a decline in margins between prices paid in California and prices received in West Texas.

The following table sets forth All American Pipeline average deliveries per day within and outside California for the periods presented.

| | Year Ended December 31, | |
|---|---|---|
| | 1998 | 1997 |
| | (in thousands) (pro forma) | |
| Deliveries: | | |
| Average daily volumes (barrels): | | |
| Within California | 113 | 127 |
| Outside California | 61 | 68 |
| Total | 174 | 195 |

Terminalling and Storage Activities and Gathering and Marketing Activities. The Partnership reported gross margin of $23.2 million from its terminalling and storage activities and gathering and marketing activities for the year ended December 31, 1998, reflecting a 64% increase over the $14.1 million reported for the same period in 1997. Including interest expense associated with contango inventory transactions, gross margin for the year ended December 31, 1998 was $22.5 million, representing an increase of approximately 70% over the 1997 amount. The increase in gross margin was primarily attributable to an increase in the volumes gathered and marketed, principally in West Texas, Louisiana and the Gulf of Mexico of approximately 20% to 113,000 barrels per day for the year ended December 31, 1998 from 94,000 barrels per day during the same period in 1997. The balance of the increase in gross margin was a result of an increase in bulk purchases.

Expenses. Operations and maintenance expenses included in cost of sales and operations (generally property taxes, electricity, fuel, labor, repairs and certain other expenses) decreased to $24.9 million for the year ended December 31, 1998 from $32.5 million for the comparable period in 1997. This decrease was a function both of variable costs that decline with reduced transportation volumes and average miles transported per barrel. Operations and maintenance expenses are included in the determination of gross margin. General and administrative expenses increased approximately $0.3 million to $6.5 million for the year ended December 31, 1998 compared to $6.2 million for the same period in 1997. Such increase was primarily related to additional personnel hired to further expand marketing activities. Depreciation and amortization expense was $11.3 million for the year ended December 31, 1998 compared to $11.0 million for the 1997 comparative period. The increase is due primarily to the addition of trucking equipment. Interest expense was $13.0 million for the year ended December 31, 1998 compared to $13.1 million for 1997.

Analysis of Historical Results of Operations

On November 23, 1998, the Partnership completed the IPO and the Transactions whereby the Partnership became the successor to the business of the Predecessor. The historical results of operations discussed below are derived from the historical financial statements of the Partnership for the period from November 23, 1998, through December 31, 1998, and the combined financial statements of the Plains Midstream Subsidiaries for the period from January 1, 1998, through November 22, 1998, which in the following discussion are combined and referred to as the year ended December 31, 1998. Commencing July 30, 1998, (the date of the acquisition of the All American Pipeline and the SJV Gathering System from Goodyear), the results of operations of the All American Pipeline and the SJV Gathering System are included in the results of operations of the Predecessor. The Partnership and the Predecessor are referred to for purposes of this analysis of historical results as the "Partnership".

Three Years Ended December 31, 1998

For 1998, the Partnership reported net income before taxes of $15.8 million on total revenue of $1.1 billion compared to net income before taxes for 1997 of $3.4 million on total revenue of $752.5 million and net income before taxes for 1996 of $1.9 million on total revenue of $531.7 million. Results for the year ended December 31, 1998 include activities of the All American Pipeline and SJV Gathering System since July 30, 1998 (the date of acquisition from Goodyear).

The following table sets forth certain financial and operating information of the Partnership for the periods presented:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 1998 | 1997 | 1996 |
| | (in thousands) | | |
| Operating Results: | | | |
| Revenues | $ 1,129,689 | $ 752,522 | $ 531,698 |
| Gross margin | | | |
| Pipeline | $ 16,768 | $ - | $ - |
| Terminalling and storage and gathering and marketing | 21,712 | 12,480 | 9,531 |
| Total | 38,480 | 12,480 | 9,531 |
| General and administrative expense | (5,297) | (3,529) | (2,974) |
| Gross profit | $ 33,183 | $ 8,951 | $ 6,557 |
| Net Income | $ 11,202 | $ 2,140 | $ 1,222 |
| Average Daily Volumes (barrels) | | | |
| Pipeline tariff activities | 113 | - | - |
| Pipeline margin activities | 50 | - | - |
| Total | 163 | - | - |
| Lease gathering | 88 | 71 | 59 |
| Bulk purchases | 95 | 49 | 32 |
| Terminal throughput | 80 | 77 | 59 |

Pipeline Operations. As noted above, the results of operations of the Partnership includes approximately five months of operations of the All American Pipeline and the SJV Gathering System which were acquired effective July 30, 1998. Tariff revenues for this period were $19.0 million and are primarily attributable to transport volumes from the Santa Ynez field (approximately 65,300 barrels per day) and the Point Arguello field (approximately 24,300 barrels per day). The margin between revenue and direct cost of crude purchased was approximately $3.9 million. Operations and maintenance expenses were $6.1 million.

The following table sets forth the All American Pipeline average deliveries per day within and outside California from July 30, 1998 through December 31, 1998 (in thousands).

| | |
|---|---|
| Deliveries: | |
| Average daily volumes (barrels): | |
| Within California | 111 |
| Outside California | 52 |
| Total | 163 |

Terminalling and Storage Activities and Gathering and Marketing Activities. Gross margin from terminalling and storage and gathering and marketing activities was $21.7 million for the year ended December 31, 1998, reflecting a 74% increase over the $12.5 million reported for the 1997 period and an approximate 128% increase over the $9.5 million reported for 1996. Including interest expense associated with contango inventory transactions, gross margin for 1998 was $21.0 million, representing an increase

of approximately 81% over the 1997 amount. The Partnership did not have any material contango inventory transactions in 1996. The increase in gross margin was primarily attributable to an increase in the volumes gathered and marketed in West Texas, Louisiana and the Gulf of Mexico and activities at the Cushing Terminal.

Total general and administrative expenses were $5.3 million for the year ended December 31, 1998, compared to $3.5 million and $3.0 million for 1997 and 1996, respectively. Such increases were primarily attributable to increased personnel as a result of the continued expansion of the Partnership's terminalling and storage activities and gathering and marketing activities as well as general and administrative expenses associated with the addition of the All American Pipeline and the SJV Gathering System. Depreciation and amortization was $5.4 million in 1998, $1.2 million in 1997 and $1.1 million in 1996. The increase is due the acquisition of the All American Pipeline and the SJV Gathering System in 1998.

Interest expense was $12.6 million in 1998, $4.5 million in 1997 and $3.6 million in 1996. The increase in 1998 is due to interest associated with the debt incurred for the acquisition of the All American Pipeline and the SJV Gathering System. Interest expense in 1997 and 1996 is comprised principally of interest charged to the Predecessor by Plains Resources for amounts borrowed to construct the Cushing Terminal in 1993 and subsequent capital additions, including the Ingleside Terminal. The interest rate on the Cushing Terminal construction loan was 10.25%. Interest expense also includes interest incurred in connection with contango inventory transactions of $0.8 million in 1998 and $.9 million in 1997.

The Predecessor is included in the consolidated federal income tax return of Plains Resources. Federal income taxes are calculated as if the Predecessor had filed its return on a separate company basis utilizing a federal statutory rate of 35%. The Predecessor reported a total tax provision of approximately $4.6 million, $1.3 million and $0.7 million for the period from January 1, 1998 to November 22, 1998 and for the years ended December 31, 1997 and 1996, respectively.

Capital Resources, Liquidity and Financial Condition

Concurrently with the closing of the IPO, the Partnership entered into the Bank Credit Agreement that includes the Term Loan Facility and the Revolving Credit Facility. The Partnership may borrow up to $50 million under the Revolving Credit Facility for acquisitions, capital improvements, working capital and general business purposes.

The Term Loan Facility bears interest at the Partnership's option at either (i) the Base Rate, as defined, or (ii) reserve-adjusted LIBOR plus an applicable margin. Borrowings under the Revolving Credit Facility bear interest at the Partnership's option at either (i) the Base Rate, as defined, or (ii) reserve-adjusted LIBOR plus an applicable margin. The Partnership incurs a commitment fee on the unused portion of the Revolving Credit Facility.

At December 31, 1998, $175 million was outstanding under the Term Loan Facility, which amount represents indebtedness assumed from the General Partner. The Partnership has two 10-year interest rate swaps (each of which can be terminated by the counterparty at the end of the seventh year) aggregating $175 million which fix the LIBOR portion of the interest rate (not including the applicable margin) at a weighted average rate of approximately 5.24%. The Term Loan Facility matures in 2005, and no principal is scheduled for payment prior to maturity. The Term Loan Facility may be prepaid at any time without penalty. The Revolving Credit Facility expires in 2000. All borrowings for working capital purposes outstanding under the Revolving Credit Facility must be reduced to no more than $8 million for at least 15 consecutive days during each fiscal year. At December 31, 1998, there were no amounts outstanding under the Revolving Credit Facility. The Bank Credit Agreement is collateralized by a lien on substantially all of the assets of the Partnership.

Simultaneously with the IPO, Marketing entered into a $175 million letter of credit and borrowing facility which replaced an existing facility. The purpose of the Letter of Credit Facility is to provide (i) standby letters of credit to support the purchase and exchange of crude oil for resale and (ii) borrowings to finance crude oil inventory which has been hedged against future price risk or designated as working inventory. The Letter of Credit Facility is collateralized by a lien on substantially all of the assets of the Partnership. Aggregate availability under the Letter of Credit Facility for direct borrowings and letters of credit is limited to a borrowing base which is determined monthly based on certain current assets and current liabilities of the Partnership primarily crude oil inventory and accounts receivable and accounts payable related to the purchase and sale of crude oil. At December 31, 1998, the borrowing base under the Letter of Credit Facility was approximately $175 million.

The Letter of Credit Facility has a $40 million sublimit for borrowings to finance crude oil purchased in connection with operations at the Partnership's crude oil terminal and storage facilities. All purchases of crude oil inventory financed are required to be hedged against future price risk on terms acceptable to the lenders. At December 31, 1998, approximately $9.8 million was outstanding under the sublimit.

Letters of credit under the Letter of Credit Facility are generally issued for up to 70 day periods. Borrowings bear interest at the Partnership's option at either (i) the Base Rate (as defined) or (ii) reserve-adjusted LIBOR plus the applicable margin. The Partnership incurs a commitment fee on the unused portion of the borrowing sublimit under the Letter of Credit Facility and an issuance fee for each letter of credit issued. The Letter of Credit Facility expires July 31, 2001. At December 31, 1998, there were outstanding letters of credit of approximately $62 million issued under the Letter of Credit Facility.

Both the Letter of Credit Facility and the Bank Credit Agreement contain a prohibition on distributions on, or purchases or redemptions of, Units if any Default or Event of Default (as defined) is continuing. In addition, both facilities contain various covenants limiting the ability of the Partnership to (i) incur indebtedness, (ii) grant certain liens, (iii) sell assets in excess of certain limitations, (iv) engage in transactions with affiliates, (v) make investments, (vi) enter into hedging contracts and (vii) enter into a merger, consolidation or sale of its assets. In addition, the terms of the Letter of Credit Facility and the Bank Credit Agreement require the Partnership to maintain (i) a Current Ratio (as defined) of at least 1.0 to 1.0; (ii) a Debt Coverage Ratio (as defined) which is not greater than 5.0 to 1.0; (iii) an Interest Coverage Ratio (as defined) which is not less than 3.0 to 1.0; (iv) a Fixed Charge Coverage Ratio (as defined) which is not less than 1.25 to 1.0; and (v) a Debt to Capital Ratio (as defined) of not greater than .60 to 1.0. In both the Letter of Credit Facility and the Bank Credit Agreement, a Change in Control (as defined) of Plains Resources or the General Partner constitutes an Event of Default.

The Partnership will distribute 100% of its Available Cash within 45 days after the end of each quarter to Unitholders of record and to the General partner. Available Cash is generally defined as all cash and cash equivalents of the Partnership on hand at the end of each quarter less reserves established by the General partner for future requirements. Distributions of Available Cash to holders of Subordinated units are subject to the prior rights of holders of Common Units to receive the minimum quarterly distribution ("MQD") for each quarter during the Subordination Period (which will not end earlier than December 31, 2003) and to receive any arrearages in the distribution of the MQD on the Common Units for the prior quarters during the Subordination Period. The MQD is $0.45 per unit ($1.80 per unit on an annual basis). Upon expiration of the Subordination Period, all Subordinated Units will be converted on a one-for-one basis into Common Units and will participate pro rata with all other Common Units in future distributions of Available Cash. Under certain circumstances, up to 50% of the Subordinated Units may convert into Common Units prior to the expiration of the Subordination Period. Common Units will not accrue arrearages with respect to distributions for any quarter after the Subordination Period and Subordinated Units will not accrue any arrearages with respect to distributions for any quarter.

If quarterly distributions of Available Cash exceed the MQD or the Target Distribution Levels (as defined), the General Partner will receive distributions which are generally equal to 15%, then 25% and then 50% of the distributions of Available Cash that exceed the MQD or Target Distribution Level. The Target Distribution Levels are based on the amounts of Available Cash from the Partnership's Operating Surplus (as defined) distributed with respect to a given quarter that exceed distributions made with respect to the MQD and Common Unit arrearages, if any.

On February 12, 1999, the Partnership paid a cash distribution of $0.193 per unit on its outstanding Common Units and Subordinated Units. The $5.8 million distribution was paid to Unitholders of record at the close of business on January 29, 1999. A distribution of approximately $118,000 was paid to the General Partner. The distributions represented a partial quarterly distribution for the 39-day period from November 23, 1998, the closing of the IPO, through December 31, 1998.

Commitments

Historically, capital expenditures for the Partnership have not been significant. Due to the relatively recent construction of the All American Pipeline, the SJV Gathering System and the Cushing Terminal, material maintenance capital expenditures have not been required, and the majority of capital expenditures have been associated with expansion opportunities. While the actual level of maintenance capital expenditures will vary from year to year, the Partnership expects such expenditures to average approximately $2 million to $4 million annually for the next several years. It is anticipated that such maintenance capital expenditures will be funded from cash flow generated by operating activities.

The Partnership has entered into a turnkey contract to construct an additional one million barrels of tankage at the Cushing Terminal, expanding its existing tank capacity by 50% to three million barrels. Construction of the expansion project began in September 1998 and is expected to be completed in the second quarter of 1999 at a total cost of approximately $10 million. Approximately $4.2 million of such cost was incurred in 1998. It is anticipated that the remaining expenditures for the expansion will be funded from borrowings under the Revolving Credit Facility. To date, the Partnership has no material commitments to fund additional capital expenditures.

The Partnership owns approximately 5.0 million barrels of crude oil that is used to maintain the All American Pipeline's linefill requirements. The Partnership has amended its tariff with the FERC to require third party shippers to buy linefill from the Partnership and replenish the linefill when their movement of crude oil on the All American Pipeline is completed. Accordingly, the Partnership does not anticipate large variations in the amounts of linefill provided by the Partnership in the future.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"). SFAS 133 is effective for all fiscal years beginning after June 15, 1999. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. For fair-value hedge transactions in which the Partnership is hedging changes in an asset's, liability's, or firm commitment's fair value, changes in the fair value of the derivative instrument will generally be offset in the income statement by changes in the hedged item's fair value. For cash-flow hedge transactions, in which the Partnership is hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. SFAS 133 is required to be applied to financial statements issued by the Partnership beginning in 2000. The Partnership has not yet determined the effect that the adoption of SFAS 133 will have on its results of operations or financial position.

In November 1998, the Emerging Issues Task Force ("EITF") released Issue No. 98-10, "Accounting for Energy Trading and Risk Management Activities". EITF 98-10 deals with entities that enter into derivatives and other third-party contracts for the purchase and sale of a commodity in which they normally do business (for example, crude oil and natural gas). The EITF reached a consensus that energy trading contracts should be measured at fair value, determined as of the balance sheet date, with the gains and losses included in earnings and separately disclosed in the financial statements or footnotes thereto. The EITF acknowledged that determining whether or when an entity is involved in energy trading activities is a matter of judgment that depends on the relevant facts and circumstances. As such, certain factors or indicators have been identified by the EITF which should be considered in evaluating whether an operation's energy contracts are entered into for trading purposes. EITF 98-10 is required to be applied to financial statements issued by the Partnership beginning in 1999. The adoption of this consensus is not expected to have a material impact on the Partnership's results of operations or financial position.

Year 2000

Year 2000 Issue. Some software applications, hardware and equipment and embedded chip systems identify dates using only the last two digits of the year. These products may be unable to distinguish between dates in the Year 2000 and dates in the year 1900. That inability (referred to as the "Year 2000" issue), if not addressed, could cause applications, equipment or systems to fail or provide incorrect information after December 31, 1999, or when using dates after December 31, 1999. This in turn could have an adverse effect on the Partnership, because the Partnership directly depends on its own applications, equipment and systems and indirectly depends on those of other entities with which the Partnership must interact.

Compliance Program. In order to address the Year 2000 issues, the Partnership is participating in the Year 2000 project which Plains Resources has implemented for all of its business units. A project team has been established to coordinate the six phases of this Year 2000 project to assure that key automated systems and related processes will remain functional through Year 2000. Those phases include: (i) awareness, (ii) assessment, (iii) remediation, (iv) testing, (v) implementation of the necessary modifications and (vi) contingency planning. The key automated systems consist of (a) financial systems applications, (b) hardware and equipment, (c) embedded chip systems and (d) third-party developed software. The evaluation of the Year 2000 issue includes the evaluation of the Year 2000 exposure of third parties material to the operations of the Partnership or any of its business units. Plains Resources retained a Year 2000 consulting firm to review the operations of all of its business units and to assess the impact of the Year 2000 issue on such operations. Such review has been completed and the consultant's recommendations are being utilized in the Year 2000 project.

The Partnership's State of Readiness. The awareness phase of the Year 2000 project has begun with a company-wide awareness program which will continue to be updated throughout the life of the project. The portion of the assessment phase related to financial systems applications has been substantially completed and the necessary modifications and conversions are underway. The portion of the assessment phase which will determine the nature and impact of the Year 2000 issue for hardware and equipment, embedded chip systems, and third-party developed software is continuing. The Partnership has retained a Year 2000 consulting firm which is currently identifying and evaluating field equipment which has embedded chip systems. The assessment phase of the project involves, among other things, efforts to obtain representations and assurances from third parties, including third party vendors, that

their hardware and equipment, embedded chip systems, and software being used by or impacting the Partnership or any of its business units are or will be modified to be Year 2000 compliant. To date, the responses from such third parties are inconclusive. As a result, management cannot predict the potential consequences if these or other third parties are not Year 2000 compliant. The exposure associated with the Partnership's interaction with third parties is currently being evaluated. Management expects that the remediation, testing and implementation phases will be substantially completed by the third quarter of 1999.

Contingency Planning. As part of the Year 2000 project, the Partnership will seek to determine which of its business activities may be vulnerable to a Year 2000 disruption. Appropriate contingency plans will then be developed for each "at risk" business activity to provide an alternative means of functioning which minimizes the effect of the potential Year 2000 disruption, both internally and on those with whom it does business. Such contingency plans are expected to be completed by the fourth quarter of 1999.

Costs to Address Year 2000 Compliance Issues. Through December 31, 1998, the Partnership has borne approximately $264,000 as its share of expenses for the Year 2000 project. While the total cost to the Partnership of the Year 2000 project is still being evaluated, management currently estimates that the costs to be incurred in 1999 and 2000 associated with assessing, testing, modifying or replacing financial system applications, hardware and equipment, embedded chip systems and third party developed software is between $350,000 and $450,000. The Partnership expects to fund these expenditures with cash from operations or borrowings. Based upon these estimates, the Partnership does not expect the costs of its Year 2000 project to have a material adverse effect on its financial position, results of operation or cash flows.

Risk of Non-Compliance. The major applications that pose the greatest Year 2000 risks for the Partnership if implementation of the Year 2000 compliance program is not successful are the Partnership's financial systems applications and the Partnership's SCADA computer systems and embedded chip systems in field equipment. The potential problems if the Year 2000 compliance program is not successful are disruptions of the Partnership's revenue gathering from and distribution to its customers and vendors and the inability to perform its other financial and accounting functions. Failures of embedded chip systems in field equipment of the Partnership or its customers could disrupt the Partnership's crude oil transportation, terminalling and storage activities and gathering and marketing activities.

While the Partnership believes that its Year 2000 project will substantially reduce the risks associated with the Year 2000 issue, there can be no assurance that it will be successful in completing each and every aspect of the project on schedule, and if successful, the project will have the expected results. Due to the general uncertainty inherent in the Year 2000 issues, the Partnership cannot conclude that its failure or the failure of third parties to achieve Year 2000 compliance will not adversely affect its financial position, results of operations or cash flows.

## Item 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Partnership is exposed to various market risks, including volatility in crude oil commodity prices and interest rates. To manage such exposure, the Partnership monitors its inventory levels, current economic conditions and its expectations of future commodity prices and interest rates when making decisions with respect to risk management. The Partnership does not enter into derivative transactions for speculative trading purposes. Substantially all the Partnership's derivative contracts are exchanged or traded with major financial institutions and the risk of credit loss is considered remote.

As the Partnership purchases crude oil, it establishes a margin by selling crude oil for physical delivery to third party users, such as independent refiners or major oil companies, or by entering into a future delivery obligation with respect to futures contracts on the NYMEX. Through these transactions, the Partnership seeks to maintain a position that is substantially balanced between crude oil purchases and sales and future delivery obligations. From time to time, the Partnership enters into fixed price delivery contracts, floating price collar arrangements, financial swaps and oil futures contracts as hedging devices. To hedge the price exposure related to crude oil that the Partnership is committed to purchase, the Partnership may sell futures contracts and thereafter either (i) make physical delivery of such purchased crude oil against the futures contract or (ii) buy a matching futures contract to unwind its futures position and sell its crude oil to a customer. Such contracts may expose the Partnership to the risk of financial loss in certain circumstances, including instances where production is less than expected, the Partnership's customers fail to purchase or deliver the contracted quantities of crude oil, or a sudden, unexpected event materially affects crude oil prices. Such contracts may also restrict the ability of the Partnership to benefit from unexpected increases in crude oil prices. The Partnership's policy is generally to purchase only crude oil for which it has a market and to structure its sales contracts so that crude oil price fluctuations do not materially affect the gross margin which it receives.

The Partnership has interest rate swaps for an aggregate notional principal amount of $175 million which fix the LIBOR portion of the interest rate (not including the applicable margin) on the Term Loan Facility. At December 31, 1998, the Partnership would be required to pay approximately $2.2 million to terminate the interest rate swaps as of such date.

Commodity Price Risk

The fair value of outstanding derivative commodity instruments and the change in fair value that would be expected from a 10 percent adverse price change are shown in the table below:

| At December 31, 1998 | Fair Value | Change in Fair Value from 10% Adverse Price Change |
|---|---|---|
| | (in millions) | |
| Crude oil futures contracts | $ 1.8 | $(0.3) |

The fair values of the futures contracts are based on quoted market prices obtained from the NYMEX. All hedge positions offset physical positions exposed to the cash market; none of these offsetting physical positions are included in the above table. Price-risk sensitivities were calculated by assuming an across-the-board 10 percent adverse change in prices regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an actual 10 percent change in prompt month crude prices, the fair value of the Partnership's derivative portfolio would typically change less than that shown in the table due to lower volatility in out-month prices.

Additional details regarding accounting policy for these financial statements are set forth in Note 1 to the Consolidated and Combined Financial Statements.

Interest Rate Risk

The Partnership's debt instruments are sensitive to market fluctuations in interest rates. The table below presents principal cash flows and the related weighted average interest rates by expected maturity dates. The Partnership's variable rate debt bears interest at LIBOR plus the applicable margin. The average interest rates presented below are based upon rates in effect at December 31, 1998. The carrying value of variable rate bank debt approximates fair value as interest rates are variable, based on prevailing market rates.

| | December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Expected Year of Maturity | | | | | | | Fair |
| | 1999 | 2000 | 2001 | 2002 | 2003 | Thereafter | Total | Value |
| | (dollars in millions) | | | | | | | |
| Liabilities: | | | | | | | | |
| Short-term debt - variable rate | $ 9.7 | $ - | $ - | $ - | $ - | $ - | $ 9.7 | $ 9.7 |
| Average interest rate | 6.80% | | | | | | | |
| Long-term debt - variable rate | - | - | - | - | - | 175.0 | 175.0 | 175.0 |
| Average interest rate | | | | | | 6.75% | | |

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required to be provided in this item is included in the Consolidated and Combined Financial Statements of the Partnership and the Plains Midstream Subsidiaries, including the notes thereto, attached hereto as pages F-1 to F-20 and such information is incorporated herein by reference.

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

None

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE GENERAL PARTNER

Partnership Management

The General Partner manages and operates the activities of the Partnership. The Unitholders do not directly or indirectly participate in the management or operation of the Partnership or have actual or apparent authority to enter into contracts on behalf of, or to otherwise bind, the Partnership. Notwithstanding any limitation on its obligations or duties, the General Partner is liable, as general partner of the Partnership, for all debts of the Partnership (to the extent not paid by the Partnership), except to the extent that indebtedness or other obligations incurred by the Partnership are made specifically non-recourse to the General Partner. Whenever possible, the General Partner intends to make any such indebtedness or other obligations non-recourse to the General Partner.

The General Partner recently appointed Arthur L. Smith to its Board of Directors. Mr. Smith, who is neither an officer nor employee of the General Partner nor a director, officer or employee of any affiliate of the General Partner, serves on the Conflicts Committee, which has the authority to review specific matters as to which the Board of Directors believes there may be a conflict of interest in order to determine if the resolution of such conflict proposed by the General Partner is fair and reasonable to the Partnership. An additional independent director is expected to be appointed during the year to serve on the General Partner's Board of Directors and the Conflicts Committee. Any matters approved by the Conflicts Committee will be conclusively deemed to be fair and reasonable to the Partnership, approved by all partners of the Partnership and not a breach by the General Partner or its Board of Directors of any duties they may owe the Partnership or the Unitholders. The Audit Committee, comprised of Messrs. Smith and Robert V. Sinnott, reviews the external financial reporting of the Partnership, recommends engagement of the Partnership's independent public accountants and reviews the Partnership's procedures for internal auditing and the adequacy of the Partnership's internal accounting controls. The Compensation Committee, comprised of Messrs. Smith and Sinnott, oversees compensation decisions for the officers of the General Partner as well as the compensation plans described below.

As is commonly the case with publicly traded limited partnerships, the Partnership does not directly employ any of the persons responsible for managing or operating the Partnership. These functions are provided by employees of the General Partner and Plains Resources.

Directors and Executive Officers of the General Partner

The following table sets forth certain information with respect to the executive officers and members of the Board of Directors of the General Partner. Executive officers and directors are elected annually and have held the following positions with the General Partner since its formation in February 1998, except for Messrs. Sinnott and Smith who were appointed to the Board in September 1998 and February 1999, respectively.

| Name | Age | Position with General Partner |
|---|---|---|
| Greg L. Armstrong | 40 | Chairman of the Board, Chief Executive Officer and Director |
| Harry N. Pefanis | 41 | President, Chief Operating Officer and Director |
| Phillip D. Kramer | 43 | Executive Vice President and Chief Financial Officer |
| George R. Coiner | 47 | Senior Vice President |
| Michael R. Patterson | 51 | Senior Vice President, General Counsel and Secretary |
| Cynthia A. Feeback | 41 | Treasurer |
| Robert V. Sinnott | 49 | Director |
| Arthur L. Smith | 46 | Director |

Greg L. Armstrong has been President, Chief Executive Officer and Director of Plains Resources since 1992. He previously served Plains Resources as: President and Chief Operating Officer from October to December 1992; Executive Vice President and Chief Financial Officer from June to October 1992; Senior Vice President and Chief Financial Officer from 1991 to 1992; Vice President and Chief Financial Officer from 1984 to 1991; Corporate Secretary from 1981 to 1988; and Treasurer from 1984 to 1987.

Harry N. Pefanis has been Executive Vice President - Midstream of Plains Resources since May 1998. He previously served Plains Resources as: Senior Vice President from February 1996 until May 1998; Vice President - Products Marketing from 1988 to February 1996; Manager of Products Marketing from 1987 to 1988; and Special Assistant for Corporate Planning from 1983 to 1987. Mr. Pefanis is also President of the Plains Midstream Subsidiaries.

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

George R. Coiner has been Vice President of Plains Marketing & Transportation Inc., a Plains Midstream Subsidiary, since November 1995. Prior to joining Plains Marketing & Transportation Inc., he was Senior Vice President, Marketing with Scurlock Permian Corp.

Michael R. Patterson has been Vice President, General Counsel and Secretary of Plains Resources since 1988. He previously served Plains Resources as Vice President and General Counsel from 1985 to 1988.

Cynthia A. Feeback has been Assistant Treasurer and Controller of Plains Resources since May 1998. She previously served Plains Resources as Controller and Principal Accounting Officer from 1993 to 1998; Controller from 1990 to 1993; and Accounting Manager from 1988 to 1990.

Robert V. Sinnott has been Senior Vice President of Kayne Anderson Investment Management, Inc. (an investment management firm) since 1992. He was Vice President and Senior Securities Officer of the Investment Banking Division of Citibank from 1986 to 1992. He is also a director of Plains Resources and Glacier Water Services, Inc. (a vended water company).

Arthur L. Smith is Chairman of John S. Herold, Inc. (a petroleum research and consulting firm), a position he has held since 1984. For the period from May 1998 to October 1998, he served as Chairman and Chief Executive Officer of Torch Energy Advisors Incorporated. Mr. Smith served as a director of Pioneer Natural Resources Company from 1997 to 1998 and of Parker & Parsley Petroleum Company from 1991 to 1997.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities and Exchange Act of 1934 requires directors, executive officers and persons who beneficially own more than ten percent of a registered class of the Partnership's equity securities to file with the SEC and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of such equity securities. Such persons are also required to furnish the Partnership with copies of all Section 16(a) forms that they file. Based solely upon a review of the copies of the forms furnished to it, or written representations from certain reporting persons that no Forms 5 were required, the Partnership believes that during 1998 its officers and directors complied with all filing requirements with respect to the Partnership's equity securities.

Reimbursement of Expenses of the General Partner and its Affiliates

The General Partner does not receive any management fee or other compensation in connection with its management of the Partnership. The General Partner and its affiliates, including Plains Resources, performing services for the Partnership are reimbursed for all expenses incurred on behalf of the Partnership, including the costs of employee, officer and director compensation and benefits properly allocable to the Partnership, and all other expenses necessary or appropriate to the conduct of the business of, and allocable to, the Partnership. The Partnership Agreement provides that the General Partner will determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion.

## Item 11. EXECUTIVE COMPENSATION

The Partnership was formed in September 1998 but conducted no business until late November 1998. Mr. Armstrong, the General Partner's Chief Executive Officer received no compensation for services to the Partnership in 1998. No officer of the General Partner received compensation for services to the Partnership in 1998 in amounts greater than $100,000.

Employment Agreement

Mr. Pefanis has an employment agreement with Plains Resources. Pursuant to the employment agreement, Mr. Pefanis serves as President and Chief Operating Officer of the General Partner as well as an Executive Vice President of Plains Resources and is responsible for the overall operations of the General Partner and the marketing operations of Plains Resources. The employment agreement provides that Plains Resources will not require Mr. Pefanis to engage in activities that materially detract from his duties and responsibilities as an officer of the General Partner. The employment agreement has an initial term, commencing November 23, 1998, of three years subject to annual extensions and includes confidentiality, nonsolicitation and noncompete provisions, which, in general, will continue for 24 months following Mr. Pefanis' termination of employment. The agreement provides for an annual base salary of $235,000, subject to such increases as the Board of Directors of Plains Resources may authorize from time to time. In

addition, Mr. Pefanis is eligible to receive an annual cash bonus to be determined by the Board of Directors of Plains Resources. Mr. Pefanis participates in the Long-Term Incentive Plan of the General Partner as described below and is also entitled to participate in such other benefit plans and programs as the General Partner may provide for its employees in general. Upon a Change in Control of Plains Resources or a Marketing Operations Disposition (as such terms are defined in the employment agreement), the term of the employment agreement will be automatically extended for three years, and if Mr. Pefanis' employment is terminated during the one-year period following either event by him for a Good Reason or by Plains Resources other than for death, disability or Cause (as such terms are defined in the employment agreement), he will be entitled to a lump sum severance amount equal to three times the sum of (i) his highest rate of annual base salary and (ii) the largest annual bonus paid during the three preceding years.

Long-Term Incentive Plan

The General Partner has adopted the Plains All American Inc. 1998 Long-Term Incentive Plan (the "Long-Term Incentive Plan") for employees and directors of the General Partner and its affiliates who perform services for the Partnership. The Long-Term Incentive Plan consists of two components, a restricted unit plan (the "Restricted Unit Plan") and a unit option plan (the "Unit Option Plan"). The Long-Term Incentive Plan currently permits the grant of Restricted Units and Unit Options covering an aggregate of 975,000 Common Units. The plan is administered by the Compensation Committee of the General Partner's Board of Directors.

Restricted Unit Plan. A Restricted Unit is a "phantom" unit that entitles the grantee to receive a Common Unit upon the vesting of the phantom unit. As of March 22, 1999, an aggregate of approximately 500,000 Restricted Units have been granted to employees of the General Partner, including 60,000 and 30,000 units granted to Messrs. Pefanis and Coiner, respectively. The Compensation Committee may, in the future, determine to make additional grants under such plan to employees and directors containing such terms as the Compensation Committee shall determine. In general, Restricted Units granted to employees during the Subordination Period will vest only upon, and in the same proportions as, the conversion of the Subordinated Units to Common Units. Grants made to non-employee directors of the General Partner will be eligible to vest prior to termination of the Subordination Period.

If a grantee terminates employment or membership on the Board for any reason, the grantee's Restricted Units will be automatically forfeited unless, and to the extent, the Compensation Committee provides otherwise. Common Units to be delivered upon the "vesting" of rights may be Common Units acquired by the General Partner in the open market, Common Units already owned by the General Partner, Common Units acquired by the General Partner directly from the Partnership or any other person, or any combination of the foregoing. The General Partner will be entitled to reimbursement by the Partnership for the cost incurred in acquiring such Common Units. If the Partnership issues new Common Units upon vesting of the Restricted Units, the total number of Common Units outstanding will increase. Following the Subordination Period, the Compensation Committee, in its discretion, may grant tandem distribution equivalent rights with respect to Restricted Units.

The issuance of the Common Units pursuant to the Restricted Unit Plan is intended to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation in respect of the Common Units. Therefore, no consideration will be payable by the plan participants upon receipt of the Common Units, and the Partnership will receive no remuneration for such Units.

Unit Option Plan. The Unit Option Plan currently permits the grant of options ("Unit Options") covering Common Units. No grants have been made under the Unit Option Plan. The Compensation Committee may, in the future, determine to make grants under such plan to employees and directors containing such terms as the Committee shall determine.

Unit Options will have an exercise price equal to the fair market value of the Units on the date of grant. Unit Options granted during the Subordination Period will become exercisable automatically upon, and in the same proportions as, the conversion of the Subordinated Units to Common Units, unless a later vesting date is provided.

Upon exercise of a Unit Option, the General Partner will acquire Common Units in the open market at a price equal to the then-prevailing price on the principal national securities exchange upon which the Common Units are then traded, or directly from the Partnership or any other person, or use Common Units already owned by the General Partner, or any combination of the foregoing. The General Partner will be entitled to reimbursement by the Partnership for the difference between the cost incurred by the General Partner in acquiring such Common Units and the proceeds received by the General Partner from an optionee at the time of exercise. Thus, the cost of the Unit Options will be borne by the Partnership. If the Partnership issues new Common Units upon exercise of the Unit Options, the total number of Common Units outstanding will increase, and the General Partner will remit to the Partnership the proceeds it received from the optionee upon exercise of the Unit Option to the Partnership.

The Unit Option Plan has been designed to furnish additional compensation to employees and directors and to align their economic interests with those of Common Unitholders.

The General Partner's Board of Directors in its discretion may terminate the Long-Term Incentive Plan at any time with respect to any Common Units for which a grant has not theretofore been made. The General Partner's Board of Directors also has the right to alter or amend the Long-Term Incentive Plan or any part thereof from time to time, including increasing the number of Common Units with respect to which awards may be granted; provided, however, that no change in any outstanding grant may be made that would materially impair the rights of the participant without the consent of such participant.

Transaction Grant Agreements

In addition to the grants made under the Restricted Unit Plan described above, the General Partner, at no cost to the Partnership, agreed to transfer approximately 325,000 of its affiliates' Common Units to certain key employees of the General Partner. Generally, approximately 72,000 of such Common Units will vest in each of the years ending December 31, 1999, 2000 and 2001 if the Operating Surplus generated in such year equals or exceeds the amount necessary to pay the Minimum Quarterly Distribution on all outstanding Common Units and the related distribution on the General Partner interest. If a tranche of Common Units does not vest in a particular year, such Common Units will vest at the time the Common Unit Arrearages for such year have been paid. In addition, approximately 36,000 of such Common Units will vest in each of the years ending December 31, 1999, 2000 and 2001 if the Operating Surplus generated in such year exceeds the amount necessary to pay the Minimum Quarterly Distribution on all outstanding Common Units and Subordinated Units and the related distribution on the General Partner interest. Any Common Units remaining unvested shall vest upon, and in the same proportion as, the conversion of Subordinated Units to Common Units. Notwithstanding the foregoing, all Common Units become vested if Plains All American Inc. is removed as General Partner of the Partnership prior to January 1, 2002. The compensation expense incurred in connection with these grants will be funded by the General Partner, without reimbursement by the Partnership. Of the 325,000 Common Units, 75,000 were allocated to Mr. Pefanis and 50,000 were allocated to Mr. Coiner.

Management Incentive Plan

The General Partner has adopted the Plains All American Inc. Management Incentive Plan (the "Management Incentive Plan"). The Management Incentive Plan is designed to enhance the financial performance of the General Partner's key employees by rewarding them with cash awards for achieving quarterly and/or annual financial performance objectives. The Management Incentive Plan is administered by the Compensation Committee. Individual participants and payments, if any, for each fiscal quarter and year are determined by and in the discretion of the Compensation Committee. Any incentive payments are at the discretion of the Compensation Committee, and the General Partner may amend or change the Management Incentive Plan at any time. The General Partner is entitled to reimbursement by the Partnership for payments and costs incurred under the plan.

Compensation of Directors

Each director of the General Partner who is not an employee of the General Partner (a "Non-employee Director") is paid an annual retainer fee of $20,000, an attendance fee of $2,000 for each Board meeting he attends (excluding telephonic meetings), an attendance fee of $500 for each committee meeting or telephonic Board meeting he attends plus reimbursement for related out-of-pocket expenses. Messrs. Armstrong and Pefanis, as officers of the General Partner, are otherwise compensated for their services to the General Partner and therefore receive no separate compensation for their services as directors of the General Partner.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of March 22, 1999, regarding the beneficial ownership of Units held by (i) each person known by the General Partner to be the beneficial owner of 5% or more of the Units, (ii) each director and executive officer of the General Partner and (iii) by all directors and executive officers of the General Partner as a group.

| Name of Beneficial Owner | Common Units Beneficially Owned | Percentage Of Common Units Beneficially Owned | Subordinated Units Beneficially Owned | Percentage of Subordinated Units Beneficially Owned | Percentage Of Total Units Beneficially Owned |
|---|---|---|---|---|---|
| Plains All American Inc. (1) | 6,974,239(2) | 34.8% | 10,029,619 | 100% | 56.5% |
| Greg L. Armstrong | 18,000 | * | - | - | * |
| Harry N. Pefanis | 12,000 | * | - | - | * |
| Phillip D. Kramer | 6,000 | * | - | - | * |
| George R. Coiner | - | - | - | - | - |
| Michael R. Patterson | 7,000 | * | - | - | * |
| Cynthia A. Feeback | 500 | * | - | - | * |
| Robert V. Sinnott | - | - | - | - | - |
| Arthur L. Smith | 7,500 | * | - | - | * |
| All directors and executive officers as a group (7 persons) | 51,000 | * | - | - | * |

- ---

* Less than one percent

(1) The record holder of such Common Units and Subordinated Units is PAAI LLC, a wholly owned subsidiary of Plains All American Inc., the General Partner of the Partnership. Plains All American Inc. is a wholly owned subsidiary of Plains Resources Inc. The address for each is 500 Dallas, Suite 700, Houston, Texas 77002.

(2) Includes 325,000 Common Units to be transferred, subject to certain vesting conditions, to certain key employees of the General Partner pursuant to certain Transaction Grant Agreements.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Rights of the General Partner

The General Partner and its affiliates own 6,974,239 Common Units and 10,029,619 Subordinated Units, representing an aggregate 55.4% limited partner interest in the Partnership. In addition, the General Partner owns an aggregate 2% general partner interest in the Partnership and the Partnership on a combined basis. Through the General Partner's ability, as general partner, to manage and operate the Partnership and the ownership of 6,974,239 Common Units and all of the outstanding Subordinated Units by the General Partner and its affiliates (effectively giving the General Partner the ability to veto certain actions of the Partnership), the General Partner has the ability to control the management of the Partnership.

Agreements Governing the Transactions

In connection with the Transactions, the Partnership, the General Partner and certain other parties entered into the various documents and agreements to effect the Transactions, including the vesting of assets in, and the assumption of liabilities by, the Partnership, and the application of the proceeds of the IPO. See Item 1. "Business - Initial Public Offering and Concurrent Transactions".

Relationship with Plains Resources

General

The Partnership has extensive ongoing relationships with Plains Resources. These relationships include (i) Plains Resources' wholly owned subsidiary, Plains All American Inc., serving as General Partner of the Partnership, (ii) an Omnibus Agreement, providing for the resolution of certain conflicts arising from the conduct of the Partnership and Plains Resources of related businesses and for the General Partner's indemnification of the Partnership for certain matters and (iii) the Crude Oil Marketing Agreement with Plains Resources, providing for the marketing of Plains Resources' crude oil production.

Transactions with Affiliates

On the Closing Date, the Partnership and Plains Resources Inc. entered into the Crude Oil Marketing Agreement which provides for the marketing by the Partnership of Plains Resources' crude oil production for a fee of $0.20 per barrel. The Partnership paid Plains Resources approximately $4.1 for the purchase of crude oil under such agreement for the period from November 23, 1998 to December 31, 1998, and recognized approximately $120,000 of profit for such period.

Prior to the Crude Oil Marketing Agreement, the Plains Midstream Subsidiaries marketed crude oil production of Plains Resources, its subsidiaries and its royalty owners. The Plains Midstream Subsidiaries paid approximately $83.4 million, $101.2 million and $100.5 million for the purchase of these products for the period from January 1, 1998 to November 22, 1998 and the years ended December 31, 1997 and 1996, respectively. In management's opinion, such purchases were made at prevailing market rates. The Plains Midstream Subsidiaries did not recognize a profit on the sale of the crude oil purchased from Plains Resources.

The Partnership does not directly employ any persons to manage or operate its business. These functions are provided by employees of the General Partner and Plains Resources. The General partner does not receive a management fee or other compensation in connection with its management of the Partnership. The Partnership reimburses the General Partner and Plains Resources for all direct and indirect costs of services provided, including the costs of employee, officer and director compensation and benefits properly allocable to the Partnership, and all other expenses necessary or appropriate to the conduct of the business of, and allocable to the Partnership. The Partnership Agreement provides that the General Partner will determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Total costs reimbursed to the General Partner and Plains Resources by the Partnership were approximately $0.5 million for the period from November 23, 1998 to December 31, 1998. Such costs include, (I) allocated personnel costs (such as salaries and employee benefits) of the personnel providing such services, (ii) rent on office space allocated to the General partner in Plains Resources' offices in Houston, Texas and (iii) out-of-pocket expenses related to the provision of such services.

Plains Resources allocated certain general and administrative expenses to the Plains Midstream Subsidiaries during 1998, 1997 and 1996. The types of indirect expenses allocated to the Plains Midstream Subsidiaries during this period were office rent, utilities, telephone services, data processing services, office supplies and equipment maintenance. Direct expenses allocated by Plains Resources were primarily salaries and benefits of employees engaged in the business activities of the Plains Midstream Subsidiaries.

Indemnity from the General Partner

In connection with the acquisition of the All American Pipeline and the SJV Gathering System, Wingfoot agreed to indemnify the General Partner for certain environmental and other liabilities. The indemnity is subject to limits of (i) $10 million with respect to matters of corporate authorization and title to shares, (ii) $21.5 million with respect to condition of rights of way, lease rights and undisclosed liabilities and litigation and (iii) $30 million with respect to environmental liabilities resulting from certain undisclosed and pre-existing conditions. Wingfoot has no liability, however, until the aggregate amount of losses, with respect to each such limit, is in excess of $1 million. The indemnities will remain in effect for a two year period after the date of the acquisition, with the exception of the environmental indemnity, which will remain in effect for a period of three years after the date of the Acquisition. The environmental indemnity is also subject to certain sharing ratios which change based on whether the claim is made in the first, second or third year of the indemnity as well as the amount of such claim. The Partnership has also agreed to be solely responsible for the cumulative aggregate amount of losses resulting from an oil leak from the All American Pipeline that occurred in 1997 to the extent such losses do not exceed $350,000. Any costs in excess of $350,000 will be applied to the $1 million deductible for the Wingfoot environmental indemnity. The General Partner has agreed to indemnify the Partnership for environmental and other liabilities to the extent it is indemnified by Wingfoot.

Plains Resources has agreed to indemnify the Partnership for environmental liabilities related to the assets of the Plains Midstream Subsidiaries transferred to the Partnership that arose prior to closing and are discovered within three years after closing (excluding liabilities resulting from a change in law after closing). Plains Resources' indemnification obligation is capped at $3 million.

## PART IV

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

(1) Financial Statements

The financial statements filed as part of this report are listed in the "Index to Consolidated Financial Statements" on Page F-1 hereof.

(2) Exhibits

| | |
|---|---|
| 3.1 + | --Second Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. dated as of November 23, 1998. |
| 3.2 + | --Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P. dated as of November 23, 1998. |
| 3.3 + | --Amended and Restated Agreement of Limited Partnership of All American Pipeline, L.P. dated as of November 23, 1998. |
| 3.4 | --Certificate of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.4 to Registration Statement, file No. 333-64107). |
| 3.5 + | --Certificate of Limited Partnership of Plains Marketing, L.P. dated as of November 10, 1998. |
| 3.6 + | --Articles of Conversion of All American Pipeline Company dated as of November 10, 1998. |
| 10.1 + | --Credit Agreement among All American Pipeline, L.P., Plains All American Pipeline, L.P., Plains Marketing, L.P., ING (U.S.) Capital Corporation and certain other banks dated as of November 17, 1998. |
| 10.2 + | --Amended and Restated Credit Agreement among Plains Marketing, L.P., Plains All American Pipeline, L.P., All American Pipeline, L.P., BankBoston, N.A., and certain other banks dated as of November 17, 1998. |
| 10.3 + | --Contribution, Conveyance and Assumption Agreement among Plains All American Pipeline, L.P. and certain other parties dated as of November 23, 1998. |
| *10.4 + | --Plains All American Inc., 1998 Long-Term Incentive Plan. |
| *10.5 + | --Plains All American Inc., 1998 Management Incentive Plan. |
| *10.6 + | --Employment Agreement between Plains Resources Inc. and Harry N. Pefanis dated as of November 23, 1998. |
| 10.7 + | --Crude Oil Marketing Agreement among Plains Resources Inc., Plains Illinois Inc., Stocker Resources, L.P., Calumet Florida, Inc. and Plains Marketing, L.P. dated as of November 23, 1998. |
| 10.8 + | --Omnibus Agreement among Plains Resources Inc., Plains All American Pipeline, L.P., Plains Marketing, L.P., All American Pipeline, L.P. and Plains All American Inc. dated as of November 23, 1998. |
| 10.9 + | --Transportation Agreement dated July 30, 1993 between All American Pipeline Company and Exxon Company, U.S.A. (incorporated by reference to Exhibit 10.9 to Registration Statement, file No. 333-64107). |
| 10.10 | --Transportation Agreement dated August 2, 1993 between All American Pipeline Company and Texaco Trading and Transportation Inc., Chevron U.S.A. and Sun Operating Limited Partnership (incorporated by reference to Exhibit 10.10 to Registration Statement, file No. 333-64107). |

*10.11 --Form of Transaction Grant Agreement (Deferred Payment) (incorporated by reference to Exhibit 10.11 to Registration Statement, file No. 333-64107).

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

10.13 + --First Amendment to Contribution, Conveyance and Assumption Agreement dated as of December 15, 1998

10.14 + --First Amendment dated as of March 18, 1999, to Credit Agreement among All American Pipeline, L.P., Plains All American Pipeline, L.P., Plains Marketing, L.P., ING (U.S.) Capital Corporation and certain other banks.

10.15 + --First Amendment dated as of March 18, 1999, to Amended and Restated Credit Agreement among Plains Marketing, L.P., Plains All American Pipeline, L.P., All American Pipeline, L.P., BankBoston, N.A. and certain other banks.

10.16 + --Agreement for Purchase and Sale of Membership Interest in Scurlock Permian LLC between Marathon Ashland LLC and Plains Marketing, L.P. dated as of March 17, 1999.

21.1 --List of subsidiaries of the Partnership (incorporated by reference to Exhibit 21.1 to Registration Statement, file No. 333-64107).

27.1 + --Financial Data Schedule

- ---
+ Filed herewith
* Management contract or compensatory plan or arrangement

(b) Reports on Form 8-K

None

SIGNATURES

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

PLAINS ALL AMERICAN PIPELINE, L.P..

By: PLAINS ALL AMERICAN INC.,
Its General Partner

Date: March 31, 1999 By: /s/ Phillip D. Kramer
---
Phillip D. Kramer,
Executive Vice President and
Chief Financial Officer

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

Date: March 31, 1999 By: /s/ Greg L. Armstrong
---
Greg L. Armstrong, Chairman of the Board,
Chief Executive Officer and
Director of the General Partner
(Principal Executive Officer)

Date: March 31, 1999 By: /s/ Harry N. Pefanis
---
Harry N. Pefanis, President,
Chief Operating Officer and Director
of the General Partner

Date: March 31, 1999 By: /s/ Phillip D. Kramer
---
Phillip D. Kramer, Executive Vice
President and Chief Financial Officer
(Principal Financial Officer) of
the General Partner

Date: March 31, 1999 By: /s/ Cynthia A. Feeback
---
Cynthia A. Feeback, Treasurer
(Principal Accounting Officer) of the
General Partner

Date: March 31, 1999 By: /s/ Robert V. Sinnott
---
Robert V. Sinnott, Director of the General
Partner

Date: March 31, 1999 By: /s/ Arthur L. Smith
---
Arthur L. Smith, Director of the General
Partner

INDEX TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS



All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

## REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in partners' equity and of cash flows present fairly, in all material respects, the consolidated financial position of Plains All American Pipeline, L.P. and subsidiaries (the "Partnership") at December 31, 1998 and the consolidated results of their operations and their cash flows for the period from inception (November 23, 1998) to December 31, 1998 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Partnership's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

In our opinion, the accompanying combined balance sheet and related combined statements of income and of cash flows of the Plains Midstream Subsidiaries, the predecessor entity of the Partnership, present fairly, in all material respects, the combined financial position of the Plains Midstream Subsidiaries at December 31, 1997 and the combined results of their operations and their cash flows for the period from January 1, 1998 to November 22, 1998 and the years ended December 31, 1997 and 1996 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Plains Midstream Subsidiaries' management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Houston, Texas
March 29, 1999

PLAINS RESOURCES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

| | December 31, | |
|---|---|---|
| | 1998 | 1997 |
| | | (Predecessor) |
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 5,503 | $ 2 |
| Accounts receivable | 119,514 | 96,319 |
| Due from affiliates | 3,022 | - |
| Inventory | 37,711 | 18,909 |
| Prepaid expenses and other | 1,101 | 197 |
| Total current assets | 166,851 | 115,427 |
| PROPERTY AND EQUIPMENT | | |
| Crude oil pipeline, gathering and terminal assets | 378,254 | 35,591 |
| Other property and equipment | 581 | 698 |
| | 378,835 | 36,289 |
| Less allowance for depreciation and amortization | (799) | (3,903) |
| | 378,036 | 32,386 |
| OTHER ASSETS | | |
| Pipeline linefill | 54,511 | - |
| Other | 10,810 | 1,806 |
| | $610,208 | $149,619 |
| **LIABILITIES AND PARTNERS' EQUITY** | | |
| CURRENT LIABILITIES | | |
| Accounts payable and other current liabilities | $135,713 | $ 86,415 |
| Interest payable | 1,267 | 50 |
| Due to affiliates | 10,790 | 8,945 |
| Notes payable | 9,750 | 18,000 |
| Total current liabilities | 157,520 | 113,410 |
| LONG-TERM LIABILITIES | | |
| Bank debt | 175,000 | - |
| Due to affiliates | - | 28,531 |
| Payable in lieu of deferred taxes | - | 1,703 |
| Other | 45 | - |
| Total liabilities | 332,565 | 143,644 |
| COMMITMENTS AND CONTINGENCIES (NOTE 8) | | |
| COMBINED EQUITY | - | 5,975 |
| PARTNERS' EQUITY | | |
| Common unit holders (20,059,239 units outstanding) | 256,997 | - |
| Subordinated unit holders (10,029,619 units outstanding) | 19,454 | - |
| General partner | 1,192 | - |
| | 277,643 | - |
| | $610,208 | $149,619 |

See notes to consolidated and combined financial statements.

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

| | NOVEMBER 23, 1998 TO DECEMBER 31, 1998 | JANUARY 1, 1998 TO NOVEMBER 22, 1998 | YEAR ENDED DECEMBER 31, 1997 | YEAR ENDED DECEMBER 31, 1996 |
|---|---|---|---|---|
| | | (PREDECESSOR) | (PREDECESSOR) | (PREDECESSOR) |
| REVENUES | $ 176,445 | $ 953,244 | $ 752,522 | $ 531,698 |
| COST OF SALES AND OPERATIONS | 168,946 | 922,263 | 740,042 | 522,167 |
| Gross Margin | 7,499 | 30,981 | 12,480 | 9,531 |
| EXPENSES | | | | |
| General and administrative | 771 | 4,526 | 3,529 | 2,974 |
| Depreciation and amortization | 1,192 | 4,179 | 1,165 | 1,140 |
| Total expenses | 1,963 | 8,705 | 4,694 | 4,114 |
| Operating income | 5,536 | 22,276 | 7,786 | 5,417 |
| Interest expense | 1,371 | 8,492 | 894 | - |
| Related party interest expense | - | 2,768 | 3,622 | 3,559 |
| Interest and other income | 12 | 572 | 138 | 90 |
| Net income before provision in lieu of income taxes | 4,177 | 11,588 | 3,408 | 1,948 |
| Provision in lieu of income taxes | - | 4,563 | 1,268 | 726 |
| NET INCOME | $ 4,177 | $ 7,025 | $ 2,140 | $ 1,222 |
| BASIC AND DILUTED NET INCOME PER LIMITED PARTNER UNIT | $ 0.14 | $ 0.40 | $ 0.12 | $ 0.07 |
| WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING | 30,088,858 | 17,003,858 | 17,003,858 | 17,003,858 |

See notes to consolidated and combined financial statements.

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

| | NOVEMBER 23, 1998 TO DECEMBER 31, 1998 | JANUARY 1, 1998 TO NOVEMBER 22, 1998 | YEAR ENDED DECEMBER 31, 1997 | YEAR ENDED DECEMBER 31, 1996 |
|---|---|---|---|---|
| | | (PREDECESSOR) | (PREDECESSOR) | (PREDECESSOR) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income | $ 4,177 | $ 7,025 | $ 2,140 | $ 1,222 |
| Items not affecting cash flows from operating activities: | | | | |
| Depreciation and amortization | 1,192 | 4,179 | 1,165 | 1,140 |
| (Gain) loss on sale of property and equipment | - | 117 | (28) | (34) |
| Change in payable in lieu of deferred taxes | - | 4,108 | 1,131 | 706 |
| Other non cash items | 45 | - | - | - |
| Change in assets and liabilities, net of Acquisition: | | | | |
| Accounts receivable | (10,203) | 38,794 | (10,415) | (38,771) |
| Inventory | (14,805) | (3,336) | (16,450) | 435 |
| Prepaid expenses and other | (42) | (1,296) | (39) | 41 |
| Accounts payable and other current liabilities | 33,008 | (30,511) | 9,577 | 35,994 |
| Interest payable | 1,267 | (39) | 50 | - |
| Pipeline linefill | (6,247) | 2,343 | - | - |
| Net cash provided by (used in) operating activities | 8,392 | 21,384 | (12,869) | 733 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Acquisition (see Note 2): | - | (394,026) | - | - |
| Additions to property and equipment | (2,887) | (5,528) | (678) | (3,346) |
| Disposals of property and equipment | - | 8 | 85 | 97 |
| Additions to other assets | (202) | (65) | (1,261) | (36) |
| Net cash used in investing activities | (3,089) | (399,611) | (1,854) | (3,285) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Advances from (payments to) affiliates | (1,174) | 3,349 | (3,679) | 2,759 |
| Debt issue costs incurred in connection with Acquisition (see Note 2) | - | (9,938) | - | - |
| Proceeds from initial public offering (see Note 1) | 244,690 | - | - | - |
| Distributions upon formation (see Note 1) | (241,690) | - | - | - |
| Payment of formation costs | (3,000) | - | - | - |
| Cash balance at formation | 224 | - | - | - |
| Proceeds from long-term debt | - | 331,300 | - | - |
| Proceeds from short-term debt | 1,150 | 30,600 | 39,000 | - |
| Principal payments of long-term debt | - | (39,300) | - | - |
| Principal payments of short-term debt | - | (40,000) | (21,000) | - |
| Capital contribution from Parent | - | 113,700 | - | - |
| Dividend to Parent | - | (3,557) | - | - |
| Net cash provided by financing activities | 200 | 386,154 | 14,321 | 2,759 |
| Net increase (decrease) in cash and cash equivalents | 5,503 | 7,927 | (402) | 207 |
| Cash and cash equivalents, beginning of period | - | 2 | 404 | 197 |
| Cash and cash equivalents, end of period | $ 5,503 | $ 7,929 | $ 2 | $ 404 |

See notes to consolidated and combined financial statements.

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' EQUITY
FOR THE PERIOD FROM INCEPTION (NOVEMBER 23, 1998) TO DECEMBER 31, 1998
(in thousands)

| | Common Units | | Subordinated Units | | General Partner | Total Partners' Equity |
|---|---|---|---|---|---|---|
| | Units | Amount | Units | Amount | Amount | Amount |
| Issuance of units to public | 13,085 | $241,690 | | $ - | $ - | $ 241,690 |
| Contribution of assets and debt assumed | 6,974 | 108,253 | 10,030 | 155,680 | 9,533 | 273,466 |
| Distribution at time of formation | | (95,675) | | (137,590) | (8,425) | (241,690) |
| Net income for the period from November 23, 1998 to December 31, 1998 | | 2,729 | | 1,364 | 84 | 4,177 |
| BALANCE AT DECEMBER 31, 1998 | 20,059 | $ 256,997 | 10,030 | $ 19,454 | $ 1,192 | $ 277,643 |

See notes to consolidated and combined financial statements.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

## Note 1--Organization and Significant Accounting Policies

### Organization

Plains All American Pipeline, L.P. (the "Partnership") is a Delaware limited partnership that was formed in the third quarter of 1998, to acquire and operate the midstream crude oil business and assets of Plains Resources Inc. ("Plains Resources") and its wholly owned subsidiaries (the "Plains Midstream Subsidiaries" or the "Predecessor"). The operations of the Partnership are conducted through Plains Marketing, L.P. and All American Pipeline, L.P. (collectively referred to as the "Operating Partnerships"). Plains All American Inc., one of the Plains Midstream Subsidiaries, is the general partner ("General Partner") of the Partnership and the Partnership. The Partnership is engaged in interstate and intrastate crude oil pipeline transportation and crude oil terminalling and storage activities and gathering and marketing activities. The Partnership's operations are concentrated in California, Texas, Oklahoma, Louisiana and the Gulf of Mexico.

The Partnership owns and operates a 1,233-mile seasonally heated, 30-inch, common carrier crude oil pipeline extending from California to West Texas (the "All American Pipeline") and a 45-mile, 16-inch, crude oil gathering system in the San Joaquin Valley of California (the "SJV Gathering System"), both of which the General Partner purchased from Wingfoot Ventures Seven, Inc. ("Wingfoot"), a wholly owned subsidiary of The Goodyear Tire & Rubber Company ("Goodyear") in July 1998 for approximately $400 million (the "Acquisition") (See Note 2). The Partnership also owns and operates a two million barrel, above-ground crude oil terminalling and storage facility in Cushing, Oklahoma, (the "Cushing Terminal").

### Initial Public Offering and Concurrent Transactions

On November 23, 1998, the Partnership completed an initial public offering (the "IPO") of 13,085,000 common units representing limited partner interests (the "Common Units") and received therefrom net proceeds of approximately $244.7 million. Concurrently with the closing of the IPO, certain transactions described in the following paragraphs were consummated in connection with the formation of the Partnership. Such transactions and the transactions which occurred in conjunction with the IPO are referred to herein as the "Transactions."

Certain of the Plains Midstream Subsidiaries were merged into Plains Resources, which sold the assets of these subsidiaries to the Partnership in exchange for $64.1 million and the assumption of $11.0 million of related indebtedness. At the same time, the General Partner conveyed all of its interest in the All American Pipeline and the SJV Gathering System, which it acquired in July 1998 for approximately $400 million, to the Partnership in exchange for (i) 6,974,239 Common Units, 10,029,619 Subordinated Units and an aggregate 2% general partner interest in the Partnership, (ii) the right to receive Incentive Distributions as defined in the Partnership agreement; and (iii) the assumption by the Partnership of $175 million of indebtedness incurred by the General Partner in connection with the acquisition of the All American Pipeline and the SJV Gathering System.

In addition to the $64.1 million paid to Plains Resources, the Partnership distributed approximately $177.6 million to the General Partner and used approximately $3 million of the remaining proceeds to pay expenses incurred in connection with the Transactions. The General Partner used $121.0 million of the cash distributed to it to retire the remaining indebtedness incurred in connection with the acquisition of the All American Pipeline and the SJV Gathering System and to pay other costs associated with the Transactions. The balance, $56.6 million, was distributed to Plains Resources, which used the cash to repay indebtedness and for other general corporate purposes.

In addition, concurrently with the closing of the IPO, the Partnership entered into a $225 million bank credit agreement (the "Bank Credit Agreement") that includes a $175 million term loan facility (the "Term Loan Facility") and a $50 million revolving credit facility (the "Revolving Credit Facility"). The Partnership may borrow up to $50 million under the Revolving Credit Facility for acquisitions, capital improvements, working capital and general business purposes. At closing, the Partnership had $175 million outstanding under the Term Loan Facility, representing indebtedness assumed from the General Partner.

### Basis of Consolidation and Presentation

The accompanying financial statements and related notes present the consolidated financial position as of December 31, 1998, of the Partnership and the results of its operations, cash flows and changes in partners' equity for the period from

November 23, 1998 to December 31, 1998. The combined financial statements of the Predecessor include the accounts of the Plains Midstream Subsidiaries. All significant intercompany transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates are reasonable, actual results could differ from these estimates.

Revenue Recognition

Gathering and marketing revenues are accrued at the time title to the product sold transfers to the purchaser, which typically occurs upon receipt of the product by the purchaser, and purchases are accrued at the time title to the product purchased transfers to the Partnership, which typically occurs upon receipt of the product by the Partnership. Terminalling and storage revenues are recognized at the time service is performed. As a regulated interstate pipeline, revenues for the transportation of crude oil on the All American Pipeline are recognized based upon Federal Energy Regulatory Commission and the Public Utilities Commission of the State of California filed tariff rates and the related transported volumes. Tariff revenue is recognized at the time such volume is delivered.

Cost of Sales and Operations

Cost of sales consists of the cost of crude oil and field and pipeline operating expenses. Field and pipeline operating expenses consist primarily of fuel and power costs, telecommunications, labor costs for pipeline field personnel, maintenance, utilities, insurance and property taxes.

Cash and Cash Equivalents

Cash and cash equivalents consist of all demand deposits and funds invested in highly liquid instruments. The Predecessor's cash management program resulted in book overdraft balances which have been reclassified to current liabilities.

Inventory

Inventory consists of crude oil in pipelines and in storage tanks which is valued at the lower of cost or market, with cost determined using the average cost method.

Property and Equipment and Pipeline Linefill

Property and equipment is stated at cost and consists primarily of (i) crude oil pipelines and pipeline facilities (primarily the All American Pipeline and SJV Gathering System), (ii) crude oil terminal and storage facilities (primarily the Cushing Terminal), and (iii) trucking equipment, injection stations and other. Other property and equipment consists primarily of office furniture and fixtures and computer equipment and software. Depreciation is computed using the straight-line method over estimated useful lives as follows: (i) crude oil pipelines - 40 years, (ii) crude oil pipeline facilities - 25 years, (iii) crude oil terminal and storage facilities - 30 to 40 years, (iv) trucking equipment, injection stations and other - 5 to 10 years and (v) other property and equipment - 5 to 7 years. Acquisitions and improvements are capitalized; maintenance and repairs are expensed as incurred. Net gains or losses on property and equipment disposed of is included in interest and other income.

Pipeline linefill is recorded at cost and consists of crude oil linefill used to pack a pipeline such that when an incremental barrel enters a pipeline if forces a barrel out at another location. The Partnership owns approximately 5.0 million barrels of crude oil that is used to maintain the All American Pipeline's linefill requirements. Proceeds from the sale and repurchase of pipeline linefill are reflected as cash flows from operating activities in the accompanying consolidated and combined statements of cash flows.

The following is a summary of the components of property and equipment:

| | December 31, | |
|---|---|---|
| | 1998 | 1997 |
| | (in thousands) | |
| Crude oil pipelines | $ 268,219 | $ - |
| Crude oil pipeline facilities | 70,870 | - |
| Crude oil storage and terminal facilities | 34,606 | 33,491 |
| Trucking equipment, injection stations and other | 5,140 | 2,798 |
| | 378,835 | 36,289 |
| Less accumulated depreciation and amortization | (799) | (3,903) |
| | $ 378,036 | $ 32,386 |

Impairment of Long-Lived Assets

Long-lived assets with recorded values that are not expected to be recovered through future cash flows are written-down to estimated fair value in accordance with Statement of Financial Accounting Standards No. 121. Fair value is generally determined from estimated discounted future net cash flows.

Other Assets

Other assets consist of the following:

| | December 31, | |
|---|---|---|
| | 1998 | 1997 |
| | (in thousands) | |
| Debt issue costs | $ 10,171 | $ 232 |
| Goodwill and other | 1,134 | 2,096 |
| | $ 11,305 | $ 2,328 |
| Accumulated amortization | $ (495) | $ (522) |
| | $ 10,810 | $ 1,806 |

Costs incurred in connection with the issuance of long-term debt are capitalized and amortized using the straight-line method over the term of the related debt. The increase in debt issue costs is due to the IPO and the acquisition of the All American Pipeline and the SJV Gathering System. Goodwill was recorded as the amount of the purchase price in excess of the fair value of certain transportation and crude oil gathering assets purchased by the Predecessor and is amortized using the straight-line method over a period of twenty years.

Federal Income Taxes

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

The Predecessor is included in the combined federal income tax return of Plains Resources. Income taxes are calculated as if the Predecessor had filed a return on a separate company basis utilizing a federal statutory rate of 35%. Payables in lieu of deferred taxes represent deferred tax liabilities which are recognized based on the temporary differences between the tax basis of the Predecessor's assets and liabilities and the amounts reported in the financial statements. These amounts were owed to Plains Resources. Current amounts payable were also owed to Plains Resources and are included in due to affiliates in the accompanying combined balance sheet of the Predecessor.

Hedging

The Partnership and Predecessor utilize various derivative instruments, for purposes other than trading, to hedge their 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 ("NYMEX") and crude oil swap contracts entered into with financial institutions. The Partnership also utilizes interest rate swaps to manage the interest rate exposure on its long-term debt.

These derivative instruments qualify for hedge accounting as they reduce the price risk of the underlying hedged item and are designated as a hedge at inception. Additionally, the derivatives result in financial impacts which are inversely correlated to those of the items being hedged. This correlation, generally in excess of 80%, (a measure of hedge effectiveness) is measured both at the inception of the hedge and on an ongoing basis. If correlation ceases to exist, the Partnership would discontinue hedge accounting and apply mark to market accounting. Gains and losses on the termination of hedging instruments are deferred and recognized in income as the impact of the hedged item is recorded.

Unrealized changes in the market value of crude oil hedge contracts are not generally recognized in the Partnership's and Predecessor's Statements of Income until the underlying hedged transaction occurs. The financial impacts of crude oil hedge contracts are included in the Partnership's and Predecessor's statements of income as a component of revenues. Such financial impacts are offset by gains or losses realized in the physical market. Cash flows from crude oil hedging activities are included in operating activities in the accompanying statements of cash flows. Net deferred gains and losses on futures contracts, including closed futures contracts, entered into to hedge anticipated crude oil purchases and sales are included in accounts payable and accrued liabilities in the accompanying balance sheets. Deferred gains or losses from inventory hedges are included as part of the inventory costs and recognized when the related inventory is sold.

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

Net income per unit

Basic and diluted net income per unit is determined by dividing net income, after deducting the General Partner's 2% interest, by the weighted average number of outstanding Common Units and Subordinated Units (a total of 30,088,858 units as of December 31, 1998). For periods prior to November 23, 1998, such units are equal to the Common and Subordinated Units received by the General Partner in exchange for assets contributed to the Partnership.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"). SFAS 133 is effective for fiscal years beginning after June 15, 1999. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. For fair value hedge transactions in which the Partnership is hedging changes in an asset's, liability's, or firm commitment's fair value, changes in the fair value of the derivative instrument will generally be offset in the income statement by changes in the hedged item's fair value. For cash flow hedge transactions, in which the Partnership is hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The Partnership is required to adopt this statement beginning in 2000. The Partnership has not yet determined the affect that the adoption of SFAS 133 will have on its financial position or results of operations

In November 1998, the Emerging Issues Task Force ("EITF") released Issue No. 98-10, "Accounting for Energy Trading and Risk Management Activities". EITF 98-10 deals with entities that enter into derivatives and other third-party contracts for the purchase and sale of a commodity in which they normally do business (for example, crude oil and natural gas). The EITF reached a consensus that energy trading contracts should be measured at fair value determined as of the balance sheet date with the gains and losses included in earnings and separately disclosed in the financial statements or footnotes thereto. The EITF acknowledged that determining whether or when an entity is involved in energy trading activities is a matter of judgment that depends on the relevant facts and circumstances. As such, certain factors or indicators have been identified by the EITF which should be considered in evaluating whether an operation's energy contracts are entered into for trading purposes. EITF 98-10 is

required to be applied to financial statements issued by the Partnership beginning in 1999. The adoption of this consensus is not expected to have a material impact on the Partnership's results of operations or financial position.

Note 2--Acquisition

On July 30, 1998, the Predecessor acquired all of the outstanding capital stock of the All American Pipeline Company, Celeron Gathering Corporation and Celeron Trading & Transportation Company (collectively the "Celeron Companies") from Wingfoot, a wholly owned subsidiary of Goodyear, for approximately $400 million, including transaction costs. The principal assets of the entities acquired include the All American Pipeline and the SJV Gathering System, as well as other assets related to such operations. The acquisition was accounted for utilizing the purchase method of accounting with the assets, liabilities and results of operations included in the combined financial statements of the Predecessor effective July 30, 1998. The following unaudited pro forma information is presented to show the pro forma revenues and net income had the acquisition been consummated on January 1, 1997.

| | January 1, 1998 to November 22, 1998 | Year Ended December 31, 1997 |
|---|---|---|
| | (in thousands) | |
| Revenues | $ 1,390,893 | $ 1,744,840 |
| Net income (loss) | $ 14,448 | $ (17,039) |
| Basic and diluted net income (loss) per limited partner unit | $ 0.83 | $ (0.98) |

The pro forma net loss for the year ended December 31, 1997, includes a non-cash impairment charge of $64.2 million related to the writedown of pipeline assets and linefill by Wingfoot in connection with the sale of the Celeron Companies by Goodyear to the Predecessor. Based on the Predecessor's purchase price allocation to property and equipment and pipeline linefill, an impairment charge would not have been required had the Predecessor actually acquired the Celeron Companies effective January 1, 1997. Excluding this impairment charge, the Predecessor's pro forma net income for 1997 would have been $23.4 million ($1.35 per basic and diluted limited partner unit).

The acquisition was accounted for utilizing the purchase method of accounting and the purchase price was allocated in accordance with Accounting Principles Board Opinion No. 16 as follows (in thousands):

| | |
|---|---|
| Crude oil pipeline, gathering and terminal assets | $ 392,528 |
| Other assets (debt issue costs) | 6,138 |
| Net working capital items (excluding cash received of $7,481) | 1,498 |
| | $ 400,164 |

Financing for the acquisition was provided through (i) a $325 million, limited recourse bank facility and (ii) an approximate $114 million capital contribution by Plains Resources. Actual borrowings at closing were $300 million.

Note 3 - Credit Facilities

Bank Credit Agreement. The Partnership has a $225 million Bank Credit Agreement which consists of the $175 million Term Loan Facility and the $50 million Revolving Credit Facility. The $50 million Revolving Credit Facility is used for capital improvements and working capital and general business purposes and contains a $10 million sublimit for letters of credit issued for general corporate purposes. The Bank Credit Agreement is collateralized by a lien on substantially all of the assets of the Partnership.

The Term Loan Facility bears interest at the Partnership's option at either (i) the Base Rate, as defined, or (ii) reserve-adjusted LIBOR plus an applicable margin. The Partnership has two ten year interest rate swaps (subject to cancellation by the counterparty after seven years) aggregating $175 million notional principal amount which fix the LIBOR portion of the interest rate (not including the applicable margin) at a weighted average rate of approximately 5.24%. Borrowings under the Revolving Credit Facility bear interest at the Partnership's option at either (i) the Base Rate, as defined, or (ii) reserve-adjusted LIBOR plus an applicable margin. The Partnership incurs a commitment fee on the unused portion of the Revolving Credit Facility and, with respect to each issued letter of credit, an issuance fee.

At December 31, 1998, the Partnership had $175 million outstanding under the Term Loan Facility, which amount represents indebtedness assumed from the General Partner. The Term Loan Facility matures in seven years, and no principal is scheduled for payment prior to maturity. The Term Loan Facility may be prepaid at any time without penalty. The Revolving Credit Facility expires in two years. All borrowings for working capital purposes outstanding under the Revolving Credit Facility must be reduced to no more than $8 million for at least 15 consecutive days during each fiscal year. At December 31, 1998, there are no amounts outstanding under the Revolving Credit Facility.

Letter of Credit Facility. In connection with the IPO, the Partnership entered into a $175 million letter of credit and borrowing facility with BankBoston, N.A. ("BankBoston"), ING (U.S.) Capital Corporation ("ING Baring") and certain other lenders (the "Letter of Credit Facility"), which replaced the Predecessor's similar facility. The purpose of the Letter of Credit Facility is to provide (i) standby letters of credit to support the purchase and exchange of crude oil for resale and (ii) borrowings to finance crude oil inventory which has been hedged against future price risk or has been designated as working inventory. The Letter of Credit Facility is collateralized by a lien on substantially all of the assets of the Partnership. Aggregate availability under the Letter of Credit Facility for direct borrowings and letters of credit is limited to a borrowing base which is determined monthly based on certain current assets and current liabilities of the Partnership, primarily crude oil inventory and accounts receivable and accounts payable related to the purchase and sale of crude oil. At December 31, 1998, the borrowing base under the Letter of Credit Facility was approximately $175 million.

The Letter of Credit Facility has a $40 million sublimit for borrowings to finance crude oil purchased in connection with operations at the Partnership's crude oil terminal and storage facilities. All purchases of crude oil inventory financed are required to be hedged against future price risk on terms acceptable to the lenders. At December 31, 1998, approximately $9.8 million was outstanding under the sublimit. The interest rate in effect at December 31, 1998 was 6.8%. At December 31, 1997, approximately $18 million in borrowings was outstanding under a similar sublimit under the Predecessor's credit facility.

Letters of credit under the Letter of Credit Facility are generally issued for up to 70 day periods. Borrowings bear interest at the Partnership's option at either (i) the Base Rate (as defined) or (ii) reserve-adjusted LIBOR plus the applicable margin. The Partnership incurs a commitment fee on the unused portion of the borrowing sublimit under the Letter of Credit Facility and an issuance fee for each letter of credit issued. The Letter of Credit Facility expires July 31, 2001.

At December 31, 1998 and 1997, there were outstanding letters of credit of approximately $62 million and $38 million, respectively, issued under the Letter of Credit Facility and the Predecessor's letter of credit facility, respectively. To date, no amounts have been drawn on such letters of credit issued by the Partnership or the Predecessor.

Both the Letter of Credit Facility and the Bank Credit Agreement contain a prohibition on distributions on, or purchases or redemptions of, Units if any Default or Event of Default (as defined) is continuing. In addition, both facilities contain various covenants limiting the ability of the Partnership to (i) incur indebtedness, (ii) grant certain liens, (iii) sell assets in excess of certain limitations, (iv) engage in transactions with affiliates, (v) make investments, (vi) enter into hedging contracts and (vii) enter into a merger, consolidation or sale of its assets. In addition, the terms of the Letter of Credit Facility and the Bank Credit Agreement require the Partnership to maintain (i) a Current Ratio (as defined) of at least 1.0 to 1.0; (ii) a Debt Coverage Ratio (as defined) which is not greater than 5.0 to 1.0; (iii) an Interest Coverage Ratio (as defined) which is not less than 3.0 to 1.0; (iv) a Fixed Charge Coverage Ratio (as defined) which is not less than 1.25 to 1.0; and (v) a Debt to Capital Ratio (as defined) of not greater than .60 to 1.0. In both the Letter of Credit Facility and the Bank Credit Agreement, a Change in Control (as defined) of Plains Resources constitutes an Event of Default.

Note 4 - Partnership Capital and Distributions

Partner's capital consists of 20,059,239 Common Units representing a 65.3% limited partner interest, (a subsidiary of the General Partner owns 6,974,239 of such Common Units), 10,029,619 Subordinated Units owned by a subsidiary of the General Partner representing a 32.7% limited partner interest and a 2% general partner interest. In the aggregate, the General Partner's interests represent an effective 57.4% ownership of the Partnership's equity.

The Partnership will distribute 100% of its Available Cash within 45 days after the end of each quarter to Unitholders of record and to the General Partner. Available Cash is generally defined as all cash and cash equivalents of the Partnership on hand at the end of each quarter less reserves established by the General Partner for future requirements. Distributions of Available Cash to holders of Subordinated Units are subject to the prior rights of holders of Common Units to receive the minimum quarterly distribution ("MQD") for each quarter during the Subordinated Period (which will not end earlier than December 31, 2003) and to receive any arrearages in the distribution of the MQD on the Common Units for the prior quarters during the Subordinated Period. The MQD is $0.45 per unit ($1.80 per unit on an annual basis). Upon expiration of the Subordination Period, all Subordinated Units will be converted on a one-for-one basis into Common Units and will participate pro rata with all other

Common Units in future distributions of Available Cash. Under certain circumstances, up to 50% of the Subordinated Units may convert into Common Units prior to the expiration of the Subordination Period. Common Units will not accrue arrearages with respect to distributions for any quarter after the Subordination Period and Subordinated Units will not accrue any arrearages with respect to distributions for any quarter.

If quarterly distributions of Available Cash exceed the MQD or the Target Distribution Levels (as defined), the General Partner will receive distributions which are generally equal to 15%, then 25% and then 50% of the distributions of Available Cash that exceed the MQD or Target Distribution Level. The Target Distribution Levels are based on the amounts of Available Cash from the Partnership's Operating Surplus (as defined) distributed with respect to a given quarter that exceed distributions made with respect to the MQD and Common Unit arrearages, if any.

On February 12, 1999, the Partnership paid a cash distribution of $0.193 per unit on its outstanding Common Units and Subordinated Units. The $5.8 million distribution was paid to Unitholders of record at the close of business on January 29, 1999. A distribution of approximately $118,000 was paid to the General Partner. The distribution represented the MQD prorated for the 39-day period from November 23, 1998, the closing of the IPO, through December 31, 1998.

Note 5 -- Major Customers and Concentration of Credit Risk

During the period from January 1, 1998 to November 22, 1998, Sempra Energy Trading Corporation ("Sempra") and Koch Oil Company ("Koch") accounted for 31% and 19%, respectively of the Plains Midstream Subsidiaries' total sales. During the period from November 23, 1998 to December 31, 1998, Sempra and Exxon Company USA accounted for 20% and 11%, respectively of the Partnership's sales. For 1997 and 1996, customers accounting for more than 10% of total sales are as follows: 1997 - Koch - 30%, Sempra - 12% and Basis Petroleum Inc. ("Basis"), formerly Phibro Energy U.S.A., Inc. - 11%; 1996 - Koch - 16% and Basis - 11%. No other customer accounted for as much as 10% of total sales during 1998, 1997 and 1996.

Financial instruments which potentially subject the Partnership to concentrations of credit risk consist principally of trade receivables. The Partnership's accounts receivable are primarily from purchasers and shippers of crude oil. This industry concentration has the potential to impact the Partnership's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. The Partnership generally requires letters of credit for receivables from customers which are not considered investment grade, unless the credit risk can otherwise be reduced.

Note 6--Related Party Transactions

The Partnership does not directly employ any persons to manage or operate its business. These functions are provided by employees of the General Partner and Plains Resources. The General Partner does not receive a management fee or other compensation in connection with its management of the Partnership. The Partnership reimburses the General Partner and Plains Resources for all direct and indirect costs of services provided, including the costs of employee, officer and director compensation and benefits properly allocable to the Partnership, and all other expenses necessary or appropriate to the conduct of the business of, and allocable to the Partnership. The Partnership Agreement provides that the General Partner will determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Total costs reimbursed to the General Partner and Plains Resources by the Partnership were approximately $0.5 million for the period from November 23, 1998 to December 31, 1998. Such costs include, (i) allocated personnel costs (such as salaries and employee benefits) of the personnel providing such services, (ii) rent on office space allocated to the General Partner in Plains Resources' offices in Houston, Texas and (iii) out-of-pocket expenses related to the provision of such services.

In connection with the IPO, the Partnership and Plains Resources entered into the Crude Oil Marketing Agreement which provides for the marketing by Plains Marketing, L.P. of Plains Resources crude oil production for a fee of $0.20 per barrel. The Partnership paid Plains Resources approximately $4.1 million for the purchase of crude oil under such agreement for the period from November 23, 1998 to December 31, 1998, and recognized approximately $120,000 of profit for such period.

The Predecessor marketed certain crude oil production of Plains Resources, its subsidiaries and its royalty owners. The Predecessor paid approximately $83.4 million, $101.2 million and $100.5 million for the purchase of these products for the period from January 1, 1998 to November 22, 1998, and for the years ended December 31, 1997 and 1996, respectively. In management's opinion, such purchases were made at prevailing market rates. The Predecessor did not recognize a profit on the sale of the barrels purchased from Plains Resources.

Prior to the IPO, the Plains Midstream Subsidiaries were guarantors of Plains Resources' $225 million revolving credit facility and $200 million 10 1/4% Senior Subordinated Notes due 2006. The agreements under which such debt was issued contain

covenants which, among other things, restricted the Plains Midstream Subsidiaries' ability to make certain loans and investments and restricted additional borrowings by the Plains Midstream Subsidiaries.

Plains Resources allocated certain direct and indirect general and administrative expenses to the Predecessor during the period from January 1, 1998 to November 22, 1998, and for the years ended December 31, 1997 and 1996. Indirect costs were allocated based on the number of employees. The types of indirect expenses allocated to the Predecessor during these periods were office rent, utilities, telephone services, data processing services, office supplies and equipment maintenance. Direct expenses allocated by Plains Resources were primarily salaries and benefits of employees engaged in the business activities of the Plains Midstream Subsidiaries. Management believes that the method used to allocate expenses is reasonable.

Prior to the IPO, the Plains Midstream Subsidiaries funded the acquisition of certain asset and inventory purchases through borrowings from Plains Resources. In addition, the Plains Midstream Subsidiaries participated in a cash management arrangement with Plains Resources covering the funding of daily cash requirements and the investing of excess cash. Amounts due to Plains Resources under the arrangements bore interest at a rate of 10 1/4%. The balance due to Plains Resources as of December 31, 1997, was approximately $26.7 million, including $0.3 million of cumulative federal and state income taxes payable Amounts due to other subsidiaries of Plains Resources as of December 31, 1997 aggregated approximately $10.8 million.

Note 7 -- Financial Instruments

Derivatives

The Partnership utilizes derivative financial instruments, as defined in SFAS No. 119, "Disclosure About Derivative Financial Instruments and Fair Value of Financial Instruments," to hedge its exposure to price volatility on crude oil and does not use such instruments for speculative trading purposes. These arrangements expose the Partnership to credit risk (as to counterparties) and to risk of adverse price movements in certain cases where the Partnership's purchases are less than expected. In the event of non-performance of a counterparty, the Partnership might be forced to acquire alternative hedging arrangements or be required to honor the underlying commitment at then-current market prices. In order to minimize credit risk relating the non-performance of a counterparty, the Partnership enters into such contracts with counterparties that are considered investment grade, periodically reviews the financial condition of such counterparties and continually monitors the effectiveness of derivative financial instruments in achieving the Partnership's objectives. In view of the Partnership's criteria for selecting counterparties, its process for monitoring the financial strength of these counterparties and its experience to date in successfully completing these transactions, the Partnership believes that the risk of incurring significant financial statement loss due to the non-performance of counterparties to these transactions is minimal.

At December 31, 1998, the Partnership's hedging activities included crude oil futures contracts maturing in 1999, covering approximately 3.3 million barrels of crude oil. Since such contracts are designated as hedges and correlate to price movements of crude oil, any gains or losses resulting from market changes will be largely offset by losses or gains on the Partnerships hedged inventory or anticipated purchases of crude oil. Net deferred losses from the Partnership's hedging activities were approximately $1.8 million at December 31, 1998.

Fair Value of Financial Instruments

In accordance with the requirements of SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," the carrying values of items comprising current assets and current liabilities approximate fair value due to the short-term maturities of these instruments. Crude oil futures contracts permit settlement by delivery of the crude oil and, therefore, are not financial instruments, as defined. The carrying value of bank debt approximates fair value as interest rates are variable, based on prevailing market rates. The fair value of crude oil and interest rate swap agreements are based on current termination values or quoted market prices of comparable contracts.

The Partnership has two 10-year interest rate swaps (subject to cancellation by the counterparty after seven years) aggregating a notional principal amount of $175 million which fix the LIBOR portion of the interest rate (not including the applicable margin) on the Term Loan Facility at a weighted average rate of approximately 5.24%. The carrying amounts and fair values of the Partnership's financial instruments are as follows:

| | December 31, 1998 | |
|---|---|---|
| | Carrying Amount | Fair Value |
| | (in thousands) | |
| Unrealized loss or interest rate swaps | $ - | $ (2,164) |

Note 8 -- Commitments and Contingencies

The Partnership leases office space under leases accounted for as operating leases. Rental expense amounted to $0.7 million and $0.1 million for the period from January 1, 1998 to November 22, 1998, and the period from November 23, 1998 to December 31, 1998, respectively. Minimum rental payments under operating leases are $3.0 million for 1999; $1.4 million annually for 2000 through 2002; $1.3 million for 2003 and thereafter $2.9 million.

The Partnership incurred costs associated with leased land, rights-of-way, permits and regulatory fees of $0.2 million and $0.1 million for the period from January 1, 1998 to November 22, 1998, and the period from November 23, 1998 to December 31, 1998, respectively. At December 31, 1998, minimum future payments, net of sublease income, associated with these contracts are approximately $0.3 million for the following year. Generally these contracts extend beyond one year but can be canceled at any time should they not be required for operations.

In order to receive electrical power service at certain remote locations, the Partnership has entered into facilities contracts with several utility companies. These facilities charges are calculated periodically based upon, among other factors, actual electricity energy used. Minimum future payments for these contracts at December 31, 1998, are approximately $0.8 million annually for each of the next five years.

During 1997, the All American Pipeline experienced a leak in a segment of its pipeline in California which resulted in an estimated 12,000 barrels of crude oil being released into the soil. Immediate action was taken to repair the pipeline leak, contain the spill and to recover the released crude oil. The Partnership has submitted a closure plan to the Regional Water Quality Board ("RWQB"). At the request of the RWQB, groundwater monitoring wells have been installed from which water samples will be analyzed semi-annually. No hydrocarbon contamination was detected in initial analyses taken in January 1999. The RWQB approval of the Partnership's closure plan is not expected until subsequent semi-annual analyses have been performed. If the Partnership's closure plan is disapproved, a government mandated remediation of the spill could require significant expenditures, currently estimated to be approximately $350,000, provided however, no assurance can be given that the actual cost thereof will not exceed such estimate. The Partnership does not believe the ultimate resolution of this issue will have a material adverse affect on the Partnership's consolidated financial position, results of operations or cash flows.

Prior to being acquired by the Predecessor in 1996, the Partnership's terminal at Ingleside Texas (the "Ingleside Terminal") experienced releases of refined petroleum products into the soil and groundwater underlying the site due to activities on the property. The Partnership has proposed a voluntary state-administered remediation of the contamination on the property to determine whether the contamination extends outside the property boundaries. If the Partnership's plan is disapproved, a government mandated remediation of the spill could require more significant expenditures, currently estimated to approximate $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 the Partnership from Plains Resources. The Partnership does not believe the ultimate resolution of this issue will have a material adverse affect on the Partnership's consolidated financial position, results of operations or cash flows.

The Partnership may experience future releases of crude oil into the environment from its pipeline and storage operations, or discover releases that were previously unidentified. While the Partnership maintains 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 the All American Pipeline, the SJV Gathering System, the Cushing Terminal, the Ingleside Terminal or other Partnership assets may substantially affect the Partnership's business.

In March 1999, the Partnership signed a definitive agreement to acquire Scurlock Permian LLC and certain other pipeline assets (see Note 14).

The Partnership, in the ordinary course of business, is a defendant in various legal proceedings in which its exposure, individually and in the aggregate, is not considered material to the accompanying financial statements. At December 31, 1998, the Partnership had approximately $0.9 million accrued for its various environmental and litigation contingencies.

Note 9 -- Supplemental Disclosures of Cash Flow Information

In connection with the formation of the Partnership, certain investing and financial activities occurred. Effective November 23, 1998, substantially all of the assets and liabilities of the Predecessor were conveyed at historical cost to the Partnership. Net assets assumed by the Operating Partnership are as follows (in thousands):

| | |
|---|---|
| Cash and cash equivalent | $ 224 |
| Accounts receivable | 109,311 |
| Inventory | 22,906 |
| Prepaid expenses and other current assets | 1,059 |
| Property and equipment, net | 375,948 |
| Pipeline linefill | 48,264 |
| Intangible assets, net | 11,001 |
| Total assets conveyed | 568,713 |
| Accounts payable and other current liabilities | 102,705 |
| Due to affiliates | 8,942 |
| Bank debt | 183,600 |
| Total liabilities assumed | 295,247 |
| Net assets assumed by the Partnership | $273,466 |

Interest paid totaled $0.1 million for the period from November 23, 1998 to December 31, 1998, and $8.5 million, $4.5 million, and $3.6 million for the period from January 1, 1998 to November 22, 1998 and the years ended December 31, 1997 and 1996, respectively.

Note 10 -- Long-Term Incentive Plans

The General Partner adopted the Plains All American Inc. 1998 Long-Term Incentive Plan (the "Long-Term Incentive Plan") for employees and directors of the General Partner and its affiliates who perform services for the Partnership. The Long-Term Incentive Plan consists of two components, a restricted unit plan (the "Restricted Unit Plan") and a unit option plan (the "Unit Option Plan"). The Long-Term Incentive Plan currently permits the grant of Restricted Units and Unit Options covering an aggregate of 975,000 Common Units. The plan is administered by the Compensation Committee of the General Partner's Board of Directors.

Restricted Unit Plan. A Restricted Unit is a "phantom" unit that entitles the grantee to receive a Common Unit upon the vesting of the phantom unit. Approximately 500,000 Restricted Units were granted upon consummation of the IPO to employees of the General Partner at a weighted average grant date fair value of $20.00 per Unit. The Compensation Committee may, in the future, determine to make additional grants under such plan to employees and directors containing such terms as the Compensation Committee shall determine. In general, Restricted Units granted to employees during the Subordination Period will vest only upon, and in the same proportions as, the conversion of the Subordinated Units to Common Units. Grants made to non-employee directors of the General Partner will be eligible to vest prior to termination of the Subordination Period. There have been no grants to nonemployee directors as of December 31, 1998.

If a grantee terminates employment or membership on the Board of Directors for any reason, the grantee's Restricted Units will be automatically forfeited unless, and to the extent, the Compensation Committee provides otherwise. Common Units to be delivered upon the "vesting" of rights may be Common Units acquired by the General Partner in the open market, Common Units already owned by the General Partner, Common Units acquired by the General Partner directly from the Partnership or any other person, or any combination of the foregoing. The General Partner will be entitled to reimbursement by the Partnership for the cost incurred in acquiring such Common Units. If the Partnership issues new Common Units upon vesting of the Restricted Units, the total number of Common Units outstanding will increase. Following the Subordination Period, the Compensation Committee, in its discretion, may grant tandem distribution equivalent rights with respect to Restricted Units.

The issuance of the Common units pursuant to the Restricted Unit Plan is intended to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation in respect of the Common Units. Therefore, no consideration will be payable by the plan participants upon receipt of the Common Units, and the Partnership will receive no remuneration for such Units.

Unit Option Plan. The Unit Option Plan currently permits the grant of options ("Unit Options") covering Common Units. No grants were initially made under the Unit Option Plan. The Compensation Committee may, in the future, determine to make grants under such plan to employees and directors containing such terms as the Committee shall determine.

Unit Options will have an exercise price equal to the fair market value of the Units on the date of grant. Unit Options granted during the Subordination Period will become exercisable automatically upon, and in the same proportions as, the conversion of the Subordinated Units to Common Units, unless a later vesting date is provided.

Upon exercise of a Unit Option, the General Partner will acquire Common Units in the open market at a price equal to the then-prevailing price on the principal national securities exchange upon which the Common Units are then traded, or directly from the partnership or any other person, or use Common Units already owned by the General Partner, or any combination of the foregoing. The General Partner will be entitled to reimbursement by the partnership for the difference between the cost incurred by the General Partner in acquiring such Common Units and the proceeds received by the General Partner from an optionee at the time of exercise. Thus, the cost of the Unit Options will be borne by the Partnership. If the Partnership issues new Common Units upon exercise of the Unit Options, the total number of Common Units outstanding will increase, and the General Partner will remit to the Partnership the proceeds it received from the optionee upon exercise of the Unit Option to the Partnership.

The Unit Option Plan has been designed to furnish additional compensation to employees and directors and to align their economic interests with those of Common Unitholders.

Transaction Grant Agreements. In addition to the grants made under the Restricted Unit Plan described above, the General Partner agreed to transfer approximately 325,000 of its affiliates' Common Units at a weighted average grant fair value of $20.00 per Unit to certain key employees of the General Partner (the "Transaction Grants"). Generally, approximately 72,000 of such Common Units will vest in each of the years ending December 31, 1999, 2000 and 2001 if the Operating Surplus generated in such year equals or exceeds the amount necessary to pay the MQD on all outstanding Common Units and the related distribution on the general partner interest. If a tranche of Common Units does not vest in a particular year, such Common Units will vest at the time the Common Unit Arrearages for such year has been paid. In addition, approximately 36,000 of such Common Units will vest in each of the years ending December 31, 1999, 2000 and 2001 if the Operating Surplus generated in such year exceeds the amount necessary to pay the MQD on all outstanding Common Units and Subordinated Units and the related distribution on the general partner interest. Any Common Units remaining unvested shall vest upon, and in the same proportion as, the conversion of Subordinated Units.

The Partnership will recognize compensation expense in the future for the Unit Options and Restricted Units described above when vesting becomes probable. In addition, although, the Partnership is not required to reimburse the General Partner for the Transaction Grants, accounting pronouncements will require the Partnership to record compensation expense for such Units and a corresponding capital contribution from the General Partner when vesting becomes probable.

Note 11 -- Operating Segments

The Partnership's operations consist of two operating segments: (1) Pipeline Operations - engages in the interstate and intrastate crude oil pipeline transportation and related gathering and marketing activities; (2) Marketing, Gathering, Terminalling and Storage Operations - engages in crude oil terminalling, storage, gathering and marketing activities other than related to Pipeline Operations. Prior to the July 1998 acquisition of the All American Pipeline and SJV Gathering System, the Predecessor had only marketing, gathering, terminalling and storage operations.

The accounting policies of the segments are the same as those described in Note 1. The Partnership evaluates segment performance based on gross margin, gross profit and income before income taxes and extraordinary items.

The following summarizes segment revenues, gross margin, gross profit and income before income taxes and extraordinary items.

| (In thousands) | Pipeline | Marketing Gathering, Terminalling & Storage | Total |
|---|---|---|---|
| January 1, 1998 to November 22, 1998 (Predecessor) | | | |
| Revenues: | | | |
| External Customers(a) | $221,305 | $755,496 | $ 976,801 |
| Intersegment(b) | 21,166 | 2,391 | 23,557 |
| Other | 603 | (31) | 572 |
| Total revenues of reportable segments | $243,074 | $757,856 | $1,000,930 |
| Segment gross margin(c) | $ 13,222 | $ 17,759 | $ 30,981 |
| Segment gross profit(d) | $ 12,394 | $ 14,061 | $ 26,455 |
| Income before income taxes and extraordinary income | $ 2,152 | $ 9,436 | $ 11,588 |
| Interest expense | $ 7,787 | $ 3,473 | $ 11,260 |
| Depreciation and amortization | $ 3,058 | $ 1,121 | $ 4,179 |
| Provision in lieu of income taxes | $ 4,563 | $ -- | $ 4,563 |
| Capital Expenditures | $393,379 | $ 4,677 | $ 398,056 |
| November 23, 1998 to December 31, 1998 | | | |
| Revenues: | | | |
| External Customers(a) | $ 56,118 | $122,785 | $ 178,903 |
| Intersegment(b) | 2,029 | 429 | 2,458 |
| Other | -- | 12 | 12 |
| Total revenues of reportable segments | $ 58,147 | $123,226 | $ 181,373 |
| Segment gross margin(c) | $ 3,546 | $ 3,953 | $ 7,499 |
| Segment gross profit(d) | $ 3,329 | $ 3,399 | $ 6,728 |
| Income before income taxes and extraordinary income | $ 1,035 | $ 3,142 | $ 4,177 |
| Interest expense | $ 1,321 | $ 50 | $ 1,371 |
| Depreciation and amortization | $ 973 | $ 219 | $ 1,192 |
| Capital Expenditures | $ 352 | $ 2,535 | $ 2,887 |
| Total Assets | $472,144 | $138,064 | $ 610,208 |
| Combined Total For the Year Ended December 31, 1998 | | | |
| Revenues: | | | |
| External Customers(a) | $277,423 | $878,281 | $1,155,704 |
| Intersegment(b) | 23,195 | 2,820 | 26,015 |
| Other | 603 | (19) | 584 |
| Total revenues of reportable segments | $301,221 | $881,082 | $1,182,303 |
| Segment gross margin(c) | $ 16,768 | $ 21,712 | $ 38,480 |
| Segment gross profit(d) | $ 15,723 | $ 17,460 | $ 33,183 |
| Income before income taxes and extraordinary income | $ 3,187 | $ 12,578 | $ 15,765 |
| Interest expense | $ 9,108 | $ 3,523 | $ 12,631 |
| Depreciation and amortization | $ 4,031 | $ 1,340 | $ 5,371 |
| Provision in lieu of income taxes | $ 4,563 | $ -- | $ 4,563 |
| Capital Expenditures | $393,731 | $ 7,212 | $ 400,943 |
| Total Assets | $472,144 | $138,064 | $ 610,208 |

(a) Differences between total segment revenues and consolidated revenues relate to intersegment revenues.
(b) Intersegment sales and transfers were conducted on an arm's-length basis.
(c) Gross margin is calculated as revenues less cost of sales and operations.
(d) Gross profit is calculated as revenues less cost of sales and operations and general and administrative expenses.

Note 12 -- Income Taxes

As discussed in Note 1, the Predecessor's results are included in Plains Resources' combined federal income tax return. The amounts presented below were calculated as if the Predecessor filed a separate tax return.

Provision in lieu of income taxes of the Predecessor consists of the following components:

| | January 1, 1998 To November 22, 1998 | Year Ended December 31, 1997 | 1996 |
|---|---|---|---|
| | | (in thousands) | |
| Federal | | | |
| Current | $ 455 | $ 38 | $ 1 |
| Deferred | 3,390 | 1,131 | 706 |
| State | | | |
| Current | - | 99 | 19 |
| Deferred | 718 | - | - |
| Total | $ 4,563 | $ 1,268 | $ 726 |

Actual provision in lieu of income taxes differs from provision in lieu of income taxes computed by applying the U.S. federal statutory corporate tax rate of 35% to income before such provision as follows:

| | January 1, 1998 To November 22, 1998 | Year Ended December 31, 1997 | 1996 |
|---|---|---|---|
| | | (in thousands) | |
| Provision at statutory rate | $ 4,056 | $ 1,169 | $ 682 |
| State income tax, net of benefit for federal deduction | 467 | 65 | 12 |
| Permanent differences | 40 | 34 | 32 |
| Total | $ 4,563 | $ 1,268 | $ 726 |

The Plains Midstream Subsidiaries' payable in lieu of deferred taxes at December 31, 1997 results from differences in depreciation methods used for financial purposes and for tax purposes.

Note 13 -- Combined Equity

The following is a reconciliation of the combined equity balance of the Plains Midstream Subsidiaries (in thousands):

| | |
|---|---|
| Balance at December 31, 1995 | $ 2,613 |
| Net income for the year | 1,222 |
| Balance at December 31, 1996 | 3,835 |
| Net income for the year | 2,140 |
| Balance at December 31, 1997 | 5,975 |
| Capital contribution in connection with the acquisition of the Celeron Companies | 113,700 |
| Dividend to Plains Resources | (3,557) |
| Net income for the period from January 1, 1998 to November 22, 1998 | 7,025 |
| | $123,143 |

Note 14 -- Subsequent Events

On March 17, 1999, the Partnership signed a definitive agreement with Marathon Ashland Petroleum LLC to acquire Scurlock Permian LLC and certain other pipeline assets. The cash purchase price for the acquisition is approximately $138 million, plus associated closing and financing costs. The purchase price is subject to adjustment at closing for working capital on April 1, 1999, the effective date of the acquisition. Closing of the transaction is subject to regulatory review and approval,

consents from third parties, and customary due diligence. Subject to satisfaction of the foregoing conditions, the transaction is expected to close in the second quarter of 1999. The Partnership has received a financing commitment from one of its existing lenders, which in addition to other financial resources currently available to the Partnership, will provide the funds necessary to complete the transaction.

Scurlock Permian LLC, a wholly owned subsidiary of Marathon Ashland Petroleum LLC, is engaged in crude oil transportation, trading and marketing, operating in 14 states with more than 2,400 miles of active pipelines, numerous storage terminals and a fleet of more than 225 trucks. Its largest asset is an 800-mile pipeline and gathering system located in the Spraberry Trend in West Texas that extends into Andrews, Glasscock, Howard, Martin, Midland, Regan, Upton and Irion Counties, Texas. The assets to be acquired also include approximately one million barrels of crude oil used for working inventory. The definitive agreement provides that if either party fails to perform its obligations thereunder through no fault of the other party, such defaulting party shall pay the nondefaulting party $7.5 million as liquidated damages.

In March 1999, the Partnership adopted a plan to reduce staff in its pipeline operations and to relocate certain functions. The Partnership estimates that it will incur a charge to first quarter earnings of approximately $400,000 in connection with such plan.

EXHIBIT 3.1

SECOND AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

PLAINS ALL AMERICAN PIPELINE, L.P.

Plains All American Pipeline, L.P.

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SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
PLAINS ALL AMERICAN PIPELINE, L.P.

THIS SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF PLAINS ALL AMERICAN PIPELINE, L.P. dated as of November 23, 1998, is entered into by and among Plains All American Inc., a Delaware corporation, as the General Partner, and Michael R. Patterson, as the Organizational Limited Partner, together with any other Persons who become Partners in the Partnership or parties hereto as provided herein. In consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby agree as follows:

## ARTICLE I
## DEFINITIONS

Section 1.1 Definitions.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Acquisition" means any transaction in which any Group Member acquires (through an asset acquisition, merger, stock acquisition or other form of investment) control over all or a portion of the assets, properties or business of another Person for the purpose of increasing the operating capacity or revenues of the Partnership Group from the operating capacity or revenues of the Partnership Group existing immediately prior to such transaction.

"Additional Book Basis" means the portion of any remaining Carrying Value of an Adjusted Property that is attributable to positive adjustments made to such Carrying Value as a result of Book-Up Events. For purposes of determining the extent that Carrying Value constitutes Additional Book Basis:

(i) Any negative adjustment made to the Carrying Value of an Adjusted Property as a result of either a Book-Down Event or a Book-Up Event shall first be deemed to offset or decrease that portion of the Carrying Value of such Adjusted Property that is attributable to any prior positive adjustments made thereto pursuant to a Book-Up Event or Book-Down Event.

(ii) If Carrying Value that constitutes Additional Book Basis is reduced as a result of a Book-Down Event and the Carrying Value of other property is increased as a result of such Book-Down Event, an allocable portion of any such increase in Carrying Value shall be treated as Additional Book Basis; provided that the amount treated as Additional Book Basis pursuant hereto as a result of such Book-Down Event shall not exceed the amount by which the Aggregate Remaining Net Positive Adjustments after such Book-Down Event exceeds the remaining

Additional Book Basis attributable to all of the Partnership's Adjusted Property after such Book-Down Event (determined without regard to the application of this clause (ii) to such Book-Down Event).

"Additional Book Basis Derivative Items" means any Book Basis Derivative Items that are computed with reference to Additional Book Basis. To the extent that the Additional Book Basis attributable to all of the Partnership's Adjusted Property as of the beginning of any taxable period exceeds the Aggregate Remaining Net Positive Adjustments as of the beginning of such period (the "Excess Additional Book Basis"), the Additional Book Basis Derivative Items for such period shall be reduced by the amount that bears the same ratio to the amount of Additional Book Basis Derivative Items determined without regard to this sentence as the Excess Additional Book Basis bears to the Additional Book Basis as of the beginning of such period.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.4 and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)) and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such fiscal year, are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such fiscal year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(d)(i) or 6.1(d)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The "Adjusted Capital Account" of a Partner in respect of a General Partner Interest, a Common Unit, a Subordinated Unit or an Incentive Distribution Right or any other specified interest in the Partnership shall be the amount which such Adjusted Capital Account would be if such General Partner Interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other interest was first issued.

"Adjusted Operating Surplus" means, with respect to any period, Operating Surplus generated during such period (a) less (i) any net increase in Working Capital Borrowings during such period and (ii) any net reduction in cash reserves for Operating Expenditures during such period not relating to an Operating Expenditure made during such period, and (b) plus (i) any net decrease in Working Capital Borrowings during such period and (ii) any net increase in cash reserves for Operating Expenditures during such period required by any debt instrument for the repayment of principal, interest or premium. Adjusted Operating Surplus does not include that portion of Operating Surplus included in clause (a)(i) of the definition of Operating Surplus.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii). Once an Adjusted Property is deemed contributed to a new partnership in exchange for an interest in the new partnership, followed by a deemed liquidation of the Partnership for federal income tax purposes upon a termination of the Partnership pursuant to Treasury Regulation Section 1.708-(b)(1)(iv), such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is subsequently adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Aggregate Remaining Net Positive Adjustments" means, as of the end of any taxable period, the sum of the Remaining Net Positive Adjustments of all the Partners.

"Agreed Allocation" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 6.1, including, without limitation, a Curative Allocation (if appropriate to the context in which the term "Agreed Allocation" is used).

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. The General Partner shall, in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"Agreement" means this Second Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P., as it may be amended, supplemented or restated from time to time.

"Assignee" means a Non-citizen Assignee or a Person to whom one or more Limited Partner Interests have been transferred in a manner permitted under this Agreement and who has executed and delivered a Transfer Application as required by this Agreement, but who has not been admitted as a Substituted Limited Partner.

"Associate" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"Available Cash" means, with respect to any Quarter ending prior to the Liquidation Date,

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Partnership Group on hand on the date of determination of Available Cash with respect to such Quarter resulting from Working Capital Borrowings made subsequent to the end of such Quarter, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the business of the Partnership Group (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership Group) subsequent to such Quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any Group Member is a party or by which it is bound or its assets are subject or (iii) provide funds for distributions under Section 6.4 or 6.5 in respect of any one or more of the next four Quarters; provided, however, that the General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the Partnership is unable to distribute the Minimum Quarterly Distribution on all Common Units, plus any Cumulative Common Unit Arrearage on all Common Units, with respect to such Quarter; and, provided further, that disbursements made by a Group Member or cash reserves established, increased or reduced after the end of such Quarter but on or before the date of determination of Available Cash with respect to such Quarter shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such Quarter if the General Partner so determines.

Notwithstanding the foregoing, "Available Cash" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"Book Basis Derivative Items" means any item of income, deduction, gain or loss included in the determination of Net Income or Net Loss that is computed with reference to

the Carrying Value of an Adjusted Property (e.g., depreciation, depletion, or gain or loss with respect to an Adjusted Property).

"Book-Down Event" means an event which triggers a negative adjustment to the Capital Accounts of the Partners pursuant to Section 5.5(d).

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 5.5 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Book-Up Event" means an event which triggers a positive adjustment to the Capital Accounts of the Partners pursuant to Section 5.5(d).

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the states of New York or Texas shall not be regarded as a Business Day.

"Capital Account" means the capital account maintained for a Partner pursuant to Section 5.5. The "Capital Account" of a Partner in respect of a General Partner Interest, a Common Unit, a Subordinated Unit, an Incentive Distribution Right or any other Partnership Interest shall be the amount which such Capital Account would be if such General Partner Interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other Partnership Interest were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other Partnership Interest was first issued.

"Capital Contribution" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner contributes to the Partnership pursuant to this Agreement or the Contribution and Conveyance Agreement.

"Capital Improvement" means any (a) addition or improvement to the capital assets owned by any Group Member or (b) acquisition of existing, or the construction of new, capital assets (including, without limitation, pipeline systems, terminalling and storage facilities and related assets), in each case made to increase the operating capacity or revenues of the Partnership Group from the operating capacity or revenues of the Partnership Group existing immediately prior to such addition, improvement, acquisition or construction.

"Capital Surplus" has the meaning assigned to such term in Section 6.3(a).

"Carrying Value" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions charged to the Partners' and Assignees' Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 5.5(d)(i) and 5.5(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Cause" means a court of competent jurisdiction has entered a final, non-appealable judgment finding the General Partner liable for actual fraud, gross negligence or willful or wanton misconduct in its capacity as general partner of the Partnership.

"Certificate" means a certificate (i) substantially in the form of Exhibit A to this Agreement, (ii) issued in global form in accordance with the rules and regulations of the Depositary or (iii) in such other form as may be adopted by the General Partner in its discretion, issued by the Partnership evidencing ownership of one or more Common Units or a certificate, in such form as may be adopted by the General Partner in its discretion, issued by the Partnership evidencing ownership of one or more other Partnership Securities.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

"Citizenship Certification" means a properly completed certificate in such form as may be specified by the General Partner by which an Assignee or a Limited Partner certifies that he (and if he is a nominee holding for the account of another Person, that to the best of his knowledge such other Person) is an Eligible Citizen.

"Claim" has the meaning assigned to such term in Section 7.12(c).

"Closing Date" means the first date on which Common Units are sold by the Partnership to the Underwriters pursuant to the provisions of the Underwriting Agreement.

"Closing Price" has the meaning assigned to such term in Section 15.1(a).

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of successor law.

"Combined Interest" has the meaning assigned to such term in Section 11.3(a).

"Commission" means the United States Securities and Exchange Commission.

"Common Unit" means a Partnership Security representing a fractional part of the Partnership Interests of all Limited Partners and Assignees and of the General Partner (exclusive of its interest as a holder of the General Partner Interest and Incentive Distribution Rights) and having the rights and obligations specified with respect to Common Units in this Agreement. The term "Common Unit" does not refer to a Subordinated Unit prior to its conversion into a Common Unit pursuant to the terms hereof.

"Common Unit Arrearage" means, with respect to any Common Unit, whenever issued, as to any Quarter within the Subordination Period, the excess, if any, of (a) the Minimum Quarterly Distribution with respect to a Common Unit in respect of such Quarter over (b) the sum of all Available Cash distributed with respect to a Common Unit in respect of such Quarter pursuant to Section 6.4(a)(i).

"Conflicts Committee" means a committee of the Board of Directors of the General Partner composed entirely of two or more directors who are neither security holders, officers nor employees of the General Partner nor officers, directors or employees of any Affiliate of the General Partner.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership (or deemed contributed to a new partnership on termination of the Partnership pursuant to Section 708 of the Code). Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 5.5(d), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"Contribution and Conveyance Agreement" means that certain Contribution, Conveyance and Assumption Agreement, dated as of the Closing Date, among the General Partner, the Plains Midstream Subsidiaries, the Partnership, the Operating Partnership and certain other parties, together with the additional conveyance documents and instruments contemplated or referenced thereunder.

"Cumulative Common Unit Arrearage" means, with respect to any Common Unit, whenever issued, and as of the end of any Quarter, the excess, if any, of (a) the sum resulting from adding together the Common Unit Arrearage as to an Initial Common Unit for each of the Quarters within the Subordination Period ending on or before the last day of such Quarter over (b) the sum of any distributions theretofore made pursuant to Section 6.4(a)(ii) and the second sentence of Section 6.5 with respect to an Initial Common Unit (including any distributions to be made in respect of the last of such Quarters).

"Curative Allocation" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 6.1(d)(xi).

"Current Market Price" has the meaning assigned to such term in Section 15.1(a).

"Delaware Act" means the Delaware Revised Uniform Limited Partnership Act, 6 Del C. (S)17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"Departing Partner" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1 or 11.2.

"Depositary" means, with respect to any Units issued in global form, The Depository Trust Company and its successors and permitted assigns.

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation Section 1.752-2(a).

"Eligible Citizen" means a Person qualified to own interests in real property in jurisdictions in which any Group Member does business or proposes to do business from time to time, and whose status as a Limited Partner or Assignee does not or would not subject such Group Member to a significant risk of cancellation or forfeiture of any of its properties or any interest therein.

"Event of Withdrawal" has the meaning assigned to such term in Section 11.1(a).

"Final Subordinated Units" has the meaning assigned to such term in Section 6.1(d)(x).

"First Liquidation Target Amount" has the meaning assigned to such term in Section 6.1(c)(i)(D).

"First Target Distribution" means $0.495 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on December 31, 1998, it means the product of $0.495 multiplied by a fraction of which the numerator is the number of days in such period, and of which the denominator is 91), subject to adjustment in accordance with Sections 6.6 and 6.9.

"General Partner" means Plains All American Inc. and its successors and permitted assigns as general partner of the Partnership.

"General Partner Interest" means the ownership interest of the General Partner in the Partnership (in its capacity as a general partner without reference to any Limited Partner Interest held by it) which may be evidenced by Partnership Securities or a combination thereof or interest therein, and includes any and all benefits to which the General Partner is entitled

as provided in this Agreement, together with all obligations of the General Partner to comply with the terms and provisions of this Agreement.

"Group" means a Person that with or through any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent given to such Person in response to a proxy or consent solicitation made to 10 or more Persons) or disposing of any Partnership Securities with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, Partnership Securities.

"Group Member" means a member of the Partnership Group.

"Holder" as used in Section 7.12, has the meaning assigned to such term in Section 7.12(a).

"Incentive Distribution Right" means a non-voting Limited Partner Interest issued to the General Partner in connection with the transfer of substantially all of its general partner interest in the Operating Partnership to the Partnership pursuant to Section 5.2, which Partnership Interest will confer upon the holder thereof only the rights and obligations specifically provided in this Agreement with respect to Incentive Distribution Rights (and no other rights otherwise available to or other obligations of a holder of a Partnership Interest). Notwithstanding anything in this Agreement to the contrary, the holder of an Incentive Distribution Right shall not be entitled to vote such Incentive Distribution Right on any Partnership matter except as may otherwise be required by law.

"Incentive Distributions" means any amount of cash distributed to the holders of the Incentive Distribution Rights pursuant to Sections 6.4(a)(iv), (v) and (vi) and 6.4(b)(ii), (iii) and (iv).

"Indemnified Persons" has the meaning assigned to such term in Section 7.12(c).

"Indemnitee" means (a) the General Partner, (b) any Departing Partner, (c) any Person who is or was an Affiliate of the General Partner or any Departing Partner, (d) any Person who is or was a member, partner, officer, director, employee, agent or trustee of any Group Member, the General Partner or any Departing Partner or any Affiliate of any Group Member, the General Partner or any Departing Partner, and (e) any Person who is or was serving at the request of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another Person; provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

"Initial Common Units" means the Common Units sold in the Initial Offering.

"Initial Limited Partners" means the General Partner (with respect to the Common Units, Subordinated Units and the Incentive Distribution Rights received by it pursuant to Section 5.2) and the Underwriters, in each case upon being admitted to the Partnership in accordance with Section 10.1.

"Initial Offering" means the initial offering and sale of Common Units to the public, as described in the Registration Statement.

"Initial Unit Price" means (a) with respect to the Common Units and the Subordinated Units, the initial public offering price per Common Unit at which the Underwriters offered the Common Units to the public for sale as set forth on the cover page of the prospectus included as part of the Registration Statement and first issued at or after the time the Registration Statement first became effective or (b) with respect to any other class or series of Units, the price per Unit at which such class or series of Units is initially sold by the Partnership, as determined by the General Partner, in each case adjusted as the General Partner determines to be appropriate to give effect to any distribution, subdivision or combination of Units.

"Interim Capital Transactions" means the following transactions if they occur prior to the Liquidation Date: (a) borrowings, refinancings or refundings of indebtedness and sales of debt securities (other than Working Capital Borrowings and other than for items purchased on open account in the ordinary course of business) by any Group Member; (b) sales of equity interests by any Group Member (other than the Common Units sold to the Underwriters pursuant to the exercise of their over-allotment option); and (c) sales or other voluntary or involuntary dispositions of any assets of any Group Member other than (i) sales or other dispositions of inventory, accounts receivable and other assets in the ordinary course of business, and (ii) sales or other dispositions of assets as part of normal retirements or replacements.

"Issue Price" means the price at which a Unit is purchased from the Partnership, after taking into account any sales commission or underwriting discount charged to the Partnership.

"Limited Partner" means, unless the context otherwise requires, (a) the Organizational Limited Partner prior to its withdrawal from the Partnership, each Initial Limited Partner, each Substituted Limited Partner, each Additional Limited Partner and any Partner upon the change of its status from General Partner to Limited Partner pursuant to Section 11.3 or (b) solely for purposes of Articles V, VI, VII and IX and Sections 12.3 and 12.4, each Assignee; provided, however, that when the term "Limited Partner" is used herein in the context of any vote or other approval, including without limitation Articles XIII and XIV, such term shall not, solely for such purpose, include any holder of an Incentive Distribution Right except as may otherwise be required by law.

"Limited Partner Interest" means the ownership interest of a Limited Partner or Assignee in the Partnership, which may be evidenced by Common Units, Subordinated Units, Incentive Distribution Rights or other Partnership Securities or a combination thereof or interest therein, and includes any and all benefits to which such Limited Partner or Assignee is entitled as provided in this Agreement, together with all obligations of such Limited Partner or Assignee to comply with the terms and provisions of this Agreement; provided, however, that when the term "Limited Partner Interest" is used herein in the context of any vote or other approval, including without limitation Articles XIII and XIV, such term shall not, solely for such purpose, include any holder of an Incentive Distribution Right except as may otherwise be required by law.

"Liquidation Date" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the holders of Outstanding Units have the right to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"Liquidator" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Act.

"Merger Agreement" has the meaning assigned to such term in Section 14.1.

"Minimum Quarterly Distribution" means $0.45 per Unit per Quarter (or with respect to the period commencing on the Closing Date and ending on December 31, 1998, it means the product of $0.45 multiplied by a fraction of which the numerator is the number of days in such period and of which the denominator is 91), subject to adjustment in accordance with Sections 6.6 and 6.9.

"National Securities Exchange" means an exchange registered with the Commission under Section 6(a) of the Securities Exchange Act of 1934, as amended, supplemented or restated from time to time, and any successor to such statute, or the Nasdaq Stock Market or any successor thereto.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner or Assignee by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.5(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner or Assignee upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable year, the excess, if any, of the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Income shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d); provided that the determination of the items that have been specially allocated under Section 6.1(d) shall be made as if Section 6.1(d)(xii) were not in this Agreement.

"Net Loss" means, for any taxable year, the excess, if any, of the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d); provided that the determination of the items that have been specially allocated under Section 6.1(d) shall be made as if Section 6.1(d)(xii) were not in this Agreement.

"Net Positive Adjustments" means, with respect to any Partner, the excess, if any, of the total positive adjustments over the total negative adjustments made to the Capital Account of such Partner pursuant to Book-Up Events and Book-Down Events.

"Net Termination Gain" means, for any taxable year, the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Net Termination Loss" means, for any taxable year, the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Non-citizen Assignee" means a Person whom the General Partner has determined in its discretion does not constitute an Eligible Citizen and as to whose Partnership Interest the General Partner has become the Substituted Limited Partner, pursuant to Section 4.9.

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to

Sections 6.2(b)(i)(A), 6.2(b)(ii)(A) and 6.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Deductions" means any and all items of loss, deduction or expenditures (described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(b), are attributable to a Nonrecourse Liability.

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"Notice of Election to Purchase" has the meaning assigned to such term in Section 15.1(b).

"Omnibus Agreement" means that Omnibus Agreement, dated as of the Closing Date, among Plains Resources Inc., the General Partner, the Partnership and each Operating Partnership.

"Operating Expenditures" means all Partnership Group expenditures, including, but not limited to, taxes, reimbursements of the General Partner, debt service payments, and capital expenditures, subject to the following:

(a) Payments (including prepayments) of principal of and premium on indebtedness shall not be an Operating Expenditure if the payment is (i) required in connection with the sale or other disposition of assets or (ii) made in connection with the refinancing or refunding of indebtedness with the proceeds from new indebtedness or from the sale of equity interests. For purposes of the foregoing, at the election and in the reasonable discretion of the General Partner, any payment of principal or premium shall be deemed to be refunded or refinanced by any indebtedness incurred or to be incurred by the Partnership Group within 180 days before or after such payment to the extent of the principal amount of such indebtedness.

(b) Operating Expenditures shall not include (i) capital expenditures made for Acquisitions or for Capital Improvements, (ii) payment of transaction expenses relating to Interim Capital Transactions or (iii) distributions to Partners. Where capital expenditures are made in part for Acquisitions or for Capital Improvements and in part for other purposes, the General Partner's good faith allocation between the amounts paid for each shall be conclusive.

"Operating Partnerships" means Plains Marketing, L.P., a Delaware limited partnership, All American Pipeline, L.P., a Texas limited partnership, and any successors thereto.

"Operating Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of each of the Operating Partnerships, as they may be amended, supplemented or restated from time to time.

"Operating Surplus" means, with respect to any period ending prior to the Liquidation Date, on a cumulative basis and without duplication,

(a) the sum of (i) $25 million plus all cash and cash equivalents of the Partnership Group on hand as of the close of business on the Closing Date, (ii) all cash receipts of the Partnership Group for the period beginning on the Closing Date and ending with the last day of such period, other than cash receipts from Interim Capital Transactions (except to the extent specified in Section 6.5) and (iii) all cash receipts of the Partnership Group after the end of such period but on or before the date of determination of Operating Surplus with respect to such period resulting from Working Capital Borrowings, less

(b) the sum of (i) Operating Expenditures for the period beginning on the Closing Date and ending with the last day of such period and (ii) the amount of cash reserves that is necessary or advisable in the reasonable discretion of the General Partner to provide funds for future Operating Expenditures; provided, however, that disbursements made (including contributions to a Group Member or disbursements on behalf of a Group Member) or cash reserves established, increased or reduced after the end of such period but on or before the date of determination of Available Cash with respect to such period shall be deemed to have been made, established, increased or reduced, for purposes of determining Operating Surplus, within such period if the General Partner so determines.

Notwithstanding the foregoing, "Operating Surplus" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"Opinion of Counsel" means a written opinion of counsel (who may be regular counsel to the Partnership or the General Partner or any of its Affiliates) acceptable to the General Partner in its reasonable discretion.

"Organizational Limited Partner" means Michael R. Patterson in his capacity as the organizational limited partner of the Partnership pursuant to this Agreement.

"Outstanding" means, with respect to Partnership Securities, all Partnership Securities that are issued by the Partnership and reflected as outstanding on the Partnership's books and records as of the date of determination; provided, however, that if at any time any Person or Group (other than the General Partner or its Affiliates) beneficially owns 20% or more of any Outstanding Partnership Securities of any class then Outstanding, all Partnership Securities owned by such Person or Group shall not be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of Limited Partners to vote on any matter (unless otherwise required by law), calculating required votes, determining the

presence of a quorum or for other similar purposes under this Agreement, except that Common Units so owned shall be considered to be Outstanding for purposes of Section 11.1(b)(iv) (such Common Units shall not, however, be treated as a separate class of Partnership Securities for purposes of this Agreement); provided, further, that the foregoing limitation shall not apply (i) to any Person or Group who acquired 20% or more of any Outstanding Partnership Securities of any class then Outstanding directly from the General Partner or its Affiliates or (ii) to any Person or Group who acquired 20% or more of any Outstanding Partnership Securities of any class then Outstanding directly or indirectly from a Person or Group described in clause (i) provided that the General Partner shall have notified such Person or Group in writing that such limitation shall not apply.

"Over-Allotment Option" means the over-allotment option granted to the Underwriters by the Partnership pursuant to the Underwriting Agreement.

"Parity Units" means Common Units and all other Units having rights to distributions or in liquidation ranking on a parity with the Common Units.

"Partner Nonrecourse Debt" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

"Partners" means the General Partner and the Limited Partners.

"Partnership" means Plains All American Pipeline, L.P., a Delaware limited partnership, and any successors thereto.

"Partnership Group" means the Partnership, the Operating Partnerships and any Subsidiary of any such entity, treated as a single consolidated entity.

"Partnership Interest" means an interest in the Partnership, which shall include the General Partner Interest and Limited Partner Interests.

"Partnership Minimum Gain" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(d).

"Partnership Security" means any class or series of equity interest in the Partnership (but excluding any options, rights, warrants and appreciation rights relating to an equity interest in the Partnership), including without limitation, Common Units, Subordinated Units and Incentive Distribution Rights.

"Percentage Interest" means as of any date of determination (a) as to the General Partner (with respect to its General Partner Interest), an aggregate 1.0%, (b) as to any Unitholder or Assignee holding Units, the product obtained by multiplying (i) 99% less the percentage applicable to paragraph (c) by (ii) the quotient obtained by dividing (A) the number of Units held by such Unitholder or Assignee by (B) the total number of all Outstanding Units, and (c) as to the holders of additional Partnership Securities issued by the Partnership in accordance with Section 5.6, the percentage established as a part of such issuance. The Percentage Interest with respect to an Incentive Distribution Right shall at all times be zero.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Per Unit Capital Amount" means, as of any date of determination, the Capital Account, stated on a per Unit basis, underlying any Unit held by a Person other than the General Partner or any Affiliate of the General Partner who holds Units.

"Pro Rata" means (a) when modifying Units or any class thereof, apportioned equally among all designated Units in accordance with their relative Percentage Interests, (b) when modifying Partners and Assignees, apportioned among all Partners and Assignees in accordance with their relative Percentage Interests and (c) when modifying holders of Incentive Distribution Rights, apportioned equally among all holders of Incentive Distribution Rights in accordance with the relative number of Incentive Distribution Rights held by each such holder.

"Purchase Date" means the date determined by the General Partner as the date for purchase of all Outstanding Units of a certain class (other than Units owned by the General Partner and its Affiliates) pursuant to Article XV.

"Quarter" means, unless the context requires otherwise, a fiscal quarter of the Partnership.

"Recapture Income" means any gain recognized by the Partnership (computed without regard to any adjustment required by Section 734 or Section 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Record Date" means the date established by the General Partner for determining (a) the identity of the Record Holders entitled to notice of, or to vote at, any meeting of Limited Partners or entitled to vote by ballot or give approval of Partnership action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Limited Partners or (b) the identity of Record Holders entitled to receive any report or distribution or to participate in any offer.

"Record Holder" means the Person in whose name a Common Unit is registered on the books of the Transfer Agent as of the opening of business on a particular Business Day, or with respect to other Partnership Securities, the Person in whose name any such other Partnership Security is registered on the books which the General Partner has caused to be kept as of the opening of business on such Business Day.

"Redeemable Interests" means any Partnership Interests for which a redemption notice has been given, and has not been withdrawn, pursuant to Section 4.10.

"Registration Statement" means the Registration Statement on Form S-1 (Registration No. 333-64107) as it has been or as it may be amended or supplemented from time to time, filed by the Partnership with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"Remaining Net Positive Adjustments" means as of the end of any taxable period, (i) with respect to the Unitholders holding Common Units or Subordinated Units, the excess of (a) the Net Positive Adjustments of the Unitholders holding Common Units or Subordinated Units as of the end of such period over (b) the sum of those Partners' Share of Additional Book Basis Derivative Items for each prior taxable period, (ii) with respect to the General Partner (as holder of the General Partner Interest), the excess of (a) the Net Positive Adjustments of the General Partner as of the end of such period over (b) the sum of the General Partner's Share of Additional Book Basis Derivative Items with respect to the General Partner Interest for each prior taxable period, and (iii) with respect to the holders of Incentive Distribution Rights, the excess of (a) the Net Positive Adjustments of the holders of Incentive Distribution Rights as of the end of such period over (b) the sum of the Share of Additional Book Basis Derivative Items of the holders of the Incentive Distribution Rights for each prior taxable period.

"Required Allocations" means (a) any limitation imposed on any allocation of Net Losses or Net Termination Losses under Section 6.1(b) or 6.1(c)(ii) and (b) any allocation of an item of income, gain, loss or deduction pursuant to Section 6.1(d)(i), 6.1(d)(ii), 6.1(d)(iv), 6.1(d)(vii) or 6.1(d)(ix).

"Residual Gain" or "Residual Loss"means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent

such item of gain or loss is not allocated pursuant to Section 6.2(b)(i)(A) or 6.2(b)(ii)(A), respectively, to eliminate Book-Tax Disparities.

"Restricted Business" has the meaning assigned to such term in the Omnibus Agreement.

"Second Liquidation Target Amount" has the meaning assigned to such term in Section 6.1(c)(i)(E).

"Second Target Distribution" means $0.675 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on December 31, 1998, it means the product of $0.675 multiplied by a fraction of which the numerator is equal to the number of days in such period and of which the denominator is 91), subject to adjustment in accordance with Sections 6.6 and 6.9.

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"Share of Additional Book Basis Derivative Items" means in connection with any allocation of Additional Book Basis Derivative Items for any taxable period, (i) with respect to the Unitholders holding Common Units or Subordinated Units, the amount that bears the same ratio to such Additional Book Basis Derivative Items as the Unitholders' Remaining Net Positive Adjustments as of the end of such period bears to the Aggregate Remaining Net Positive Adjustments as of that time, (ii) with respect to the General Partner (as holder of the General Partner Interest), the amount that bears the same ratio to such additional Book Basis Derivative Items as the General Partner's Remaining Net Positive Adjustments as of the end of such period bears to the Aggregate Remaining Net Positive Adjustment as of that time, and (iii) with respect to the Partners holding Incentive Distribution Rights, the amount that bears the same ratio to such Additional Book Basis Derivative Items as the Remaining Net Positive Adjustments of the Partners holding the Incentive Distribution Rights as of the end of such period bears to the Aggregate Remaining Net Positive Adjustments as of that time.

"Special Approval" means approval by a majority of the members of the Conflicts Committee.

"Subordinated Unit" means a Unit representing a fractional part of the Partnership Interests of all Limited Partners and Assignees (other than of holders of the Incentive Distribution Rights) and having the rights and obligations specified with respect to Subordinated Units in this Agreement. The term "Subordinated Unit" as used herein does not include a Common Unit.

"Subordination Period" means the period commencing on the Closing Date and ending on the first to occur of the following dates:

(a) the first day of any Quarter beginning after December 31, 2003 in respect of which (i) (A) distributions of Available Cash from Operating Surplus on each of the Outstanding Common Units and Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all Outstanding Common Units and Subordinated Units during such periods and (B) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were Outstanding during such periods on a fully diluted basis (i.e., taking into account for purposes of such determination all Outstanding Common Units, all Outstanding Subordinated Units, all Common Units and Subordinated Units issuable upon exercise of employee options that have, as of the date of determination, already vested or are scheduled to vest prior to the end of the Quarter immediately following the Quarter with respect to which such determination is made, and all Common Units and Subordinated Units that have as of the date of determination, been earned by but not yet issued to management of the Partnership in respect of incentive compensation), plus the related distribution on the General Partner Interest in the Partnership and on the general partner interest in the Operating Partnership, during such periods and (ii) there are no Cumulative Common Unit Arrearages; and

(b) the date on which the General Partner is removed as general partner of the Partnership upon the requisite vote by holders of Outstanding Units under circumstances where Cause does not exist and Units held by the General Partner and its Affiliates are not voted in favor of such removal.

"Subsidiary" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"Surviving Business Entity" has the meaning assigned to such term in Section 14.2(b).

"Trading Day" has the meaning assigned to such term in Section 15.1(a).

"Transfer" has the meaning assigned to such term in Section 4.4(a).

"Transfer Agent" means such bank, trust company or other Person (including the General Partner or one of its Affiliates) as shall be appointed from time to time by the Partnership to act as registrar and transfer agent for the Common Units; provided that if no Transfer Agent is specifically designated for any other Partnership Securities, the General Partner shall act in such capacity.

"Transfer Application" means an application and agreement for transfer of Units in the form set forth on the back of a Certificate or in a form substantially to the same effect in a separate instrument.

"Underwriter" means each Person named as an underwriter in Schedule I to the Underwriting Agreement who purchases Common Units pursuant thereto.

"Underwriting Agreement" means the Underwriting Agreement dated November 17, 1998 among the Underwriters, the Partnership and certain other parties, providing for the purchase of Common Units by such Underwriters.

"Unit" means a Partnership Security that is designated as a "Unit" and shall include Common Units and Subordinated Units but shall not include (i) a General Partner Interest or (ii) Incentive Distribution Rights.

"Unitholders" means the holders of Common Units and Subordinated Units.

"Unit Majority" means, during the Subordination Period, at least a majority of the Outstanding Common Units voting as a class and at least a majority of the Outstanding Subordinated Units voting as a class, and thereafter, at least a majority of the Outstanding Common Units.

"Unpaid MQD" has the meaning assigned to such term in Section 6.1(c)(i)(B).

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 5.5(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date).

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 5.5(d)).

"Unrecovered Capital" means at any time, with respect to a Unit, the Initial Unit Price less the sum of all distributions constituting Capital Surplus theretofore made in respect of an Initial Common Unit and any distributions of cash (or the Net Agreed Value of any distributions in kind) in connection with the dissolution and liquidation of the Partnership theretofore made in respect of an Initial Common Unit, adjusted as the General Partner determines to be appropriate to give effect to any distribution, subdivision or combination of such Units.

"U.S. GAAP" means United States Generally Accepted Accounting Principles consistently applied.

"Withdrawal Opinion of Counsel" has the meaning assigned to such term in Section 11.1(b).

"Working Capital Borrowings" means borrowings exclusively for working capital purposes made pursuant to a credit facility or other arrangement requiring all such borrowings thereunder to be reduced to a relatively small amount each year for an economically meaningful period of time.

Section 1.2 Construction.

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) the term "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

## ARTICLE II
## ORGANIZATION

Section 2.1 Formation.

The General Partner and the Organizational Limited Partner have previously formed the Partnership as a limited partnership pursuant to the provisions of the Delaware Act and hereby amend and restate the original Agreement of Limited Partnership of Plains All American Pipeline, L.P. in its entirety. This amendment and restatement shall become effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary

duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

Section 2.2 Name.

The name of the Partnership shall be "Plains All American Pipeline, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General Partner in its sole discretion, including the name of the General Partner. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner in its discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

Section 2.3 Registered Office; Registered Agent; Principal Office; Other Offices.

Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at 1013 Center Road, Wilmington, Delaware 19805-1297, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be Corporation Service Company. The principal office of the Partnership shall be located at 500 Dallas, Suite 700, Houston, Texas 77002 or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner shall be 500 Dallas, Suite 700, Houston, Texas 77002 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

Section 2.4 Purpose and Business.

The purpose and nature of the business to be conducted by the Partnership shall be to (a) serve as a partner of either or both of the Operating Partnerships and, in connection therewith, to exercise all the rights and powers conferred upon the Partnership as a partner of an Operating Partnership pursuant to the Operating Partnership Agreement for such Operating Partnership or otherwise, (b) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that the Operating Partnerships are permitted to engage in by the Operating Partnership Agreements and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection

therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity; provided, however, that the General Partner reasonably determines, as of the date of the acquisition or commencement of such activity, that such activity (i) generates "qualifying income" (as such term is defined pursuant to Section 7704 of the Code) or (ii) enhances the operations of an activity of the Operating Partnership or a Partnership activity that generates qualifying income, and (d) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member. The General Partner has no obligation or duty to the Partnership, the Limited Partners, or the Assignees to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Partnership of any business.

Section 2.5 Powers.

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

Section 2.6 Power of Attorney.

(a) Each Limited Partner and each Assignee hereby constitutes and appoints the General Partner and, if a Liquidator shall have been selected pursuant to Section 12.3, the Liquidator, (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as his true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Securities issued

pursuant to Section 5.6; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by Section 13.3 or any other provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 2.7 Term.

The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the close of Partnership business on December 31, 2088 or until the earlier dissolution of the Partnership in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal

entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Act.

Section 2.8 Title to Partnership Assets.

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner or Assignee, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; provided, further, that, prior to the withdrawal or removal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

## ARTICLE III
## RIGHTS OF LIMITED PARTNERS

Section 3.1 Limitation of Liability.

The Limited Partners and the Assignees shall have no liability under this Agreement except as expressly provided in this Agreement or the Delaware Act.

Section 3.2 Management of Business.

No Limited Partner or Assignee, in its capacity as such, shall participate in the operation, management or control (within the meaning of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, member, general partner, agent or trustee of the General Partner or any of its Affiliates, or any officer, director, employee, member, general partner, agent or trustee of a Group Member, in its capacity as such, shall not be deemed to be participation in the control of the business of the Partnership by a limited partner of the Partnership (within the meaning of Section 17-303(a) of the

Delaware Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 3.3 Outside Activities of the Limited Partners.

Subject to the provisions of Section 7.5 and the Omnibus Agreement, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

Section 3.4 Rights of Limited Partners.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand and at such Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year;

(iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the Net Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) The General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the Partnership Group, (B) could damage the Partnership Group or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

## ARTICLE IV
## CERTIFICATES; RECORD HOLDERS; TRANSFER OF PARTNERSHIP INTERESTS; REDEMPTION OF PARTNERSHIP INTERESTS

### Section 4.1 Certificates.

Upon the Partnership's issuance of Common Units or Subordinated Units to any Person, the Partnership shall issue one or more Certificates in the name of such Person evidencing the number of such Units being so issued. In addition, (a) upon the General Partner's request, the Partnership shall issue to it one or more Certificates in the name of the General Partner evidencing its interests in the Partnership and (b) upon the request of any Person owning Incentive Distribution Rights or any other Partnership Securities other than Common Units or Subordinated Units, the Partnership shall issue to such Person one or more certificates evidencing such Incentive Distribution Rights or other Partnership Securities other than Common Units or Subordinated Units. Certificates shall be executed on behalf of the Partnership by the Chairman of the Board, President or any Executive Vice President or Vice President and the Secretary or any Assistant Secretary of the General Partner. No Common Unit Certificate shall be valid for any purpose until it has been countersigned by the Transfer Agent; provided, however, that if the General Partner elects to issue Common Units in global form, the Common Unit Certificates shall be valid upon receipt of a certificate from the Transfer Agent certifying that the Common Units have been duly registered in accordance with the directions of the Partnership and the Underwriters. Subject to the requirements of Section 6.7(b), the Partners holding Certificates evidencing Subordinated Units may exchange such Certificates for Certificates evidencing Common Units on or after the date on which such Subordinated Units are converted into Common Units pursuant to the terms of Section 5.8.

### Section 4.2 Mutilated, Destroyed, Lost or Stolen Certificates.

(a) If any mutilated Certificate is surrendered to the Transfer Agent, the appropriate officers of the General Partner on behalf of the Partnership shall execute, and the Transfer Agent shall countersign and deliver in exchange therefor, a new Certificate evidencing the same number and type of Partnership Securities as the Certificate so surrendered.

(b) The appropriate officers of the General Partner on behalf of the Partnership shall execute and deliver, and the Transfer Agent shall countersign a new Certificate in place of any Certificate previously issued if the Record Holder of the Certificate:

(i) makes proof by affidavit, in form and substance satisfactory to the Partnership, that a previously issued Certificate has been lost, destroyed or stolen;

(ii) requests the issuance of a new Certificate before the Partnership has notice that the Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

(iii) if requested by the Partnership, delivers to the Partnership a bond, in form and substance satisfactory to the Partnership, with surety or sureties and with fixed or open penalty as the Partnership may reasonably direct, in its sole discretion, to indemnify the Partnership, the Partners, the General Partner and the Transfer Agent against any claim that may be made on account of the alleged loss, destruction or theft of the Certificate; and

(iv) satisfies any other reasonable requirements imposed by the Partnership.

If a Limited Partner or Assignee fails to notify the Partnership within a reasonable time after he has notice of the loss, destruction or theft of a Certificate, and a transfer of the Limited Partner Interests represented by the Certificate is registered before the Partnership, the General Partner or the Transfer Agent receives such notification, the Limited Partner or Assignee shall be precluded from making any claim against the Partnership, the General Partner or the Transfer Agent for such transfer or for a new Certificate.

(c) As a condition to the issuance of any new Certificate under this Section 4.2, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Transfer Agent) reasonably connected therewith.

Section 4.3 Record Holders.

The Partnership shall be entitled to recognize the Record Holder as the Partner or Assignee with respect to any Partnership Interest and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Partnership Interest on the part of any other Person, regardless of whether the Partnership shall have actual or other notice thereof, except as otherwise provided by law or any applicable rule, regulation, guideline or requirement of any National Securities Exchange on which such Partnership Interests are listed for trading. Without limiting the foregoing, when a Person (such as a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for another Person in acquiring and/or holding Partnership Interests, as between the Partnership on the one hand, and such other Persons on the other, such representative Person (a) shall be the Partner or Assignee

(as the case may be) of record and beneficially, (b) must execute and deliver a Transfer Application and (c) shall be bound by this Agreement and shall have the rights and obligations of a Partner or Assignee (as the case may be) hereunder and as, and to the extent, provided for herein.

Section 4.4 Transfer Generally.

(a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction by which the General Partner assigns its General Partner Interest to another Person who becomes the General Partner, by which the holder of a Limited Partner Interest assigns such Limited Partner Interest to another Person who is or becomes a Limited Partner or an Assignee, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any stockholder of the General Partner of any or all of the issued and outstanding stock of the General Partner.

Section 4.5 Registration and Transfer of Limited Partner Interests.

(a) The Partnership shall keep or cause to be kept on behalf of the Partnership a register in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of Section 4.5(b), the Partnership will provide for the registration and transfer of Limited Partner Interests. The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Common Units and transfers of such Common Units as herein provided. The Partnership shall not recognize transfers of Certificates evidencing Limited Partner Interests unless such transfers are effected in the manner described in this Section 4.5. Upon surrender of a Certificate for registration of transfer of any Limited Partner Interests evidenced by a Certificate, and subject to the provisions of Section 4.5(b), the appropriate officers of the General Partner on behalf of the Partnership shall execute and deliver, and in the case of Common Units, the Transfer Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Certificates evidencing the same aggregate number and type of Limited Partner Interests as was evidenced by the Certificate so surrendered.

(b) Except as otherwise provided in Section 4.9, the Partnership shall not recognize any transfer of Limited Partner Interests until the Certificates evidencing such Limited Partner Interests are surrendered for registration of transfer and such Certificates are accompanied by a Transfer Application duly executed by the transferee (or the transferee's attorney-in-fact duly authorized in writing). No charge shall be imposed by the Partnership for such transfer; provided, that

as a condition to the issuance of any new Certificate under this Section 4.5, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed with respect thereto.

(c) Limited Partner Interests may be transferred only in the manner described in this Section 4.5. The transfer of any Limited Partner Interests and the admission of any new Limited Partner shall not constitute an amendment to this Agreement.

(d) Until admitted as a Substituted Limited Partner pursuant to Section 10.2, the Record Holder of a Limited Partner Interest shall be an Assignee in respect of such Limited Partner Interest. Limited Partners may include custodians, nominees or any other individual or entity in its own or any representative capacity.

(e) A transferee of a Limited Partner Interest who has completed and delivered a Transfer Application shall be deemed to have (i) requested admission as a Substituted Limited Partner, (ii) agreed to comply with and be bound by and to have executed this Agreement, (iii) represented and warranted that such transferee has the right, power and authority and, if an individual, the capacity to enter into this Agreement, (iv) granted the powers of attorney set forth in this Agreement and (v) given the consents and approvals and made the waivers contained in this Agreement.

(f) The General Partner and its Affiliates shall have the right at any time to transfer their Subordinated Units and Common Units (whether issued upon conversion of the Subordinated Units or otherwise) to one or more Persons.

Section 4.6 Transfer of the General Partner's General Partner Interest.

(a) Subject to Section 4.6(c) below, prior to December 31, 2008, the General Partner shall not transfer all or any part of its General Partner Interest to a Person unless such transfer (i) has been approved by the prior written consent or vote of the holders of at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates) or (ii) is of all, but not less than all, of its General Partner Interest to (A) an Affiliate of the General Partner or (B) another Person in connection with the merger or consolidation of the General Partner with or into another Person or the transfer by the General Partner of all or substantially all of its assets to another Person.

(b) Subject to Section 4.6(c) below, on or after December 31, 2008, the General Partner may transfer all or any of its General Partner Interest without Unitholder approval.

(c) Notwithstanding anything herein to the contrary, no transfer by the General Partner of all or any part of its General Partner Interest to another Person shall be permitted unless (i) the transferee agrees to assume the rights and duties of the General Partner under this Agreement and the Operating Partnership Agreements and to be bound by the provisions of this Agreement and

the Operating Partnership Agreements, (ii) the Partnership receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any Limited Partner or of any limited partner of the Operating Partnerships or cause the Partnership or the Operating Partnerships to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed) and (iii) such transferee also agrees to purchase all (or the appropriate portion thereof, if applicable) of the partnership interest of the General Partner as the general partner or managing member of each other Group Member. In the case of a transfer pursuant to and in compliance with this Section 4.6, the transferee or successor (as the case may be) shall, subject to compliance with the terms of Section 10.3, be admitted to the Partnership as a General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution.

Section 4.7 Transfer of Incentive Distribution Rights.

Prior to December 31, 2008, a holder of Incentive Distribution Rights may transfer any or all of the Incentive Distribution Rights held by such holder without any consent of the Unitholders (a) to an Affiliate or (b) to another Person in connection with (i) the merger or consolidation of such holder of Incentive Distribution Rights with or into such other Person or (ii) the transfer by such holder of all or substantially all of its assets to such other Person. Any other transfer of the Incentive Distribution Rights prior to December 31, 2008, shall require the prior approval of holders at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates). On or after December 31, 2008, the General Partner or any other holder of Incentive Distribution Rights may transfer any or all of its Incentive Distribution Rights without Unitholder approval. Notwithstanding anything herein to the contrary, no transfer of Incentive Distribution Rights to another Person shall be permitted unless the transferee agrees to be bound by the provisions of this Agreement. The General Partner shall have the authority (but shall not be required) to adopt such reasonable restrictions on the transfer of Incentive Distribution Rights and requirements for registering the transfer of Incentive Distribution Rights as the General Partner, in its sole discretion, shall determine are necessary or appropriate.

Section 4.8 Restrictions on Transfers.

(a) Except as provided in Section 4.8(d) below, but notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interests shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership or either Operating Partnership under the laws of the jurisdiction of its formation, or (iii) cause the Partnership or either Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid

a significant risk of the Partnership or either Operating Partnership becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions; provided, however, that any amendment that the General Partner believes, in the exercise of its reasonable discretion, could result in the delisting or suspension of trading of any class of Limited Partner Interests on the principal National Securities Exchange on which such class of Limited Partner Interests is then traded must be approved, prior to such amendment being effected, by the holders of at least a majority of the Outstanding Limited Partner Interests of such class.

(c) The transfer of a Subordinated Unit that has converted into a Common Unit shall be subject to the restrictions imposed by Section 6.7(b).

(d) Nothing contained in this Article IV, or elsewhere in this Agreement, shall preclude the settlement of any transactions involving Partnership Interests entered into through the facilities of any National Securities Exchange on which such Partnership Interests are listed for trading.

Section 4.9 Citizenship Certificates; Non-citizen Assignees.

(a) If any Group Member is or becomes subject to any federal, state or local law or regulation that, in the reasonable determination of the General Partner, creates a substantial risk of cancellation or forfeiture of any property in which the Group Member has an interest based on the nationality, citizenship or other related status of a Limited Partner or Assignee, the General Partner may request any Limited Partner or Assignee to furnish to the General Partner, within 30 days after receipt of such request, an executed Citizenship Certification or such other information concerning his nationality, citizenship or other related status (or, if the Limited Partner or Assignee is a nominee holding for the account of another Person, the nationality, citizenship or other related status of such Person) as the General Partner may request. If a Limited Partner or Assignee fails to furnish to the General Partner within the aforementioned 30-day period such Citizenship Certification or other requested information or if upon receipt of such Citizenship Certification or other requested information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership Interests owned by such Limited Partner or Assignee shall be subject to redemption in accordance with the provisions of Section 4.10. In addition, the General Partner may require that the status of any such Partner or Assignee be changed to that of a Non-citizen Assignee and, thereupon, the General Partner shall be substituted for such Non-citizen Assignee as the Limited Partner in respect of his Limited Partner Interests.

(b) The General Partner shall, in exercising voting rights in respect of Limited Partner Interests held by it on behalf of Non-citizen Assignees, distribute the votes in the same ratios as the votes of Partners (including without limitation the General Partner) in respect of Limited Partner Interests other than those of Non-citizen Assignees are cast, either for, against or abstaining as to the matter.

(c) Upon dissolution of the Partnership, a Non-citizen Assignee shall have no right to receive a distribution in kind pursuant to Section 12.4 but shall be entitled to the cash equivalent thereof, and the Partnership shall provide cash in exchange for an assignment of the Non-citizen Assignee's share of the distribution in kind. Such payment and assignment shall be treated for Partnership purposes as a purchase by the Partnership from the Non-citizen Assignee of his Limited Partner Interest (representing his right to receive his share of such distribution in kind).

(d) At any time after he can and does certify that he has become an Eligible Citizen, a Non-citizen Assignee may, upon application to the General Partner, request admission as a Substituted Limited Partner with respect to any Limited Partner Interests of such Non-citizen Assignee not redeemed pursuant to Section 4.10, and upon his admission pursuant to Section 10.2, the General Partner shall cease to be deemed to be the Limited Partner in respect of the Non-citizen Assignee's Limited Partner Interests.

Section 4.10 Redemption of Partnership Interests of Non-citizen Assignees.

(a) If at any time a Limited Partner or Assignee fails to furnish a Citizenship Certification or other information requested within the 30-day period specified in Section 4.9(a), or if upon receipt of such Citizenship Certification or other information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership may, unless the Limited Partner or Assignee establishes to the satisfaction of the General Partner that such Limited Partner or Assignee is an Eligible Citizen or has transferred his Partnership Interests to a Person who is an Eligible Citizen and who furnishes a Citizenship Certification to the General Partner prior to the date fixed for redemption as provided below, redeem the Partnership Interest of such Limited Partner or Assignee as follows:

(i) The General Partner shall, not later than the 30th day before the date fixed for redemption, give notice of redemption to the Limited Partner or Assignee, at his last address designated on the records of the Partnership or the Transfer Agent, by registered or certified mail, postage prepaid. The notice shall be deemed to have been given when so mailed. The notice shall specify the Redeemable Interests, the date fixed for redemption, the place of payment, that payment of the redemption price will be made upon surrender of the Certificate evidencing the Redeemable Interests and that on and after the date fixed for redemption no further allocations or distributions to which the Limited Partner or Assignee would otherwise be entitled in respect of the Redeemable Interests will accrue or be made.

(ii) The aggregate redemption price for Redeemable Interests shall be an amount equal to the Current Market Price (the date of determination of which shall be the date fixed for redemption) of Limited Partner Interests of the class to be so redeemed multiplied by the number of Limited Partner Interests of each such class included among the Redeemable Interests. The redemption price shall be paid, in the discretion of the General Partner, in cash or by delivery of a promissory note of the Partnership in the principal amount of the

redemption price, bearing interest at the rate of 10% annually and payable in three equal annual installments of principal together with accrued interest, commencing one year after the redemption date.

(iii) Upon surrender by or on behalf of the Limited Partner or Assignee, at the place specified in the notice of redemption, of the Certificate evidencing the Redeemable Interests, duly endorsed in blank or accompanied by an assignment duly executed in blank, the Limited Partner or Assignee or his duly authorized representative shall be entitled to receive the payment therefor.

(iv) After the redemption date, Redeemable Interests shall no longer constitute issued and Outstanding Limited Partner Interests.

(b) The provisions of this Section 4.10 shall also be applicable to Limited Partner Interests held by a Limited Partner or Assignee as nominee of a Person determined to be other than an Eligible Citizen.

(c) Nothing in this Section 4.10 shall prevent the recipient of a notice of redemption from transferring his Limited Partner Interest before the redemption date if such transfer is otherwise permitted under this Agreement. Upon receipt of notice of such a transfer, the General Partner shall withdraw the notice of redemption, provided the transferee of such Limited Partner Interest certifies to the satisfaction of the General Partner in a Citizenship Certification delivered in connection with the Transfer Application that he is an Eligible Citizen. If the transferee fails to make such certification, such redemption shall be effected from the transferee on the original redemption date.

## ARTICLE V
## CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

### Section 5.1 Organizational Contributions.

In connection with the formation of the Partnership under the Delaware Act, the General Partner made an initial Capital Contribution to the Partnership in the amount of $990.00, for a certain interest in the Partnership and has been admitted as the General Partner and as a Limited Partner of the Partnership, and the predecessor in interest to the Organizational Limited Partner made an initial Capital Contribution to the Partnership in the amount of $990.00 for an interest in the Partnership and has been admitted as a Limited Partner of the Partnership. As of the Closing Date, the interest of the Organizational Limited Partner shall be redeemed as provided in the Contribution and Conveyance Agreement; the initial Capital Contributions of each Partner shall thereupon be refunded; and the Organizational Limited Partner shall cease to be a Limited Partner of the Partnership. Fifty percent of any interest or other profit that may have resulted from the investment or other use of such initial Capital Contributions shall be allocated and distributed to the Organizational Limited Partner, and the balance thereof shall be allocated and distributed to the General Partner.

Section 5.2 Contributions by the General Partner and its Affiliates.

(a) On the Closing Date and pursuant to the Contribution and Conveyance Agreement, (i) the General Partner shall contribute to the Partnership, as a Capital Contribution, all but 1.0101% of its general partner interest in Plains Marketing, L.P. and all of its limited partner interest in All American Pipeline, L.P. in exchange for (A) the continuation of its General Partner Interest, subject to all of the rights, privileges and duties of the General Partner under this Agreement, (B) 6,974,239 Common Units, (C) 9,859,581 Subordinated Units and (D) the Incentive Distribution Rights and (ii) PAAI LLC, a Delaware limited liability company, will contribute to the Partnership, as a Capital Contribution, all of its limited partner interest in Plains Marketing in exchange for 170,038 Subordinated Units.

(b) Upon the issuance of any additional Limited Partner Interests by the Partnership (other than the issuance of the Common Units issued in the Initial Offering or pursuant to the Over-Allotment Option), the General Partner shall be required to make additional Capital Contributions equal to 1/99th of any amount contributed to the Partnership by the Limited Partners in exchange for such additional Limited Partner Interests. Except as set forth in the immediately preceding sentence and Article XII, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

Section 5.3 Contributions by Initial Limited Partners and Reimbursement of the General Partner.

(a) On the Closing Date and pursuant to the Underwriting Agreement, each Underwriter shall contribute to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit, multiplied by the number of Common Units specified in the Underwriting Agreement to be purchased by such Underwriter at the Closing Date. In exchange for such Capital Contributions by the Underwriters, the Partnership shall issue Common Units to each Underwriter on whose behalf such Capital Contribution is made in an amount equal to the quotient obtained by dividing (i) the cash contribution to the Partnership by or on behalf of such Underwriter by (ii) the Issue Price per Initial Common Unit.

(b) Notwithstanding anything else herein contained, $147,989,500 of the proceeds received by the Partnership from the issuance of Common Units pursuant to Section 5.3(a) will be distributed to the General Partner. Such distribution shall be a reimbursement for certain capital expenditures incurred by the General Partner within two years preceding the Closing Date with respect to Assets contributed to the Partnership Group.

(c) Upon the exercise of the Over-Allotment Option, each Underwriter shall contribute to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit, multiplied by the number of Common Units specified in the Underwriting Agreement to be purchased by such Underwriter at the Option Closing Date. In exchange for such Capital Contributions by the Underwriters, the Partnership shall issue Common Units to each Underwriter on whose behalf such Capital Contribution is made in an amount equal to the quotient obtained by dividing (i) the cash

contributions to the Partnership by or on behalf of such Underwriter by (ii) the Issue Price per Initial Common Unit. Upon receipt by the Partnership of the Capital Contributions from the Underwriters as provided in this Section 5.3(b), the Partnership shall use such cash to redeem from the General Partner or its Affiliates that number of Common Units held by the General Partner or its Affiliates equal to the number of Common Units issued to the Underwriters as provided in this Section 5.3(b).

(d) No Limited Partner Interests will be issued or issuable as of or at the Closing Date other than (i) the Common Units issuable pursuant to subparagraph (a) hereof in aggregate number equal to 13,085,000, (ii) the "Additional Units" as such term is used in the Underwriting Agreement in an aggregate number up to 1,959,429 issuable upon exercise of the Over-Allotment Option pursuant to subparagraph (c) hereof, (iii) the 10,029,619 Subordinated Units issuable to the General Partner or its Affiliates pursuant to Section 5.2 hereof, and (iv) the Incentive Distribution Rights.

Section 5.4 Interest and Withdrawal.

No interest shall be paid by the Partnership on Capital Contributions. No Partner or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners and Assignees agree within the meaning of 17-502(b) of the Delaware Act.

Section 5.5 Capital Accounts.

(a) The Partnership shall maintain for each Partner (or a beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion) owning a Partnership Interest a separate Capital Account with respect to such Partnership Interest in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1, and decreased by (x) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1.

(b) For purposes of computing the amount of any item of income, gain, loss or deduction which is to be allocated pursuant to Article VI and is to be reflected in the Partners' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided, that:

(i) Solely for purposes of this Section 5.5, the Partnership shall be treated as owning directly its proportionate share (as determined by the General Partner based upon the provisions of the Operating Partnership Agreements) of all property owned by the Operating Partnerships or any other Subsidiary that is classified as a partnership for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 6.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment in the Capital Accounts shall be treated as an item of gain or loss.

(iv) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Partnership's Carrying Value with respect to such property as of such date.

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.5(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such

property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(vi) If the Partnership's adjusted basis in a depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 6.1. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(c) (i) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(ii) Immediately prior to the transfer of a Subordinated Unit or of a Subordinated Unit that has converted into a Common Unit pursuant to Section 5.8 by a holder thereof (other than a transfer to an Affiliate unless the General Partner elects to have this subparagraph 5.5(c)(ii) apply), the Capital Account maintained for such Person with respect to its Subordinated Units or converted Subordinated Units will (A) first, be allocated to the Subordinated Units or converted Subordinated Units to be transferred in an amount equal to the product of (x) the number of such Subordinated Units or converted Subordinated Units to be transferred and (y) the Per Unit Capital Amount for a Common Unit, and (B) second, any remaining balance in such Capital Account will be retained by the transferor, regardless of whether it has retained any Subordinated Units or converted Subordinated Units. Following any such allocation, the transferor's Capital Account, if any, maintained with respect to the retained Subordinated Units or converted Subordinated Units, if any, will have a balance equal to the amount allocated under clause (B) hereinabove, and the transferee's Capital Account established with respect to the transferred Subordinated Units or converted Subordinated Units will have a balance equal to the amount allocated under clause (A) hereinabove.

(d) (i) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property or the conversion of the General Partner's Combined Interest to Common Units pursuant to Section 11.3(b), the Capital Account of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 6.1 in the same manner as any item

of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b) (2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall (A) in the case of an actual distribution which is not made pursuant to Section 12.4 or in the case of a deemed contribution and/or distribution occurring as a result of a termination of the Partnership pursuant to Section 708 of the Code, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

Section 5.6 Issuances of Additional Partnership Securities.

(a) Subject to Section 5.7, the Partnership may issue additional Partnership Securities and options, rights, warrants and appreciation rights relating to the Partnership Securities for any Partnership purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion, all without the approval of any Limited Partners.

(b) Each additional Partnership Security authorized to be issued by the Partnership pursuant to Section 5.6(a) may be issued in one or more classes, or one or more series of any such classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of Partnership Securities), as shall be fixed by the General Partner in the exercise of its sole discretion, including (i) the right to share Partnership profits and losses or items thereof; (ii) the right to share in Partnership distributions; (iii) the rights upon dissolution and

liquidation of the Partnership; (iv) whether, and the terms and conditions upon which, the Partnership may redeem the Partnership Security; (v) whether such Partnership Security is issued with the privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange; (vi) the terms and conditions upon which each Partnership Security will be issued, evidenced by certificates and assigned or transferred; and (vii) the right, if any, of each such Partnership Security to vote on Partnership matters, including matters relating to the relative rights, preferences and privileges of such Partnership Security.

(c) The General Partner is hereby authorized and directed to take all actions that it deems necessary or appropriate in connection with (i) each issuance of Partnership Securities and options, rights, warrants and appreciation rights relating to Partnership Securities pursuant to this Section 5.6, (ii) the conversion of the General Partner Interest and Incentive Distribution Rights into Units pursuant to the terms of this Agreement, (iii) the admission of Additional Limited Partners and (iv) all additional issuances of Partnership Securities. The General Partner is further authorized and directed to specify the relative rights, powers and duties of the holders of the Units or other Partnership Securities being so issued. The General Partner shall do all things necessary to comply with the Delaware Act and is authorized and directed to do all things it deems to be necessary or advisable in connection with any future issuance of Partnership Securities or in connection with the conversion of the General Partner Interest and Incentive Distribution Rights into Units pursuant to the terms of this Agreement, including compliance with any statute, rule, regulation or guideline of any federal, state or other governmental agency or any National Securities Exchange on which the Units or other Partnership Securities are listed for trading.

Section 5.7 Limitations on Issuance of Additional Partnership Securities.

The issuance of Partnership Securities pursuant to Section 5.6 shall be subject to the following restrictions and limitations:

(a) During the Subordination Period, the Partnership shall not issue (and shall not issue any options, rights, warrants or appreciation rights relating to) an aggregate of more than 10,030,000 additional Parity Units without the prior approval of the holders of a Unit Majority. In applying this limitation, there shall be excluded Common Units and other Parity Units issued (A) in connection with the exercise of the Over-Allotment Option, (B) in accordance with Sections 5.7(b) and 5.7(c), (C) upon conversion of Subordinated Units pursuant to Section 5.8, (D) upon conversion of the General Partner Interest and Incentive Distribution Rights pursuant to Section 11.3(b), (D) pursuant to the employee benefit plans of the General Partner, the Partnership or any other Group Member and (E) in the event of a combination or subdivision of Common Units.

(b) The Partnership may also issue an unlimited number of Parity Units, prior to the end of the Subordination Period and without the prior approval of the Unitholders, if such issuance occurs (i) in connection with an Acquisition or a Capital Improvement or (ii) within 365 days of, and the net proceeds from such issuance are used to repay debt incurred in connection with, an Acquisition or a Capital Improvement, in each case where such Acquisition or Capital Improvement

involves assets that, if acquired by the Partnership as of the date that is one year prior to the first day of the Quarter in which such Acquisition is to be consummated or such Capital Improvement is to be completed, would have resulted, on a pro forma basis, in an increase in:

(A) the amount of Adjusted Operating Surplus generated by the Partnership on a per-Unit basis (for all Outstanding Units) with respect to each of the four most recently completed Quarters (on a pro forma basis as described below) as compared to

(B) the actual amount of Adjusted Operating Surplus generated by the Partnership on a per-Unit basis (for all Outstanding Units) (excluding Adjusted Operating Surplus attributable to the Acquisition or Capital Improvement) with respect to each of such four most recently completed Quarters.

If the issuance of Parity Units with respect to an Acquisition or Capital Improvement occurs within the first four full Quarters after the Closing Date, then Adjusted Operating Surplus as used in clauses (A) (subject to the succeeding sentence) and (B) above shall be calculated (i) for each Quarter, if any, that commenced after the Closing Date for which actual results of operations are available, based on the actual Adjusted Operating Surplus of the Partnership generated with respect to such Quarter, and (ii) for each other Quarter, on a pro forma basis consistent with the procedures, as applicable, set forth in Appendix D to the Registration Statement. Furthermore, the amount in clause (A) shall be determined on a pro forma basis assuming that (1) all of the Parity Units to be issued in connection with or within 365 days of such Acquisition or Capital Improvement had been issued and outstanding, (2) all indebtedness for borrowed money to be incurred or assumed in connection with such Acquisition or Capital Improvement (other than any such indebtedness that is to be repaid with the proceeds of such issuance of Parity Units) had been incurred or assumed, in each case as of the commencement of such four-Quarter period, (3) the personnel expenses that would have been incurred by the Partnership in the operation of the acquired assets are the personnel expenses for employees to be retained by the Partnership in the operation of the acquired assets, and (4) the non-personnel costs and expenses are computed on the same basis as those incurred by the Partnership in the operation of the Partnership's business at similarly situated Partnership facilities.]

(c) The Partnership may also issue an unlimited number of Parity Units, prior to the end of the Subordination Period and without the approval of the Unitholders, if the proceeds from such issuance are used exclusively to repay up to $40 million of indebtedness of a Group Member where the aggregate amount of distributions that would have been paid with respect to such newly issued Units or Partnership Securities, plus the related distributions on the General Partner Interest in the Partnership and the Operating Partnership in respect of the four-Quarter period ending prior to the first day of the Quarter in which the issuance is to be consummated (assuming such additional Units or Partnership Securities had been Outstanding throughout such period and that distributions equal to the distributions that were actually paid on the Outstanding Units during the period were paid on such additional Units or Partnership Securities) did not exceed the interest costs actually incurred during such period on the indebtedness that is to be repaid (or, if such indebtedness was not

outstanding throughout the entire period, would have been incurred had such indebtedness been outstanding for the entire period). In the event that the Partnership is required to pay a prepayment penalty in connection with the repayment of such indebtedness, for purposes of the foregoing test the number of Parity Units issued to repay such indebtedness shall be deemed increased by the number of Parity Units that would need to be issued to pay such penalty.

(d) During the Subordination Period, the Partnership shall not issue (and shall not issue any options, rights, warrants or appreciation rights relating to) additional Partnership Securities having rights to distributions or in liquidation ranking prior or senior to the Common Units, without the prior approval of the holders of a Unit Majority.

(e) No fractional Units shall be issued by the Partnership.

Section 5.8 Conversion of Subordinated Units.

(a) A total of 2,507,405 of the Outstanding Subordinated Units will convert into Common Units on a one-for-one basis on the first day after the Record Date for distribution in respect of any Quarter ending on or after December 31, 2001, in respect of which:

(i) distributions under Section 6.4 in respect of all Outstanding Common Units and Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Outstanding Common Units and Subordinated Units during such periods;

(ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were Outstanding during such periods on a fully-diluted basis (i.e. taking into account for purposes of such determination all Outstanding Common Units, all Outstanding Subordinated Units, all Common Units and Subordinated Units issuable upon exercise of employee options that have, as of the date of determination, already vested or are scheduled to vest prior to the end of the Quarter immediately following the Quarter with respect to which such determination is made, and all Common Units and Subordinated Units that have, as of the date of determination, been earned by but not yet issued to management of the Partnership in respect of incentive compensation), plus the related distribution on the General Partner Interest in the Partnership and the Operating Partnerships, during such periods; and

(iii) the Cumulative Common Unit Arrearage on all of the Common Units is zero.

(b) An additional 2,507,405 of the Outstanding Subordinated Units will convert into Common Units on a one-for-one basis on the first day after the Record Date for distribution in respect of any Quarter ending on or after December 31, 2002, in respect of which:

(i) distributions under Section 6.4 in respect of all Outstanding Common Units and Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Outstanding Common Units and Subordinated Units during such periods;

(ii) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were Outstanding during such periods on a fully-diluted basis (i.e. taking into account for purposes of such determination all Outstanding Common Units, all Outstanding Subordinated Units, all Common Units and Subordinated Units issuable upon exercise of employee options that have, as of the date of determination, already vested or are scheduled to vest prior to the end of the Quarter immediately following the Quarter with respect to which such determination is made, and all Common Units and Subordinated Units that have, as of the date of determination, been earned by but not yet issued to management of the Partnership in respect of incentive compensation), plus the related distribution on the General Partner Interest in the Partnership and the Operating Partnerships, during such periods; and

(iii) the Cumulative Common Unit Arrearage on all of the Common Units is zero;

provided, however, that the conversion of Subordinated Units pursuant to this Section 5.8(b) may not occur until at least one year following the conversion of Subordinated Units pursuant to Section 5.8(a).

(c) In the event that less than all of the Outstanding Subordinated Units shall convert into Common Units pursuant to Section 5.8(a) or 5.8(b) at a time when there shall be more than one holder of Subordinated Units, then, unless all of the holders of Subordinated Units shall agree to a different allocation, the Subordinated Units that are to be converted into Common Units shall be allocated among the holders of Subordinated Units pro rata based on the number of Subordinated Units held by each such holder.

(d) Any Subordinated Units that are not converted into Common Units pursuant to Sections 5.8(a) and (b) shall convert into Common Units on a one-for-one basis on the first day following the Record Date for distributions in respect of the final Quarter of the Subordination Period.

(e) Notwithstanding any other provision of this Agreement, all the then Outstanding Subordinated Units will automatically convert into Common Units on a one-for-one basis as set forth in, and pursuant to the terms of, Section 11.4.

(f) A Subordinated Unit that has converted into a Common Unit shall be subject to the provisions of Section 6.7(b).

Section 5.9 Limited Preemptive Right.

Except as provided in this Section 5.9 and in Section 5.2, no Person shall have any preemptive, preferential or other similar right with respect to the issuance of any Partnership Security, whether unissued, held in the treasury or hereafter created. The General Partner shall have the right, which it may from time to time assign in whole or in part to any of its Affiliates, to purchase Partnership Securities from the Partnership whenever, and on the same terms that, the Partnership issues Partnership Securities to Persons other than the General Partner and its Affiliates, to the extent necessary to maintain the Percentage Interests of the General Partner and its Affiliates equal to that which existed immediately prior to the issuance of such Partnership Securities.

Section 5.10 Splits and Combination.

(a) Subject to Sections 5.10(d), 6.6 and 6.9 (dealing with adjustments of distribution levels), the Partnership may make a Pro Rata distribution of Partnership Securities to all Record Holders or may effect a subdivision or combination of Partnership Securities so long as, after any such event, each Partner shall have the same Percentage Interest in the Partnership as before such event, and any amounts calculated on a per Unit basis (including any Common Unit Arrearage or Cumulative Common Unit Arrearage) or stated as a number of Units (including the number of Subordinated Units that may convert prior to the end of the Subordination Period and the number of additional Parity Units that may be issued pursuant to Section 5.7 without a Unitholder vote) are proportionately adjusted retroactive to the beginning of the Partnership.

(b) Whenever such a distribution, subdivision or combination of Partnership Securities is declared, the General Partner shall select a Record Date as of which the distribution, subdivision or combination shall be effective and shall send notice thereof at least 20 days prior to such Record Date to each Record Holder as of a date not less than 10 days prior to the date of such notice. The General Partner also may cause a firm of independent public accountants selected by it to calculate the number of Partnership Securities to be held by each Record Holder after giving effect to such distribution, subdivision or combination. The General Partner shall be entitled to rely on any certificate provided by such firm as conclusive evidence of the accuracy of such calculation.

(c) Promptly following any such distribution, subdivision or combination, the Partnership may issue Certificates to the Record Holders of Partnership Securities as of the applicable Record Date representing the new number of Partnership Securities held by such Record Holders, or the General Partner may adopt such other procedures as it may deem appropriate to reflect such

changes. If any such combination results in a smaller total number of Partnership Securities Outstanding, the Partnership shall require, as a condition to the delivery to a Record Holder of such new Certificate, the surrender of any Certificate held by such Record Holder immediately prior to such Record Date.

(d) The Partnership shall not issue fractional Units upon any distribution, subdivision or combination of Units. If a distribution, subdivision or combination of Units would result in the issuance of fractional Units but for the provisions of Section 5.7(e) and this Section 5.10(d), each fractional Unit shall be rounded to the nearest whole Unit (and a 0.5 Unit shall be rounded to the next higher Unit).

Section 5.11 Fully Paid and Non-Assessable Nature of Limited Partner Interests.

All Limited Partner Interests issued pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Limited Partner Interests in the Partnership, except as such non-assessability may be affected by Section 17-607 of the Delaware Act.

## ARTICLE VI
## ALLOCATIONS AND DISTRIBUTIONS

Section 6.1 Allocations for Capital Account Purposes.

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 5.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

(a) Net Income. After giving effect to the special allocations set forth in Section 6.1(d), Net Income for each taxable year and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable year shall be allocated as follows:

(i) First, 100% to the General Partner in an amount equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(iii) for all previous taxable years until the aggregate Net Income allocated to the General Partner pursuant to this Section 6.1(a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(iii) for all previous taxable years;

(ii) Second, 1% to the General Partner in an amount equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(ii) for all previous taxable years and 99% to the Unitholders, in accordance with their respective Percentage Interests, until the aggregate Net Income allocated to such Partners pursuant to this Section 6.1(a)(ii)

for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to such Partners pursuant to Section 6.1(b)(ii) for all previous taxable years; and

(iii) Third, the balance, if any, 100% to the General Partner and the Unitholders in accordance with their respective Percentage Interests.

(b) Net Losses. After giving effect to the special allocations set forth in Section 6.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated as follows:

(i) First, 1% to the General Partner and 99% to the Unitholders, in accordance with their respective Percentage Interests, until the aggregate Net Losses allocated pursuant to this Section 6.1(b)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Income allocated to such Partners pursuant to Section 6.1(a)(iii) for all previous taxable years, provided that the Net Losses shall not be allocated pursuant to this Section 6.1(b)(i) to the extent that such allocation would cause any Unitholder to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account);

(ii) Second, 1% to the General Partner and 99% to the Unitholders in accordance with their respective Percentage Interests; provided, that Net Losses shall not be allocated pursuant to this Section 6.1(b)(ii) to the extent that such allocation would cause any Unitholder to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account);

(iii) Third, the balance, if any, 100% to the General Partner.

(c) Net Termination Gains and Losses. After giving effect to the special allocations set forth in Section 6.1(d), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 6.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 6.1 and after all distributions of Available Cash provided under Sections 6.4 and 6.5 have been made; provided, however, that solely for purposes of this Section 6.1(c), Capital Accounts shall not be adjusted for distributions made pursuant to Section 12.4.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Gain shall be allocated among the Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

(A) First, to each Partner having a deficit balance in its Capital Account, in the proportion that such deficit balance bears to the total deficit balances in the Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Capital Account;

(B) Second, 99% to all Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) its Unrecovered Capital plus (2) the Minimum Quarterly Distribution for the Quarter during which the Liquidation Date occurs, reduced by any distribution pursuant to Section 6.4(a)(i) or (b)(i) with respect to such Common Unit for such Quarter (the amount determined pursuant to this clause (2) is hereinafter defined as the "Unpaid MQD") plus (3) any then existing Cumulative Common Unit Arrearage;

(C) Third, if such Net Termination Gain is recognized (or is deemed to be recognized) prior to the expiration of the Subordination Period, 99% to all Unitholders holding Subordinated Units, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Subordinated Unit then Outstanding equals the sum of (1) its Unrecovered Capital, determined for the taxable year (or portion thereof) to which this allocation of gain relates, plus (2) the Minimum Quarterly Distribution for the Quarter during which the Liquidation Date occurs, reduced by any distribution pursuant to Section 6.4(a)(iii) with respect to such Subordinated Unit for such Quarter;

(D) Fourth, 85.8673% to all Unitholders, Pro Rata, 13.1327% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) its Unrecovered Capital, plus (2) the Unpaid MQD, plus (3) any then existing Cumulative Common Unit Arrearage, plus (4) the excess of (aa) the First Target Distribution less the Minimum Quarterly Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Operating Surplus that was distributed pursuant to Sections 6.4(a)(iv) and 6.4(b)(ii) (the sum of (1) plus (2) plus (3) plus (4) is hereinafter defined as the "First Liquidation Target Amount");

(E) Fifth, 75.7653% to all Unitholders, Pro Rata, 23.2347% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) the First Liquidation Target Amount, plus (2) the excess of (aa) the Second Target Distribution less the First Target Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Operating Surplus that was distributed pursuant to Sections 6.4(a)(v) and

6.4(b)(iii) (the sum of (1) plus (2) is hereinafter defined as the "Second Liquidation Target Amount");

(F) Finally, any remaining amount 50.5102% to all Unitholders, Pro Rata, 48.4898% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Loss shall be allocated among the Partners in the following manner:

(A) First, if such Net Termination Loss is recognized (or is deemed to be recognized) prior to the conversion of the last Outstanding Subordinated Unit, 99% to the Unitholders holding Subordinated Units, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Subordinated Unit then Outstanding has been reduced to zero;

(B) Second, 99% to all Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding has been reduced to zero; and

(C) Third, the balance, if any, 100% to the General Partner.

(d) Special Allocations. Notwithstanding any other provision of this Section 6.1, the following special allocations shall be made for such taxable period:

(i) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Section 6.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d) with respect to such taxable period (other than an allocation pursuant to Sections 6.1(d)(vi) and 6.1(d)(vii)). This Section 6.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Partner Nonrecourse Debt Minimum Gain. Notwithstanding the other provisions of this Section 6.1 (other than Section 6.1(d)(i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of

Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d), other than Section 6.1(d)(i) and other than an allocation pursuant to Sections 6.1(d)(vi) and 6.1(d)(vii), with respect to such taxable period. This Section 6.1(d)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) Priority Allocations.

(A) If the amount of cash or the Net Agreed Value of any property distributed (except cash or property distributed pursuant to Section 12.4) to any Unitholder with respect to its Units for a taxable year is greater (on a per Unit basis) than the amount of cash or the Net Agreed Value of property distributed to the other Unitholders with respect to their Units (on a per Unit basis), then (1) each Unitholder receiving such greater cash or property distribution shall be allocated gross income in an amount equal to the product of (aa) the amount by which the distribution (on a per Unit basis) to such Unitholder exceeds the distribution (on a per Unit basis) to the Unitholders receiving the smallest distribution and (bb) the number of Units owned by the Unitholder receiving the greater distribution; and (2) the General Partner shall be allocated gross income in an aggregate amount equal to 1/99th of the sum of the amounts allocated in clause (1) above.

(B) After the application of Section 6.1(d)(iii)(A), all or any portion of the remaining items of Partnership gross income or gain for the taxable period, if any, shall be allocated 100% to the holders of Incentive Distribution Rights, Pro Rata, until the aggregate amount of such items allocated to the holders of Incentive Distribution Rights pursuant to this paragraph 6.1(d)(iii)(B) for the current taxable year and all previous taxable years is equal to the cumulative amount of all Incentive Distributions made to the holders of Incentive Distribution Rights from the Closing Date to a date 45 days after the end of the current taxable year.

(iv) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as

possible unless such deficit balance is otherwise eliminated pursuant to Section 6.1(d)(i) or (ii).

(v) Gross Income Allocations. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 6.1(d)(v) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 6.1 have been tentatively made as if this Section 6.1(d)(v) were not in this Agreement.

(vi) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Partners in accordance with their respective Percentage Interests. If the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the other Partners, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vii) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

(viii) Nonrecourse Liabilities. For purposes of Treasury Regulation Section 1.752-3(a)(3), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (A) the amount of Partnership Minimum Gain and (B) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

(ix) Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(c) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially

allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

(x) Economic Uniformity. At the election of the General Partner with respect to any taxable period ending upon, or after, the termination of the Subordination Period, all or a portion of the remaining items of Partnership gross income or gain for such taxable period, after taking into account allocations pursuant to Section 6.1(d)(iii), shall be allocated 100% to each Partner holding Subordinated Units that are Outstanding as of the termination of the Subordination Period ("Final Subordinated Units") in the proportion of the number of Final Subordinated Units held by such Partner to the total number of Final Subordinated Units then Outstanding, until each such Partner has been allocated an amount of gross income or gain which increases the Capital Account maintained with respect to such Final Subordinated Units to an amount equal to the product of (A) the number of Final Subordinated Units held by such Partner and (B) the Per Unit Capital Amount for a Common Unit. The purpose of this allocation is to establish uniformity between the Capital Accounts underlying Final Subordinated Units and the Capital Accounts underlying Common Units held by Persons other than the General Partner and its Affiliates immediately prior to the conversion of such Final Subordinated Units into Common Units. This allocation method for establishing such economic uniformity will only be available to the General Partner if the method for allocating the Capital Account maintained with respect to the Subordinated Units between the transferred and retained Subordinated Units pursuant to Section 5.5(c)(ii) does not otherwise provide such economic uniformity to the Final Subordinated Units.

(xi) Curative Allocation.

(A) Notwithstanding any other provision of this Section 6.1, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 6.1. Notwithstanding the preceding sentence, Required Allocations relating to (1) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain. Allocations pursuant to this Section 6.1(d)(xi)(A) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 6.1(d)(xi)(A) shall be deferred with respect to allocations pursuant to clauses (1) and

(2) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 6.1(d)(xi)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations pursuant to Section 6.1(d)(xi)(A) among the Partners in a manner that is likely to minimize such economic distortions.

(xi) Corrective Allocations. In the event of any allocation of Additional Book Basis Derivative Items or any Book-Down Event or any recognition of a Net Termination Loss, the following rules shall apply:

(A) In the case of any allocation of Additional Book Basis Derivative Items (other than an allocation of Unrealized Gain or Unrealized Loss under Section 5.5(d) hereof), the General Partner shall allocate additional items of gross income and gain away from the holders of Incentive Distribution Rights to the Unitholders and the General Partner, or additional items of deduction and loss away from the Unitholders and the General Partner to the holders of Incentive Distribution Rights, to the extent that the Additional Book Basis Derivative Items allocated to the Unitholders or the General Partner exceed their Share of Additional Book Basis Derivative Items. For this purpose, the Unitholders and the General Partner shall be treated as being allocated Additional Book Basis Derivative Items to the extent that such Additional Book Basis Derivative Items have reduced the amount of income that would otherwise have been allocated to the Unitholders or the General Partner under the Partnership Agreement (e.g., Additional Book Basis Derivative Items taken into account in computing cost of goods sold would reduce the amount of book income otherwise available for allocation among the Partners). Any allocation made pursuant to this Section 6.1(d)(xii)(A) shall be made after all of the other Agreed Allocations have been made as if this Section 6.1(d)(xii) were not in this Agreement and, to the extent necessary, shall require the reallocation of items that have been allocated pursuant to such other Agreed Allocations.

(B) In the case of any negative adjustments to the Capital Accounts of the Partners resulting from a Book-Down Event or from the recognition of a Net Termination Loss, such negative adjustment (1) shall first be allocated, to the extent of the Aggregate Remaining Net Positive Adjustments, in such a manner, as reasonably determined by the General Partner, that to the extent possible the aggregate Capital Accounts of the Partners will equal the amount which would have been the Capital Account balance of the Partners if no prior Book-Up Events had occurred, and (2) any negative adjustment in excess of the Aggregate Remaining Net Positive Adjustments shall be allocated pursuant to Section 6.1(c) hereof.

(C) In making the allocations required under this Section 6.1(d)(xii), the General Partner, in its sole discretion, may apply whatever conventions or other methodology it deems reasonable to satisfy the purpose of this Section 6.1(d)(xii).

Section 6.2 Allocations for Tax Purposes.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 6.1.

(b) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Partners as follows:

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 5.5(d)(i) or 5.5(d)(ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 6.2(b)(i)(A); and (B) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(iii) The General Partner shall apply the principles of Treasury Regulation Section 1.704-3(d) to eliminate Book-Tax Disparities.

(c) For the proper administration of the Partnership and for the preservation of uniformity of the Limited Partner Interests (or any class or classes thereof), the General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of the Limited Partner Interests (or any class or classes thereof). The

General Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 6.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Limited Partner Interests issued and Outstanding or the Partnership, and if such allocations are consistent with the principles of Section 704 of the Code.

(d) The General Partner in its discretion may determine to depreciate or amortize the portion of an adjustment under Section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation or amortization method and useful life applied to the Partnership's common basis of such property, despite any inconsistency of such approach with Proposed Treasury Regulation Section 1.168-2(n), Treasury Regulation Section 1.167(c)-l(a)(6) or the legislative history of Section 197 of the Code. If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt depreciation and amortization conventions under which all purchasers acquiring Limited Partner Interests in the same month would receive depreciation and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other reasonable depreciation and amortization conventions to preserve the uniformity of the intrinsic tax characteristics of any Limited Partner Interests that would not have a material adverse effect on the Limited Partners or the Record Holders of any class or classes of Limited Partner Interests.

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 6.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) All items of income, gain, loss, deduction and credit recognized by the Partnership for federal income tax purposes and allocated to the Partners in accordance with the provisions hereof shall be determined without regard to any election under Section 754 of the Code which may be made by the Partnership; provided, however, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by Sections 734 and 743 of the Code.

(g) Each item of Partnership income, gain, loss and deduction attributable to a transferred Partnership Interest, shall for federal income tax purposes, be determined on an annual basis and prorated on a monthly basis and shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of each month; provided, however, that (i) such items for the period beginning on the Closing Date and ending on the last day of the month in which the Option Closing Date or the expiration of the Over-allotment Option occurs shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of the next

succeeding month; and provided, further, that gain or loss on a sale or other disposition of any assets of the Partnership other than in the ordinary course of business shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of the month in which such gain or loss is recognized for federal income tax purposes. The General Partner may revise, alter or otherwise modify such methods of allocation as it determines necessary, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

(h) Allocations that would otherwise be made to a Limited Partner under the provisions of this Article VI shall instead be made to the beneficial owner of Limited Partner Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion.

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

(a) Within 45 days following the end of each Quarter commencing with the Quarter ending on December 31, 1998, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act, be distributed in accordance with this Article VI by the Partnership to the Partners as of the Record Date selected by the General Partner in its reasonable discretion. All amounts of Available Cash distributed by the Partnership on any date from any source shall be deemed to be Operating Surplus until the sum of all amounts of Available Cash theretofore distributed by the Partnership to the Partners pursuant to Section 6.4 equals the Operating Surplus from the Closing Date through the close of the immediately preceding Quarter. Any remaining amounts of Available Cash distributed by the Partnership on such date shall, except as otherwise provided in Section 6.5, be deemed to be "Capital Surplus." All distributions required to be made under this Agreement shall be made subject to Section 17-607 of the Delaware Act.

(b) Notwithstanding Section 6.3(a), in the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) The General Partner shall have the discretion to treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of Available Cash to such Partners.

(d) Each distribution in respect of a Partnership Interest shall be paid by the Partnership, directly or through the Transfer Agent or through any other Person or agent, only to the Record Holder of such Partnership Interest as of the Record Date set for such distribution. Such payment shall constitute full payment and satisfaction of the Partnership's liability in respect of such

payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

Section 6.4 Distributions of Available Cash from Operating Surplus.

(a) During Subordination Period. Available Cash with respect to any Quarter within the Subordination Period that is deemed to be Operating Surplus pursuant to the provisions of Section 6.3 or 6.5 shall, subject to Section 17-607 of the Delaware Act, be distributed as follows, except as otherwise required by Section 5.6(b) in respect of additional Partnership Securities issued pursuant thereto:

(i) First, 99% to the Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(ii) Second, 99% to the Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Cumulative Common Unit Arrearage existing with respect to such Quarter;

(iii) Third, 99% to the Unitholders holding Subordinated Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Subordinated Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(iv) Fourth, 85.8673% to all Unitholders, Pro Rata, 13.1327% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the First Target Distribution over the Minimum Quarterly Distribution for such Quarter;

(v) Fifth, 75.7653% to all Unitholders, Pro Rata, 23.2347% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the Second Target Distribution over the First Target Distribution for such Quarter; and

(vi) Thereafter, 50.5102% to all Unitholders, Pro Rata, 48.4898% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner;

provided, however, if the Minimum Quarterly Distribution, the First Target Distribution and the Second Target Distribution have been reduced to zero pursuant to the second sentence of Section 6.6(a), the distribution of Available Cash that is deemed to be Operating Surplus with respect to any Quarter will be made solely in accordance with Section 6.4(a)(vi).

(b) After Subordination Period. Available Cash with respect to any Quarter after the Subordination Period that is deemed to be Operating Surplus pursuant to the provisions of Section 6.3 or 6.5, subject to Section 17-607 of the Delaware Act, shall be distributed as follows, except as otherwise required by Section 5.6(b) in respect of additional Partnership Securities issued pursuant thereto:

(i) First, 99% to all Unitholders, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(ii) Second, 85.8673% to all Unitholders, Pro Rata, and 13.1327% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the First Target Distribution over the Minimum Quarterly Distribution for such Quarter;

(iii) Third, 75.7653% to all Unitholders, Pro Rata, and 23.2347% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the Second Target Distribution over the First Target Distribution for such Quarter; and

(iv) Thereafter, 50.5102% to all Unitholders, Pro Rata, and 48.4898% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner;

provided, however, if the Minimum Quarterly Distribution, the First Target Distribution and the Second Target Distribution have been reduced to zero pursuant to the second sentence of Section 6.6(a), the distribution of Available Cash that is deemed to be Operating Surplus with respect to any Quarter will be made solely in accordance with Section 6.4(b)(iv).

Section 6.5 Distributions of Available Cash from Capital Surplus.

Available Cash that is deemed to be Capital Surplus pursuant to the provisions of Section 6.3(a) shall, subject to Section 17-607 of the Delaware Act, be distributed, unless the provisions of Section 6.3 require otherwise, 99% to all Unitholders, Pro Rata, and 1% to the General Partner until a hypothetical holder of a Common Unit acquired on the Closing Date has received with respect to such Common Unit, during the period since the Closing Date through such date, distributions of Available Cash that are deemed to be Capital Surplus in an aggregate amount equal to the Initial Unit Price. Available Cash that is deemed to be Capital Surplus shall then be distributed 99% to all Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Cumulative Common Unit Arrearage. Thereafter, all Available Cash shall be distributed as if it were Operating Surplus and shall be distributed in accordance with Section 6.4.

Section 6.6 Adjustment of Minimum Quarterly Distribution and Target Distribution Levels.

(a) The Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution, Common Unit Arrearages and Cumulative Common Unit Arrearages shall be proportionately adjusted in the event of any distribution, combination or subdivision (whether effected by a distribution payable in Units or otherwise) of Units or other Partnership Securities in accordance with Section 5.10. In the event of a distribution of Available Cash that is deemed to be from Capital Surplus, the then applicable Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution shall be adjusted proportionately downward to equal the product obtained by multiplying the otherwise applicable Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution, as the case may be, by a fraction of which the numerator is the Unrecovered Capital of the Common Units immediately after giving effect to such distribution and of which the denominator is the Unrecovered Capital of the Common Units immediately prior to giving effect to such distribution.

(b) The Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution shall also be subject to adjustment pursuant to Section 6.9.

Section 6.7 Special Provisions Relating to the Holders of Subordinated Units.

(a) Except with respect to the right to vote on or approve matters requiring the vote or approval of a percentage of the holders of Outstanding Common Units and the right to participate in allocations of income, gain, loss and deduction and distributions made with respect to Common Units, the holder of a Subordinated Unit shall have all of the rights and obligations of a Unitholder holding Common Units hereunder; provided, however, that immediately upon the conversion of Subordinated Units into Common Units pursuant to Section 5.8, the Unitholder holding a Subordinated Unit shall possess all of the rights and obligations of a Unitholder holding Common Units hereunder, including the right to vote as a Common Unitholder and the right to participate in allocations of income, gain, loss and deduction and distributions made with respect to Common Units; provided, however, that such converted Subordinated Units shall remain subject to the provisions of Sections 5.5(c)(ii), 6.1(d)(x) and 6.7(b).

(b) The Unitholder holding a Subordinated Unit which has converted into a Common Unit pursuant to Section 5.8 shall not be issued a Common Unit Certificate pursuant to Section 4.1, and shall not be permitted to transfer its converted Subordinated Units to a Person which is not an Affiliate of the holder until such time as the General Partner determines, based on advice of counsel, that a converted Subordinated Unit should have, as a substantive matter, like intrinsic economic and federal income tax characteristics, in all material respects, to the intrinsic economic and federal income tax characteristics of an Initial Common Unit. In connection with the condition imposed by this Section 6.7(b), the General Partner may take whatever reasonable steps are required to provide economic uniformity to the converted Subordinated Units in preparation for a transfer of such converted Subordinated Units, including the application of Sections 5.5(c)(ii) and 6.1(d)(x);

provided, however, that no such steps may be taken that would have a material adverse effect on the Unitholders holding Common Units represented by Common Unit Certificates.

Section 6.8 Special Provisions Relating to the Holders of Incentive Distribution Rights.

Notwithstanding anything to the contrary set forth in this Agreement, the holders of the Incentive Distribution Rights (a) shall (i) possess the rights and obligations provided in this Agreement with respect to a Limited Partner pursuant to Articles III and VII and (ii) have a Capital Account as a Partner pursuant to Section 5.5 and all other provisions related thereto and (b) shall not (i) be entitled to vote on any matters requiring the approval or vote of the holders of Outstanding Units, (ii) be entitled to any distributions other than as provided in Sections 6.4(a)(iv), (v) and (vi), 6.4(b)(ii), (iii) and (iv), and 12.4 or (iii) be allocated items of income, gain, loss or deduction other than as specified in this Article VI.

Section 6.9 Entity-Level Taxation.

If legislation is enacted or the interpretation of existing language is modified by the relevant governmental authority which causes the Partnership or an Operating Partnership to be treated as an association taxable as a corporation or otherwise subjects the Partnership or an Operating Partnership to entity-level taxation for federal income tax purposes, the then applicable Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution shall be adjusted to equal the product obtained by multiplying (a) the amount thereof by (b) one minus the sum of (i) the highest marginal federal corporate (or other entity, as applicable) income tax rate of the Partnership or such Operating Partnership for the taxable year of the Partnership or such Operating Partnership in which such Quarter occurs (expressed as a percentage) plus (ii) the effective overall state and local income tax rate (expressed as a percentage) applicable to the Partnership or such Operating Partnership for the calendar year next preceding the calendar year in which such Quarter occurs (after taking into account the benefit of any deduction allowable for federal income tax purposes with respect to the payment of state and local income taxes), but only to the extent of the increase in such rates resulting from such legislation or interpretation. Such effective overall state and local income tax rate shall be determined for the taxable year next preceding the first taxable year during which the Partnership or such Operating Partnership is taxable for federal income tax purposes as an association taxable as a corporation or is otherwise subject to entity-level taxation by determining such rate as if the Partnership or such Operating Partnership had been subject to such state and local taxes during such preceding taxable year.

ARTICLE VII
MANAGEMENT AND OPERATION OF BUSINESS

Section 7.1 Management.

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner or Assignee shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into Partnership Securities, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group; subject to Section 7.6(a), the lending of funds to other Persons (including the Operating Partnerships); the repayment of obligations of the Partnership Group and the making of capital contributions to any member of the Partnership Group;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vi) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(vii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners as it deems necessary or appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, corporations or other relationships (including the acquisition of interests in, and the contributions of property to, the Operating Partnerships from time to time) subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation;

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(xii) the entering into of listing agreements with any National Securities Exchange and the delisting of some or all of the Limited Partner Interests from, or requesting that trading be suspended on, any such exchange (subject to any prior approval that may be required under Section 4.8);

(xiii) unless restricted or prohibited by Section 5.7, the purchase, sale or other acquisition or disposition of Partnership Securities, or the issuance of additional options, rights, warrants and appreciation rights relating to Partnership Securities; and

(xiv) the undertaking of any action in connection with the Partnership's participation in the Operating Partnership as a partner.

(b) Notwithstanding any other provision of this Agreement, the Operating Partnership Agreements, the Delaware Act or any applicable law, rule or regulation, each of the Partners and the Assignees and each other Person who may acquire an interest in Partnership Securities hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Operating Partnership Agreements, the Underwriting Agreement, the Omnibus Agreement, the Contribution and Conveyance Agreement, and the other agreements and other described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements

referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the Assignees or the other Persons who may acquire an interest in Partnership Securities; and (iii) agrees that the execution, delivery or performance by the General Partner, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

Section 7.2 Certificate of Limited Partnership.

The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner.

Section 7.3 Restrictions on General Partner's Authority.

(a) The General Partner may not, without written approval of the specific act by holders of all of the Outstanding Limited Partner Interests or by other written instrument executed and delivered by holders of all of the Outstanding Limited Partner Interests subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership property, or assigning any rights in specific Partnership property, for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner; or (v) transferring its interest as general partner of the Partnership.

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single

transaction or a series of related transactions (including by way of merger, consolidation or other combination) or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Operating Partnerships, taken as a whole, without the approval of holders of a Unit Majority; provided however that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership or Operating Partnerships and shall not apply to any forced sale of any or all of the assets of the Partnership or Operating Partnerships pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of holders of a Unit Majority, the General Partner shall not, on behalf of the Partnership, (i) consent to any amendment to the Operating Partnership Agreement or, except as expressly permitted by Section 7.9(d), take any action permitted to be taken by a partner of an Operating Partnership, in either case, that would have a material adverse effect on the Partnership as a partner of an Operating Partnership or (ii) except as permitted under Sections 4.6, 11.1 and 11.2, elect or cause the Partnership to elect a successor general partner of the Partnership or an Operating Partnership.

Section 7.4 Reimbursement of the General Partner.

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement or in the Operating Partnership Agreement, the General Partner shall not be compensated for its services as general partner or managing member of any Group Member.

(b) The General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the General Partner to perform services for the Partnership or for the General Partner in the discharge of its duties to the Partnership), and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including expenses allocated to the General Partner by its Affiliates). The General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) Subject to Section 5.7, the General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit plans, employee programs and employee practices (including plans, programs and practices involving the issuance of Partnership Securities or options to purchase Partnership Securities), or cause the Partnership to issue Partnership Securities in connection with, or pursuant to, any employee benefit plan, employee program or employee practice maintained or sponsored by the General Partner or any of its Affiliates, in each case for the benefit of employees of the General Partner, any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. The

Partnership agrees to issue and sell to the General Partner or any of its Affiliates any Partnership Securities that the General Partner or such Affiliate is obligated to provide to any employees pursuant to any such employee benefit plans, employee programs or employee practices. Expenses incurred by the General Partner in connection with any such plans, programs and practices (including the net cost to the General Partner or such Affiliate of Partnership Securities purchased by the General Partner or such Affiliate from the Partnership to fulfill options or awards under such plans, programs and practices) shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any employee benefit plans, employee programs or employee practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's General Partner Interest pursuant to Section 4.6.

Section 7.5 Outside Activities.

(a) After the Closing Date, the General Partner, for so long as it is the General Partner of the Partnership (i) agrees that its sole business will be to act as the general partner of the Partnership, each Operating Partnership, and any other partnership or limited liability company of which the Partnership or an Operating Partnership is, directly or indirectly, a partner and to undertake activities that are ancillary or related thereto (including being a limited partner in the Partnership), (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner of one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member and (iii) except to the extent permitted in the Omnibus Agreement, shall not, and shall cause its Affiliates not to, engage in any Restricted Business.

(b) Plains Resources Inc. has entered into the Omnibus Agreement with the Partnership and the Operating Partnerships, which agreement sets forth certain restrictions on the ability of Plains Resources Inc. and its Affiliates to engage in Restricted Businesses.

(c) Except as specifically restricted by Section 7.5(a) and the Omnibus Agreement, each Indemnitee (other than the General Partner) shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to any Group Member or any Partner or Assignee. Neither any Group Member, any Limited Partner nor any other Person shall have any rights by virtue of this Agreement, either Operating Partnership Agreement or the partnership relationship established hereby or thereby in any business ventures of any Indemnitee.

(d) Subject to the terms of Section 7.5(a), Section 7.5(b), Section 7.5(c) and the Omnibus Agreement, but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any type whatsoever of the General Partner for the Indemnitees (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership and (iii) except as set forth in the Omnibus Agreement, the General Partner and the Indemnities shall have no obligation to present business opportunities to the Partnership.

(e) The General Partner and any of its Affiliates may acquire Units or other Partnership Securities in addition to those acquired on the Closing Date and, except as otherwise provided in this Agreement, shall be entitled to exercise all rights of the General Partner or Limited Partner, as applicable, relating to such Units or Partnership Securities.

(f) The term "Affiliates" when used in Section 7.5(a) and Section 7.5(e) with respect to the General Partner shall not include any Group Member or any Subsidiary of the Group Member.

(g) Anything in this Agreement to the contrary notwithstanding, to the extent that provisions of Sections 7.7, 7.8, 7.9, 7.10 or other Sections of this Agreement purport or are interpreted to have the effect of restricting the fiduciary duties that might otherwise, as a result of Delaware or other applicable law, be owed by the General Partner to the Partnership and its Limited Partners, or to constitute a waiver or consent by the Limited Partners to any such restriction, such provisions shall be inapplicable and have no effect in determining whether the General Partner has complied with its fiduciary duties in connection with determinations made by it under this Section 7.5.

Section 7.6 Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partner.

(a) The General Partner or its Affiliates may lend to any Group Member, and any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the Group Member for such periods of time and in such amounts as the General Partner may determine; provided, however, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.6(a) and Section 7.6(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to the General Partner or any of its Affiliates (other than another Group Member).

(b) The Partnership may lend or contribute to any Group Member, and any Group Member may borrow from the Partnership, funds on terms and conditions established in the sole discretion of the General Partner; provided, however, that the Partnership may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership Group. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

(d) The Partnership Group may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.2 and 5.3, the Contribution and Conveyance Agreement and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership. With respect to any contribution of assets to the Partnership in exchange for Partnership Securities, the Conflicts Committee, in determining whether the appropriate number of Partnership Securities are being issued, may take into account, among other things, the fair market value of the assets, the liquidated and contingent liabilities assumed, the tax basis in the assets, the extent to which tax-only allocations to the transferor will protect the existing partners of the

Partnership against a low tax basis, and such other factors as the Conflicts Committee deems relevant under the circumstances.

(f) The General Partner and its Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

(g) Without limitation of Sections 7.6(a) through 7.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

Section 7.7 Indemnification.

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 7.7 shall be available to the General Partner with respect to its obligations incurred pursuant to the Underwriting Agreement or the Contribution and Conveyance Agreement (other than obligations incurred by the General Partner on behalf of the Partnership or any Operating Partnership). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the holders of Outstanding Limited Partner Interests, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner, its Affiliates and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities or such Person's activities on behalf of the Partnership, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7(a); and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.8 Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partners, the Assignees or any other Persons who have acquired interests in the Partnership Securities, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 7.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Partners, the General Partner and any other Indemnitee acting in connection with the Partnership's business or affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partner, and the Partnership's and General Partner's directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 Resolution of Conflicts of Interest.

(a) Unless otherwise expressly provided in this Agreement or an Operating Partnership Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, an Operating Partnership, any Partner or any Assignee, on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement, of any Operating Partnership Agreement, of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The General Partner shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution.

Any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is (i) approved by Special Approval (as long as the material facts known to the General Partner or any of its Affiliates regarding any proposed transaction were disclosed to the Conflicts Committee at the time it gave its approval), (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). The General Partner may also adopt a resolution or course of action that has not received Special Approval. The General Partner (including the Conflicts Committee in connection with Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or principles; and (D) such additional factors as the General Partner (including the Conflicts Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner (including the Conflicts Committee) to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, any Operating Partnership, any Limited Partner or any Assignee, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, any Operating Partnership Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definitions of Available Cash or Operating Surplus shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the General

Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions to the General Partner or its Affiliates (including in their capacities as Limited Partners) to exceed 1% of the total amount distributed to all partners or (B) hasten the expiration of the Subordination Period or the conversion of any Subordinated Units into Common Units.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

(d) The Unitholders hereby authorize the General Partner, on behalf of the Partnership as a partner of a Group Member, to approve of actions by the general partner of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

Section 7.10 Other Matters Concerning the General Partner.

(a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Act or any applicable law, rule or regulation shall be modified, waived or limited, to the extent permitted by law, as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement, so long as such action is reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership.

Section 7.11 Purchase or Sale of Partnership Securities.

The General Partner may cause the Partnership to purchase or otherwise acquire Partnership Securities; provided that, except as permitted pursuant to Section 4.10, the General Partner may not cause any Group Member to purchase Subordinated Units during the Subordination Period. As long as Partnership Securities are held by any Group Member, such Partnership Securities shall not be considered Outstanding for any purpose, except as otherwise provided herein. The General Partner or any Affiliate of the General Partner may also purchase or otherwise acquire and sell or otherwise dispose of Partnership Securities for its own account, subject to the provisions of Articles IV and X.

Section 7.12 Registration Rights of the General Partner and its Affiliates.

(a) If (i) the General Partner or any Affiliate of the General Partner (including for purposes of this Section 7.12, any Person that is an Affiliate of the General Partner at the date hereof notwithstanding that it may later cease to be an Affiliate of the General Partner) holds Partnership Securities that it desires to sell and (ii) Rule 144 of the Securities Act (or any successor rule or regulation to Rule 144) or another exemption from registration is not available to enable such holder of Partnership Securities (the "Holder") to dispose of the number of Partnership Securities it desires to sell at the time it desires to do so without registration under the Securities Act, then upon the request of the General Partner or any of its Affiliates, the Partnership shall file with the Commission as promptly as practicable after receiving such request, and use all reasonable efforts to cause to become effective and remain effective for a period of not less than six months following its effective date or such shorter period as shall terminate when all Partnership Securities covered by such registration statement have been sold, a registration statement under the Securities Act registering the offering and sale of the number of Partnership Securities specified by the Holder; provided, however, that the Partnership shall not be required to effect more than three registrations pursuant to this Section 7.12(a); and provided further, however, that if the Conflicts Committee determines in its good faith judgment that a postponement of the requested registration for up to six months would be in the best interests of the Partnership and its Partners due to a pending transaction, investigation or other event, the filing of such registration statement or the effectiveness thereof may be deferred for up to six months, but not thereafter. In connection with any registration pursuant to the immediately preceding sentence, the Partnership shall promptly prepare and file (x) such documents as may be necessary to register or qualify the securities subject to such registration under the securities laws of such states as the Holder shall reasonably request; provided, however, that no such qualification shall be required in any jurisdiction where, as a result thereof, the Partnership would become subject to general service of process or to taxation or qualification to do business as a foreign corporation or partnership doing business in such jurisdiction solely as a result of such registration, and (y) such documents as may be necessary to apply for listing or to list the Partnership Securities subject to such registration on such National Securities Exchange as the Holder shall reasonably request, and do any and all other acts and things that may reasonably be necessary or advisable to enable the Holder to consummate a public sale of such Partnership Securities in such states. Except as set forth in Section 7.12(c), all costs and expenses of any such registration and offering (other than

the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

(b) If the Partnership shall at any time propose to file a registration statement under the Securities Act for an offering of equity securities of the Partnership for cash (other than an offering relating solely to an employee benefit plan), the Partnership shall use all reasonable efforts to include such number or amount of securities held by the Holder in such registration statement as the Holder shall request. If the proposed offering pursuant to this Section 7.12(b) shall be an underwritten offering, then, in the event that the managing underwriter or managing underwriters of such offering advise the Partnership and the Holder in writing that in their opinion the inclusion of all or some of the Holder's Partnership Securities would adversely and materially affect the success of the offering, the Partnership shall include in such offering only that number or amount, if any, of securities held by the Holder which, in the opinion of the managing underwriter or managing underwriters, will not so adversely and materially affect the offering. Except as set forth in Section 7.12(c), all costs and expenses of any such registration and offering (other than the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

(c) If underwriters are engaged in connection with any registration referred to in this Section 7.12, the Partnership shall provide indemnification, representations, covenants, opinions and other assurance to the underwriters in form and substance reasonably satisfactory to such underwriters. Further, in addition to and not in limitation of the Partnership's obligation under Section 7.7, the Partnership shall, to the fullest extent permitted by law, indemnify and hold harmless the Holder, its officers, directors and each Person who controls the Holder (within the meaning of the Securities Act) and any agent thereof (collectively, "Indemnified Persons") against any losses, claims, demands, actions, causes of action, assessments, damages, liabilities (joint or several), costs and expenses (including interest, penalties and reasonable attorneys' fees and disbursements), resulting to, imposed upon, or incurred by the Indemnified Persons, directly or indirectly, under the Securities Act or otherwise (hereinafter referred to in this Section 7.12(c) as a "claim" and in the plural as "claims") based upon, arising out of or resulting from any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which any Partnership Securities were registered under the Securities Act or any state securities or Blue Sky laws, in any preliminary prospectus (if used prior to the effective date of such registration statement), or in any summary or final prospectus or in any amendment or supplement thereto (if used during the period the Partnership is required to keep the registration statement current), or arising out of, based upon or resulting from the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein not misleading; provided, however, that the Partnership shall not be liable to any Indemnified Person to the extent that any such claim arises out of, is based upon or results from an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, such preliminary, summary or final prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Partnership by or on behalf of such Indemnified Person specifically for use in the preparation thereof.

(d) The provisions of Section 7.12(a) and 7.12(b) shall continue to be applicable with respect to the General Partner (and any of the General Partner's Affiliates) after it ceases to be a Partner of the Partnership, during a period of two years subsequent to the effective date of such cessation and for so long thereafter as is required for the Holder to sell all of the Partnership Securities with respect to which it has requested during such two-year period inclusion in a registration statement otherwise filed or that a registration statement be filed; provided, however, that the Partnership shall not be required to file successive registration statements covering the same Partnership Securities for which registration was demanded during such two-year period. The provisions of Section 7.12(c) shall continue in effect thereafter.

(e) Any request to register Partnership Securities pursuant to this Section 7.12 shall (i) specify the Partnership Securities intended to be offered and sold by the Person making the request, (ii) express such Person's present intent to offer such shares for distribution, (iii) describe the nature or method of the proposed offer and sale of Partnership Securities, and (iv) contain the undertaking of such Person to provide all such information and materials and take all action as may be required in order to permit the Partnership to comply with all applicable requirements in connection with the registration of such Partnership Securities.

Section 7.13 Reliance by Third Parties.

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner and any officer of the General Partner authorized by the General Partner to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of the Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE VIII
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 8.1 Records and Accounting.

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including the record of the Record Holders and Assignees of Units or other Partnership Securities, books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

Section 8.2 Fiscal Year.

The fiscal year of the Partnership shall be a fiscal year ending December 31.

Section 8.3 Reports.

(a) As soon as practicable, but in no event later than 120 days after the close of each fiscal year of the Partnership, the General Partner shall cause to be mailed or furnished to each Record Holder of a Unit as of a date selected by the General Partner in its discretion, an annual report containing financial statements of the Partnership for such fiscal year of the Partnership, presented in accordance with U.S. GAAP, including a balance sheet and statements of operations, Partnership equity and cash flows, such statements to be audited by a firm of independent public accountants selected by the General Partner.

(b) As soon as practicable, but in no event later than 90 days after the close of each Quarter except the last Quarter of each fiscal year, the General Partner shall cause to be mailed or furnished to each Record Holder of a Unit, as of a date selected by the General Partner in its discretion, a report containing unaudited financial statements of the Partnership and such other information as may be required by applicable law, regulation or rule of any National Securities Exchange on which the Units are listed for trading, or as the General Partner determines to be necessary or appropriate.

ARTICLE IX
TAX MATTERS

Section 9.1 Tax Returns and Information.

The Partnership shall timely file all returns of the Partnership that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by Record Holders for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

Section 9.2 Tax Elections.

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners. Notwithstanding any other provision herein contained, for the purposes of computing the adjustments under Section 743(b) of the Code, the General Partner shall be authorized (but not required) to adopt a convention whereby the price paid by a transferee of a Limited Partner Interest will be deemed to be the lowest quoted closing price of the Limited Partner Interests on any National Securities Exchange on which such Limited Partner Interests are traded during the calendar month in which such transfer is deemed to occur pursuant to Section 6.2(g) without regard to the actual price paid by such transferee.

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

Section 9.3 Tax Controversies.

Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

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 or local 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 and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

## ARTICLE X
## ADMISSION OF PARTNERS

Section 10.1 Admission of Initial Limited Partners.

Upon the issuance by the Partnership of Common Units, Subordinated Units and Incentive Distribution Rights to the General Partner as described in Section 5.2, the General Partner shall be deemed to have been admitted to the Partnership as a Limited Partner in respect of the Common Units, Subordinated Units and Incentive Distribution Rights issued to it. Upon the issuance by the Partnership of Common Units to the Underwriters as described in Section 5.3 in connection with the Initial Offering and the execution by each Underwriter of a Transfer Application, the General Partner shall admit the Underwriters to the Partnership as Initial Limited Partners in respect of the Common Units purchased by them.

Section 10.2 Admission of Substituted Limited Partner.

By transfer of a Limited Partner Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Certificate representing a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee who does not execute and deliver a Transfer Application (a) the right to negotiate such Certificate to a purchaser or other transferee and (b) the right to transfer the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest (including any nominee holder or an agent acquiring such Limited Partner Interest for the account of another Person) who executes and delivers a Transfer Application shall, by virtue of such execution and delivery, be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Limited Partner Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such

admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall be an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee who is the Record Holder of such Limited Partner Interests. If no such written direction is received, such Limited Partner Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

Section 10.3 Admission of Successor General Partner.

A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner Interest pursuant to Section 4.6 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to Section 11.1 or 11.2 or the transfer of the General Partner Interest pursuant to Section 4.6, provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.6 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

Section 10.4 Admission of Additional Limited Partners.

(a) A Person (other than the General Partner, an Initial Limited Partner or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.6, and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.4, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

Section 10.5 Amendment of Agreement and Certificate of Limited Partnership.

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

## ARTICLE XI
## WITHDRAWAL OR REMOVAL OF PARTNERS

Section 11.1 Withdrawal of the General Partner.

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal");

(i) The General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners (and it shall be deemed that the General Partner has withdrawn pursuant to this Section 11.1(a)(i) if the General Partner voluntarily withdraws as general partner of an Operating Partnership);

(ii) The General Partner transfers all of its rights as General Partner pursuant to Section 4.6;

(iii) The General Partner is removed pursuant to Section 11.2;

(iv) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(iv); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor-in-possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(v) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vi) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or a limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv), (v) or (vi)(A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, Eastern Standard Time, on December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by Unitholders holding at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates) and the General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or of a limited partner of an Operating Partnership or cause the Partnership or an Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Eastern Standard Time, on December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Unitholders, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii) or is removed pursuant to Section 11.2; or (iv) notwithstanding clause (i) of this sentence, at any time that the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners, such withdrawal to take effect on the date specified in the notice, if at the time such notice is given one Person and its Affiliates (other than the General Partner and its Affiliates) own beneficially or of record or control at least 50% of the Outstanding Units. The withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall also constitute the withdrawal of the General Partner as general partner or managing member, as the case may be, of the other Group Members. If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i), the holders of a Unit Majority, may, prior to the effective date of such withdrawal, elect a successor General Partner. The Person so elected as successor General Partner shall automatically become the successor general partner or managing member, as the case may be,

of the other Group Members of which the General Partner is a general partner or a managing member. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Unitholders as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

Section 11.2 Removal of the General Partner.

The General Partner may be removed if such removal is approved by the Unitholders holding at least 66 2/3% of the Outstanding Units (including Units held by the General Partner and its Affiliates). Any such action by such holders for removal of the General Partner must also provide for the election of a successor General Partner by the Unitholders holding a Unit Majority (including Units held by the General Partner and its Affiliates). Such removal shall be effective immediately following the admission of a successor General Partner pursuant to Section 10.3. The removal of the General Partner shall also automatically constitute the removal of the General Partner as general partner or managing member, as the case may be, of the other Group Members of which the General Partner is a general partner or a managing member. If a Person is elected as a successor General Partner in accordance with the terms of this Section 11.2, such Person shall, upon admission pursuant to Section 10.3, automatically become a successor general partner or managing member, as the case may be, of the other Group Members of which the General Partner is a general partner or a managing member. The right of the holders of Outstanding Units to remove the General Partner shall not exist or be exercised unless the Partnership has received an opinion opining as to the matters covered by a Withdrawal Opinion of Counsel. Any successor General Partner elected in accordance with the terms of this Section 11.2 shall be subject to the provisions of Section 10.3.

Section 11.3 Interest of Departing Partner and Successor General Partner.

(a) In the event of (i) withdrawal of the General Partner under circumstances where such withdrawal does not violate this Agreement or (ii) removal of the General Partner by the holders of Outstanding Units under circumstances where Cause does not exist, if a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2, the Departing Partner shall have the option exercisable prior to the effective date of the departure of such Departing Partner to require its successor to purchase its General Partner Interest and its general partner interest (or equivalent interest) in the other Group Members and all of its Incentive Distribution Rights (collectively, the "Combined Interest") in exchange for an amount in cash equal to the fair market value of such Combined Interest, such amount to be determined and payable as of the effective date of its departure. If the General Partner is removed by the Unitholders under circumstances where Cause exists or if the General Partner withdraws under circumstances where such withdrawal violates this Agreement or an Operating Partnership Agreement, and if a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2, such successor shall have the option, exercisable prior to the effective date of the departure of such Departing Partner, to purchase the Combined Interest for such fair market value of such Combined Interest. In either event, the

Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by the General Partner for the benefit of the Partnership or the other Group Members.

For purposes of this Section 11.3(a), the fair market value of the Combined Interest shall be determined by agreement between the Departing Partner and its successor or, failing agreement within 30 days after the effective date of such Departing Partner's departure, by an independent investment banking firm or other independent expert selected by the Departing Partner and its successor, which, in turn, may rely on other experts, and the determination of which shall be conclusive as to such matter. If such parties cannot agree upon one independent investment banking firm or other independent expert within 45 days after the effective date of such departure, then the Departing Partner shall designate an independent investment banking firm or other independent expert, the Departing Partner's successor shall designate an independent investment banking firm or other independent expert, and such firms or experts shall mutually select a third independent investment banking firm or independent expert, which third independent investment banking firm or other independent expert shall determine the fair market value of the Combined Interest. In making its determination, such third independent investment banking firm or other independent expert may consider the then current trading price of Units on any National Securities Exchange on which Units are then listed, the value of the Partnership's assets, the rights and obligations of the Departing Partner and other factors it may deem relevant.

(b) If the Combined Interest is not purchased in the manner set forth in Section 11.3(a), the Departing Partner (or its transferee) shall become a Limited Partner and its Combined Interest shall be converted into Common Units pursuant to a valuation made by an investment banking firm or other independent expert selected pursuant to Section 11.3(a), without reduction in such Partnership Interest (but subject to proportionate dilution by reason of the admission of its successor). Any successor General Partner shall indemnify the Departing Partner (or its transferee) as to all debts and liabilities of the Partnership arising on or after the date on which the Departing Partner (or its transferee) becomes a Limited Partner. For purposes of this Agreement, conversion of the Combined Interest to Common Units will be characterized as if the General Partner (or its transferee) contributed its Combined Interest to the Partnership in exchange for the newly issued Common Units.

(c) If a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2 and the option described in Section 11.3(a) is not exercised by the party entitled to do so, the successor General Partner shall, at the effective date of its admission to the Partnership, contribute to the Partnership cash in the amount equal to 1/99th of the Net Agreed Value of the Partnership's assets on such date. In such event, such successor General Partner shall, subject to the following sentence, be entitled to 1% of all Partnership allocations and distributions. The successor General Partner shall cause this Agreement to be amended to reflect that, from and after the date of such successor General Partner's admission, the successor General Partner's interest in all Partnership distributions and allocations shall be 1%.

Section 11.4 Termination of Subordination Period, Conversion of Subordinated Units and Extinguishment of Cumulative Common Unit Arrearages.

Notwithstanding any provision of this Agreement, if the General Partner is removed as general partner of the Partnership under circumstances where Cause does not exist and Units held by the General Partner and its Affiliates are not voted in favor of such removal, (i) the Subordination Period will end and all Outstanding Subordinated Units will immediately and automatically convert into Common Units on a one-for-one basis and (ii) all Cumulative Common Unit Arrearages on the Common Units will be extinguished.

Section 11.5 Withdrawal of Limited Partners.

No Limited Partner shall have any right to withdraw from the Partnership; provided, however, that when a transferee of a Limited Partner's Limited Partner Interest becomes a Record Holder of the Limited Partner Interest so transferred, such transferring Limited Partner shall cease to be a Limited Partner with respect to the Limited Partner Interest so transferred.

## ARTICLE XII
## DISSOLUTION AND LIQUIDATION

Section 12.1 Dissolution.

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Section 11.1 or 11.2, the Partnership shall not be dissolved and such successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

(a) the expiration of its term as provided in Section 2.7;

(b) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and an Opinion of Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.3;

(c) an election to dissolve the Partnership by the General Partner that is approved by the holders of a Unit Majority;

(d) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act; or

(e) the sale of all or substantially all of the assets and properties of the Partnership Group.

Section 12.2 Continuation of the Business of the Partnership After Dissolution.

Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.1 or 11.2, then within 90 days thereafter, or (b) dissolution of the Partnership upon an event constituting an Event of Withdrawal as defined in Section 11.1(a)(iv), (v) or (vi), then, to the maximum extent permitted by law, within 180 days thereafter, the holders of a Unit Majority may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as the successor general partner a Person approved by the holders of a Unit Majority. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the reconstituted Partnership shall continue until the end of the term set forth in Section 2.7 unless earlier dissolved in accordance with this Article XII;

(ii) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be treated in the manner provided in Section 11.3; and

(iii) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file a new partnership agreement and certificate of limited partnership, and the successor general partner may for this purpose exercise the powers of attorney granted the General Partner pursuant to Section 2.6; provided, that the right of the holders of a Unit Majority to approve a successor General Partner and to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of any Limited Partner and (y) neither the Partnership, the reconstituted limited partnership nor an Operating Partnership would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

Section 12.3 Liquidator.

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the General Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. The

Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

Section 12.4 Liquidation.

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Act and the following:

(a) Disposition of Assets. The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) Discharge of Liabilities. Liabilities of the Partnership include amounts owed to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) Liquidation Distributions. All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with, and to the extent of, the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 12.4(c)) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(g)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

Section 12.5 Cancellation of Certificate of Limited Partnership.

Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 12.6 Return of Contributions.

The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners or Unitholders, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

Section 12.7 Waiver of Partition.

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

Section 12.8 Capital Account Restoration.

No Limited Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership. The General Partner shall be obligated to restore any negative balance in its Capital Account upon liquidation of its interest in the Partnership by the end of the taxable year of the Partnership during which such liquidation occurs, or, if later, within 90 days after the date of such liquidation.

ARTICLE XIII
AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE

Section 13.1 Amendment to be Adopted Solely by the General Partner.

Each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that the Partnership and the Operating Partnerships will not be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act) or (B) facilitate the trading of the Limited Partner Interests (including the division of any class or classes of Outstanding Limited Partner Interests into different classes to facilitate uniformity of tax consequences within such classes of Limited Partner Interests) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the Partnership and the Limited Partners, (iii) is necessary or advisable in connection with action taken by the General Partner pursuant to Section 5.10 or (iv) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) subject to the terms of Section 5.7, an amendment that, in the discretion of the General Partner, is necessary or advisable in connection with the authorization of issuance of any class or series of Partnership Securities pursuant to Section 5.6;

(h) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(i) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(j) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(k) a merger or conveyance pursuant to Section 14.3(d); or

(l) any other amendments substantially similar to the foregoing.

Section 13.2 Amendment Procedures.

Except as provided in Sections 13.1 and 13.3, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed only by or with the consent of the General Partner which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the holders of a Unit Majority, unless a greater or different percentage is required under this Agreement or by Delaware law. Each proposed amendment that requires the approval of the holders of a specified percentage of Outstanding Units shall be set forth in a writing that contains the text of the proposed amendment. If such an amendment is proposed, the General Partner shall seek the written approval of the requisite percentage of Outstanding Units or call a meeting of the Unitholders to consider and vote on such proposed amendment. The General Partner shall notify all Record Holders upon final adoption of any such proposed amendments.

Section 13.3 Amendment Requirements.

(a) Notwithstanding the provisions of Sections 13.1 and 13.2, no provision of this Agreement that establishes a percentage of Outstanding Units (including Units deemed owned by the General Partner) required to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of holders of Outstanding Units whose aggregate Outstanding Units constitute not less than the voting requirement sought to be reduced.

(b) Notwithstanding the provisions of Sections 13.1 and 13.2, no amendment to this Agreement may (i) enlarge the obligations of any Limited Partner without its consent, unless such shall be deemed to have occurred as a result of an amendment approved pursuant to Section 13.3(c), (ii) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to, the General Partner or any of its Affiliates without its consent, which consent may be given or withheld in its sole discretion, (iii) change Section 12.1(a) or 12.1(c), or (iv) change the term of the Partnership or, except as set forth in Section 12.1(c), give any Person the right to dissolve the Partnership.

(c) Except as provided in Section 14.3, and except as otherwise provided, and without limitation of the General Partner's authority to adopt amendments to this Agreement as contemplated in Section 13.1, any amendment that would have a material adverse effect on the rights or preferences of any class of Partnership Interests in relation to other classes of Partnership Interests must be approved by the holders of not less than a majority of the Outstanding Partnership Interests of the class affected.

(d) Notwithstanding any other provision of this Agreement, except for amendments pursuant to Section 13.1 and except as otherwise provided by Section 14.3(b), no amendments shall become effective without the approval of the holders of at least 90% of the Outstanding Common Units and Subordinated Units voting as a single class unless the Partnership obtains an Opinion of Counsel to the effect that such amendment will not affect the limited liability of any Limited Partner under applicable law.

(e) Except as provided in Section 13.1, this Section 13.3 shall only be amended with the approval of the holders of at least 90% of the Outstanding Units.

Section 13.4 Special Meetings.

All acts of Limited Partners to be taken pursuant to this Agreement shall be taken in the manner provided in this Article XIII. Special meetings of the Limited Partners may be called by the General Partner or by Limited Partners owning 20% or more of the Outstanding Limited Partner Interests of the class or classes for which a meeting is proposed. Limited Partners shall call a special meeting by delivering to the General Partner one or more requests in writing stating that the signing

Limited Partners wish to call a special meeting and indicating the general or specific purposes for which the special meeting is to be called. Within 60 days after receipt of such a call from Limited Partners or within such greater time as may be reasonably necessary for the Partnership to comply with any statutes, rules, regulations, listing agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, the General Partner shall send a notice of the meeting to the Limited Partners either directly or indirectly through the Transfer Agent. A meeting shall be held at a time and place determined by the General Partner on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. Limited Partners shall not vote on matters that would cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability under the Delaware Act or the law of any other state in which the Partnership is qualified to do business.

Section 13.5 Notice of a Meeting.

Notice of a meeting called pursuant to Section 13.4 shall be given to the Record Holders of the class or classes of Limited Partner Interests for which a meeting is proposed in writing by mail or other means of written communication in accordance with Section 16.1. The notice shall be deemed to have been given at the time when deposited in the mail or sent by other means of written communication.

Section 13.6 Record Date.

For purposes of determining the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners or to give approvals without a meeting as provided in Section 13.11 the General Partner may set a Record Date, which shall not be less than 10 nor more than 60 days before (a) the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern) or (b) in the event that approvals are sought without a meeting, the date by which Limited Partners are requested in writing by the General Partner to give such approvals.

Section 13.7 Adjournment.

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting and a new Record Date need not be fixed, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless such adjournment shall be for more than 45 days. At the adjourned meeting, the Partnership may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 45 days or if a new Record Date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with this Article XIII.

Section 13.8 Waiver of Notice; Approval of Meeting; Approval of Minutes.

The transactions of any meeting of Limited Partners, however called and noticed, and whenever held, shall be as valid as if it had occurred at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, Limited Partners representing such quorum who were present in person or by proxy and entitled to vote, sign a written waiver of notice or an approval of the holding of the meeting or an approval of the minutes thereof. All waivers and approvals shall be filed with the Partnership records or made a part of the minutes of the meeting. Attendance of a Limited Partner at a meeting shall constitute a waiver of notice of the meeting, except when the Limited Partner does not approve, at the beginning of the meeting, of the transaction of any business because the meeting is not lawfully called or convened; and except that attendance at a meeting is not a waiver of any right to disapprove the consideration of matters required to be included in the notice of the meeting, but not so included, if the disapproval is expressly made at the meeting.

Section 13.9 Quorum.

The holders of a majority of the Outstanding Limited Partner Interests of the class or classes for which a meeting has been called (including Limited Partner Interests deemed owned by the General Partner) represented in person or by proxy shall constitute a quorum at a meeting of Limited Partners of such class or classes unless any such action by the Limited Partners requires approval by holders of a greater percentage of such Limited Partner Interests, in which case the quorum shall be such greater percentage. At any meeting of the Limited Partners duly called and held in accordance with this Agreement at which a quorum is present, the act of Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent a majority of the Outstanding Limited Partner Interests entitled to vote and be present in person or by proxy at such meeting shall be deemed to constitute the act of all Limited Partners, unless a greater or different percentage is required with respect to such action under the provisions of this Agreement, in which case the act of the Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent at least such greater or different percentage shall be required. The Limited Partners present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Limited Partners to leave less than a quorum, if any action taken (other than adjournment) is approved by the required percentage of Outstanding Limited Partner Interests specified in this Agreement (including Limited Partner Interests deemed owned by the General Partner). In the absence of a quorum any meeting of Limited Partners may be adjourned from time to time by the affirmative vote of holders of at least a majority of the Outstanding Limited Partner Interests entitled to vote at such meeting (including Limited Partner Interests deemed owned by the General Partner) represented either in person or by proxy, but no other business may be transacted, except as provided in Section 13.7.

Section 13.10 Conduct of a Meeting.

The General Partner shall have full power and authority concerning the manner of conducting any meeting of the Limited Partners or solicitation of approvals in writing, including the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of Section 13.4, the conduct of voting, the validity and effect of any proxies and the determination of any controversies, votes or challenges arising in connection with or during the meeting or voting. The General Partner shall designate a Person to serve as chairman of any meeting and shall further designate a Person to take the minutes of any meeting. All minutes shall be kept with the records of the Partnership maintained by the General Partner. The General Partner may make such other regulations consistent with applicable law and this Agreement as it may deem advisable concerning the conduct of any meeting of the Limited Partners or solicitation of approvals in writing, including regulations in regard to the appointment of proxies, the appointment and duties of inspectors of votes and approvals, the submission and examination of proxies and other evidence of the right to vote, and the revocation of approvals in writing.

Section 13.11 Action Without a Meeting.

If authorized by the General Partner, any action that may be taken at a meeting of the Limited Partners may be taken without a meeting if an approval in writing setting forth the action so taken is signed by Limited Partners owning not less than the minimum percentage of the Outstanding Limited Partner Interests (including Limited Partner Interests deemed owned by the General Partner) that would be necessary to authorize or take such action at a meeting at which all the Limited Partners were present and voted (unless such provision conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern). Prompt notice of the taking of action without a meeting shall be given to the Limited Partners who have not approved in writing. The General Partner may specify that any written ballot submitted to Limited Partners for the purpose of taking any action without a meeting shall be returned to the Partnership within the time period, which shall be not less than 20 days, specified by the General Partner. If a ballot returned to the Partnership does not vote all of the Limited Partner Interests held by the Limited Partners the Partnership shall be deemed to have failed to receive a ballot for the Limited Partner Interests that were not voted. If approval of the taking of any action by the Limited Partners is solicited by any Person other than by or on behalf of the General Partner, the written approvals shall have no force and effect unless and until (a) they are deposited with the Partnership in care of the General Partner, (b) approvals sufficient to take the action proposed are dated as of a date not more than 90 days prior to the date sufficient approvals are deposited with the Partnership and (c) an Opinion of Counsel is delivered to the General Partner to the effect that the exercise of such right and the action proposed to be taken with respect to any particular matter (i) will not cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability, and (ii) is otherwise permissible under the state statutes then governing the rights, duties and liabilities of the Partnership and the Partners.

Section 13.12 Voting and Other Rights.

(a) Only those Record Holders of the Limited Partner Interests on the Record Date set pursuant to Section 13.6 (and also subject to the limitations contained in the definition of "Outstanding") shall be entitled to notice of, and to vote at, a meeting of Limited Partners or to act with respect to matters as to which the holders of the Outstanding Limited Partner Interests have the right to vote or to act. All references in this Agreement to votes of, or other acts that may be taken by, the Outstanding Limited Partner Interests shall be deemed to be references to the votes or acts of the Record Holders of such Outstanding Limited Partner Interests.

(b) With respect to Limited Partner Interests that are held for a Person's account by another Person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such Limited Partner Interests are registered, such other Person shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, and unless the arrangement between such Persons provides otherwise, vote such Limited Partner Interests in favor of, and at the direction of, the Person who is the beneficial owner, and the Partnership shall be entitled to assume it is so acting without further inquiry. The provisions of this Section 13.12(b) (as well as all other provisions of this Agreement) are subject to the provisions of Section 4.3.

## ARTICLE XIV
## MERGER

Section 14.1 Authority.

The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article XIV.

Section 14.2 Procedure for Merger or Consolidation.

Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "Surviving Business Entity");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partner interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

Section 14.3 Approval by Limited Partners of Merger or Consolidation.

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the holders of a Unit Majority unless the Merger Agreement contains any provision that, if contained in an amendment to this Agreement, the provisions of this Agreement or the Delaware Act would require for its approval the vote or consent of a greater percentage of the Outstanding Limited Partner Interests or of any class of Limited Partners, in which case such greater percentage vote or consent shall be required for approval of the Merger Agreement.

(c) Except as provided in Section 14.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Article XIV or in this Agreement, the General Partner is permitted, in its discretion, without Limited Partner approval, to merge the Partnership or any Group Member into, or convey all of the Partnership's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such Merger other than those it receives from the Partnership or other Group Member if (i) the General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner or any partner in the Operating Partnership or cause the Partnership or Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity and (iii) the governing instruments of the new entity provide the Limited Partners and the General Partner with the same rights and obligations as are herein contained.

Section 14.4 Certificate of Merger.

Upon the required approval by the General Partner and the Unitholders of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Act.

Section 14.5 Effect of Merger.

(a) At the effective time of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

## ARTICLE XV
## RIGHT TO ACQUIRE LIMITED PARTNER INTERESTS

Section 15.1 Right to Acquire Limited Partner Interests.

(a) Notwithstanding any other provision of this Agreement, if at any time not more than 20% of the total Limited Partner Interests of any class then Outstanding is held by Persons other than the General Partner and its Affiliates, the General Partner shall then have the right, which right it may assign and transfer in whole or in part to the Partnership or any Affiliate of the General Partner, exercisable in its sole discretion, to purchase all, but not less than all, of such Limited Partner Interests of such class then Outstanding held by Persons other than the General Partner and its Affiliates, at the greater of (x) the Current Market Price as of the date three days prior to the date that the notice described in Section 15 is mailed and (y) the highest price paid by the General Partner or any of its Affiliates for any such Limited Partner Interest of such class purchased during the 90-day period preceding the date that the notice described in Section 15.1(b) is mailed. As used in this Agreement, (i) "Current Market Price" as of any date of any class of Limited Partner Interests listed or admitted to trading on any National Securities Exchange means the average of the daily Closing Prices (as hereinafter defined) per limited partner interest of such class for the 20 consecutive Trading Days (as hereinafter defined) immediately prior to such date; (ii) "Closing Price" for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted for trading on the principal National Securities Exchange (other than the Nasdaq Stock Market) on which such Limited Partner Interests of such class are listed or admitted to trading or, if such Limited Partner Interests of such class are not listed or admitted to trading on any National Securities Exchange (other than the Nasdaq Stock Market), the last quoted price on such day or, if not so quoted, the average of the high bid and low asked prices on such day in the over-the-counter market, as reported by the Nasdaq Stock Market or such other system then in use, or, if on any such day such

Limited Partner Interests of such class are not quoted by any such organization, the average of the closing bid and asked prices on such day as furnished by a professional market maker making a market in such Limited Partner Interests of such class selected by the General Partner, or if on any such day no market maker is making a market in such Limited Partner Interests of such class, the fair value of such Limited Partner Interests on such day as determined reasonably and in good faith by the General Partner; and (iii) "Trading Day" means a day on which the principal National Securities Exchange on which such Limited Partner Interests of any class are listed or admitted to trading is open for the transaction of business or, if Limited Partner Interests of a class are not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in New York City generally are open.

(b) If the General Partner, any Affiliate of the General Partner or the Partnership elects to exercise the right to purchase Limited Partner Interests granted pursuant to Section 15.1(a), the General Partner shall deliver to the Transfer Agent notice of such election to purchase (the "Notice of Election to Purchase") and shall cause the Transfer Agent to mail a copy of such Notice of Election to Purchase to the Record Holders of Limited Partner Interests of such class (as of a Record Date selected by the General Partner) at least 10, but not more than 60, days prior to the Purchase Date. Such Notice of Election to Purchase shall also be published for a period of at least three consecutive days in at least two daily newspapers of general circulation printed in the English language and published in the Borough of Manhattan, New York. The Notice of Election to Purchase shall specify the Purchase Date and the price (determined in accordance with Section 15.1(a)) at which Limited Partner Interests will be purchased and state that the General Partner, its Affiliate or the Partnership, as the case may be, elects to purchase such Limited Partner Interests, upon surrender of Certificates representing such Limited Partner Interests in exchange for payment, at such office or offices of the Transfer Agent as the Transfer Agent may specify, or as may be required by any National Securities Exchange on which such Limited Partner Interests are listed or admitted to trading. Any such Notice of Election to Purchase mailed to a Record Holder of Limited Partner Interests at his address as reflected in the records of the Transfer Agent shall be conclusively presumed to have been given regardless of whether the owner receives such notice. On or prior to the Purchase Date, the General Partner, its Affiliate or the Partnership, as the case may be, shall deposit with the Transfer Agent cash in an amount sufficient to pay the aggregate purchase price of all of such Limited Partner Interests to be purchased in accordance with this Section 15.1. If the Notice of Election to Purchase shall have been duly given as aforesaid at least 10 days prior to the Purchase Date, and if on or prior to the Purchase Date the deposit described in the preceding sentence has been made for the benefit of the holders of Limited Partner Interests subject to purchase as provided herein, then from and after the Purchase Date, notwithstanding that any Certificate shall not have been surrendered for purchase, all rights of the holders of such Limited Partner Interests (including any rights pursuant to Articles IV, V, VI, and XII) shall thereupon cease, except the right to receive the purchase price (determined in accordance with Section 15.1(a)) for Limited Partner Interests therefor, without interest, upon surrender to the Transfer Agent of the Certificates representing such Limited Partner Interests, and such Limited Partner Interests shall thereupon be deemed to be transferred to the General Partner, its Affiliate or the Partnership, as the case may be, on the record books of the Transfer Agent and the Partnership, and the General Partner or any

Affiliate of the General Partner, or the Partnership, as the case may be, shall be deemed to be the owner of all such Limited Partner Interests from and after the Purchase Date and shall have all rights as the owner of such Limited Partner Interests (including all rights as owner of such Limited Partner Interests pursuant to Articles IV, V, VI and XII).

(c) At any time from and after the Purchase Date, a holder of an Outstanding Limited Partner Interest subject to purchase as provided in this Section 15.1 may surrender his Certificate evidencing such Limited Partner Interest to the Transfer Agent in exchange for payment of the amount described in Section 15.1(a), therefor, without interest thereon.

## ARTICLE XVI
## GENERAL PROVISIONS

Section 16.1 Addresses and Notices.

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address described below. Any notice, payment or report to be given or made to a Partner or Assignee hereunder shall be deemed conclusively to have been given or made, and the obligation to give such notice or report or to make such payment shall be deemed conclusively to have been fully satisfied, upon sending of such notice, payment or report to the Record Holder of such Partnership Securities at his address as shown on the records of the Transfer Agent or as otherwise shown on the records of the Partnership, regardless of any claim of any Person who may have an interest in such Partnership Securities by reason of any assignment or otherwise. An affidavit or certificate of making of any notice, payment or report in accordance with the provisions of this Section 16.1 executed by the General Partner, the Transfer Agent or the mailing organization shall be prima facie evidence of the giving or making of such notice, payment or report. If any notice, payment or report addressed to a Record Holder at the address of such Record Holder appearing on the books and records of the Transfer Agent or the Partnership is returned by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver it, such notice, payment or report and any subsequent notices, payments and reports shall be deemed to have been duly given or made without further mailing (until such time as such Record Holder or another Person notifies the Transfer Agent or the Partnership of a change in his address) if they are available for the Partner or Assignee at the principal office of the Partnership for a period of one year from the date of the giving or making of such notice, payment or report to the other Partners and Assignees. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

Section 16.2 Further Action.

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 16.3 Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 16.4 Integration.

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

Section 16.5 Creditors.

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 16.6 Waiver.

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 16.7 Counterparts.

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto or, in the case of a Person acquiring a Unit, upon accepting the certificate evidencing such Unit or executing and delivering a Transfer Application as herein described, independently of the signature of any other party.

Section 16.8 Applicable Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Section 16.9 Invalidity of Provisions.

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 16.10 Consent of Partners.

Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

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

GENERAL PARTNER:

PLAINS ALL AMERICAN INC.

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
---
Title: Senior Vice President
---

ORGANIZATIONAL LIMITED PARTNER:

/s/ Michael R. Patterson
---
MICHAEL R. PATTERSON

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as Limited Partners of the Partnership, pursuant to powers of attorney now and hereafter executed in favor of, and granted and delivered to the General Partner.

PLAINS ALL AMERICAN INC.

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
---
Title: Senior Vice President
---

EXHIBIT 3.2

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

PLAINS MARKETING, L.P.

Plains Marketing, L.P.

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AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
PLAINS MARKETING, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP of PLAINS MARKETING, L.P., dated as of November 23, 1998 is entered into by and between Plains All American Inc., a Delaware corporation, as the General Partner, and Plains All American Pipeline, L.P., a Delaware limited partnership, as the Limited Partner, together with any other Persons who hereafter become Partners in the Partnership or parties hereto as provided herein.

R E C I T A L S:
- - - - - - - - -

WHEREAS, Plains All American Inc. and Plains All American Pipeline, L.P. formed the Partnership pursuant to the Agreement of Limited Partnership of Plains Marketing, L.P. dated as of November 10, 1998 (the "Prior Agreement") and a Certificate of Limited Partnership filed with the Secretary of State of the State of Delaware on such date; and

WHEREAS, the Partners of the Partnership now desire to amend the Prior Agreement to reflect additional contributions by the Partners and certain other matters.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby amend the Prior Agreement and, as so amended, restate it in its entirety as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement. Capitalized terms used herein but not otherwise defined shall have the meaning assigned to such term in the MLP Agreement.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.4 and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-

2(g) and 1.704-2(i)(5)) and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such fiscal year, are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such fiscal year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(d)(i) or 6.1(d)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The "Adjusted Capital Account" of a Partner in respect of a General Partner Interest or any other specified interest in the Partnership shall be the amount which such Adjusted Capital Account would be if such General Partner Interest or other interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such general partner interest or other interest was first issued.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii). Once an Adjusted Property is deemed contributed to a new partnership in exchange for an interest in the new partnership, followed by a deemed liquidation of the Partnership for federal income tax purposes upon a termination of the Partnership pursuant to Treasury Regulation Section 1.708-(b)(1)(iv), such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is subsequently adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreed Allocation" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 6.1, including, without limitation, a Curative Allocation (if appropriate to the context in which the term "Agreed Allocation" is used).

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. The General Partner shall, in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a single

or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"Agreement" means this Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P., as it may be amended, supplemented or restated from time to time.

"All American" means All American Pipeline, L.P., a Delaware limited partnership.

"All American Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of All American Pipeline, L.P., as it may be amended, supplemented or restated from time to time.

"Assets" means the assets being conveyed to the Partnership on the Closing Date pursuant to Section 5.2 and the Contribution and Conveyance Agreement.

"Assignee" means a Person to whom one or more Partnership Interests have been transferred in a manner permitted under this Agreement, but who has not been admitted as a Substituted Limited Partner.

"Associate" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"Assumed Liabilities" means the liabilities that the Partnership is either assuming or taking subject to in connection with the conveyance of the Assets pursuant to Section 5.2 and the Contribution and Conveyance Agreement.

"Available Cash" means, with respect to any Quarter ending prior to the Liquidation Date,

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Partnership Group on hand on the date of determination of Available Cash with respect to such Quarter resulting from Working Capital Borrowings made subsequent to the end of such Quarter, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the

business of the Partnership Group (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership Group) subsequent to such Quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any Group Member is a party or by which it is bound or its assets are subject or (iii) provide funds for distributions under Section 6.4 or 6.5 of the MLP Agreement in respect of any one or more of the next four Quarters; provided, however, that the General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the MLP is unable to distribute the Minimum Quarterly Distribution on all Common Units, plus any Cumulative Common Unit Arrearage on all Common Units, with respect to such Quarter; and provided further that disbursements made by a Group Member or cash reserves established, increased or reduced after the end of such Quarter but on or before the date of determination of Available Cash with respect to such Quarter shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such Quarter if the General Partner so determines.

Notwithstanding the foregoing, "Available Cash" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 5.5 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the states of New York or Texas shall not be regarded as a Business Day.

"Capital Account" means the capital account maintained for a Partner pursuant to Section 5.5. The "Capital Account" of a Partner in respect of a General Partner Interest or any other specified interest in the Partnership shall be the amount which such Capital Account would be if such General Partner Interest or other specified interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest or other specified interest in the Partnership was first issued.

"Capital Contribution" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner contributes to the Partnership pursuant to this Agreement or the Contribution and Conveyance Agreement.

"Carrying Value" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions charged to the Partners' and Assignees' Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 5.5(d)(i) and 5.5(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"CT&T" means Celeron Trading & Transportation Company, a Delaware corporation.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

"Closing Date" means the first date on which Common Units are sold by the MLP to the Underwriters pursuant to the provisions of the Underwriting Agreement.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of successor law.

"Commission" means the United States Securities and Exchange Commission.

"Common Unit" has the meaning assigned to such term in the MLP Agreement.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership (or deemed contributed to a new partnership on termination of the Partnership pursuant to Section 708 of the Code. Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 5.5(d), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"Contribution and Conveyance Agreement" means that certain Contribution, Conveyance and Assumption Agreement, dated as of the Closing Date, among the General Partner, the Plains Midstream Subsidiaries, the MLP, the Partnership and certain other parties, together with the additional conveyance documents and instruments contemplated or referenced thereunder.

"Curative Allocation" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 6.1(d)(ix).

"Delaware Act" means the Delaware Revised Uniform Limited Partnership Act, 6 Del. C. (S)17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"Departing Partner" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1 or 11.2.

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation Section 1.752-2(a).

"Event of Withdrawal" has the meaning assigned to such term in Section 11.1(a).

"Gathering LLC" means Gathering LLC, a Delaware limited liability company.

"General Partner" means Plains All American Inc. and its successors and permitted assigns as general partner of the Partnership.

"General Partner Interest" means the ownership interest of the General Partner in the Partnership (in its capacity as a general partner) and includes any and all benefits to which the General Partner is entitled as provided in this Agreement, together with all obligations of the General Partner to comply with the terms and provisions of this Agreement.

"Group" means a Person that with or through any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent given to such Person in response to a proxy or consent solicitation made to 10 or more Persons) or disposing of any MLP Securities with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, MLP Securities.

"Group Member" means a member of the Partnership Group.

"Indemnitee" means (a) the General Partner, (b) any Departing Partner, (c) any Person who is or was an Affiliate of the General Partner or any Departing Partner, (d) any Person who is or was a member, partner, officer, director, employee, agent or trustee of any Group Member, the General Partner or any Departing Partner or any Affiliate of any Group Member, the General Partner or any Departing Partner, and (e) any Person who is or was serving at the request of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner as an officer, director, employee, member, partner,

agent, fiduciary or trustee of another Person; provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

"Initial Offering" means the initial offering and sale of Common Units to the public, as described in the Registration Statement.

"Limited Partner Interest" means the ownership interest of a Limited Partner or Assignee in the Partnership and includes any and all benefits to which such Limited Partner or Assignee is entitled as provided in this Agreement, together with all obligations of such Limited Partner or Assignee to comply with the terms and provisions of this Agreement.

"Liquidation Date" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the Partners have the right to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"Liquidator" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Act.

"Limited Partner" means any Person that is admitted to the Partnership as a limited partner pursuant to the terms and conditions of this Agreement; but the term Limited Partner shall not include any Person from and after the time such Person withdraws as a Limited Partner from the Partnership.

"Merger Agreement" has the meaning assigned to such term in Section 14.1.

"Minimum Quarterly Distribution" has the meaning assigned to such term in the MLP Agreement.

"MLP" means Plains All American Pipeline, L.P.

"MLP Agreement" means the Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P., as it may be amended, supplemented or restated from time to time.

"MLP Security" has the meaning assigned to the term "Partnership Security" in the MLP Agreement.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner or Assignee by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.5(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner or Assignee upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable year, the excess, if any, of the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Income shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d).

"Net Loss" means, for any taxable year, the excess, if any, of the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d).

"Net Termination Gain" means, for any taxable year, the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Net Termination Loss" means, for any taxable year, the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Sections 6.2(b)(i)(A), 6.2(b)(ii)(A) and 6.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Deductions" means any and all items of loss, deduction or expenditures (described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(b), are attributable to a Nonrecourse Liability.

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"OLP Subsidiary" means a Subsidiary of the OLP.

"Omnibus Agreement" means that Omnibus Agreement, dated as of the Closing Date, among Plains Resources, Inc., the General Partner, the MLP, the Partnership and All American, L.P.

"Opinion of Counsel" means a written opinion of counsel (which may be regular counsel to the Partnership or the General Partner or any of its Affiliates) acceptable to the General Partner in its reasonable discretion.

"Partner Nonrecourse Debt" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

"Partnership" means Plains Marketing, L.P., a Delaware limited partnership, and any successors thereto.

"Partnership Group" means the Partnership and all OLP Subsidiaries, treated as a single consolidated entity.

"Partnership Interest" means an ownership interest of a Partner in the Partnership, which shall include the General Partner Interest and the Limited Partner Interest(s).

"Partnership Minimum Gain" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(d).

"Percentage Interest" means the percentage interest in the Partnership held by each Partner upon completion of the transactions in Section 5.4 and shall mean, (a) as to the General Partner, an aggregate 1.0101% and (b) as to the MLP, 98.9899%.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Prior Agreement" is defined in the Recitals.

"Pro Rata" means, when modifying Partners and Assignees, apportioned among all Partners and Assignees in accordance with their relative Percentage Interests.

"Quarter" means, unless the context requires otherwise, a fiscal quarter of the Partnership.

"Recapture Income" means any gain recognized by the Partnership (computed without regard to any adjustment required by Section 734 or Section 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Registration Statement" means the Registration Statement on Form S-1 (Registration No. 333-64107) as it has been or as it may be amended or supplemented from time to time, filed by the MLP with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"Required Allocations" means (a) any limitation imposed on any allocation of Net Losses or Net Termination Losses under Section 6.1(b) or 6.1(c)(ii) and (b) any allocation of an item of income, gain, loss or deduction pursuant to Section 6.1(d)(i), 6.1(d)(ii), 6.1(d)(iv), 6.1(d)(vii) or 6.1(d)(ix).

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 6.2(b)(i)(A) or 6.2(b)(ii)(A), respectively, to eliminate Book-Tax Disparities.

"Restricted Business" has the meaning assigned to such term in the Omnibus Agreement.

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"Special Approval" has the meaning assigned to such term in the MLP Agreement.

"Subsidiary" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"Surviving Business Entity" has the meaning assigned to such term in Section 14.2(b).

"Transfer" has the meaning assigned to such term in Section 4.4(a).

"Underwriter" means each Person named as an underwriter in Schedule I to the Underwriting Agreement who purchases Common Units pursuant thereto.

"Underwriting Agreement" means the Underwriting Agreement dated November 17, 1998 among the Underwriters, the MLP and certain other parties, providing for the purchase of Common Units by such Underwriters.

"Unit" has the meaning assigned to such term in the MLP Agreement.

"Unit Majority" has the meaning assigned to such term in the MLP Agreement.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of

such date (as determined under Section 5.5(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date).

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 5.5(d)).

"U.S. GAAP" means United States Generally Accepted Accounting Principles consistently applied.

"Working Capital Borrowings" means borrowings exclusively for working capital purposes made pursuant to a credit facility or other arrangement requiring all such borrowings thereunder to be reduced to a relatively small amount each year for an economically meaningful period of time.

Section 1.2 Construction.

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) the term "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

## ARTICLE II
## ORGANIZATION

Section 2.1 Formation.

The Partnership was previously formed as a limited partnership pursuant to the provisions of the Delaware Act. The Partners hereby amend and restate the Prior Agreement in its entirety. This amendment and restatement shall become effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

Section 2.2 Name.

The name of the Partnership shall be "Plains Marketing, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General

Partner in its sole discretion, including the name of the General Partner. The words "Limited Partnership," "L.P." or "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner in its discretion may change the name of the Partnership at any time and from time to time and shall notify the other Partner(s) of such change in the next regular communication to the Partners.

Section 2.3 Registered Office; Registered Agent; Principal Office; Other Offices.

Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at 1013 Center Road, Wilmington, Delaware 19805-1297, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be Corporation Service Company. The principal office of the Partnership shall be located at 500 Dallas, Suite 700, Houston, Texas 77002 or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner shall be 500 Dallas, Suite 700, Houston, Texas 77002 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

Section 2.4 Purpose and Business.

The purpose and nature of the business to be conducted by the Partnership shall be to (a) acquire, manage, operate and sell the Assets and any similar assets or properties now or hereafter acquired by the Partnership, (b) to serve as a limited partner of All American and, in connection therewith, to exercise all the rights and powers conferred upon the Partnership as a partner of All American pursuant to the All American Partnership Agreement, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that the Partnership is permitted to engage in, or any type of business or activity engaged in by the General Partner prior to the Closing Date and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (d) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity; provided, however, that the General Partner reasonably determines, as of the date of the acquisition or commencement of such activity, that such activity (i) generates "qualifying income" (as such term is defined pursuant to Section 7704 of the Code) or (ii) enhances the operations of an activity of the Partnership that generates qualifying income, and (e) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member, the MLP or any Subsidiary of the MLP. The General

Partner has no obligation or duty to the Partnership, the Limited Partners, or the Assignees to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Partnership of any business.

Section 2.5 Powers.

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

Section 2.6 Power of Attorney.

(a) Each Partner and each Assignee hereby constitutes and appoints the General Partner and, if a Liquidator shall have been selected pursuant to Section 12.3, the Liquidator (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Interests issued pursuant hereto; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate,

in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by any provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or Assignee's successors and assigns. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 2.7 Term.

The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the close of Partnership business on December 31, 2088 or until the earlier dissolution of the Partnership in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Act.

Section 2.8 Title to Partnership Assets.

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner or Assignee, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; provided, further, that, prior to the withdrawal or removal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

## ARTICLE III
## RIGHTS OF LIMITED PARTNERS

Section 3.1 Limitation of Liability.

The Limited Partners and the Assignees shall have no liability under this Agreement except as expressly provided in this Agreement or in the Delaware Act.

Section 3.2 Management of Business.

No Limited Partner or Assignee, in its capacity as such, shall participate in the operation, management or control (within the meaning of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, member, general partner, agent or trustee of the General Partner or any of its Affiliates, or any officer, director, employee, member, general partner, agent or trustee of a Group Member, in its capacity as such, shall not be deemed to be participation in the control of the business of the Partnership by a limited partner of the Partnership (within the meaning of Section 17-303(a) of the Delaware Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 3.3 Outside Activities of the Limited Partners.

Subject to the provisions of Section 7.5 and the Omnibus Agreement, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

Section 3.4 Rights of Limited Partners.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand and at such Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year;

(iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the Net Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) The General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information

the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the MLP or the Partnership Group, (B) could damage the MLP or the Partnership Group or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

## ARTICLE IV
## TRANSFERS OF PARTNERSHIP INTERESTS

Section 4.1 Transfer Generally.

(a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction by which the General Partner assigns its General Partner Interest to another Person who becomes the General Partner (or an Assignee) or by which the holder of a Limited Partner Interest assigns such Limited Partner Interest to another Person who becomes a Limited Partner (or an Assignee), and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any shareholder of the General Partner of any or all of the issued and outstanding capital stock of the General Partner.

Section 4.2 Transfer of General Partner's Partnership Interest.

If the General Partner transfers its interest as the general partner of the MLP to any Person in accordance with the provisions of the MLP Agreement, the General Partner shall contemporaneously therewith transfer all, but not less than all, of its General Partner Interest herein to such Person, and the Limited Partners and Assignees, if any, hereby expressly consent to such transfer. Except as set forth in the immediately preceding sentence and in Section 5.2, a General Partner may not transfer all or any part of its Partnership Interest as the General Partner.

Section 4.3 Transfer of a Limited Partner's Partnership Interest.

A Limited Partner may transfer all, but not less than all, of its Partnership Interest as a Limited Partner in connection with the merger, consolidation or other combination of such Limited Partner with or into any other Person or the transfer by such Limited Partner of all or substantially all of its assets to another Person, and following any such transfer such Person may become a Substituted Limited Partner pursuant to Article X. Except as set forth in the immediately preceding

sentence and in Section 5.2, or in connection with any pledge of (or any related foreclosure on) a Partnership Interest as a Limited Partner solely for the purpose of securing, directly or indirectly, indebtedness of the Partnership or the MLP, and except for the transfers contemplated by Sections 5.2 and 10.1, a Limited Partner may not transfer all or any part of its Partnership Interest or withdraw from the Partnership.

Section 4.4 Restrictions on Transfers.

(a) Notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interest shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership or the MLP under the laws of the jurisdiction of its formation or (iii) cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of the Partnership or the MLP becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions.

## ARTICLE V
## CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

Section 5.1 Initial Contributions.

In connection with the formation of the Partnership under the Delaware Act, the General Partner made an initial Capital Contribution to the Partnership in the amount of $500.00 in exchange for an interest in the Partnership and was admitted as General Partner and as a Limited Partner, and the MLP made an initial Capital Contribution to the Partnership in the amount of $500.00 in exchange for an interest in the Partnership and was admitted as a Limited Partner.

Section 5.2 Contributions Pursuant to the Contribution and Conveyance Agreement.

(a) Pursuant to the Contribution and Conveyance Agreement, the General Partner has contributed to the Partnership, as a Capital Contribution, all of its interest in Gathering LLC and certain assets acquired by it from CT&T in exchange for a continuation of its General Partner Interest and a Limited Partner Interest. Immediately following such contribution, the General Partner

transferred all of its Partnership Interests except a 1.0101% General Partner Interest to the MLP in exchange for certain interests therein as more particularly described in the Registration Statement.

(b) Pursuant to the Contribution and Conveyance Agreement, the MLP has contributed to the Partnership, as a Capital Contribution (i) cash in the amount of $96,700,000, (ii) all of the syndication costs incurred by the Partnership in connection with the Initial Offering and (iii) all of its limited partner interest in All American, in exchange for its Limited Partner Interest.

(c) Pursuant to the Contribution and Conveyance Agreement, the Partnership has assumed certain indebtedness relating to the Assets as described in the Contribution and Conveyance Agreement.

(d) Notwithstanding anything else herein contained, if the aggregate excess net working capital reflected on the balance sheets of the Partnership and All American that are prepared in accordance with Section 7.3 of the Contribution and Conveyance Agreement is in excess of $8,000,000 then the Partnership shall distribute to the General Partner an amount of cash equal to the difference between (i) such excess and (ii) the amount of any similar distribution made to the General Partner by All American. In the event that such aggregate excess net working capital is less than $8,000,000, the General Partner shall contribute to the Partnership, as a Capital Contribution, cash in an amount equal to the amount that, when added to the amount of the similar contribution made to All American by the General Partner, would cause the aggregate excess net working capital of the Partnership and All American to be equal to $8,000,000.

(e) Following the foregoing transactions, the General Partner holds a 1.0101% Partnership Interest as General Partner and the MLP holds a 98.9899% Partnership Interest as a Limited Partner.

Section 5.3 Additional Capital Contributions.

With the consent of the General Partner, any Limited Partner may, but shall not be obligated to, make additional Capital Contributions to the Partnership. Contemporaneously with the making of any Capital Contributions by a Limited Partner, in addition to those provided in Sections 5.1 and 5.2, the General Partner shall be obligated to make an additional Capital Contribution to the Partnership in an amount equal to 1.0101 divided by 98.9899 times the amount of the additional Capital Contribution then made by such Limited Partner. Except as set forth in the immediately preceding sentence and in Article XII, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

Section 5.4 Interest and Withdrawal.

No interest shall be paid by the Partnership on Capital Contributions. No Partner or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any,

that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners and Assignees agree within the meaning of Section 17-502(b) of the Delaware Act.

Section 5.5 Capital Accounts.

(a) The Partnership shall maintain for each Partner (or a beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion) owning a Partnership Interest a separate Capital Account with respect to such Partnership Interest in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1, and decreased by (x) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1.

(b) For purposes of computing the amount of any item of income, gain, loss or deduction which is to be allocated pursuant to Article VI and is to be reflected in the Partners' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided, that:

(i) Solely for purposes of this Section 5.5, the Partnership shall be treated as owning directly its proportionate share (as determined by the General Partner) of all property owned by any OLP Subsidiary that is classified as a partnership for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 6.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment in the Capital Accounts shall be treated as an item of gain or loss.

(iv) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Partnership's Carrying Value with respect to such property as of such date.

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.5(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(vi) If the Partnership's adjusted basis in a depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 6.1. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(c) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(d) (i) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property or the conversion of the General Partner's Partnership Interest to Common Units pursuant to Section 11.3(a), the Capital Accounts of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall (A) in the case of an actual distribution which is not made pursuant to Section 12.4 or in the case of a deemed contribution and/or distribution occurring as a result of a termination of the Partnership pursuant to Section 708 of the Code, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

Section 5.6 Loans from Partners.

Loans by a Partner to the Partnership shall not constitute Capital Contributions. If any Partner shall advance funds to the Partnership in excess of the amounts required hereunder to be contributed by it to the capital of the Partnership, the making of such excess advances shall not result in any increase in the amount of the Capital Account of such Partner. The amount of any such excess advances shall be a debt obligation of the Partnership to such Partner and shall be payable or collectible only out of the Partnership assets in accordance with the terms and conditions upon which such advances are made.

Section 5.7 Limited Preemptive Rights.

Except as provided in Section 5.3, no Person shall have preemptive, preferential or other similar rights with respect to (a) additional Capital Contributions; (b) issuance or sale of any class or series of Partnership Interests, whether unissued, held in the treasury or hereafter created; (c) issuance of any obligations, evidences of indebtedness or other securities of the Partnership convertible into or exchangeable for, or carrying or accompanied by any rights to receive, purchase or subscribe to, any such Partnership Interests; (d) issuance of any right of subscription to or right to receive, or any warrant or option for the purchase of, any such Partnership Interests; or (e) issuance or sale of any other securities that may be issued or sold by the Partnership.

Section 5.8 Fully Paid and Non-Assessable Nature of Partnership Interests.

All Partnership Interests issued to Limited Partners pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Partnership Interests, except as such non-assessability may be affected by Section 17-607 of the Delaware Act.

## ARTICLE VI
## ALLOCATIONS AND DISTRIBUTIONS

Section 6.1 Allocations for Capital Account Purposes.

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 5.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

(a) Net Income. After giving effect to the special allocations set forth in Section 6.1(d), Net Income for each taxable year and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable year shall be allocated among the Partners as follows:

(i) First, 100% to the General Partner, until the aggregate Net Income allocated to the General Partner pursuant to this Section 6.1(a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(ii) for all previous taxable years;

(ii) Second, 1.0101% to the General Partner and 98.9899% to the Limited Partners in accordance with their respective Percentage Interests.

(b) Net Losses. After giving effect to the special allocations set forth in Section 6.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated among the Partners as follows:

(i) First, 1.0101% to the General Partner and 98.9899% to the Limited Partners, in accordance with their respective Percentage Interests; provided, however, that Net Losses shall not be allocated to a Limited Partner pursuant to this Section 6.1(b)(i) to the extent that such allocation would cause a Limited Partner to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in such Limited Partners's original signed Agreement has this Adjusted Capital Account);

(ii) Second, the balance, if any, 100% to the General Partner.

(c) Net Termination Gains and Losses. After giving effect to the special allocations set forth in Section 6.1(d), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 6.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 6.1 and after all distributions of Available Cash provided under Section 6.4 have been made with respect to the taxable period ending on or before the Liquidation Date; provided, however, that solely for purposes of this Section 6.1(c), Capital Accounts shall not be adjusted for distributions made pursuant to Section 12.4.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Gain shall be allocated among the Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

(A) First, to each Partner having a deficit balance in its Capital Account, in the proportion that such deficit balance bears to the total deficit balances in the Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Capital Account; and

(B) Second, 1.0101% to the General Partner and 98.9899% to the Limited Partners, in accordance with their respective Percentage Interests.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Loss shall be allocated among the Partners in the following manner:

(A) First, to the General Partner and the Limited Partners in proportion to, and to the extent of, the positive balances in their respective Capital Accounts; and

(B) Second, the balance, if any, 100% to the General Partner.

(d) Special Allocations. Notwithstanding any other provision of this Section 6.1, the following special allocations shall be made for such taxable period:

(i) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Section 6.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d) with respect to such taxable period (other than an allocation pursuant to Sections 6.1(d)(v) and 6.1(d)(vi)). This Section 6.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Partner Nonrecourse Debt Minimum Gain. Notwithstanding the other provisions of this Section 6.1 (other than Section 6.1(d)(i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d), other than Section 6.1(d)(i) and other than an allocation pursuant to Sections 6.1(d)(v) and 6.1(d)(vi), with respect to such taxable period. This Section 6.1(d)(ii) is intended to comply with the chargeback of items of income and gain

requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 6.1(d)(i) or (ii).

(iv) Gross Income Allocations. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 6.1(d)(iv) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 6.1 have been tentatively made as if this Section 6.1(d)(iv) were not in this Agreement.

(v) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Partners in accordance with their respective Percentage Interests. If the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the other Partners, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vi) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

(vii) Nonrecourse Liabilities. For purposes of Treasury Regulation Section 1.752-3(a)(3), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (A) the amount of Partnership Minimum Gain and (B) the total amount of Nonrecourse

Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

(viii) Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(c) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

(ix) Curative Allocation.

(A) Notwithstanding any other provision of this Section 6.1, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 6.1. Notwithstanding the preceding sentence, Required Allocations relating to (1) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain. Allocations pursuant to this Section 6.1(d)(ix)(A) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 6.1(d)(ix)(A) shall be deferred with respect to allocations pursuant to clauses (1) and (2) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 6.1(d)(ix)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations pursuant to Section 6.1(d)(ix)(A) among the Partners in a manner that is likely to minimize such economic distortions.

Section 6.2 Allocations for Tax Purposes.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 6.1.

(b) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Partners as follows:

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 5.5(d)(i) or 5.5(d)(ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 6.2(b)(i)(A); and (B) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(iii) The General Partner shall apply the principles of Treasury Regulation Section 1.704-3(d) to eliminate Book-Tax Disparities.

(c) For the proper administration of the Partnership and for the preservation of uniformity of the Units or other limited partner interests of the MLP (or any class or classes thereof), the General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of the Units or other limited partner interests of the MLP (or any class or classes thereof). The General Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 6.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Units or other limited partner interests of the MLP

issued and outstanding or the Partnership and if such allocations are consistent with the principles of Section 704 of the Code.

(d) The General Partner in its discretion may determine to depreciate or amortize the portion of an adjustment under Section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation or amortization method and useful life applied to the Partnership's common basis of such property, despite any inconsistency of such approach with Proposed Treasury Regulation Section 1.168-2(n), Treasury Regulation Section 1.167(c)-l(a)(6) or the legislative history of Section 197 of the Code. If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt depreciation and amortization conventions under which all purchasers acquiring limited partner interests of the MLP in the same month would receive depreciation and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other reasonable depreciation and amortization conventions to preserve the uniformity of the intrinsic tax characteristics of any limited partner interests of the MLP that would not have a material adverse effect on the Partners or the holders of any class or classes of limited partner interests of the MLP.

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 6.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) All items of income, gain, loss, deduction and credit recognized by the Partnership for federal income tax purposes and allocated to the Partners in accordance with the provisions hereof shall be determined without regard to any election under Section 754 of the Code which may be made by the Partnership; provided, however, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by Sections 734 and 743 of the Code.

(g) The General Partner may adopt such methods of allocation of income, gain, loss or deduction between a transferor and a transferee of a Partnership Interest as it determines necessary, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

(h) Allocations that would otherwise be made to a Partner under the provisions of this Article VI shall instead be made to the beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership

in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion.

Section 6.3 Distributions.

(a) Within 45 days following the end of each Quarter commencing with the Quarter ending on December 31, 1998, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act, be distributed in accordance with this Article VI by the Partnership to the Partners in accordance with their respective Percentage Interests. The immediately preceding sentence shall not require any distribution of cash if and to the extent such distribution would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject. All distributions required to be made under this Agreement shall be made subject to Section 17-607 of the Delaware Act.

(b) In the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) The General Partner shall have the discretion to treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of Available Cash to such Partners.

## ARTICLE VII
## MANAGEMENT AND OPERATION OF BUSINESS

Section 7.1 Management.

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner or Assignee shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the

issuance of evidences of indebtedness, including indebtedness that is convertible into a Partnership Interest, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group, subject to Section 7.6, the lending of funds to other Persons (including the MLP and any member of the Partnership Group), the repayment of obligations of the MLP or any member of the Partnership Group and the making of capital contributions to any member of the Partnership Group;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners as it deems necessary or appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, corporations or other relationships subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation; and

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law.

(b) Notwithstanding any other provision of this Agreement, the MLP Agreement, the Delaware Act or any applicable law, rule or regulation, each of the Partners and Assignees and each other Person who may acquire an interest in the Partnership hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Partnership Agreement, the MLP Agreement, the Underwriting Agreement, the Omnibus Agreement, the Contribution and Conveyance Agreement and the other agreements and documents described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the Assignees or the other Persons who may acquire an interest in the Partnership; and (iii) agrees that the execution, delivery or performance by the General Partner, the MLP, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

Section 7.2 Certificate of Limited Partnership.

The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms

of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner or Assignee.

Section 7.3 Restrictions on General Partner's Authority.

(a) The General Partner may not, without written approval of the specific act by the Limited Partners or by other written instrument executed and delivered by the Limited Partners subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership property, or assigning any rights in specific Partnership property, for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner or (v) transferring its General Partner Interest.

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination) or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Partnership, without the approval of the Limited Partners; provided however that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership and shall not apply to any forced sale of any or all of the assets of the Partnership pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of at least a Unit Majority, the General Partner shall not, on behalf of the MLP, (i) consent to any amendment to this Agreement or, except as expressly permitted by Section 7.9(d) of the MLP Agreement, take any action permitted to be taken by a Partner, in either case, that would have a material adverse effect on the MLP as a Partner or (ii) except as permitted under Sections 4.6, 11.1 and 11.2 of the MLP Agreement, elect or cause the MLP to elect a successor general partner of the Partnership.

Section 7.4 Reimbursement of the General Partner.

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement or in the MLP Agreement, the General Partner shall not be compensated for its services as General Partner, general partner of the MLP or as general partner of any Group Member.

(b) The General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the General Partner to perform services for the Partnership or for the General Partner in the discharge of its duties

to the Partnership), and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including expenses allocated to the General Partner by its Affiliates). The General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) Subject to Section 5.7, the General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit plans, employee programs and employee practices, or cause the Partnership to issue Partnership Interests, in connection with, pursuant to any employee benefit plan, employee program or employee practice maintained or sponsored by the General Partner or any of its Affiliates, in each case for the benefit of employees of the General Partner any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. Expenses incurred by the General Partner in connection with any such plans, programs and practices shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any employee benefit plans, employee programs or employee practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's General Partner Interest pursuant to Section 4.2.

Section 7.5 Outside Activities.

(a) After the Closing Date, the General Partner, for so long as it is the General Partner of the Partnership (i) agrees that its sole business will be to act as the General Partner of the Partnership, the general partner of the MLP, and a general partner of any other partnership of which the Partnership or the MLP is, directly or indirectly, a partner and to undertake activities that are ancillary or related thereto (including being a limited partner in the MLP), (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner of the Partnership, the MLP or one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member and (iii) except to the extent permitted in the Omnibus Agreement, shall not, and shall cause its Affiliates not to, engage in any Restricted Business.

(b) The Omnibus Agreement, to which the Partnership is a party, sets forth certain restrictions on the ability of Plains Resources Inc. to engage in Restricted Businesses.

(c) Except as specifically restricted by Section 7.5(a) and the Omnibus Agreement, each Indemnitee (other than the General Partner) shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other

business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by the MLP or any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of the MLP or any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to the MLP or any Group Member or any Partner or Assignee. Neither the MLP nor any Group Member, any Limited Partner, nor any other Person shall have any rights by virtue of this Agreement, the MLP Agreement or the partnership relationship established hereby or thereby in any business ventures of any Indemnitee.

(d) Subject to the terms of Section 7.5(a), Section 7.5(b), Section 7.5(c) and the Omnibus Agreement, but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any type whatsoever of the General Partner for the Indemnitees (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership and (iii) except as set forth in the Omnibus Agreement, the General Partner and the Indemnities shall have no obligation to present business opportunities to the Partnership.

(e) The General Partner and any of its Affiliates may acquire Units or other MLP Securities in addition to those acquired on the Closing Date and, except as otherwise provided in this Agreement, shall be entitled to exercise all rights relating to such Units or MLP Securities.

(f) The term "Affiliates" when used in Section 7.5(a) and Section 7.5(e) with respect to the General Partner shall not include any Group Member or any Subsidiary of the MLP or any Group Member.

(g) Anything in this Agreement to the contrary notwithstanding, to the extent that provisions of Sections 7.7, 7.8, 7.9, 7.10 or other Sections of this Agreement purport or are interpreted to have the effect of restricting the fiduciary duties that might otherwise, as a result of Delaware or other applicable law, be owed by the General Partner to the Partnership and its Limited Partners, or to constitute a waiver or consent by the Limited Partners to any such restriction, such provisions shall be inapplicable and have no effect in determining whether the General Partner has complied with its fiduciary duties in connection with determinations made by it under this Section 7.5.

Section 7.6 Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partner.

(a) The General Partner or its Affiliates may lend to the MLP or any Group Member, and the MLP or any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the MLP or the Group Member for such periods of time and

in such amounts as the General Partner may determine; provided, however, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.6(a) and Section 7.6(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to the General Partner or any of its Affiliates (other than the MLP, a Subsidiary of the MLP or a Subsidiary of another Group Member).

(b) The Partnership may lend or contribute to any Group Member, and any Group Member may borrow from the Partnership, funds on terms and conditions established in the sole discretion of the General Partner; provided, however, that the Partnership may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership Group. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

(d) The Partnership Group may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.2 and 5.3, the Contribution and Conveyance Agreement and any other

transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership.

(f) The General Partner and its Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

(g) Without limitation of Sections 7.6(a) through 7.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

Section 7.7 Indemnification.

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 7.7 shall be available to the General Partner with respect to its obligations incurred pursuant to the Underwriting Agreement or the Contribution and Conveyance Agreement (other than obligations incurred by the General Partner on behalf of the MLP or the Partnership). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership

prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner, its Affiliates and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities or such Person's activities on behalf of the Partnership, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7(a); and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify

any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.8 Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partners, the Assignees or any other Persons who have acquired interests in the Units or other Partnership Securities of the MLP, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 7.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Limited Partners, the General Partner and any other Indemnitee acting in connection with the Partnership's business or affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partner, and the Partnership's and General Partner's directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 Resolution of Conflicts of Interest.

(a) Unless otherwise expressly provided in this Agreement or the MLP Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, the MLP, any Partner or any Assignee, on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute

a breach of this Agreement of the MLP Agreement, of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The General Partner shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution. Any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is (i) approved by Special Approval (as long as the material facts known to the General Partner or any of its Affiliates regarding any proposed transaction were disclosed to the Conflicts Committee at the time it gave its approval), (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). The General Partner may also adopt a resolution or course of action that has not received Special Approval. The General Partner (including the Conflicts Committee in connection with Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or principles; and (D) such additional factors as the General Partner (including the Conflicts Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner (including the Conflicts Committee) to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, the MLP, any Limited Partner or any Assignee, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the MLP Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the

standards of "reasonable discretion" set forth in the definition of Available Cash shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions to the General Partner or its Affiliates to exceed 1.0101% of the total amount distributed to all Partners or (B) hasten the expiration of the Subordination Period or the conversion of any Subordinated Units into Common Units.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

(d) The Limited Partner hereby authorizes the General Partner, on behalf of the Partnership as a partner or member of a Group Member, to approve of actions by the general partner of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

Section 7.10 Other Matters Concerning the General Partner.

(a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Act or any applicable law, rule or regulation shall be modified, waived or limited, to the extent permitted by law, as required to permit the General Partner to act under this Agreement or any

other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement, so long as such action is reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership.

Section 7.11 Reliance by Third Parties.

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner and any officer of the General Partner authorized by the General Partner to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of the Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

## ARTICLE VIII
## BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 8.1 Records and Accounting.

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

Section 8.2 Fiscal Year.

The fiscal year of the Partnership shall be a fiscal year ending December 31.

## ARTICLE IX
## TAX MATTERS

Section 9.1 Tax Returns and Information.

The Partnership shall timely file all returns of the Partnership that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by the Partners for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

Section 9.2 Tax Elections.

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners.

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

Section 9.3 Tax Controversies.

Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

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 or local 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 and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

## ARTICLE X
## ADMISSION OF PARTNERS

Section 10.1 Admission of Partners.

Upon the consummation of the transfers and conveyances described in Section 5.2, the General Partner shall be the sole general partner of the Partnership and the MLP shall be the sole limited partner of the Partnership.

Section 10.2 Admission of Substituted Limited Partner.

By transfer of a Limited Partner Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee (a) the right to negotiate such Limited Partner Interest to a purchaser or other transferee and (b) the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest shall be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Limited Partner Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall remain an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee. If no such written

direction is received, such Partnership Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

Section 10.3 Admission of Additional Limited Partners.

(a) A Person (other than the General Partner, the MLP or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.6, and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.3, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

Section 10.4 Admission of Successor or Transferee General Partner.

A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's Partnership Interest pursuant to Section 4.2 who is proposed to be admitted as a successor General Partner shall, subject to compliance with the terms of Section 11.3, if applicable, be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to Section 11.1 or 11.2 or the transfer of the General Partner Interest pursuant to Section 4.2, provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.2 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

Section 10.5 Amendment of Agreement and Certificate of Limited Partnership.

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI
WITHDRAWAL OR REMOVAL OF PARTNERS

Section 11.1 Withdrawal of the General Partner.

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal");

(i) The General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners;

(ii) The General Partner transfers all of its rights as General Partner pursuant to Section 4.2;

(iii) The General Partner is removed pursuant to Section 11.2;

(iv) The General Partner withdraws from, or is removed as the General Partner of, the MLP;

(v) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(v); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor in possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(vi) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vii) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the General Partner

is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv)(with respect to withdrawal), (v), (vi) or (vii)(A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, Eastern Standard Time, on December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by the Limited Partners and the General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or of the limited partners of the MLP or cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Eastern Standard Time, on December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Limited Partners, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii), (iii) or (iv). If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i) hereof or Section 11.1(a)(i) of the MLP Agreement, the Limited Partners may, prior to the effective date of such withdrawal, elect a successor General Partner; provided, however, that such successor shall be the same person, if any, that is elected by the limited partners of the MLP pursuant to Section 11.1 of the MLP Agreement as the successor to the general partner of the MLP. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Limited Partners as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

Section 11.2 Removal of the General Partner.

The General Partner shall be removed if the General Partner is removed as the general partner of the MLP pursuant to Section 11.2 of the MLP Agreement. Such removal shall be effective concurrently with the effectiveness of the removal of the General Partner as the general partner of the MLP pursuant to the terms of the MLP Agreement. If a successor general partner for the MLP is elected in connection with the removal of the General Partner, such successor general partner for

the MLP shall, upon admission pursuant to Article X, automatically become the successor General Partner of the Partnership. The admission of any such successor General Partner to the Partnership shall be subject to the provisions of Section 10.3.

Section 11.3 Interest of Departing Partner.

(a) The Partnership Interest of the Departing Partner departing as a result of withdrawal or removal pursuant to Section 11.1 or 11.2 shall (unless it is otherwise required to be converted into Common Units pursuant to Section 11.3(b) of the MLP Agreement) be purchased by the successor to the Departing Partner for cash in the manner specified in the MLP Agreement. Such purchase (or conversion into Common Units, as applicable) shall be a condition to the admission to the Partnership of the successor as the General Partner. Any successor General Partner shall indemnify the Departing Partner as to all debts and liabilities of the Partnership arising on or after the effective date of the withdrawal or removal of the Departing Partner.

(b) The Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by such Departing Partner for the benefit of the Partnership.

Section 11.4 Withdrawal of a Limited Partner.

Without the prior written consent of the General Partner, which may be granted or withheld in its sole discretion, and except as provided in Section 10.1, no Limited Partner shall have the right to withdraw from the Partnership.

## ARTICLE XII
## DISSOLUTION AND LIQUIDATION

Section 12.1 Dissolution.

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Section 11.1 or 11.2, the Partnership shall not be dissolved and such successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

(a) the expiration of its term as provided in Section 2.7;

(b) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and an Opinion of

Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.3;

(c) an election to dissolve the Partnership by the General Partner that is approved by all of the Limited Partners;

(d) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act;

(e) the sale of all or substantially all of the assets and properties of the Partnership Group; or

(f) the dissolution of the MLP.

Section 12.2 Continuation of the Business of the Partnership After Dissolution.

Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.1 or 11.2, then within 90 days thereafter, or (b) dissolution of the Partnership upon an event constituting an Event of Withdrawal as defined in Section 11.1(a)(iv), (v) or (vi) of the MLP Agreement, then, to the maximum extent permitted by law, within 180 days thereafter, all of the Limited Partners may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as a general partner a Person approved by a majority in interest of the Limited Partners. In addition, upon dissolution of the Partnership pursuant to Section 12.1(f), if the MLP is reconstituted pursuant to Section 12.2 of the MLP Agreement, the reconstituted MLP may, within 180 days after such event of dissolution, acting alone, regardless of whether there are any other Limited Partners, elect to reconstitute the Partnership in accordance with the immediately preceding sentence. Upon any such election by the Limited Partners or the MLP, as the case may be, all Partners shall be bound thereby and shall be deemed to have approved same. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(a) the reconstituted Partnership shall continue until the end of the term set forth in Section 2.7 unless earlier dissolved in accordance with this Article XII;

(b) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be purchased by the successor General Partner or converted into Common Units as provided in the MLP Agreement; and

(c) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file, a new partnership agreement and certificate of limited partnership, and the successor General Partner may for this purpose exercise the power of attorney granted the General Partner pursuant to Section 2.6; provided, that the right to approve a successor General Partner and to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of the Limited Partners or any limited partner of the MLP and (y) neither the Partnership, the reconstituted limited partnership, the MLP nor any Group Member would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

Section 12.3 Liquidator.

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the General Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by a majority of the Limited Partners. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by a majority in interest of the Limited Partners. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by at least a majority in interest of the Limited Partners. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

Section 12.4 Liquidation.

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Act and the following:

(a) Disposition of Assets. The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) Discharge of Liabilities. Liabilities of the Partnership include amounts owed to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) Liquidation Distributions. All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with, and to the extent of, the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 12.4(c)) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(g)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

Section 12.5 Cancellation of Certificate of Limited Partnership.

Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership, and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware, shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 12.6 Return of Contributions.

The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

Section 12.7 Waiver of Partition.

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

Section 12.8 Capital Account Restoration.

No Limited Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership. The General Partner shall be obligated to restore any negative balance in its Capital Account upon liquidation of its interest in the Partnership by the end of the taxable year of the Partnership during which such liquidation occurs, or, if later, within 90 days after the date of such liquidation.

## ARTICLE XIII
## AMENDMENT OF PARTNERSHIP AGREEMENT

Section 13.1 Amendment to be Adopted Solely by the General Partner.

Each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that no Group Member will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act) or (B) facilitate the trading of limited partner interests of the MLP (including the division of any class or classes of outstanding limited partner interests of the MLP into different classes to facilitate uniformity of tax consequences within such classes of limited partner

interests of the MLP) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which such limited partner interests are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the MLP and the limited partners of the MLP, (iii) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement or (iv) is required to conform the provisions of this Agreement with the provisions of the MLP Agreement as the provisions of the MLP Agreement may be amended, supplemented or restated from time to time;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(h) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(i) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(j) a merger or conveyance pursuant to Section 14.3(d); or

(k) any other amendments substantially similar to the foregoing.

Section 13.2 Amendment Procedures.

Except with respect to amendments of the type described in Section 13.1, all amendments to this Agreement shall be made in accordance with the following requirements: Amendments to this Agreement may be proposed only by or with the consent of the General Partner which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the Limited Partner.

## ARTICLE XIV
## MERGER

Section 14.1 Authority.

The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article XIV.

Section 14.2 Procedure for Merger or Consolidation.

Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "Surviving Business Entity");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or

obligations of the Surviving Business Entity, the cash, property or general or limited partner interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

Section 14.3 Approval by Limited Partners of Merger or Consolidation.

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of the Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the Limited Partners.

(c) Except as provided in Section 14.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Article XIV or in this Agreement, the General Partner is permitted, in its discretion, without Limited Partner approval, to

merge the Partnership or any Group Member into, or convey all of the Partnership's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such Merger other than those it receives from the Partnership or other Group Member if (i) the General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner or any limited partner in the MLP or cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity and (iii) the governing instruments of the new entity provide the Limited Partners and the General Partner with the same rights and obligations as are herein contained.

Section 14.4 Certificate of Merger.

Upon the required approval by the General Partner and the Limited Partners of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Act.

Section 14.5 Effect of Merger.

(a) At the effective time of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

ARTICLE XV
GENERAL PROVISIONS

Section 15.1 Addresses and Notices.

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner at the address described below. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

Section 15.2 Further Action.

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.3 Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.4 Integration.

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

Section 15.5 Creditors.

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 15.6 Waiver.

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 15.7 Counterparts.

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto, independently of the signature of any other party.

Section 15.8 Applicable Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Section 15.9 Invalidity of Provisions.

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.10 Consent of Partners.

Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

[Rest of Page Intentionally Left Blank]

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

GENERAL PARTNER:

PLAINS ALL AMERICAN INC.

By: /s/ Michael R. Patterson
---

Name: Michael R. Patterson
Its: Senior Vice President, General Counsel and Secretary

LIMITED PARTNER:

PLAINS ALL AMERICAN PIPELINE, L.P.

By: Plains All American Inc.

Its: General Partner

By: /s/ Michael R. Patterson
---

Name: Michael R. Patterson
Its: Senior Vice President, General Counsel and Secretary

EXHIBIT 3.3

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

ALL AMERICAN PIPELINE, L.P.

All American Pipeline, L.P.

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AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

ALL AMERICAN PIPELINE, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP of ALL AMERICAN PIPELINE, L.P., dated as of November 23, is entered into by and between Plains All American Inc., a Delaware corporation, as the General Partner, and Plains Marketing, L.P., a Delaware limited partnership, as the Limited Partner, together with any other Persons who hereafter become Partners in the Partnership or parties hereto as provided herein.

R E C I T A L S:
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WHEREAS, All American Pipeline Company converted into a Texas limited partnership pursuant to Articles of Conversion filed with the Texas Secretary of State on November 16, 1998 with Plains All American Inc. as the sole general partner and as a limited partner, and PAAI LLC, a Delaware limited liability company, as a limited partner pursuant to the Agreement of Limited Partnership of All American Pipeline, L.P. dated as of November 16, 1998 (the "Prior Agreement"); and

WHEREAS, PAAI LLC has contributed all of its interest in the Partnership to Plains All American Pipeline, L.P., a Delaware limited partnership (the "MLP"); and

WHEREAS, the Partners of the Partnership now desire to amend the Prior Agreement to reflect the admission of the MLP as Limited Partner and to make certain other changes.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby amend the Prior Agreement and, as so amended, restate it in its entirety as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement. Capitalized terms used herein but not otherwise defined shall have the meaning assigned to such term in the MLP Agreement.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.4 and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)) and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such fiscal year, are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such fiscal year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(d)(i) or 6.1(d)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The "Adjusted Capital Account" of a Partner in respect of a General Partner Interest or any other specified interest in the Partnership shall be the amount which such Adjusted Capital Account would be if such General Partner Interest or other interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such general partner interest or other interest was first issued.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii). Once an Adjusted Property is deemed contributed to a new partnership in exchange for an interest in the new partnership, followed by a deemed liquidation of the Partnership for federal income tax purposes upon a termination of the Partnership pursuant to Treasury Regulation Section 1.708-(b)(1)(iv), such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is subsequently adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreed Allocation" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 6.1, including, without limitation, a Curative Allocation (if appropriate to the context in which the term "Agreed Allocation" is used).

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. The General Partner shall,

in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"Agreement" means this Amended and Restated Agreement of Limited Partnership of All American Pipeline, L.P., as it may be amended, supplemented or restated from time to time.

"Assets" means the assets being conveyed to the Partnership on the Closing Date pursuant to Section 5.2 and the Contribution and Conveyance Agreement.

"Assignee" means a Person to whom one or more Partnership Interests have been transferred in a manner permitted under this Agreement, but who has not been admitted as a Substituted Limited Partner.

"Associate" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"Assumed Liabilities" means the liabilities that the Partnership is either assuming or taking subject to in connection with the conveyance of the Assets pursuant to Section 5.2 and the Contribution and Conveyance Agreement.

"Available Cash" means, with respect to any Quarter ending prior to the Liquidation Date,

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Partnership Group on hand on the date of determination of Available Cash with respect to such Quarter resulting from Working Capital Borrowings made subsequent to the end of such Quarter, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the business of the Partnership Group (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership Group) subsequent to such Quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any Group Member is a party or by

which it is bound or its assets are subject or (iii) provide funds for distributions under Section 6.4 or 6.5 of the MLP Agreement in respect of any one or more of the next four Quarters; provided, however, that the General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the MLP is unable to distribute the Minimum Quarterly Distribution on all Common Units, plus any Cumulative Common Unit Arrearage on all Common Units, with respect to such Quarter; and provided further that disbursements made by a Group Member or cash reserves established, increased or reduced after the end of such Quarter but on or before the date of determination of Available Cash with respect to such Quarter shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such Quarter if the General Partner so determines.

Notwithstanding the foregoing, "Available Cash" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 5.5 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the states of New York or Texas shall not be regarded as a Business Day.

"Capital Account" means the capital account maintained for a Partner pursuant to Section 5.5. The "Capital Account" of a Partner in respect of a General Partner Interest or any other specified interest in the Partnership shall be the amount which such Capital Account would be if such General Partner Interest or other specified interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest or other specified interest in the Partnership was first issued.

"Capital Contribution" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner contributes to the Partnership pursuant to this Agreement or the Contribution and Conveyance Agreement.

"Carrying Value" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions charged to the Partners' and Assignees' Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership property, the

adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 5.5(d)(i) and 5.5(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Texas as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

"Closing Date" means the first date on which Common Units are sold by the MLP to the Underwriters pursuant to the provisions of the Underwriting Agreement.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of successor law.

"Commission" means the United States Securities and Exchange Commission.

"Common Unit" has the meaning assigned to such term in the MLP Agreement.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Texas Act, but excluding cash, contributed to the Partnership (or deemed contributed to a new partnership on termination of the Partnership pursuant to Section 708 of the Code. Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 5.5(d), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"Contribution and Conveyance Agreement" means that certain Contribution, Conveyance and Assumption Agreement, dated as of the Closing Date, among the General Partner, the Plains Midstream Subsidiaries, the MLP, the Partnership and certain other parties, together with the additional conveyance documents and instruments contemplated or referenced thereunder.

"Curative Allocation" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 6.1(d)(ix).

"Departing Partner" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1 or 11.2.

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation Section 1.752-2(a).

"Event of Withdrawal" has the meaning assigned to such term in Section 11.1(a).

"Gathering LLC" means Gathering LLC, a Delaware limited liability company.

"General Partner" means Plains All American Inc. and its successors and permitted assigns as general partner of the Partnership.

"General Partner Interest" means the ownership interest of the General Partner in the Partnership (in its capacity as a general partner) and includes any and all benefits to which the General Partner is entitled as provided in this Agreement, together with all obligations of the General Partner to comply with the terms and provisions of this Agreement.

"Group" means a Person that with or through any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent given to such Person in response to a proxy or consent solicitation made to 10 or more Persons) or disposing of any MLP Securities with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, MLP Securities.

"Group Member" means a member of the Partnership Group.

"Indemnitee" means (a) the General Partner, (b) any Departing Partner, (c) any Person who is or was an Affiliate of the General Partner or any Departing Partner, (d) any Person who is or was a member, partner, officer, director, employee, agent or trustee of any Group Member, the General Partner or any Departing Partner or any Affiliate of any Group Member, the General Partner or any Departing Partner, and (e) any Person who is or was serving at the request of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another Person; provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

"Initial Offering" means the initial offering and sale of Common Units to the public, as described in the Registration Statement.

"Limited Partner Interest" means the ownership interest of a Limited Partner or Assignee in the Partnership and includes any and all benefits to which such Limited Partner or Assignee is entitled as provided in this Agreement, together with all obligations of such Limited Partner or Assignee to comply with the terms and provisions of this Agreement.

"Liquidation Date" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the Partners have the right to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"Liquidator" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Texas Act.

"Limited Partner" means any Person that is admitted to the Partnership as a limited partner pursuant to the terms and conditions of this Agreement; but the term Limited Partner shall not include any Person from and after the time such Person withdraws as a Limited Partner from the Partnership.

"Marketing" means Plains Marketing, L.P., a Delaware limited partnership.

"Marketing Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P., as it may be amended, supplemented or restated from time to time.

"Merger Agreement" has the meaning assigned to such term in Section 14.1.

"Minimum Quarterly Distribution" has the meaning assigned to such term in the MLP Agreement.

"MLP" means Plains All American Pipeline, L.P.

"MLP Agreement" means the Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P., as it may be amended, supplemented or restated from time to time.

"MLP Security" has the meaning assigned to the term "Partnership Security" in the MLP Agreement.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner or Assignee by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.5(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner or Assignee upon

such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable year, the excess, if any, of the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Income shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d).

"Net Loss" means, for any taxable year, the excess, if any, of the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d).

"Net Termination Gain" means, for any taxable year, the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Net Termination Loss" means, for any taxable year, the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Sections 6.2(b)(i)(A), 6.2(b)(ii)(A) and 6.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Deductions" means any and all items of loss, deduction or expenditures (described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(b), are attributable to a Nonrecourse Liability.

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"OLP Subsidiary" means a Subsidiary of the OLP.

"Omnibus Agreement" means that Omnibus Agreement, dated as of the Closing Date, among Plains Resources, Inc., the General Partner, the MLP, Marketing and the Partnership.

"Opinion of Counsel" means a written opinion of counsel (which may be regular counsel to the Partnership or the General Partner or any of its Affiliates) acceptable to the General Partner in its reasonable discretion.

"Partner Nonrecourse Debt" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

"Partnership" means All American Pipeline, L.P., a Texas limited partnership, and any successors thereto.

"Partnership Group" means the Partnership and all OLP Subsidiaries, treated as a single consolidated entity.

"Partnership Interest" means an ownership interest of a Partner in the Partnership, which shall include the General Partner Interest and the Limited Partner Interest(s).

"Partnership Minimum Gain" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(d).

"Percentage Interest" means the percentage interest in the Partnership held by each Partner upon completion of the transactions in Section 5.4 and shall mean, (a) as to the General Partner, an aggregate .001% and (b) as to the MLP, 99.999%.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Prior Agreement" is defined in the Recitals.

"Pro Rata" means, when modifying Partners and Assignees, apportioned among all Partners and Assignees in accordance with their relative Percentage Interests.

"Quarter" means, unless the context requires otherwise, a fiscal quarter of the Partnership.

"Recapture Income" means any gain recognized by the Partnership (computed without regard to any adjustment required by Section 734 or Section 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Registration Statement" means the Registration Statement on Form S-1 (Registration No. 333-64107) as it has been or as it may be amended or supplemented from time to time, filed by the MLP with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"Required Allocations" means (a) any limitation imposed on any allocation of Net Losses or Net Termination Losses under Section 6.1(b) or 6.1(c)(ii) and (b) any allocation of an item of income, gain, loss or deduction pursuant to Section 6.1(d)(i), 6.1(d)(ii), 6.1(d)(iv), 6.1(d)(vii) or 6.1(d)(ix).

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 6.2(b)(i)(A) or 6.2(b)(ii)(A), respectively, to eliminate Book-Tax Disparities.

"Restricted Business" has the meaning assigned to such term in the Omnibus Agreement.

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"Special Approval" has the meaning assigned to such term in the MLP Agreement.

"Subsidiary" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership

interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"Surviving Business Entity" has the meaning assigned to such term in Section 14.2(b).

"Texas Act" means the Texas Revised Limited Partnership Act, Tex. Rev. Civ. Stat. Ann., art. 6132a-1 (Vernon's Texas Statutes), et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"Transfer" has the meaning assigned to such term in Section 4.4(a).

"Underwriter" means each Person named as an underwriter in Schedule I to the Underwriting Agreement who purchases Common Units pursuant thereto.

"Underwriting Agreement" means the Underwriting Agreement dated November 17, 1998 among the Underwriters, the MLP and certain other parties, providing for the purchase of Common Units by such Underwriters.

"Unit" has the meaning assigned to such term in the MLP Agreement.

"Unit Majority" has the meaning assigned to such term in the MLP Agreement.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 5.5(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date).

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 5.5(d)).

"U.S. GAAP" means United States Generally Accepted Accounting Principles consistently applied.

"Working Capital Borrowings" means borrowings exclusively for working capital purposes made pursuant to a credit facility or other arrangement requiring all such borrowings thereunder to be reduced to a relatively small amount each year for an economically meaningful period of time.

Section 1.2 Construction.

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) the term "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

## ARTICLE II
## ORGANIZATION

Section 2.1 Formation.

The Partnership was previously formed as a limited partnership pursuant to the provisions of the Texas Act. The Partners hereby amend and restate the Prior Agreement in its entirety. This amendment and restatement shall become effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Texas Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

Section 2.2 Name.

The name of the Partnership shall be "All American Pipeline, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General Partner in its sole discretion, including the name of the General Partner. The words "Limited Partnership," "L.P." or "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner in its discretion may change the name of the Partnership at any time and from time to time and shall notify the other Partner(s) of such change in the next regular communication to the Partners.

Section 2.3 Registered Office; Registered Agent; Principal Office; Other Offices.

Unless and until changed by the General Partner, the registered office of the Partnership in the State of Texas shall be located at 500 Dallas, Suite 700, Houston, Texas 77002, and the registered agent for service of process on the Partnership in the State of Texas at such registered office shall be Michael R. Patterson. The principal office of the Partnership shall be located at 500 Dallas, Suite 700, Houston, Texas 77002 or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Texas as the General Partner deems necessary or appropriate. The address of the General Partner shall be 500 Dallas, Suite 700, Houston, Texas 77002 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

Section 2.4 Purpose and Business.

The purpose and nature of the business to be conducted by the Partnership shall be to (a) acquire, manage, operate and sell the Assets and any similar assets or properties now or hereafter acquired by the Partnership, (b) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that the Partnership is permitted to engage in, or any type of business or activity engaged in by the General Partner prior to the Closing Date and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and which lawfully may be conducted by a limited partnership organized pursuant to the Texas Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity; provided, however, that the General Partner reasonably determines, as of the date of the acquisition or commencement of such activity, that such activity (i) generates "qualifying income" (as such term is defined pursuant to Section 7704 of the Code) or (ii) enhances the operations of an activity of the Partnership that generates qualifying income, and (d) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member, the MLP or any Subsidiary of the MLP. The General Partner has no obligation or duty to the Partnership, the Limited Partners, or the Assignees to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Partnership of any business.

Section 2.5 Powers.

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

Section 2.6 Power of Attorney.

(a) Each Partner and each Assignee hereby constitutes and appoints the General Partner and, if a Liquidator shall have been selected pursuant to Section 12.3, the Liquidator (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Texas and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Interests issued pursuant hereto; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by any provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or Assignee's successors and assigns. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 2.7 Term.

The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Texas Act and shall continue in existence until the close of Partnership business on December 31, 2088 or until the earlier dissolution of the Partnership in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Texas Act.

Section 2.8 Title to Partnership Assets.

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner or Assignee, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; provided, further, that, prior to the withdrawal or removal of the General

Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

## ARTICLE III
## RIGHTS OF LIMITED PARTNERS

Section 3.1 Limitation of Liability.

The Limited Partners and the Assignees shall have no liability under this Agreement except as expressly provided in this Agreement or in the Texas Act.

Section 3.2 Management of Business.

No Limited Partner or Assignee, in its capacity as such, shall participate in the operation, management or control (within the meaning of the Texas Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, member, general partner, agent or trustee of the General Partner or any of its Affiliates, or any officer, director, employee, member, general partner, agent or trustee of a Group Member, in its capacity as such, shall not be deemed to be participation in the control of the business of the Partnership by a limited partner of the Partnership (within the meaning of Section 3.03(a) of the Texas Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 3.3 Outside Activities of the Limited Partners.

Subject to the provisions of Section 7.5 and the Omnibus Agreement, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

Section 3.4 Rights of Limited Partners.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand and at such Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year;

(iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the Net Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) The General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the MLP or the Partnership Group, (B) could damage the MLP or the Partnership Group or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

## ARTICLE IV
## TRANSFERS OF PARTNERSHIP INTERESTS

Section 4.1 Transfer Generally.

(a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction by which the General Partner assigns its General Partner Interest to another Person who becomes the General Partner (or an Assignee) or by which the holder of a Limited Partner Interest assigns such Limited Partner Interest to another Person who becomes a Limited Partner (or an Assignee), and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any shareholder of the General Partner of any or all of the issued and outstanding capital stock of the General Partner.

Section 4.2 Transfer of General Partner's Partnership Interest.

If the General Partner transfers its interest as the general partner of the MLP to any Person in accordance with the provisions of the MLP Agreement, the General Partner shall contemporaneously therewith transfer all, but not less than all, of its General Partner Interest herein to such Person, and the Limited Partners and Assignees, if any, hereby expressly consent to such transfer. Except as set forth in the immediately preceding sentence and in Section 5.2, a General Partner may not transfer all or any part of its Partnership Interest as the General Partner.

Section 4.3 Transfer of a Limited Partner's Partnership Interest.

A Limited Partner may transfer all, but not less than all, of its Partnership Interest as a Limited Partner in connection with the merger, consolidation or other combination of such Limited Partner with or into any other Person or the transfer by such Limited Partner of all or substantially all of its assets to another Person, and following any such transfer such Person may become a Substituted Limited Partner pursuant to Article X. Except as set forth in the immediately preceding sentence and in Section 5.2, or in connection with any pledge of (or any related foreclosure on) a Partnership Interest as a Limited Partner solely for the purpose of securing, directly or indirectly, indebtedness of the Partnership or the MLP, and except for the transfers contemplated by Sections 5.2 and 10.1, a Limited Partner may not transfer all or any part of its Partnership Interest or withdraw from the Partnership.

Section 4.4 Restrictions on Transfers.

(a) Notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interest shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership or the MLP under the laws of the jurisdiction of its formation or (iii) cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of the Partnership or the MLP becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions.

## ARTICLE V
## CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

Section 5.1 Initial Contributions.

In connection with the conversion of All American Pipeline Company to the Partnership, the investment of the General Partner and PAAI LLC in the stock of All American Pipeline Company prior to its conversion became its respective capital contribution to the Partnership.

Section 5.2 Contributions Pursuant to the Contribution and Conveyance Agreement.

(a) Pursuant to the Contribution and Conveyance Agreement, the Partnership has assumed certain indebtedness relating to the Assets as described in the Contribution and Conveyance Agreement.

(b) Pursuant to the Contribution and Conveyance Agreement, the Partnership has distributed to the General Partner all of its interest in Gathering LLC.

(c) Notwithstanding anything else herein contained, if the aggregate excess net working capital reflected on the balance sheets of the Partnership and Marketing that are prepared in accordance with Section 7.3 of the Contribution and Conveyance Agreement is in excess of $8,000,000, then the Partnership shall distribute to the General Partner all of its excess net working capital up to the total amount of such excess. In the event that such aggregate excess net working capital is less than $8,000,000, the General Partner shall contribute to the Partnership, as a Capital Contribution, cash in an amount equal to the amount that, when added to the amount of the similar contribution made to Marketing by the General Partner, would cause the aggregate excess net working capital of the Partnership and Marketing to be equal to $8,000,000.

(d) Following the foregoing transactions, the General Partner holds a .001% General Partner Interest and the MLP holds a 99.999% Limited Partner Interest.

Section 5.3 Additional Capital Contributions.

With the consent of the General Partner, any Limited Partner may, but shall not be obligated to, make additional Capital Contributions to the Partnership. Contemporaneously with the making of any Capital Contributions by a Limited Partner, in addition to those provided in Sections 5.1 and

5.2, the General Partner shall be obligated to make an additional Capital Contribution to the Partnership in an amount equal to .001 divided by 99.999 times the amount of the additional Capital Contribution then made by such Limited Partner. Except as set forth in the immediately preceding sentence and in Article XII, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

Section 5.4 Interest and Withdrawal.

No interest shall be paid by the Partnership on Capital Contributions. No Partner or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions.

Section 5.5 Capital Accounts.

(a) The Partnership shall maintain for each Partner (or a beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion) owning a Partnership Interest a separate Capital Account with respect to such Partnership Interest in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1, and decreased by (x) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1.

(b) For purposes of computing the amount of any item of income, gain, loss or deduction which is to be allocated pursuant to Article VI and is to be reflected in the Partners' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided, that:

(i) Solely for purposes of this Section 5.5, the Partnership shall be treated as owning directly its proportionate share (as determined by the General Partner) of all property

owned by any OLP Subsidiary that is classified as a partnership for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 6.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment in the Capital Accounts shall be treated as an item of gain or loss.

(iv) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Partnership's Carrying Value with respect to such property as of such date.

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.5(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(vi) If the Partnership's adjusted basis in a depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 6.1. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(c) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(d) (i) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property or the conversion of the General Partner's Partnership Interest to Common Units pursuant to Section 11.3(a), the Capital Accounts of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior

to a distribution shall (A) in the case of an actual distribution which is not made pursuant to Section 12.4 or in the case of a deemed contribution and/or distribution occurring as a result of a termination of the Partnership pursuant to Section 708 of the Code, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

Section 5.6 Loans from Partners.

Loans by a Partner to the Partnership shall not constitute Capital Contributions. If any Partner shall advance funds to the Partnership in excess of the amounts required hereunder to be contributed by it to the capital of the Partnership, the making of such excess advances shall not result in any increase in the amount of the Capital Account of such Partner. The amount of any such excess advances shall be a debt obligation of the Partnership to such Partner and shall be payable or collectible only out of the Partnership assets in accordance with the terms and conditions upon which such advances are made.

Section 5.7 Limited Preemptive Rights.

Except as provided in Section 5.3, no Person shall have preemptive, preferential or other similar rights with respect to (a) additional Capital Contributions; (b) issuance or sale of any class or series of Partnership Interests, whether unissued, held in the treasury or hereafter created; (c) issuance of any obligations, evidences of indebtedness or other securities of the Partnership convertible into or exchangeable for, or carrying or accompanied by any rights to receive, purchase or subscribe to, any such Partnership Interests; (d) issuance of any right of subscription to or right to receive, or any warrant or option for the purchase of, any such Partnership Interests; or (e) issuance or sale of any other securities that may be issued or sold by the Partnership.

Section 5.8 Fully Paid and Non-Assessable Nature of Partnership Interests.

All Partnership Interests issued to Limited Partners pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Partnership Interests, except as such non-assessability may be affected by Section 6.07 of the Texas Act.

## ARTICLE VI
## ALLOCATIONS AND DISTRIBUTIONS

Section 6.1 Allocations for Capital Account Purposes.

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 5.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

(a) Net Income. After giving effect to the special allocations set forth in Section 6.1(d), Net Income for each taxable year and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable year shall be allocated among the Partners as follows:

(i) First, 100% to the General Partner, until the aggregate Net Income allocated to the General Partner pursuant to this Section 6.1(a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(ii) for all previous taxable years;

(ii) Second, .001% to the General Partner and 99.999% to the Limited Partners in accordance with their respective Percentage Interests.

(b) Net Losses. After giving effect to the special allocations set forth in Section 6.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated among the Partners as follows:

(i) First, .001% to the General Partner and 99.999% to the Limited Partners, in accordance with their respective Percentage Interests; provided, however, that Net Losses shall not be allocated to a Limited Partner pursuant to this Section 6.1(b)(i) to the extent that such allocation would cause a Limited Partner to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in such Limited Partners's Adjusted Capital Account);

(ii) Second, the balance, if any, 100% to the General Partner.

(c) Net Termination Gains and Losses. After giving effect to the special allocations set forth in Section 6.1(d), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 6.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 6.1 and after all distributions of Available Cash provided under Section 6.4 have been made with respect to the taxable period ending on or before the Liquidation Date; provided, however, that solely for purposes of this Section 6.1(c), Capital Accounts shall not be adjusted for distributions made pursuant to Section 12.4.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Gain shall be allocated among the Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

(A) First, to each Partner having a deficit balance in its Capital Account, in the proportion that such deficit balance bears to the total deficit balances in the Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Capital Account; and

(B) Second, .001% to the General Partner and 99.999% to the Limited Partners, in accordance with their respective Percentage Interests.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Loss shall be allocated among the Partners in the following manner:

(A) First, to the General Partner and the Limited Partners in proportion to, and to the extent of, the positive balances in their respective Capital Accounts; and

(B) Second, the balance, if any, 100% to the General Partner.

(d) Special Allocations. Notwithstanding any other provision of this Section 6.1, the following special allocations shall be made for such taxable period:

(i) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Section 6.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d) with respect to such taxable period (other than an allocation pursuant to Sections 6.1(d)(v) and 6.1(d)(vi)). This Section 6.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Partner Nonrecourse Debt Minimum Gain. Notwithstanding the other provisions of this Section 6.1 (other than Section 6.1(d)(i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations

pursuant to this Section 6.1(d), other than Section 6.1(d)(i) and other than an allocation pursuant to Sections 6.1(d)(v) and 6.1(d)(vi), with respect to such taxable period. This Section 6.1(d)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 6.1(d)(i) or (ii).

(iv) Gross Income Allocations. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 6.1(d)(iv) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 6.1 have been tentatively made as if this Section 6.1(d)(iv) were not in this Agreement.

(v) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Partners in accordance with their respective Percentage Interests. If the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the other Partners, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vi) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

(vii) Nonrecourse Liabilities. For purposes of Treasury Regulation Section 1.752-3(a)(3), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (A) the amount of Partnership Minimum Gain and (B) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

(viii) Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(c) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

(ix) Curative Allocation.

(A) Notwithstanding any other provision of this Section 6.1, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 6.1. Notwithstanding the preceding sentence, Required Allocations relating to (1) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain. Allocations pursuant to this Section 6.1(d)(ix)(A) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 6.1(d)(ix)(A) shall be deferred with respect to allocations pursuant to clauses (1) and (2) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 6.1(d)(ix)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations pursuant to Section 6.1(d)(ix)(A) among the Partners in a manner that is likely to minimize such economic distortions.

Section 6.2 Allocations for Tax Purposes.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 6.1.

(b) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Partners as follows:

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 5.5(d)(i) or 5.5(d)(ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 6.2(b)(i)(A); and (B) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(iii) The General Partner shall apply the principles of Treasury Regulation Section 1.704-3(d) to eliminate Book-Tax Disparities.

(c) For the proper administration of the Partnership and for the preservation of uniformity of the Units or other limited partner interests of the MLP (or any class or classes thereof), the General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of the Units or other limited partner interests of the MLP (or any class or classes thereof). The General Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 6.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Units or other limited partner interests of the MLP

issued and outstanding or the Partnership and if such allocations are consistent with the principles of Section 704 of the Code.

(d) The General Partner in its discretion may determine to depreciate or amortize the portion of an adjustment under Section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation or amortization method and useful life applied to the Partnership's common basis of such property, despite any inconsistency of such approach with Proposed Treasury Regulation Section 1.168-2(n), Treasury Regulation Section 1.167(c)-l(a)(6) or the legislative history of Section 197 of the Code. If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt depreciation and amortization conventions under which all purchasers acquiring limited partner interests of the MLP in the same month would receive depreciation and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other reasonable depreciation and amortization conventions to preserve the uniformity of the intrinsic tax characteristics of any limited partner interests of the MLP that would not have a material adverse effect on the Partners or the holders of any class or classes of limited partner interests of the MLP.

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 6.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) All items of income, gain, loss, deduction and credit recognized by the Partnership for federal income tax purposes and allocated to the Partners in accordance with the provisions hereof shall be determined without regard to any election under Section 754 of the Code which may be made by the Partnership; provided, however, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by Sections 734 and 743 of the Code.

(g) The General Partner may adopt such methods of allocation of income, gain, loss or deduction between a transferor and a transferee of a Partnership Interest as it determines necessary, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

(h) Allocations that would otherwise be made to a Partner under the provisions of this Article VI shall instead be made to the beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion.

Section 6.3 Distributions.

(a) Within 45 days following the end of each Quarter commencing with the Quarter ending on December 31, 1998, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 6.07 of the Texas Act, be distributed in accordance with this Article VI by the Partnership to the Partners in accordance with their respective Percentage Interests. The immediately preceding sentence shall not require any distribution of cash if and to the extent such distribution would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject. All distributions required to be made under this Agreement shall be made subject to Section 6.07 of the Texas Act.

(b) In the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) The General Partner shall have the discretion to treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of Available Cash to such Partners.

## ARTICLE VII
## MANAGEMENT AND OPERATION OF BUSINESS

Section 7.1 Management.

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner or Assignee shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into a Partnership Interest, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group, subject to Section 7.6, the lending of funds to other Persons (including the MLP and any Member of the Partnership Group), the repayment of obligations of the MLP or any member of the Partnership Group and the making of capital contributions to any member of the Partnership Group;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners as it deems necessary or appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, corporations or other relationships subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation; and

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law.

(b) Notwithstanding any other provision of this Agreement, the MLP Agreement, the Texas Act or any applicable law, rule or regulation, each of the Partners and Assignees and each other Person who may acquire an interest in the Partnership hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Partnership Agreement, the MLP Agreement, the Underwriting Agreement, the Omnibus Agreement, the Contribution and Conveyance Agreement and the other agreements and documents described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the Assignees or the other Persons who may acquire an interest in the Partnership; and (iii) agrees that the execution, delivery or performance by the General Partner, the MLP, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

Section 7.2 Certificate of Limited Partnership.

The Certificate of Limited Partnership has been filed with the Secretary of State of the State of Texas as required by the Texas Act and the General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Texas or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Texas or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner or Assignee.

Section 7.3 Restrictions on General Partner's Authority.

(a) The General Partner may not, without written approval of the specific act by the Limited Partners or by other written instrument executed and delivered by the Limited Partners subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership property, or assigning any rights in specific Partnership property, for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner or (v) transferring its General Partner Interest.

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination) or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Partnership, without the approval of the Limited Partners; provided however that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership and shall not apply to any forced sale of any or all of the assets of the Partnership pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of at least a Unit Majority, the General Partner shall not, on behalf of the MLP, (i) consent to any amendment to this Agreement or, except as expressly permitted by Section 7.9(d) of the MLP Agreement, take any action permitted to be taken by a Partner, in either case, that would have a material adverse effect on the MLP as a Partner or (ii) except as permitted under Sections 4.6, 11.1 and 11.2 of the MLP Agreement, elect or cause the MLP to elect a successor general partner of the Partnership.

Section 7.4 Reimbursement of the General Partner.

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement or in the MLP Agreement, the General Partner shall not be compensated for its services as General Partner, general partner of the MLP or as general partner of any Group Member.

(b) The General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the General Partner to perform services for the Partnership or for the General Partner in the discharge of its duties to the Partnership), and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including expenses allocated to the General Partner by its Affiliates). The General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this

Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) Subject to Section 5.7, the General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit plans, employee programs and employee practices, or cause the Partnership to issue Partnership Interests, in connection with, pursuant to any employee benefit plan, employee program or employee practice maintained or sponsored by the General Partner or any of its Affiliates, in each case for the benefit of employees of the General Partner any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. Expenses incurred by the General Partner in connection with any such plans, programs and practices shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any employee benefit plans, employee programs or employee practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's General Partner Interest pursuant to Section 4.2.

Section 7.5 Outside Activities.

(a) After the Closing Date, the General Partner, for so long as it is the General Partner of the Partnership (i) agrees that its sole business will be to act as the General Partner of the Partnership, the general partner of the MLP, and a general partner of any other partnership of which the Partnership or the MLP is, directly or indirectly, a partner and to undertake activities that are ancillary or related thereto (including being a limited partner in the MLP), (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner of the Partnership, the MLP or one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member and (iii) except to the extent permitted in the Omnibus Agreement, shall not, and shall cause its Affiliates not to, engage in any Restricted Business.

(b) The Omnibus Agreement, to which the Partnership is a party, sets forth certain restrictions on the ability of Plains Resources Inc. to engage in Restricted Businesses.

(c) Except as specifically restricted by Section 7.5(a) and the Omnibus Agreement, each Indemnitee (other than the General Partner) shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by the MLP or any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of the MLP or any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to the MLP or any Group Member or any Partner or Assignee. Neither the MLP nor any Group Member, any Limited Partner, nor any other Person shall have any rights by

virtue of this Agreement, the MLP Agreement or the partnership relationship established hereby or thereby in any business ventures of any Indemnitee.

(d) Subject to the terms of Section 7.5(a), Section 7.5(b), Section 7.5(c) and the Omnibus Agreement, but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any type whatsoever of the General Partner for the Indemnitees (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership and (iii) except as set forth in the Omnibus Agreement, the General Partner and the Indemnities shall have no obligation to present business opportunities to the Partnership.

(e) The General Partner and any of its Affiliates may acquire Units or other MLP Securities in addition to those acquired on the Closing Date and, except as otherwise provided in this Agreement, shall be entitled to exercise all rights relating to such Units or MLP Securities.

(f) The term "Affiliates" when used in Section 7.5(a) and Section 7.5(e) with respect to the General Partner shall not include any Group Member or any Subsidiary of the MLP or any Group Member.

(g) Anything in this Agreement to the contrary notwithstanding, to the extent that provisions of Sections 7.7, 7.8, 7.9, 7.10 or other Sections of this Agreement purport or are interpreted to have the effect of restricting the fiduciary duties that might otherwise, as a result of Texas or other applicable law, be owed by the General Partner to the Partnership and its Limited Partners, or to constitute a waiver or consent by the Limited Partners to any such restriction, such provisions shall be inapplicable and have no effect in determining whether the General Partner has complied with its fiduciary duties in connection with determinations made by it under this Section 7.5.

Section 7.6 Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partner.

(a) The General Partner or its Affiliates may lend to the MLP or any Group Member, and the MLP or any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the MLP or the Group Member for such periods of time and in such amounts as the General Partner may determine; provided, however, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes

of this Section 7.6(a) and Section 7.6(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to the General Partner or any of its Affiliates (other than the MLP, a Subsidiary of the MLP or a Subsidiary of another Group Member).

(b) The Partnership may lend or contribute to any Group Member, and any Group Member may borrow from the Partnership, funds on terms and conditions established in the sole discretion of the General Partner; provided, however, that the Partnership may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership Group. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

(d) The Partnership Group may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.2 and 5.3, the Contribution and Conveyance Agreement and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership.

(f) The General Partner and its Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

(g) Without limitation of Sections 7.6(a) through 7.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

Section 7.7 Indemnification.

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 7.7 shall be available to the General Partner with respect to its obligations incurred pursuant to the Underwriting Agreement or the Contribution and Conveyance Agreement (other than obligations incurred by the General Partner on behalf of the MLP or the Partnership). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting

Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner, its Affiliates and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities or such Person's activities on behalf of the Partnership, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7(a); and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.8 Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partners, the

Assignees or any other Persons who have acquired interests in the Units or other Partnership Securities of the MLP, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 7.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Limited Partners, the General Partner and any other Indemnitee acting in connection with the Partnership's business or affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partner, and the Partnership's and General Partner's directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 Resolution of Conflicts of Interest.

(a) Unless otherwise expressly provided in this Agreement or the MLP Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, the MLP, any Partner or any Assignee, on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement of the MLP Agreement, of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The General Partner shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution. Any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is (i) approved by Special Approval (as long as the material facts known to the General Partner or any of its Affiliates regarding any proposed transaction were disclosed to the Conflicts Committee at the time it gave its approval), (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or

(iii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). The General Partner may also adopt a resolution or course of action that has not received Special Approval. The General Partner (including the Conflicts Committee in connection with Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or principles; and (D) such additional factors as the General Partner (including the Conflicts Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner (including the Conflicts Committee) to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Texas Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, the MLP, any Limited Partner or any Assignee, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the MLP Agreement, any other agreement contemplated hereby or under the Texas Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definition of Available Cash shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions to the General Partner or its Affiliates to exceed .001% of the total amount distributed to all Partners or (B) hasten the expiration of the Subordination Period or the conversion of any Subordinated Units into Common Units.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

(d) The Limited Partner hereby authorizes the General Partner, on behalf of the Partnership as a partner or member of a Group Member, to approve of actions by the general partner of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

Section 7.10 Other Matters Concerning the General Partner.

(a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership.

(d) Any standard of care and duty imposed by this Agreement or under the Texas Act or any applicable law, rule or regulation shall be modified, waived or limited, to the extent permitted by law, as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement, so long as such action is reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership.

Section 7.11 Reliance by Third Parties.

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner and any officer of the General Partner authorized by the General Partner to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole

party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of the Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

## ARTICLE VIII
## BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 8.1 Records and Accounting.

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

Section 8.2 Fiscal Year.

The fiscal year of the Partnership shall be a fiscal year ending December 31.

## ARTICLE IX
## TAX MATTERS

Section 9.1 Tax Returns and Information.

The Partnership shall timely file all returns of the Partnership that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by the Partners for federal and state income

tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

Section 9.2 Tax Elections.

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners.

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

Section 9.3 Tax Controversies.

Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

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 or local 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 and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

ARTICLE X
ADMISSION OF PARTNERS

Section 10.1 Admission of Partners.

Upon the consummation of the transfers and conveyances described in Section 5.2, the General Partner shall be the sole general partner of the Partnership and the MLP shall be the sole limited partner of the Partnership.

Section 10.2 Admission of Substituted Limited Partner.

By transfer of a Limited Partner Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee (a) the right to negotiate such Limited Partner Interest to a purchaser or other transferee and (b) the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest shall be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Limited Partner Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall remain an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee. If no such written direction is received, such Partnership Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

Section 10.3 Admission of Additional Limited Partners.

(a) A Person (other than the General Partner, the MLP or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.6, and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.3, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

Section 10.4 Admission of Successor or Transferee General Partner.

A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's Partnership Interest pursuant to Section 4.2 who is proposed to be admitted as a successor General Partner shall, subject to compliance with the terms of Section 11.3, if applicable, be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to Section 11.1 or 11.2 or the transfer of the General Partner Interest pursuant to Section 4.2, provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.2 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

Section 10.5 Amendment of Agreement and Certificate of Limited Partnership.

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Texas Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

## ARTICLE XI
## WITHDRAWAL OR REMOVAL OF PARTNERS

Section 11.1 Withdrawal of the General Partner.

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal");

(i) The General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners;

(ii) The General Partner transfers all of its rights as General Partner pursuant to Section 4.2;

(iii) The General Partner is removed pursuant to Section 11.2;

(iv) The General Partner withdraws from, or is removed as the General Partner of, the MLP;

(v) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(v); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor in possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(vi) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vii) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv)(with respect to withdrawal), (v), (vi) or (vii)(A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, Eastern Standard Time, on December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited

Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by the Limited Partners and the General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or of the limited partners of the MLP or cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Eastern Standard Time, on December 31, 2008, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Limited Partners, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii), (iii) or (iv). If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i) hereof or Section 11.1(a)(i) of the MLP Agreement, the Limited Partners may, prior to the effective date of such withdrawal, elect a successor General Partner; provided, however, that such successor shall be the same person, if any, that is elected by the limited partners of the MLP pursuant to Section 11.1 of the MLP Agreement as the successor to the general partner of the MLP. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Limited Partners as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

Section 11.2 Removal of the General Partner.

The General Partner shall be removed if the General Partner is removed as the general partner of the MLP pursuant to Section 11.2 of the MLP Agreement. Such removal shall be effective concurrently with the effectiveness of the removal of the General Partner as the general partner of the MLP pursuant to the terms of the MLP Agreement. If a successor general partner for the MLP is elected in connection with the removal of the General Partner, such successor general partner for the MLP shall, upon admission pursuant to Article X, automatically become the successor General Partner of the Partnership. The admission of any such successor General Partner to the Partnership shall be subject to the provisions of Section 10.3.

Section 11.3 Interest of Departing Partner.

(a) The Partnership Interest of the Departing Partner departing as a result of withdrawal or removal pursuant to Section 11.1 or 11.2 shall (unless it is otherwise required to be converted into Common Units pursuant to Section 11.3(b) of the MLP Agreement) be purchased by the successor to the Departing Partner for cash in the manner specified in the MLP Agreement. Such purchase (or conversion into Common Units, as applicable) shall be a condition to the admission to the Partnership of the successor as the General Partner. Any successor General Partner shall indemnify the Departing Partner as to all debts and liabilities of the Partnership arising on or after the effective date of the withdrawal or removal of the Departing Partner.

(b) The Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by such Departing Partner for the benefit of the Partnership.

Section 11.4 Withdrawal of a Limited Partner.

Without the prior written consent of the General Partner, which may be granted or withheld in its sole discretion, and except as provided in Section 10.1, no Limited Partner shall have the right to withdraw from the Partnership.

## ARTICLE XII
## DISSOLUTION AND LIQUIDATION

Section 12.1 Dissolution.

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Section 11.1 or 11.2, the Partnership shall not be dissolved and such successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

(a) the expiration of its term as provided in Section 2.7;

(b) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and an Opinion of Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.3;

(c) an election to dissolve the Partnership by the General Partner that is approved by all of the Limited Partners;

(d) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Texas Act;

(e) the sale of all or substantially all of the assets and properties of the Partnership Group; or

(f) the dissolution of the MLP.

Section 12.2 Continuation of the Business of the Partnership After Dissolution.

Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.1 or 11.2, then within 90 days thereafter, or (b) dissolution of the Partnership upon an event constituting an Event of Withdrawal as defined in Section 11.1(a)(iv), (v) or (vi) of the MLP Agreement, then, to the maximum extent permitted by law, within 180 days thereafter, all of the Limited Partners may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as a general partner a Person approved by a majority in interest of the Limited Partners. In addition, upon dissolution of the Partnership pursuant to Section 12.1(f), if the MLP is reconstituted pursuant to Section 12.2 of the MLP Agreement, the reconstituted MLP may, within 180 days after such event of dissolution, acting alone, regardless of whether there are any other Limited Partners, elect to reconstitute the Partnership in accordance with the immediately preceding sentence. Upon any such election by the Limited Partners or the MLP, as the case may be, all Partners shall be bound thereby and shall be deemed to have approved same. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(a) the reconstituted Partnership shall continue until the end of the term set forth in Section 2.7 unless earlier dissolved in accordance with this Article XII;

(b) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be purchased by the successor General Partner or converted into Common Units as provided in the MLP Agreement; and

(c) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file, a new partnership agreement and certificate of limited partnership, and the successor General Partner may for this purpose exercise the power of attorney granted the General Partner pursuant to Section 2.6; provided, that the right to approve a successor General Partner and to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of the Limited Partners or any limited partner of the MLP and (y) neither the Partnership, the reconstituted limited partnership, the MLP nor any Group Member would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

Section 12.3 Liquidator.

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the General Partner shall select

one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by a majority of the Limited Partners. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by a majority in interest of the Limited Partners. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by at least a majority in interest of the Limited Partners. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

Section 12.4 Liquidation.

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 8.05 of the Texas Act and the following:

(a) Disposition of Assets. The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) Discharge of Liabilities. Liabilities of the Partnership include amounts owed to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) Liquidation Distributions. All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with, and to the extent of, the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 12.4(c)) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(g)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

Section 12.5 Cancellation of Certificate of Limited Partnership.

Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership, and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Texas, shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 12.6 Return of Contributions.

The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

Section 12.7 Waiver of Partition.

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

Section 12.8 Capital Account Restoration.

No Limited Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership. The General Partner shall be obligated to restore any negative balance in its Capital Account upon liquidation of its interest in the Partnership by the end of the taxable year of the Partnership during which such liquidation occurs, or, if later, within 90 days after the date of such liquidation.

ARTICLE XIII
AMENDMENT OF PARTNERSHIP AGREEMENT

Section 13.1 Amendment to be Adopted Solely by the General Partner.

Each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that no Group Member will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Texas Act) or (B) facilitate the trading of limited partner interests of the MLP (including the division of any class or classes of outstanding limited partner interests of the MLP into different classes to facilitate uniformity of tax consequences within such classes of limited partner interests of the MLP) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which such limited partner interests are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the MLP and the limited partners of the MLP, (iii) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement or (iv) is required to conform the provisions of this Agreement with the provisions of the MLP Agreement as the provisions of the MLP Agreement may be amended, supplemented or restated from time to time;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its directors, officers, trustees or agents from in any manner

being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(h) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(i) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(j) a merger or conveyance pursuant to Section 14.3(d); or

(k) any other amendments substantially similar to the foregoing.

Section 13.2 Amendment Procedures.

Except with respect to amendments of the type described in Section 13.1, all amendments to this Agreement shall be made in accordance with the following requirements: Amendments to this Agreement may be proposed only by or with the consent of the General Partner which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the Limited Partner.

## ARTICLE XIV
## MERGER

Section 14.1 Authority.

The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Texas or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article XIV.

Section 14.2 Procedure for Merger or Consolidation.

Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "Surviving Business Entity");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partner interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

Section 14.3 Approval by Limited Partners of Merger or Consolidation.

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of the Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the Limited Partners.

(c) Except as provided in Section 14.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Article XIV or in this Agreement, the General Partner is permitted, in its discretion, without Limited Partner approval, to merge the Partnership or any Group Member into, or convey all of the Partnership's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such Merger other than those it receives from the Partnership or other Group Member if (i) the General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner or any limited partner in the MLP or cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity and (iii) the governing instruments of the new entity provide the Limited Partners and the General Partner with the same rights and obligations as are herein contained.

Section 14.4 Certificate of Merger.

Upon the required approval by the General Partner and the Limited Partners of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Texas in conformity with the requirements of the Texas Act.

Section 14.5 Effect of Merger.

(a) At the effective time of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any

of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

## ARTICLE XV
## GENERAL PROVISIONS

Section 15.1 Addresses and Notices.

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner at the address described below. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

Section 15.2 Further Action.

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.3 Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.4 Integration.

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

Section 15.5 Creditors.

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 15.6 Waiver.

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 15.7 Counterparts.

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto, independently of the signature of any other party.

Section 15.8 Applicable Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Texas, without regard to the principles of conflicts of law.

Section 15.9 Invalidity of Provisions.

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.10 Consent of Partners.

Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

[Rest of Page Intentionally Left Blank]

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

GENERAL PARTNER:

PLAINS ALL AMERICAN INC.

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Its: Senior Vice President, General Counsel and Secretary

LIMITED PARTNER:

PLAINS MARKETING, L.P.

By: Plains All American Inc.
Its: General Partner

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Its: Senior Vice President, General Counsel and Secretary

EXHIBIT 3.5

CERTIFICATE OF LIMITED PARTNERSHIP

OF

PLAINS MARKETING, L.P.

The undersigned represents that it has formed a limited partnership pursuant to the Delaware Revised Uniform Limited Partnership Act (the "Act") and that the undersigned has executed this Certificate in compliance with the requirements of the Act. The undersigned further states:

1. The name of the limited partnership is PLAINS MARKETING, L.P. (the "Partnership").

2. The address of the registered office of the Partnership in the State of Delaware and the name and address of the registered agent of the Partnership required to be maintained by Section 17-104 of the Act at such address are as follows:

| Name and Address of Registered Agent | Address of Registered Office |
|---|---|
| Corporation Service Company<br>1013 Centre Road<br>Wilmington, Delaware 19805-1297 | 1013 Centre Road<br>Wilmington, DE 19805-1297 |

3. The name and business address of the General Partner is as follows:

| General Partner | Address |
|---|---|
| Plains All American Inc. | 500 Dallas, Suite 700<br>Houston, Texas 77002 |

WHEREFORE, the undersigned has executed this Certificate as of the 10th day of November, 1998.

PLAINS ALL AMERICAN INC.
as General Partner

By: /s/ Michael R. Patterson
Name: Michael R. Patterson
Title: Vice President

EXHIBIT 3.6

# ARTICLES OF CONVERSION
# OF
# ALL AMERICAN PIPELINE COMPANY

Pursuant to the provisions of Articles 5.17 through 5.20 of the Texas Business Corporation Act, All American Pipeline Company, a Texas corporation (the "Converting Entity"), does hereby adopt the following Articles of Conversion for the purpose of converting the Converting Entity into All American Pipeline, L.P., a Texas limited partnership (the "Converted Entity").

1. The name, address, form of organization and date of incorporation of the Converting Entity and the state under the laws of which it is organized are:

| Name of Entity and Address | Form of Organization | State | Date of Incorporation |
|---|---|---|---|
| All American Pipeline Company<br>500 Dallas, Suite 700<br>Houston, Texas 77002 | Corporation | Texas | 6/22/83 |

2. The name, address, type of entity of the Converted Entity and the state under the laws of which it is organized are:

| Name of Entity and Address | Form of Organization | State |
|---|---|---|
| All American Pipeline, L.P.<br>500 Dallas, Suite 700<br>Houston, Texas 77002 | Limited Partnership | Texas |

3. The Converted Entity is being created pursuant to the Plan of Conversion of The Converting Entity as set forth in the Plan attached hereto as Exhibit "A" (the "Plan"). The Plan was approved, adopted, certified, executed and acknowledged by the Converting Entity in the manner prescribed by the Texas Business Corporation Act.

4. The executed Plan is on file at the principal place of business of the Converting Entity, located at 500 Dallas, Suite 700, Houston, Texas 77002. Additionally, the executed Plan will be on file, from and after the date of conversion, at the principal place of business of the Converted Entity, located at 500 Dallas, Suite 700, Houston, Texas 77002.

5. A copy of the Plan will be furnished by the Converting Entity (prior to conversion) or the Converted Entity (after the conversion), upon written request and without cost, to any shareholder of the Converting Entity or any partner of the Converted Entity.

6. The number of shares outstanding, and the number of shares voted for and against the Conversion are as follows:

| Outstanding Shares | Votes For Conversion | Votes Against Conversion |
|---|---|---|
| 1,100 | 1,100 | -0- |

7. In lieu of the Comptroller's certificate, the Converted Entity will be responsible for the payment of all fees and franchise taxes.

8. The conversion will become effective on the date and time of the filing of these Articles of Conversion in accordance with the provisions of the Texas Business Corporation Act.

Dated: November 10, 1998

All American Pipeline Company

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Vice President

EXHIBIT "A"

PLAN OF CONVERSION
OF
ALL AMERICAN PIPELINE COMPANY

1. The following are the domestic converting and converted entities that are a party to the conversion:

A. All American Pipeline Company, a Texas corporation (the "Converting Entity"); and

B. All American Pipeline, L.P., a Texas limited partnership (the "Converted Entity").

2. The Converting Entity shall continue in its existence in the organizational form of the Converted Entity, which shall be a Texas limited partnership organized under the Texas Revised Limited Partnership Act.

3. Each share of the Converting Entity shall be canceled and extinguished and shall be convertible into and become a right to receive from the Converted Entity general and limited partner interests in the Converted Entity. Each such general and limited partner interest shall have the same value as each share of the Converting Entity.

4. Attached hereto as Annex "A" is the Certificate of Limited Partnership of the Converted Entity.

ANNEX A

CERTIFICATE OF LIMITED PARTNERSHIP
OF
ALL AMERICAN PIPELINE, L.P.

1. The name of the limited partnership is All American Pipeline, L.P.

2. The address of the registered office and the name and address of the registered agent for service of process is as follows:

Michael R. Patterson
500 Dallas, Suite 700
Houston, Texas 77002

3. The address of the principal office in the United States where records of the limited partnership are to be kept or made available is as follows:

500 Dallas, Suite 700
Houston, Texas 77002

4. The name, mailing address and the street address of the business of the sole general partner is as follows:

Plains All American Inc.
500 Dallas, Suite 700
Houston, Texas 77002

5. The limited partnership is to be formed as of the time of the filing of this Certificate of Limited Partnership with the Secretary of State of Texas.

6. This limited partnership is being organized pursuant to a plan of conversion. The name, address, prior form of organization, date of incorporation and the jurisdiction of incorporation of the converting entity are as follows:

| Name and Address | Prior Form of Organization | Date of Incorporation | Jurisdiction of Incorporation |
|---|---|---|---|
| All American Pipeline Company<br>500 Dallas, Suite 700<br>Houston, Texas 77002 | Corporation | 6/22/83 | Texas |

EXHIBIT 10.1

# CREDIT AGREEMENT

ALL AMERICAN PIPELINE, L.P.,

as Borrower,

PLAINS MARKETING, L.P.

as Guarantor,

and

PLAINS ALL AMERICAN PIPELINE, L.P.,

as Guarantor,

ING (U.S.) CAPITAL CORPORATION,

as Administrative Agent,

ING BARING FURMAN SELZ LLC,

as Syndication Agent,

BANCBOSTON ROBERTSON STEPHENS INC.,

as Documentation Agent,

and CERTAIN FINANCIAL INSTITUTIONS,

as Lenders

$50,000,000 Revolving Credit Facility

$175,000,000 Term Loan

November 17, 1998

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT is made as of November 17, 1998, by and among ALL AMERICAN PIPELINE, L.P., a Texas limited partnership ("All American" or "Borrower"), PLAINS MARKETING, L.P., a Delaware limited partnership ("Marketing"), PLAINS ALL AMERICAN PIPELINE, L.P. ("Plains MLP"), a Delaware limited partnership, ING (U.S.) CAPITAL CORPORATION, as administrative agent (in such capacity, "Administrative Agent"), ING BARING FURMAN SELZ LLC, as syndication agent (in such capacity, "Syndication Agent") and BANCBOSTON ROBERTSON STEPHENS INC., as documentation agent (in such capacity, "Documentation Agent") and the Lenders referred to below. In consideration of the mutual covenants and agreements contained herein the parties hereto agree as follows:

ARTICLE I - Definitions and References

Section 1.1. Defined Terms. As used in this Agreement, each of the following terms has the meaning given to such term in this Section 1.1 or in the sections and subsections referred to below:

"Adjusted Eurodollar Rate" means, with respect to each particular Eurodollar Loan and the related Interest Period, the rate per annum (rounded upwards, if necessary, to the nearest 1/1000 of 1% determined by Administrative Agent to be equal to the quotient obtained by dividing (i) the rate reported, on the date two Business Days prior to the first day of such Interest Period, on Dow Jones Market Service (formerly Telerate Access Service) Page 3750 (British Bankers Association Settlement Rate) as the London Interbank Offered Rate for dollar deposits having a term comparable to such Interest Period and in an amount of $1,000,000 or more (or, if such Page shall cease to be publicly available or if the information contained on such Page, in Administrative Agent's sole judgment, shall cease to accurately reflect such London Interbank Offered Rate, as reported by any publicly available source of similar market data selected by Administrative Agent that, in Administrative Agent's sole judgment, accurately reflects such London Interbank Offered Rate) by (ii) 1 minus the Reserve Requirement for such Eurodollar Loan for such Interest Period. The Adjusted Eurodollar Rate for any Eurodollar Loan shall change whenever the Reserve Requirement changes.

"Administrative Agent" means ING (U.S.) Capital Corporation, as Administrative Agent hereunder, and its successors in such capacity.

"Affiliate" means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with, such Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power

(a) to vote 5% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or

(b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Affiliate Agreements" means the Crude Oil Marketing Agreement, the Omnibus Agreement, and the Contribution Agreement.

"Agreement" means this Credit Agreement.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of Base Rate Loans and such Lender's Eurodollar Lending Office in the case of Eurodollar Loans.

"Applicable Leverage Level" means the level set forth below that corresponds to the ratio of (i) Consolidated Funded Indebtedness of Plains MLP and its Subsidiaries to (ii) the Consolidated EBITDA for the applicable period of four Fiscal Quarters (the "Leverage Ratio"):

| Applicable Leverage Level | Leverage Ratio |
|---|---|
| Level I | greater than or equal to 4.0 to 1.0 |
| Level II | greater than or equal to 3.0 to 1.0 but less than 4.0 to 1.0 |
| Level III | greater than or equal to 2.0 to 1.0 but less than 3.0 to 1.0 |
| Level IV | less than 2.0 to 1.0 |

The Leverage Ratio will be determined quarterly by Administrative Agent within two (2) Business Days after Administrative Agent's receipt of Plains MLP's Consolidated financial statements for the immediate preceding Fiscal Quarter based upon: (i) Consolidated Funded Indebtedness as of the end of such Fiscal Quarter, and (ii) the Consolidated EBITDA for the four Fiscal Quarters ending with such Fiscal Quarter. The Applicable Leverage Level shall become effective upon such determination of the Leverage Ratio by Administrative Agent and shall remain effective until the next such determination by Administrative Agent of the Leverage Ratio. From the date hereof until the date the Administrative Agent has determined the Leverage Ratio based on the December 31, 1998 Fiscal Quarter, the Applicable Leverage Level shall be Level III.

"Applicable Rating Level" means, for any day, the level set forth below that corresponds to the higher of the ratings publicly announced by Moody's or S&P, as applicable on that day, to the Term Loans; provided that if ratings announced by Moody's and S&P differ by more than two (2) levels on such day, then the Applicable Rating Level shall be based upon the level which is one level lower than the higher.

| Applicable Rating Level | Moody's | S&P |
|---|---|---|
| Level A | *Baa3 | *BBB- |
| Level B | **Baa3 | **BBB- |

"*" means greater than or equal to and "**" means less than. If neither Moody's or S&P shall have in effect a rating for the Term Loans, then the Applicable Rating Level shall be deemed to be Level B. If the rating system of either rating agency shall change, or if a rating agency shall cease to be in the business of rating corporate debt obligations, Plains MLP and the Revolver Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency, but until such an agreement shall be reached, the Applicable Rating Level shall be based only upon the rating by the remaining rating agency.

"Available Cash" has the meaning given such term in the Partnership Agreement.

"Base Rate" means, for any day, the higher of (a) the Reference Rate and (b) the Federal Funds Rate plus one-half percent (0.5%) per annum. For purposes of this definition, "Reference Rate" means the arithmetic average of the rates of interest publicly announced by The Chase Manhattan Bank, Citibank, N.A. and Morgan Guaranty Trust Company of New York (or their respective successors) as their respective prime commercial lending rates (or, as to any such bank that does not announce such a rate, such bank's 'base' or other rate determined by Administrative Agent to be the equivalent rate announced by such bank), except that, if any such bank shall, for any period, cease to announce publicly its prime commercial lending (or equivalent) rate, Administrative Agent shall, during such period, determine the "Base Rate" based upon the prime commercial lending (or equivalent) rates announced publicly by the other such banks.

"Base Rate Loan" means a Loan which does not bear interest at the Adjusted Eurodollar Rate.

"Borrower" means All American Pipeline, L.P., a Texas limited partnership.

"Borrowing" means a borrowing of new Revolver Loans of a single Type pursuant to Section 2.2 or a Continuation or Conversion of all or a portion of an existing Loan (whether alone or as a combination with a new Loan) into a single Type (and, in the case of Eurodollar Loans, with the same Interest Period) pursuant to Section 2.3.

"Borrowing Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.2.

"Business Day" means a day, other than a Saturday or Sunday, on which commercial banks are open for business with the public in New York, New York. Any Business Day in any way relating to Eurodollar Loans (such as the day on which an Interest Period begins or ends) must also be a day on which, in the judgment of Administrative Agent, significant transactions in dollars are carried out in the London interbank eurocurrency market.

"Capital Lease" means a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Capital Lease Obligation" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"Cash and Carry Purchases" means purchases of crude oil for physical storage at a Plains Terminal or in transit in pipelines Currently Approved by Majority Lenders which constitutes Hedged Eligible Inventory, as such terms are defined in the Marketing Credit Agreement.

"Cash Equivalents" means Investments in:

(a) marketable obligations, maturing within 12 months after acquisition thereof, issued or unconditionally guaranteed by the United States of America or an instrumentality or agency thereof and entitled to the full faith and credit of the United States of America;

(b) demand deposits and time deposits (including certificates of deposit) maturing within 12 months from the date of deposit thereof, (i) with any office of any Lender or (ii) with a domestic office of any national or state bank or trust company which is organized under the Laws of the United States of America or any state therein, which has capital, surplus and undivided profits of at least $500,000,000, and whose long term certificates of deposit are rated at least Aa3 by Moody's or AA- by S&P;

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in subsection (a) above entered into with (i) any Lender or (ii) any other commercial bank meeting the specifications of subsection (b) above;

(d) open market commercial paper, maturing within 270 days after acquisition thereof, which are rated at least P-1 by Moody's or A-1 by S&P; and

(e) money market or other mutual funds substantially all of whose assets comprise securities of the types described in subsections (a) through (d) above.

"Change of Control" means the occurrence of any of the following events: (i) an event or series of events by which any Person or other entity or group of Persons or other entities acting in concert as a partnership or other group (a "Group of Persons") shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases, merger, consolidation or otherwise, have become the beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of (A) 50% or more of the combined voting power of the then outstanding voting stock of Resources, in the case of any Person or Group of Persons constituting or controlled by Affiliates of Kayne Anderson Investment Management, Inc., or (B) 40% or more of such combined voting power in the case of any other Person or Group of Persons, (ii) during any period of two consecutive years (A) the members of the board of directors of Resources (the "Board") as of January 1, 1998, (B) any director elected thereafter in any annual meeting of the stockholders of Resources upon the recommendation of the Board, and

(C) any other member of the Board who will be recommended or elected to succeed those Persons described in subclauses (A) and (B) of this clause (ii) by a majority of such Persons who are then members of the Board, cease for any reason to constitute collectively a majority of the Board then in office, (iii) the direct or indirect sale, lease, exchange or other transfer of all or substantially all of the Consolidated assets of Resources and its Subsidiaries, to any Person or Group of Persons, or (iv) Resources, either directly or through a Wholly Owned Subsidiary of Resources, shall cease to be the legal and beneficial owner (as defined above) of more than 50% of the voting power of the outstanding voting stock of General Partner, or General Partner shall cease to be 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, All American, or Borrower, (v) any Person or Group of Persons other than Resources or any Subsidiary of Resources shall be the beneficial owner (as defined above) of 50% or more of the combined voting power of the then total partnership interests in Plains MLP, or (vi) Resources and its Wholly Owned Subsidiaries taken as a whole shall hold legal and beneficial ownership of issued and outstanding partnership interests of Plains MLP representing less than 5% of the total outstanding partnership interests of Plains MLP.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, together with all rules and regulations promulgated with respect thereto.

"Collateral" means all property of any kind which is subject to a Lien in favor of Lenders (or in favor of Administrative Agent for the benefit of Lenders) or which, under the terms of any Security Document, is purported to be subject to such a Lien, in each case granted or created to secure all or part of the Obligations.

"Consolidated" refers to the consolidation of any Person, in accordance with GAAP, with its properly consolidated subsidiaries. References herein to a Person's Consolidated financial statements, financial position, financial condition, liabilities, etc. refer to the consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly consolidated subsidiaries.

"Consolidated EBITDA" means, for any four-Fiscal Quarter period, the sum of (1) the Consolidated Net Income of Plains MLP and its Subsidiaries during such period, plus (2) all interest expense which was deducted in determining such Consolidated Net Income for such period, plus (3) all income taxes (including any franchise taxes to the extent based upon net income) which were deducted in determining such Consolidated Net Income, plus (4) all depreciation, amortization (including amortization of good will and debt issue costs) and other non-cash charges (including any provision for the reduction in the carrying value of assets recorded in accordance with GAAP) which were deducted in determining such Consolidated Net Income, minus (5) all non-cash items of income which were included in determining such Consolidated Net Income. For the Fiscal Quarters preceding the date hereof, Consolidated EBITDA shall be mean the pro forma Consolidated EBITDA reflected on Schedule 5 for such Fiscal Quarter.

"Consolidated Funded Indebtedness" means as of any date, the sum of the following (without duplication): (i) all Indebtedness which is classified as "long-term indebtedness" on a

consolidated balance sheet of Plains MLP and its Consolidated Subsidiaries prepared as of such date in accordance with GAAP and any current maturities or other principal amount in respect of such Indebtedness due within one year but which was classified as "long-term indebtedness" at the creation thereof, (ii) indebtedness for borrowed money of Plains MLP and its Consolidated Subsidiaries outstanding under a revolving credit or similar agreement providing for borrowings (and renewals and extensions thereof) over a period of more than one year, notwithstanding the fact that any such borrowing is made within one year of the expiration of such agreement, and (iii) Indebtedness in respect of Capital Leases of Plains MLP and its Consolidated Subsidiaries; provided, however, Consolidated Funded Indebtedness shall not include Indebtedness in respect of letters of credit or in respect of Cash and Carry Purchases.

"Consolidated Net Income" means, for any period, Plains MLP's and its Subsidiaries' gross revenues for such period, including any cash dividends or distributions actually received from any other Person during such period, minus Plains MLP's and its Subsidiaries' expenses and other proper charges against income (including taxes on income, to the extent imposed), determined on a Consolidated basis after eliminating earnings or losses attributable to outstanding minority interests and excluding the net earnings of any Person other than a Subsidiary in which Plains MLP or any of its Subsidiaries has an ownership interest. Consolidated Net Income shall not include any gain or loss from the sale of assets or any extraordinary gains or losses.

"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 (a) Plains MLP's Consolidated liabilities, as determined in accordance with GAAP, and (b) all outstanding Minority Interests. The effect of any increase or decrease in net worth in any period as a result of any unrealized gains or losses from a mark to market of any Hedging Contracts not reflected in the determination of net income but reflected in the determination of comprehensive income shall be excluded in determining Consolidated Net Worth. "Minority Interests" means the book value of any equity interests in any of Plains MLP's Subsidiaries (exclusive of the general partner interests held by the General Partner in Marketing, All American or any other Restricted Person of up to two percent (2%) of the aggregate ownership interest in any such Person) which equity interests are owned by a Person other than Plains MLP or a Wholly Owned Subsidiary of Plains MLP.

"Continuation/Conversion Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.3.

"Continue", "Continuation", and "Continued" shall refer to the continuation pursuant to Section 2.3 hereof of a Eurodollar Loan as a Eurodollar Loan from one Interest Period to the next Interest Period.

"Contribution Agreement" means that certain Contribution, Conveyance and Assumption Agreement between Resources, Plains MLP, Marketing and certain other parties, subject to Section 1.3.

"Convert", "Conversion", and "Converted" shall refer to a conversion pursuant to Section 2.3 or Article III of one Type of Loan into another Type of Loan.

"Crude Oil Marketing Agreement" means that certain Crude Oil Marketing Agreement among Resources, Plains Illinois Inc., Stocker Resources, L.P., Calumet Florida, Inc. and Marketing, subject to Section 1.3.

"Cushing Terminal" means that certain storage facility owned by Marketing located in Cushing, Oklahoma.

"Default" means any Event of Default and any default, event or condition which would, with the giving of any requisite notices and the passage of any requisite periods of time, constitute an Event of Default.

"Default Rate" means, at the time in question, (i) three and three-fourths percent (3.75%) per annum plus the Adjusted Eurodollar Rate then in effect for any Eurodollar Loan (up to the end of the applicable Interest Period) or (ii) two percent (2%) per annum plus the Base Rate for each Base Rate Loan; provided, however, the Default Rate shall never exceed the Highest Lawful Rate

"Default Rate Period" means (i) any period during which an Event of Default, other than pursuant to Section 8.1 (a) or (b), is continuing, provided that such period shall not begin until notice of the commencement of the Default Rate has been given to Borrower by Administrative Agent upon the instruction by Majority Lenders and (ii) any period during which any Event of Default pursuant to Section 8.1 (a) or (b) is continuing unless Borrower has been notified otherwise by Administrative Agent upon the instruction by Majority Lenders.

"Disclosure Schedule" means Schedule 2 hereto.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" in the Lender Schedule hereto, or such other office as such Lender may from time to time specify to Borrower and Administrative Agent; with respect to LC Issuer, the office, branch, or agency through which it issues Letters of Credit; and, with respect to Administrative Agent, the office, branch, or agency through which it administers this Agreement.

"Eligible Transferee" means a Person which either (a) is a Lender, or (b) is consented to as an Eligible Transferee by Administrative Agent and, so long as no Default or Event of Default is continuing, by Borrower, which consents in each case will not be unreasonably withheld (provided that no Person organized outside the United States may be an Eligible Transferee if Borrower would be required to pay withholding taxes on interest or principal owed to such Person).

"Environmental Laws" means any and all Laws relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, together with all rules and regulations promulgated with respect thereto.

"ERISA Affiliate" means each Restricted Person and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with such Restricted Person, are treated as a single employer under Section 414 of the Code.

"ERISA Plan" means any employee pension benefit plan subject to Title IV of ERISA maintained by any ERISA Affiliate with respect to which any Restricted Person has a fixed or contingent liability.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" on the Lender Schedule hereto (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to Borrower and Administrative Agent.

"Eurodollar Loan" means a Loan that bears interest at a rate based upon the Adjusted Eurodollar Rate.

"Event of Default" has the meaning given to such term in Section 8.1.

"Existing Agreement" means that certain Credit Agreement among General Partner, Administrative Agent, Documentation Agent, and Syndication Agent and other financial institutions dated as of July 30, 1998, as amended, restated or supplemented to the date hereof.

"Facility Usage" means, at the time in question, the aggregate amount of outstanding Revolver Loans and LC Obligations at such time.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/1000th of one percent) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate quoted to Administrative Agent on such day on such transactions as determined by Administrative Agent.

"Fiscal Quarter" means a three-month period ending on March 31, June 30, September 30 or December 31 of any year.

"Fiscal Year" means a twelve-month period ending on December 31 of any year.

"Funding Date" means the Business Day, no later than four (4) Business Days after the date of this Agreement, on which the Offering is completed.

"GAAP" means those generally accepted accounting principles and practices which are recognized as such by the Financial Accounting Standards Board (or any generally recognized successor) and which, in the case of Plains MLP and its Consolidated Subsidiaries, are applied for all periods after the date hereof in a manner consistent with the manner in which such principles and practices were applied to the Initial Financial Statements. If any change in any accounting principle or practice is required by the Financial Accounting Standards Board (or any such successor) in order for such principle or practice to continue as a generally accepted accounting principle or practice, all reports and financial statements required hereunder with respect to Plains MLP or with respect to Plains MLP and its Consolidated Subsidiaries may be prepared in accordance with such change, but all calculations and determinations to be made hereunder may be made in accordance with such change only after notice of such change is given to each Lender and Majority Lenders agree to such change insofar as it affects the accounting of Plains MLP or of Plains MLP and its Consolidated Subsidiaries.

"General Partner" means Plains All American Inc., a Delaware corporation.

"Guarantors" means Plains MLP and all of its Subsidiaries (including Marketing but excluding Borrower) and any other Person who has guaranteed some or all of the Obligations and who has been accepted by Administrative Agent as a Guarantor or any Subsidiary of Plains MLP which now or hereafter executes and delivers a guaranty to Administrative Agent pursuant to Section 6.17.

"Hazardous Materials" means any substances regulated under any Environmental Law, whether as pollutants, contaminants, or chemicals, or as industrial, toxic or hazardous substances or wastes, or otherwise.

"Hedging Contract" means (a) any agreement providing for options, swaps, floors, caps, collars, forward sales or forward purchases involving interest rates, commodities or commodity prices, equities, currencies, bonds, or indexes based on any of the foregoing, (b) any option, futures or forward contract traded on an exchange, and (c) any other derivative agreement or other similar agreement or arrangement.

"Highest Lawful Rate" means, with respect to each Lender Party to whom Obligations are owed, the maximum nonusurious rate of interest that such Lender Party is permitted under applicable Law to contract for, take, charge, or receive with respect to such Obligations. All determinations herein of the Highest Lawful Rate, or of any interest rate determined by reference to the Highest Lawful Rate, shall be made separately for each Lender Party as appropriate to assure that the Loan Documents are not construed to obligate any Person to pay interest to any Lender Party at a rate in excess of the Highest Lawful Rate applicable to such Lender Party.

"Incentive and Option Plans" means the Plains All American Inc. 1998 Long-Term Incentive Plan as in effect on the date hereof, the Plains All American Inc. Management Incentive

Plan as in effect on the date hereof and those certain Transaction Grant Agreements disclosed in writing to Administrative Agent prior to the date of this Agreement.

"Indebtedness" of any Person means its Liabilities (without duplication) in any of the following categories:

(a) Liabilities for borrowed money,

(b) Liabilities constituting an obligation to pay the deferred purchase price of property or services,

(c) Liabilities evidenced by a bond, debenture, note or similar instrument,

(d) Liabilities (other than reserves for taxes and reserves for contingent obligations) which (i) would under GAAP be shown on such Person's balance sheet as a liability and (ii are payable more than one year from the date of creation or incurrence thereof,

(e) Liabilities arising under Hedging Contracts (on a net basis to the extent netting is provided for in the applicable Hedging Contract),

(f) Liabilities constituting principal under Capital Leases,

(g) Liabilities arising under conditional sales or other title retention agreements,

(h) Liabilities owing under direct or indirect guaranties of Liabilities of any other Person or otherwise constituting obligations to purchase or acquire or to otherwise protect or insure a creditor against loss in respect of Liabilities of any other Person (such as obligations under working capital maintenance agreements, agreements to keep-well, or agreements to purchase Liabilities, assets, goods, securities or services), but excluding endorsements in the ordinary course of business of negotiable instruments in the course of collection,

(i) Liabilities consisting of an obligation to purchase or redeem securities or other property, if such Liabilities arises out of or in connection with the sale or issuance of the same or similar securities or property (for example, repurchase agreements, mandatorily redeemable preferred stock and sale/leaseback agreements),

(j) Liabilities with respect to letters of credit or applications or reimbursement agreements therefor,

(k) Liabilities with respect to banker's acceptances, or

(l) Liabilities with respect to obligations to deliver goods or services in consideration of advance payments therefor;

provided, however, that the "Indebtedness" of any Person shall not include Liabilities that were incurred in the ordinary course of business by such Person on ordinary trade terms to vendors,

suppliers, or other Persons providing goods and services for use by such Person in the ordinary course of its business, unless and until such Liabilities are outstanding more than 120 days after the date the respective goods are delivered or the respective services are rendered, other than Liabilities contested in good faith by appropriate proceedings, if required, and for which adequate reserves are maintained on the books of such Person in accordance with GAAP.

"Initial Financial Statements" means the audited pro forma Consolidated financial statements of Plains MLP as of September 30, 1998.

"Insurance Schedule" means Schedule 4 attached hereto.

"Interest Expense" means, with respect to any period, the sum (without duplication) of the following (in each case, eliminating all offsetting debits and credits between Plains MLP and its Subsidiaries and all other items required to be eliminated in the course of the preparation of Consolidated financial statements of Plains MLP and its Subsidiaries in accordance with GAAP): (a) all interest and commitment fees in respect of Indebtedness of Plains MLP or any of its Subsidiaries (including imputed interest on Capital Lease Obligations) which are accrued during such period and whether expensed in such period or capitalized; plus (b) all fees, expenses and charges in respect of letters of credit issued for the account of Plains MLP or any of its Subsidiaries, which are accrued during such period and whether expensed in such period or capitalized.

"Interest Payment Date" means (a) with respect to each Base Rate Loan, the last day of each March, June, September and December, and (b) with respect to each Eurodollar Loan, the last day of the Interest Period that is applicable thereto and, if such Interest Period is six, or twelve months in length, the dates specified by Administrative Agent which are approximately three, six, and nine months (as appropriate) after such Interest Period begins; provided that the last Business Day of each calendar month shall also be an Interest Payment Date for each such Loan so long as any Event of Default exists under Section 8.1 (a) or (b).

"Interest Period" means, with respect to each particular Eurodollar Loan in a Borrowing, the period specified in the Borrowing Notice or Continuation/Conversion Notice applicable thereto, beginning on and including the date specified in such Borrowing Notice or Continuation/Conversion Notice (which must be a Business Day), and ending one, two, three, six or twelve months (if twelve months is available for each Lender) thereafter, as Borrower may elect in such notice; provided that: (a) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day; (b) any Interest Period which begins on the last Business Day in a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day in a calendar month; and (c) notwithstanding the foregoing, no Interest Period may be selected for a Revolver Loan that would end after the Revolver Maturity Date and no Interest Period may be selected for a Term Loan that would end after the Term Maturity Date.

"Investment" means any investment made, directly or indirectly in any Person, whether by acquisition of shares of capital stock, indebtedness or other obligations or securities or by loan, advance, capital contribution or otherwise, and whether made in cash, by the transfer of property or by any other means.

"Law" means any statute, law, regulation, ordinance, rule, treaty, judgment, order, decree, permit, concession, franchise, license, agreement or other governmental restriction of the United States or any state or political subdivision thereof or of any foreign country or any department, province or other political subdivision thereof.

"LC Application" means any application for a Letter of Credit hereafter made by Borrower to LC Issuer.

"LC Collateral" has the meaning given to such term in Section 2.13(a).

"LC Issuer" means BankBoston, N.A., in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity. Administrative Agent may, with the consent of Borrower and the Lender in question, appoint any Lender hereunder as an LC Issuer in place of or in addition to BankBoston, N.A.

"LC Obligations" means, at the time in question, the sum of all Matured LC Obligations plus the maximum amounts which LC Issuer might then or thereafter be called upon to advance under all Letters of Credit then outstanding.

"Lease Rentals" means, with respect to any period, the sum of the rental and other obligations required to be paid during such period by Plains MLP or any Subsidiary of Plains MLP as lessee under all leases of real or personal property (other than Capital Leases), excluding any amount required to be paid by the lessee (whether or not therein designated as rental or additional rental) on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges, provisions that, if at the date of determination, any such rental or other obligations are contingent or not otherwise definitely determinable by terms of the related lease, the amount of such obligations (i) shall be assumed to be equal to the amount of such obligations for the period of 12 consecutive calendar months immediately preceding the date of determination or (ii) if the related lease was not in effect during such preceding 12-month period, shall be the amount estimated by a senior financial officer of the General Partner on a reasonable basis and in good faith.

"Lender Parties" means Administrative Agent, Syndication Agent, Documentation Agent, LC Issuer, and all Lenders.

"Lender Schedule" means Schedule 1 hereto.

"Lenders" means each signatory hereto (other than Borrower and any Restricted Person that is a party hereto), including ING (U.S.) Capital Corporation in its capacity as a Lender hereunder rather than as Administrative Agent, and the successors of each such party as holder of a Note.

"Letter of Credit" means any letter of credit issued by LC Issuer hereunder at the application of Borrower.

"Letter of Credit Fee Rate" means, on any day, the rate per annum set forth below based on the Applicable Leverage Level and Applicable Rating Level on such date.

| Applicable Leverage Level | Applicable Rating Level | |
|---|---|---|
| | Level A | Level B |
| Level I | 1.50% | 1.75% |
| Level II | 1.25% | 1.50% |
| Level III | 1.00% | 1.25% |
| Level IV | .75% | 1.00% |

"Liabilities" means, as to any Person, all indebtedness, liabilities and obligations of such Person, whether matured or unmatured, liquidated or unliquidated, primary or secondary, direct or indirect, absolute, fixed or contingent, and whether or not required to be considered pursuant to GAAP.

"Lien" means, with respect to any property or assets, any right or interest therein of a creditor to secure Liabilities owed to it or any other arrangement with such creditor which provides for the payment of such Liabilities out of such property or assets or which allows such creditor to have such Liabilities satisfied out of such property or assets prior to the general creditors of any owner thereof, including any lien, mortgage, security interest, pledge, deposit, production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, tax lien, mechanic's or materialman's lien, or any other charge or encumbrance for security purposes, whether arising by Law or agreement or otherwise, but excluding any right of offset which arises without agreement in the ordinary course of business. "Lien" also means any filed financing statement, any registration of a pledge (such as with an issuer of uncertificated securities), or any other arrangement or action which would serve to perfect a Lien described in the preceding sentence, regardless of whether such financing statement is filed, such registration is made, or such arrangement or action is undertaken before or after such Lien exists.

"Loans" means all Revolver Loans and Term Loans.

"Loan Documents" means this Agreement, the Notes, the Security Documents, the Letters of Credit, the LC Applications, the Hedging Contracts described in Section 2.14, and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets and commitment letters).

"Majority Lenders" means Lenders whose aggregate Percentage Shares equal or exceed sixty-six and two-thirds percent (66 2/3%).

"Marketing" means Plains Marketing, L.P., a Delaware limited partnership.

"Marketing Credit Agreement" means that certain Amended and Restated Credit Agreement of even date herewith among Marketing, as Borrower, All American and Plains MLP as Guarantors, and the Agents and Lenders named therein, subject to Section 1.3.

"Material Adverse Change" means a material and adverse change, from the state of affairs presented in the Initial Financial Statements or as represented or warranted in any Loan Document, to (a) Plains MLP's Consolidated financial condition, (b) Plains MLP's Consolidated operations, properties or prospects, considered as a whole, (c) Borrower's ability to timely pay the Obligations, or (d) the enforceability of the material terms of any Loan Document.

"Matured LC Obligations" means all amounts paid by LC Issuer on drafts or demands for payment drawn or made under or purported to be under any Letter of Credit and all other amounts due and owing to LC Issuer under any LC Application for any Letter of Credit, to the extent the same have not been repaid to LC Issuer (with the proceeds of Loans or otherwise).

"Maximum Drawing Amount" means at the time in question the sum of the maximum amounts which LC Issuer might then or thereafter be called upon to advance under all Letters of Credit then outstanding.

"Moody's" means Moody's Investor Service, Inc., or its successor.

"Notes" means all Revolver Notes and all Term Notes.

"Obligations" means all Liabilities from time to time owing by any Restricted Person to any Lender Party under or pursuant to any of the Loan Documents, including all LC Obligations. "Obligation" means any part of the Obligations.

"Offering" means the public issuance of limited partnership interests of Plains MLP as described in the Preliminary Prospectus.

"Offering Documents" means the documents listed on Schedule 6 hereto.

"Omnibus Agreement" means that certain Omnibus Agreement between Resources, Plains MLP, Borrower, Marketing and General Partner, subject to Section 1.3.

"Open Position" means the aggregate volume of crude oil on which Restricted Persons have commodity price risk, which may include, without limitation, (i) the aggregate volume of crude oil owned for which Restricted Persons do not have, on an aggregate basis, contracts for sale at a fixed price and (ii) the aggregate volumes of crude oil under contracts for purchase for which Restricted Persons do not have, on an aggregate basis, contracts for sale on the substantially same pricing basis (i.e. at a fixed price for sale substantially equivalent to or above the fixed price for purchase of such crude oil, or at an index price for sale substantially equivalent to the index price for purchase of such crude oil, or at an index price for sale substantially equivalent to a margin above the index price for purchase of such crude oil). "Open Position"

shall not include, during the period from the first to the 25th day of a calendar month, any volumes of crude oil which Restricted Persons are obligated to gather in the next succeeding calendar month at a price based upon the posted price from time to time in effect during such next calendar month.

"Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of Plains MLP, subject to Section 1.3.

"Percentage Share" means, with respect to any Lender, the percentage obtained by dividing (i) the sum of the unpaid principal balance of such Lender's Term Loans at the time in question plus such Lender's Revolver Commitment, by (ii) the sum of the aggregate unpaid principal balance of all Term Loans at such time plus the total Revolver Commitment.

"Permitted Acquisitions" means (A) the acquisition of all of the capital stock or other equity interest in a Person (exclusive of general partner interests held by General Partner or another Wholly Owned Subsidiary of Resources not in excess of a 1% economic interest and exclusive of director qualifying shares and other equity interests required to be held by an Affiliate to comply with a requirement of Law) or (B) any acquisition of all or a portion of the business, assets or operations of a Person, provided that (i) prior to and after giving effect to such acquisition no Default or Event of Default shall have occurred and be continuing; (ii) all representations and warranties shall be true and correct as if restated immediately following the consummation of such acquisition; and (iii) substantially all of such business, assets and operations so acquired, or of the Person so acquired, consists of crude oil and/or gas marketing, gathering, transportation, storage, terminaling and pipeline operation.

"Permitted Investments" means (a) Cash Equivalents, (b) Investments described in the Disclosure Schedule, (c) Investments by Plains MLP or any of its Subsidiaries in any Wholly Owned Subsidiary of Plains MLP which is a Guarantor and (d) Permitted Acquisitions.

"Permitted Lien" has the meaning given to such term in Section 7.2.

"Person" means an individual, corporation, partnership, limited liability company, association, joint stock company, trust or trustee thereof, estate or executor thereof, unincorporated organization or joint venture, Tribunal, or any other legally recognizable entity.

"Plains MLP" means Plains All American Pipeline, L.P., a Delaware limited partnership.

"Preliminary Prospectus" has the meaning given such term in Schedule 6 hereto.

"Rating Agency" means either S&P or Moody's.

"Registration Statement" means that certain Registration Statement on Form S-1 filed with the Securities and Exchange Commission by Plains MLP under registration number 333-64107 (as amended prior to the date hereof), together with its referenced exhibits and other appendices.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect.

"Reserve Requirement" means, at any time, the maximum rate at which reserves (including any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) by member banks of the Federal Reserve System against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (a) any category of liabilities which includes deposits by reference to which the Adjusted Eurodollar Rate is to be determined, or (b) any category of extensions of credit or other assets which include Eurodollar Loans.

"Resources" means Plains Resources Inc., a Delaware corporation.

"Restricted Person" means any of Plains MLP and each Subsidiary of Plains MLP, including but not limited to Borrower, Marketing and each Subsidiary of Borrower and/or Marketing.

"Revolver Commitment" means $50,000,000. Each Lender's Revolver Commitment shall be the amount set forth on the Lender Schedule.

"Revolver Commitment Period" means the period from and including the date hereof until the Revolver Maturity Date (or, if earlier, the day on which the obligation of Lenders to make Loans hereunder and the obligation of LC Issuer to issue Letters of Credit hereunder has terminated or the day on which the Revolver Notes first become due and payable in full).

"Revolver Eurodollar Rate Margin" means the percent per annum set forth below based on the Applicable Leverage Level and Applicable Ratig Level in effect on such date.

| Applicable Leverage Level | Applicable Rating Level | |
|---|---|---|
| | Level A | Level B |
| Level I | 1.50% | 1.75% |
| Level II | 1.25% | 1.50% |
| Level III | 1.00% | 1.25% |
| Level IV | .75% | 1.00% |

Changes in the applicable Revolver Eurodollar Rate Margin will occur automatically without prior notice as changes in the Applicable Leverage Level or Applicable Rating Level occur. Administrative Agent will give notice promptly to Borrower and the Revolver Lenders of changes in the Revolver Eurodollar Rate Margin.

"Revolver Lender" means each holder of a Revolver Note.

"Revolver Loan" has the meaning given such term in Section 2.1(a).

"Revolver Maturity Date" means November 17, 2000.

"Revolver Note" has the meaning given such term in Section 2.1(a).

"Revolver Percentage Share" means, with respect to any Revolver Lender, the Revolver Percentage Share set forth opposite such Revolver Lender's name on the Lender Schedule.

"S&P" means Standard & Poor's Ratings Group (a division of McGraw Hill, Inc.) or its successor.

"Security Documents" means the instruments listed in the Security Schedule and all other security agreements, deeds of trust, mortgages, chattel mortgages, pledges, guaranties, financing statements, continuation statements, extension agreements and other agreements or instruments now, heretofore, or hereafter delivered by any Restricted Person to Administrative Agent in connection with this Agreement or any transaction contemplated hereby to secure or guarantee the payment of any part of the Obligations or the performance of any Restricted Person's other duties and obligations under the Loan Documents.

"Security Schedule" means Schedule 3 hereto.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled or owned more than fifty percent by such Person.

"Term Lender" means each holder of a Term Note.

"Term Loan" has the meaning given such term in Section 2.1(b).

"Term Loan Base Rate Margin" means on each day during the applicable period set forth below the percent per annum set forth below based on the Applicable Leverage Level in effect on such date and for such period:

| | Applicable Period | | |
|---|---|---|---|
| Applicable Leverage Level | November 17, 1998 through November 16, 2002, inclusive | November 17, 2002 through November 16, 2004, inclusive | November 17, 2004 through November 17, 2005, inclusive |
| Level I | .25% | .75% | 1.00% |
| Level II | 0 | .50% | .75% |

| | | | |
|---|---|---|---|
| Level III | 0 | .25% | .50% |
| Level IV | 0 | 0 | .25% |

Changes in the applicable Term Loan Base Rate Margin will occur automatically without prior notice as changes in the Applicable Leverage Level occur. Administrative Agent will give notice promptly to Borrower and the Term Lenders of changes in the Term Loan Base Rate Margin.

"Term Loan Eurodollar Rate Margin" means on each day during the applicable period set forth below, the percent per annum set forth below based on the Applicable Leverage Level in effect on such date and for such period:

| | Applicable Period | | |
|---|---|---|---|
| Applicable Leverage Level | November 17, 1998 through November 16, 2002, inclusive | November 17, 2002 through November 16, 2004, inclusive | November 17, 2004 through November 17, 2005, inclusive |
| Level I | 2.00% | 2.50% | 2.75% |
| Level II | 1.75% | 2.25% | 2.50% |
| Level III | 1.50% | 2.00% | 2.25% |
| Level IV | 1.25% | 1.75% | 2.00% |

Changes in the applicable Term Loan Eurodollar Rate Margin will occur automatically without prior notice as changes in the Applicable Leverage Level occur. Administrative Agent will give notice promptly to Borrower and the Term Lenders of changes in the Term Loan Eurodollar Rate Margin.

"Term Loan Maturity Date" means November 17, 2005.

"Term Note" has the meaning given such term in Section 2.1(b).

"Termination Event" means (a) the occurrence with respect to any ERISA Plan of (i) a reportable event described in Sections 4043(c)(5) or (6) of ERISA or (ii) any other reportable event described in Section 4043(c) of ERISA other than a reportable event not subject to the provision for 30-day notice to the Pension Benefit Guaranty Corporation pursuant to a waiver by such corporation under Section 4043(a) of ERISA, or (b) the withdrawal of any ERISA Affiliate from an ERISA Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the filing of a notice of intent to terminate any ERISA Plan or the treatment of any ERISA Plan amendment as a termination under Section 4041 of ERISA, or (d) the institution of proceedings to terminate any ERISA Plan by the Pension Benefit Guaranty Corporation under Section 4042 of ERISA, or (e) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan.

"Tribunal" means any government, any arbitration panel, any court or any governmental department, commission, board, bureau, agency or instrumentality of the United States of America or any state, province, commonwealth, nation, territory, possession, county, parish, town, township, village or municipality, whether now or hereafter constituted or existing.

"Type" means, with respect to any Loans, the characterization of such Loans as either Base Rate Loans or Eurodollar Loans.

"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, excluding any general partner interests owned by General Partner in any such Subsidiary that is a partnership, such general partner interests not to exceed two percent (2%) of the aggregate ownership interests of any such partnership and directors' qualifying shares if applicable.

"Working Capital Borrowings" has the meaning given to such term in Section 2.2(c) hereof.

Section 1.2. Exhibits and Schedules; Additional Definitions. All Exhibits and Schedules attached to this Agreement are a part hereof for all purposes. Reference is hereby made to the Security Schedule for the meaning of certain terms defined therein and used but not defined herein, which definitions are incorporated herein by reference.

Section 1.3. Amendment of Defined Instruments. Unless the context otherwise requires or unless otherwise provided herein the terms defined in this Agreement which refer to a particular agreement, instrument or document also refer to and include all renewals, extensions, modifications, amendments and restatements of such agreement, instrument or document, provided that nothing contained in this section shall be construed to authorize any such renewal, extension, modification, amendment or restatement. All references to the terms "Contribution Agreement", "Crude Oil Marketing Agreement", "Marketing Credit Agreement", "Omnibus Agreement", and "Partnership Agreement" shall be deemed to be references to those agreements as such agreements are executed and delivered by the parties thereto on the Funding Date, provided each such agreement is in the form of such agreement attached as an exhibit to the Registration Statement, with changes to such form that are non-substantive or that the Administrative Agent approves on or prior to the Funding Date. The terms "All American Pipeline" and "SJV Gathering System shall have the meanings given in the Preliminary Prospectus.

Section 1.4. References and Titles. All references in this Agreement to Exhibits, Schedules, articles, sections, subsections and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections and other subdivisions of this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "this Agreement," "this instrument," "herein," "hereof," "hereby," "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The phrases "this section" and

"this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not exclusive, and the word "including" (in its various forms) means "including without limitation." Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires.

Section 1.5. Calculations and Determinations. All calculations under the Loan Documents of interest chargeable with respect to Eurodollar Loans and of fees shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 360 days. All other calculations of interest made under the Loan Documents shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 365 or 366 days, as appropriate. Each determination by a Lender Party of amounts to be paid under Article III or any other matters which are to be determined hereunder by a Lender Party (such as any Eurodollar Rate, Adjusted Eurodollar Rate, Business Day, Interest Period, or Reserve Requirement) shall, in the absence of manifest error, be conclusive and binding. Unless otherwise expressly provided herein or unless Majority Lenders otherwise consent all financial statements and reports furnished to any Lender Party hereunder shall be prepared and all financial computations and determinations pursuant hereto shall be made in accordance with GAAP.

## ARTICLE II - The Loans and Letters of Credit

Section 2.1. Commitments to Lend; Notes.

(a) Revolver Loans. Subject to the terms and conditions hereof, each Revolver Lender agrees to make loans to Borrower (herein called such Lender's "Revolver Loans") upon Borrower's request from time to time during the Revolver Commitment Period, provided that (a) subject to Sections 3.3, 3.4 and 3.6, all Revolver Lenders are requested to make Revolver Loans of the same Type in accordance with their respective Revolver Percentage Shares and as part of the same Borrowing, (b) after giving effect to such Revolver Loans, the Facility Usage does not exceed the Revolver Commitment determined as of the date on which the requested Revolver Loans are to be made and (c) after giving effect to such Revolver Loans the Revolver Loans by each Revolver Lender plus the existing LC Obligations of such Revolver Lender does not exceed such Lender's Revolver Commitment. The aggregate amount of all Revolver Loans in any Borrowing must be equal to $2,000,000 or any higher integral multiple of $250,000. The obligation of Borrower to repay to each Revolver Lender the aggregate amount of all Revolver Loans made by such Revolver Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Lender's "Revolver Note") made by Borrower payable to the order of such Revolver Lender in the form of Exhibit A-1 with appropriate insertions. The amount of principal owing on any Revolver Lender's Revolver Note at any given time shall be the aggregate amount of all Revolver Loans theretofore made by such Revolver Lender minus all payments of principal theretofore received by such Revolver Lender on such Revolver Note. Interest on each Revolver Note shall accrue and be due and payable as provided herein and therein. Each Revolver Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the Revolver Maturity Date. Subject to the terms and conditions of this Agreement, Borrower may borrow, repay, and reborrow under this Section

2.1(a). Borrower may have no more than seven Borrowings of Eurodollar Loans outstanding at any time.

(b) Term Loans. Subject to the terms and conditions hereof, each Term Lender agrees to make a single advance to Borrower (herein called such Lender's "Term Loan") upon Borrower's request on or before November 23, 1998, provided that (a) such Term Loan does not exceed such Term Lender's Term Loan amount set forth on the Lender Schedule and (b) the aggregate amount of all Term Loans does not exceed $175,000,000. Portions of each Lender's Term Loan may from time to time be designated as a Base Rate Loan or Eurodollar Loan as provided herein. The obligation of Borrower to repay to each Term Lender the amount of the Term Loan made by such Term Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Term Lender's "Term Note") made by Borrower payable to the order of such Term Lender in the form of Exhibit A-2 with appropriate insertions. The amount of principal owing on any Term Lender's Term Note at any given time shall be the amount of such Term Lender's Term Loan minus all payments of principal theretofore received by such Term Lender on such Term Note. Interest on each Term Note shall accrue and be due and payable as provided herein and therein. Each Term Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the Term Loan Maturity Date. No portion of any Term Loan which has been repaid may be reborrowed.

Section 2.2. Requests for Revolver Loans. Borrower must give to Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing of Revolver Loans to be funded by Revolver Lenders. Each such notice constitutes a "Borrowing Notice" hereunder and must:

(a) specify (i) the aggregate amount of any such Borrowing of new Base Rate Loans and the date on which such Base Rate Loans are to be advanced, or (ii) the aggregate amount of any such Borrowing of new Eurodollar Loans, the date on which such Eurodollar Loans are to be advanced (which shall be the first day of the Interest Period which is to apply thereto), and the length of the applicable Interest Period; and

(b) be received by Administrative Agent not later than 11:00 a.m., New York, New York time, on (i) the day on which any such Base Rate Loans are to be made, or (ii) the third Business Day preceding the day on which any such Eurodollar Loans are to be made.

(c) If any requested Borrowing of Revolver Loans or portion thereof is to be utilized by Borrower exclusively for working capital purposes (such Borrowing or such portion being called a "Working Capital Borrowing"), Borrower shall specify in the Borrowing Notice that such Borrowing or such portion is a Working Capital Borrowing. In addition, any repayment of a Revolver Loan that is intended as a repayment of all or any part of the outstanding amount of one or more Working Capital Borrowings shall be so identified to the Administrative Agent at the time of such repayment.

Each such written request or confirmation must be made in the form and substance of the "Borrowing Notice" attached hereto as Exhibit B, duly completed. Each such telephonic request

shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Borrowing Notice, Administrative Agent shall give each Revolver Lender prompt notice of the terms thereof. If all conditions precedent to such new Revolver Loans have been met, each Revolver Lender will on the date requested promptly remit to Administrative Agent at Administrative Agent's office in New York, New York the amount of such Revolver Lender's new Revolver Loan in immediately available funds, and upon receipt of such funds, unless to its actual knowledge any conditions precedent to such Revolver Loans have been neither met nor waived as provided herein, Administrative Agent shall promptly make such Revolver Loans available to Borrower. Unless Administrative Agent shall have received prompt notice from a Revolver Lender that such Revolver Lender will not make available to Administrative Agent such Revolver Lender's new Revolver Loan, Administrative Agent may in its discretion assume that such Revolver Lender has made such Revolver Loan available to Administrative Agent in accordance with this section, and Administrative Agent may if it chooses, in reliance upon such assumption, make such Revolver Loan available to Borrower. If and to the extent such Revolver Lender shall not so make its new Revolver Loan available to Administrative Agent, such Lender and Borrower severally agree to pay or repay to Administrative Agent within three days after demand the amount of such Revolver Loan together with interest thereon, for each day from the date such amount was made available to Borrower until the date such amount is paid or repaid to Administrative Agent, with interest at (i) the Federal Funds Rate, if such Lender is making such payment and (ii) the interest rate applicable at the time to the other new Revolver Loans made on such date, if Borrower is making such repayment. If neither such Revolver Lender nor Borrower pays or repays to Administrative Agent such amount within such three-day period, Administrative Agent shall, be entitled to recover from Borrower, on demand in lieu of the interest provided for in the preceding sentence, interest thereon at the Default Rate, calculated from the date such amount was made available to Borrower. The failure of any Revolver Lender to make any new Revolver Loan to be made by it hereunder shall not relieve any other Revolver Lender of its obligation hereunder, if any, to make its new Revolver Loan, but no Revolver Lender shall be responsible for the failure of any other Revolver Lender to make any new Revolver Loan to be made by such other Revolver Lender.

Section 2.3. Continuations and Conversions of Existing Loans. Borrower may make the following elections with respect to Revolver Loans or Term Loans already outstanding: to Convert, in whole or in part, Base Rate Loans to Eurodollar Loans, to Convert, in whole or in part, Eurodollar Loans to Base Rate Loans on the last day of the Interest Period applicable thereto, and to Continue, in whole or in part, Eurodollar Loans beyond the expiration of such Interest Period by designating a new Interest Period to take effect at the time of such expiration. In making such elections, Borrower may combine existing Loans made pursuant to separate Borrowings into one new Borrowing or divide existing Loans made pursuant to one Borrowing into separate new Borrowings, provided that (i) Borrower may have no more than seven Borrowings of Eurodollar Loans outstanding at any time and (ii) no combinations may be made between Borrowings constituting Revolver Loans on the one hand and Borrowings constituting Term Loans on the other hand. To make any such election, Borrower must give to Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any such Conversion or Continuation of existing Loans, with a separate notice given for each new

Borrowing. Each such notice constitutes a "Continuation/Conversion Notice" hereunder and must:

(a) specify the existing Loans which are to be Continued or Converted;

(b) specify (i) the aggregate amount of any Borrowing of Base Rate Loans into which such existing Loans are to be Continued or Converted and the date on which such Continuation or Conversion is to occur, or (ii) the aggregate amount of any Borrowing of Eurodollar Loans into which such existing Loans are to be Continued or Converted, the date on which such Continuation or Conversion is to occur (which shall be the first day of the Interest Period which is to apply to such Eurodollar Loans), and the length of the applicable Interest Period; and

(c) be received by Administrative Agent not later than 11:00 a.m., New York, New York time, on (i) the day on which any such Continuation or Conversion to Base Rate Loans is to occur, or (ii) the third Business Day preceding the day on which any such Continuation or Conversion to Eurodollar Loans is to occur.

Each such written request or confirmation must be made in the form and substance of the "Continuation/Conversion Notice" attached hereto as Exhibit C, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Continuation/Conversion Notice, Administrative Agent shall give each Lender prompt notice of the terms thereof. Each Continuation/Conversion Notice shall be irrevocable and binding on Borrower. During the continuance of any Default, Borrower may not make any election to Convert existing Loans into Eurodollar Loans or Continue existing Loans as Eurodollar Loans beyond the expiration of their respective and corresponding Interest Period then in effect. If (due to the existence of a Default or for any other reason) Borrower fails to timely and properly give any Continuation/Conversion Notice with respect to a Borrowing of existing Eurodollar Loans at least three days prior to the end of the Interest Period applicable thereto, such Eurodollar Loans, to the extent not prepaid at the end of such Interest Period, shall automatically be Converted into Base Rate Loans at the end of such Interest Period. No new funds shall be repaid by Borrower or advanced by any Lender in connection with any Continuation or Conversion of existing Loans pursuant to this section, and no such Continuation or Conversion shall be deemed to be a new advance of funds for any purpose; such Continuations and Conversions merely constitute a change in the interest rate applicable to already outstanding Loans.

Section 2.4. Use of Proceeds. Borrower shall use (i) all Term Loans to repay up to $175,000,000 of the unpaid principal balance of the term loans outstanding under the Existing Agreement as of the date hereof, (ii) All Revolver Loans designated as Working Capital Borrowings pursuant to Section 2.2(c) to provide working capital for operations or to make distributions to the partners of Restricted Persons and (iii) all Revolver Loans not designated as Working Capital Loans pursuant to Section 2.2(c) to finance capital expenditures of any Restricted Person, to pay reimbursement obligations of Letters of Credit, to provide working capital for operations and for other general business purposes, including acquisitions, but not to

pay distributions to partners of Restricted Persons; provided, however, that no Revolver Loan shall be used to repay any Indebtedness under the Existing Agreement. Borrower shall use all Letters of Credit for its and its Subsidiaries' general corporate purposes, but not to pay distributions to partners of Restricted Persons. In no event shall the funds from any Loan or any Letter of Credit be used directly or indirectly by any Person for personal, family, household or agricultural purposes or for the purpose, whether immediate, incidental or ultimate, of purchasing, acquiring or carrying any "margin stock" (as such term is defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System) or to extend credit to others directly or indirectly for the purpose of purchasing or carrying any such margin stock. Borrower represents and warrants that Borrower is not engaged principally, or as one of Borrower's important activities, in the business of extending credit to others for the purpose of purchasing or carrying such margin stock.

Section 2.5. Interest Rates and Fees.

(a) Revolver Interest Rates. Each Revolver Loan shall bear interest as follows: (i) unless the Default Rate shall apply, (A) each Base Rate Loan shall bear interest on each day outstanding at the Base Rate in effect on such day, and (B) each Eurodollar Loan shall bear interest on each day during the related Interest Period at the related Adjusted Eurodollar Rate plus the Revolver Eurodollar Rate Margin in effect on such day, and (ii) during a Default Rate Period, all Revolver Loans shall bear interest on each day outstanding at the Default Rate. If an Event of Default based upon Section 8.1(a), Section 8.1(b) or, with respect to Borrower, based upon Section 8.1(i)(i), (i)(ii) or (i)(iii) exists and the Revolver Loans are not bearing interest at the Default Rate, the past due principal and past due interest shall bear interest on each day outstanding at the Default Rate. The interest rate shall change whenever the applicable Base Rate, the Adjusted Eurodollar Rate or the Revolver Eurodollar Rate Margin changes. In no event shall the interest rate on any Revolver Loan exceed the Highest Lawful Rate.

(b) Term Loan Interest Rates. Each Term Loan shall bear interest as follows: (i) unless the Default Rate shall apply, (A) each Base Rate Loan shall bear interest on each day outstanding at the Base Rate plus the Term Loan Base Rate Margin in effect on such day, and (B) each Eurodollar Loan shall bear interest on each day during the related Interest Period at the related Adjusted Eurodollar Rate plus the Term Loan Eurodollar Rate Margin in effect on such day and (ii) during a Default Rate Period, all Term Loans shall bear interest on each day outstanding at the Default Rate. If an Event of Default based upon Section 8.1(a) or Section 8.1(b) or, with respect to Borrower, based upon Section 8.1(i)(i), (i)(ii) or (i)(iii) exists and the Term Loans are not bearing interest at the Default Rate, the past due principal and past due interest shall bear interest on each day outstanding at the Default Rate. The interest rate shall change whenever the applicable Base Rate, Term Loan Base Rate Margin, Adjusted Eurodollar Rate, or Term Loan Eurodollar Rate Margin changes. In no event shall the interest rate on any Term Loan exceed the Highest Lawful Rate.

(c) Revolver Commitment Fees. In consideration of each Revolver Lender's commitment to make Revolver Loans, Borrower will pay to Administrative Agent for the account of each Revolver Lender a commitment fee determined on a daily basis by applying a rate of one-half of one percent (.50%) per annum to such Revolver Lender's Revolver Percentage Share of

the unused portion of the Revolver Commitment on each day during the Revolver Commitment Period, determined for each such day by deducting from the amount of the Revolver Commitment at the end of such day the Facility Usage. This commitment fee shall be due and payable in arrears on the last day of each Fiscal Quarter and at the end of the Revolver Commitment Period. Borrower shall have the right from time to time to permanently reduce the Revolver Commitment, provided that (i) notice of such reduction is given not less than 2 Business Days prior to such reduction, (ii) the resulting Revolver Commitment is not less than the Facility Usage and (iii) each partial reduction shall be in an amount at least equal to $500,000 and in multiples of $100,000 in excess thereof.

(d) Administrative Agent's Fees. In addition to all other amounts due to Administrative Agent under the Loan Documents, Borrower will pay fees to Administrative Agent as described in a letter agreement dated November 17, 1998, between Administrative Agent and Borrower.

Section 2.6. Optional Prepayments.

(a) Revolver Loans. Borrower may, upon five Business Days' notice to Administrative Agent (and Administrative Agent will promptly give notice to the other Lenders) from time to time and without premium or penalty prepay the Revolver Loans, in whole or in part, so long as the aggregate amounts of all partial prepayments of principal on the Revolver Loans equals $1,000,000 or any higher integral multiple of $250,000, and so long as Borrower does not make any prepayments which would reduce the unpaid principal balance of the Revolver Loans to less than $100,000 without first either (i) terminating this Agreement or (ii) providing assurance satisfactory to Administrative Agent in its discretion that Revolver Lenders' legal rights under the Loan Documents are in no way affected by such reduction. Upon receipt of any such notice, Administrative Agent shall give each Revolver Lender prompt notice of the terms thereof.

(b) Term Loans. Borrower may, upon five Business Days' notice to each Term Lender from time to time and without premium or penalty prepay the Term Loans, in whole or in part, so long as the aggregate of amounts of all partial prepayments of principal on the Term Loans equals $5,000,000 or any higher integral multiple of $1,000,000.

(c) Interest on Prepayment. Each prepayment of principal under Section 2.6(a) or 2.6(b) shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to Section 2.6(a) or 2.6(b) shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

Section 2.7. Mandatory Prepayments.

(a) Without limiting the requirements of Section 7.5 hereof regarding the consent of Majority Lenders to sales of property by Restricted Persons which are not permitted by Section 7.5, the proceeds of any sale of property (net of all reasonable costs and expenses, but excluding proceeds consisting of tangible property to be used in the business of Restricted Persons) by any Restricted Person (other than a sale of property permitted under Section 7.5 hereof) shall

be placed in a collateral account under the control of Administrative Agent in a manner satisfactory to Administrative Agent immediately upon such Restricted Person's receipt of such proceeds and maintained therein for a period of ninety (90) days following the date of receipt thereof in cash (in this Section 2.7(a) referred to as the "Collateral Period"). If any consideration consists of an instrument or security, the Collateral Period shall, with respect to each amount of cash received in respect thereof, continue until ninety (90) days following such Restricted Person's receipt of such cash unless, pursuant to the following sentence, an approved investment included such cash; any cash in a collateral account may be invested in Cash Equivalents designated by Borrower. During each Collateral Period, Borrower may propose to invest such proceeds in other property subject to the approval of Majority Lenders, and shall thereafter invest such proceeds in such property so approved by Majority Lenders. At the end of each Collateral Period or, if an investment is so proposed and approved during such Collateral Period, within one hundred-eighty (180) days after such proposed investment has been so approved by Majority Lenders, any such proceeds which have not been so invested by Borrower shall be applied pro rata to the reduction of the outstanding principal balance of the Term Loans and the Revolver Loans at such time, and the Revolver Commitment shall be reduced by an amount equal to the prepayment applied to the Revolver Loans.

(b) If at any time the Facility Usage exceeds the Revolver Commitment (whether due to a reduction in the Revolver Commitment in accordance with this Agreement, or otherwise), Borrower shall immediately upon demand prepay the principal of the Revolver Loans in an amount at least equal to such excess. Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

Section 2.8. Letters of Credit. Subject to the terms and conditions hereof, Borrower may during the Revolver Commitment Period request LC Issuer to issue, amend, or extend the expiration date of, one or more Letters of Credit, provided that, after taking such Letter of Credit into account:

(a) the Facility Usage does not exceed the Revolver Commitment at such time;

(b) the aggregate amount of LC Obligations at such time does not exceed $10,000,000;

(c) the expiration date of such Letter of Credit is prior to the earlier of (i) one (1) year after the date of issuance of such Letter of Credit or (ii) the end of the Revolver Commitment Period;

(d) such Letter of Credit is to be used for general corporate purposes of Borrower or any of its Subsidiaries and is not directly or indirectly used to assure payment of or otherwise support any Indebtedness of any Person, except Indebtedness of a Restricted Person;

(e) the issuance of such Letter of Credit will be in compliance with all applicable governmental restrictions, policies, and guidelines and will not subject LC Issuer to any cost which is not reimbursable under Article III;

(f) the form and terms of such Letter of Credit are acceptable to LC Issuer in its sole and absolute discretion; and

(g) all other conditions in this Agreement to the issuance of such Letter of Credit have been satisfied.

LC Issuer will honor any such request if the foregoing conditions (a) through (g) (in the following Section 2.9 called the "LC Conditions") have been met as of the date of issuance, amendment, or extension of the expiration, of such Letter of Credit.

Section 2.9. Requesting Letters of Credit. Borrower must make written application for any Letter of Credit at least two Business Days before the date on which Borrower desires for LC Issuer to issue such Letter of Credit. By making any such written application, unless otherwise expressly stated therein, Borrower shall be deemed to have represented and warranted that the LC Conditions described in Section 2.8 will be met as of the date of issuance of such Letter of Credit. Each such written application for a Letter of Credit must be made in writing in the form and substance of Exhibit G, the terms and provisions of which are hereby incorporated herein by reference (or in such other form as may mutually be agreed upon by LC Issuer and Borrower). If all LC Conditions for a Letter of Credit have been met as described in Section 2.8 on any Business Day before 11:00 a.m., New York, New York time, LC Issuer will issue such Letter of Credit on the same Business Day at LC Issuer's office in Boston, Massachusetts. If the LC Conditions are met as described in Section 2.8 on any Business Day on or after 11:00 a.m., New York, New York time, LC Issuer will issue such Letter of Credit on the next succeeding Business Day at LC Issuer's office in Boston, Massachusetts. If any provisions of any LC Application conflict with any provisions of this Agreement, the provisions of this Agreement shall govern and control.

Section 2.10. Reimbursement and Participations.

(a) Reimbursement by Borrower. Each Matured LC Obligation shall constitute a loan by LC Issuer to Borrower. Borrower promises to pay to LC Issuer, or to LC Issuer's order, on demand, the full amount of each Matured LC Obligation, together with interest thereon (i) at the Base Rate to and including the second Business Day after the Matured LC Obligation is incurred and (ii) at the Default Rate on each day thereafter.

(b) Letter of Credit Advances. If the beneficiary of any Letter of Credit makes a draft or other demand for payment thereunder then Borrower may, during the interval between the making thereof and the honoring thereof by LC Issuer, request Revolver Lenders to make Revolver Loans to Borrower in the amount of such draft or demand, which Revolver Loans shall be made concurrently with LC Issuer's payment of such draft or demand and shall be immediately used by LC Issuer to repay the amount of the resulting Matured LC Obligation. Such a request by Borrower shall be made in compliance with all of the provisions hereof, provided that for the

purposes of the first sentence of Section 2.1(a), the amount of such Revolver Loans shall be considered, but the amount of the Matured LC Obligation to be concurrently paid by such Revolver Loans shall not be considered.

(c) Participation by Revolver Lenders. LC Issuer irrevocably agrees to grant and hereby grants to each Revolver Lender, and -- to induce LC Issuer to issue Letters of Credit hereunder -- each Revolver Lender irrevocably agrees to accept and purchase and hereby accepts and purchases from LC Issuer, on the terms and conditions hereinafter stated and for such Revolver Lender's own account and risk an undivided interest equal to such Revolver Lender's Revolver Percentage Share of LC Issuer's obligations and rights under each Letter of Credit issued hereunder and the amount of each Matured LC Obligation paid by LC Issuer thereunder. Each Revolver Lender unconditionally and irrevocably agrees with LC Issuer that, if a Matured LC Obligation is paid under any Letter of Credit for which LC Issuer is not reimbursed in full by Borrower in accordance with the terms of this Agreement and the related LC Application (including any reimbursement by means of concurrent Loans or by the application of LC Collateral), such Revolver Lender shall (in all circumstances and without set-off or counterclaim) pay to LC Issuer on demand, in immediately available funds at LC Issuer's address for notices hereunder, such Lender's Revolver Percentage Share of such Matured LC Obligation (or any portion thereof which has not been reimbursed by Borrower). Each Revolver Lender's obligation to pay LC Issuer pursuant to the terms of this subsection is irrevocable and unconditional. If any amount required to be paid by any Revolver Lender to LC Issuer pursuant to this subsection is paid by such Revolver Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Revolver Lender, on demand, interest thereon calculated from such due date at the Federal Funds Rate. If any amount required to be paid by any Revolver Lender to LC Issuer pursuant to this subsection is not paid by such Revolver Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Revolver Lender, on demand, interest thereon calculated from such due date at the Base Rate.

(d) Distributions to Participants. Whenever LC Issuer has in accordance with this section received from any Revolver Lender payment of such Lender's Revolver Percentage Share of any Matured LC Obligation, if LC Issuer thereafter receives any payment of such Matured LC Obligation or any payment of interest thereon (whether directly from Borrower or by application of LC Collateral or otherwise, and excluding only interest for any period prior to LC Issuer's demand that such Revolver Lender make such payment of its Revolver Percentage Share), LC Issuer will distribute to such Lender its Revolver Percentage Share of the amounts so received by LC Issuer; provided, however, that if any such payment received by LC Issuer must thereafter be returned by LC Issuer, such Revolver Lender shall return to LC Issuer the portion thereof which LC Issuer has previously distributed to it.

(e) Calculations. A written advice setting forth in reasonable detail the amounts owing under this section, submitted by LC Issuer to Borrower or any Revolver Lender from time to time, shall be conclusive, absent manifest error, as to the amounts thereof.

Section 2.11. Letter of Credit Fees. In consideration of LC Issuer's issuance of any Letter of Credit, Borrower agrees to pay (i) to Administrative Agent for the account of each Revolver Lender in proportion to its Revolver Percentage Share, a letter of credit fee equal to the Letter of Credit Fee Rate applicable each day times the face amount of such Letter of Credit and (ii) to such LC Issuer for its own account, a letter of credit fronting fee at a rate equal to one-eighth percent (.125%) per annum times the face amount of such Letter of Credit. Each such fee will be calculated on the face amount of each Letter of Credit outstanding on each day at the above applicable rates and will be payable quarterly in arrears. In addition, Borrower will pay to LC Issuer a minimum administrative issuance fee of $100 for each Letter of Credit and such other fees and charges customarily charged by the LC Issuer in respect of any amendment or negotiation of any Letter of Credit in accordance with the LC Issuer's published schedule of such charges effective as of the date of such amendment or negotiation.

Section 2.12. No Duty to Inquire.

(a) Drafts and Demands. LC Issuer is authorized and instructed to accept and pay drafts and demands for payment under any Letter of Credit without requiring, and without responsibility for, any determination as to the existence of any event giving rise to said draft, either at the time of acceptance or payment or thereafter. LC Issuer is under no duty to determine the proper identity of anyone presenting such a draft or making such a demand (whether by tested telex or otherwise) as the officer, representative or agent of any beneficiary under any Letter of Credit, and payment by LC Issuer to any such beneficiary when requested by any such purported officer, representative or agent is hereby authorized and approved. Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the subject matter of this section, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

(b) Extension of Maturity. If the maturity of any Letter of Credit is extended by its terms or by Law or governmental action, if any extension of the maturity or time for presentation of drafts or any other modification of the terms of any Letter of Credit is made at the request of Borrower, or if the amount of any Letter of Credit is increased at the request of Borrower, this Agreement shall be binding upon all Restricted Persons with respect to such Letter of Credit as so extended, increased or otherwise modified, with respect to drafts and property covered thereby, and with respect to any action taken by LC Issuer, LC Issuer's correspondents, or any Lender Party in accordance with such extension, increase or other modification.

(c) Transferees of Letters of Credit. If any Letter of Credit provides that it is transferable, LC Issuer shall have no duty to determine the proper identity of anyone appearing as transferee of such Letter of Credit, nor shall LC Issuer be charged with responsibility of any nature or character for the validity or correctness of any transfer or successive transfers, and

payment by LC Issuer to any purported transferee or transferees as determined by LC Issuer is hereby authorized and approved, and Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the foregoing, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

Section 2.13. LC Collateral.

(a) LC Obligations in Excess of Revolver Commitment. If, after the making of all mandatory prepayments required under Section 2.7, the outstanding LC Obligations will exceed the Revolver Commitment, then in addition to prepayment of the entire principal balance of the Revolver Loans Borrower will immediately pay to LC Issuer an amount equal to such excess. LC Issuer will hold such amount as collateral security for the remaining LC Obligations (all such amounts held as collateral security for LC Obligations being herein collectively called "LC Collateral") and the Revolver Loans, and such collateral may be applied from time to time to pay Matured LC Obligations. Neither this subsection nor the following subsection shall, however, limit or impair any rights which LC Issuer may have under any other document or agreement relating to any Letter of Credit, LC Collateral or LC Obligation, including any LC Application, or any rights which any Lender Party may have to otherwise apply any payments by Borrower and any LC Collateral under Section 3.1.

(b) Acceleration of LC Obligations. If the Obligations or any part thereof become immediately due and payable pursuant to Section 8.1 then, unless all Revolver Lenders otherwise specifically elect to the contrary (which election may thereafter be retracted by any Revolver Lender at any time), all LC Obligations shall become immediately due and payable without regard to whether or not actual drawings or payments on the Letters of Credit have occurred, and Borrower shall be obligated to pay to LC Issuer immediately an amount equal to the aggregate LC Obligations which are then outstanding to be held as LC Collateral.

(c) Investment of LC Collateral. Pending application thereof, all LC Collateral shall be invested by LC Issuer in such Cash Equivalents as LC Issuer may choose in its sole discretion. All interest on (and other proceeds of) such Investments shall be reinvested or applied to Matured LC Obligations or the Revolver Loans which are due and payable. When all Obligations have been satisfied in full, including all LC Obligations, all Letters of Credit have expired or been terminated, and all of Borrower's reimbursement obligations in connection therewith have been satisfied in full, LC Issuer shall release any remaining LC Collateral. Borrower hereby assigns and grants to LC Issuer for the benefit of Revolver Lenders a continuing security interest in all LC Collateral paid by it to LC Issuer, all Investments purchased with such LC Collateral, and all proceeds thereof to secure its Matured LC Obligations and its Obligations under this Agreement, each Note, and the other Loan Documents, and Borrower agrees that such LC Collateral, Investments and proceeds shall be subject to all of the terms and conditions of the Security

Documents. Borrower further agrees that LC Issuer shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of New York with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest.

(d) Payment of LC Collateral. When Borrower is required to provide LC Collateral for any reason and fails to do so on the day when required, LC Issuer or Administrative Agent may without prior notice to Borrower or any other Restricted Person provide such LC Collateral (whether by application of proceeds of other Collateral, by transfers from other accounts maintained with LC Issuer, or otherwise) using any available funds of Borrower or any other Person also liable to make such payments, and LC Issuer or Administrative Agent will give notice thereof to Borrower promptly after such application or transfer. Any such amounts which are required to be provided as LC Collateral and which are not provided on the date required shall, for purposes of each Security Document, be considered past due Obligations owing hereunder, and LC Issuer is hereby authorized to exercise its respective rights under each Security Document to obtain such amounts.

Section 2.14. Hedging Contracts. All Hedging Contracts permitted hereunder entered into with any one or more Lenders or their Affiliates shall be deemed to be Obligations and be secured by all Collateral; subject, however, to the provisions of Section 3.9 hereof.

## ARTICLE III - Payments to Lenders

Section 3.1. General Procedures. Borrower will make each payment which it owes under the Loan Documents to Administrative Agent for the account of the Lender Party to whom such payment is owed in lawful money of the United States of America, without set-off, deduction or counterclaim, and in immediately available funds. Each such payment must be received by Administrative Agent not later than noon, New York, New York time, on the date such payment becomes due and payable. Any payment received by Administrative Agent after such time will be deemed to have been made on the next following Business Day. Should any such payment become due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day, and, in the case of a payment of principal or past due interest, interest shall accrue and be payable thereon for the period of such extension as provided in the Loan Document under which such payment is due. Each payment under a Loan Document shall be due and payable at the place provided therein and, if no specific place of payment is provided, shall be due and payable at the place of payment of Administrative Agent's Note. When Administrative Agent collects or receives money on account of the Obligations, other than as provided in Section 3.9, Administrative Agent shall distribute all money so collected or received, and each Lender Party shall apply all such money so distributed, as follows:

(a) first, for the payment of all Obligations which are then due (and if such money is insufficient to pay all such Obligations, first to any reimbursements due Administrative Agent under Section 6.9 or 10.4 and then to the partial payment of all other Obligations then due in proportion to the amounts thereof, or as Lender Parties shall otherwise agree);

(b) then for the prepayment of amounts owing under the Loan Documents (other than principal on the Notes) if so specified by Borrower;

(c) then for the prepayment of principal on the Notes, together with accrued and unpaid interest on the principal so prepaid; and

(d) last, for the payment or prepayment of any other Obligations.

All payments applied to principal or interest on any Note shall be applied first to any interest then due and payable, then to principal then due and payable, and last to any prepayment of principal and interest in compliance with Sections 2.6 and 2.7. All distributions of amounts described in any of subsections (b), (c) or (d) above shall be made by Administrative Agent pro rata to each Lender Party then owed Obligations described in such subsection in proportion to all amounts owed to all Lender Parties which are described in such subsection; provided that if any Lender then owes payments to LC Issuer for the purchase of a participation under Section 2.13(c) or to Administrative Agent under Section 9.4, any amounts otherwise distributable under this section to such Lender shall be deemed to belong to LC Issuer, or Administrative Agent, respectively, to the extent of such unpaid payments, and Administrative Agent shall apply such amounts to make such unpaid payments rather than distribute such amounts to such Lender.

Section 3.2. Capital Reimbursement. If either (a) the introduction or implementation of or the compliance with or any change in or in the interpretation of any Law, or (b) the introduction or implementation of or the compliance with any request, directive or guideline from any central bank or other governmental authority (whether or not having the force of Law) affects or would affect the amount of capital required or expected to be maintained by any Lender Party or any corporation controlling any Lender Party, then, within five Business Days after demand by such Lender Party, Borrower will pay to Administrative Agent for the benefit of such Lender Party, from time to time as specified by such Lender Party, such additional amount or amounts which such Lender Party shall determine to be appropriate to compensate such Lender Party or any corporation controlling such Lender Party in light of such circumstances, to the extent that such Lender Party reasonably determines that the amount of any such capital would be increased or the rate of return on any such capital would be reduced by or in whole or in part based on the existence of the face amount of such Lender Party's Loans, Letters of Credit, participations in Letters of Credit or commitments under this Agreement.

Section 3.3. Increased Cost of Eurodollar Loans or Letters of Credit. If any applicable Law (whether now in effect or hereinafter enacted or promulgated, including Regulation D) or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of Law):

(a) shall change the basis of taxation of payments to any Lender Party of any principal, interest, or other amounts attributable to any Eurodollar Loan or Letter of Credit or otherwise due under this Agreement in respect of any Eurodollar Loan or Letter of Credit (other than taxes imposed on, or measured by, the overall net income of such Lender Party or any Applicable Lending Office of such Lender Party by any jurisdiction in which such Lender Party or any such Applicable Lending Office is located); or

(b) shall change, impose, modify, apply or deem applicable any reserve, special deposit or similar requirements in respect of any Eurodollar Loan or any Letter of Credit (excluding those for which such Lender Party is fully compensated pursuant to adjustments made in the definition of Eurodollar Rate) or against assets of, deposits with or for the account of, or credit extended by, such Lender Party; or

(c) shall impose on any Lender Party or the interbank eurocurrency deposit market any other condition affecting any Eurodollar Loan or Letter of Credit, the result of which is to increase the cost to any Lender Party of funding or maintaining any Eurodollar Loan or of issuing any Letter of Credit or to reduce the amount of any sum receivable by any Lender Party in respect of any Eurodollar Loan or Letter of Credit by an amount deemed by such Lender Party to be material,

then such Lender Party shall promptly notify Administrative Agent and Borrower in writing of the happening of such event and of the amount required to compensate such Lender Party for such event (on an after-tax basis, taking into account any taxes on such compensation), whereupon (i) Borrower shall, within five Business Days after demand therefor by such Lender Party, pay such amount to Administrative Agent for the account of such Lender Party and (ii) Borrower may elect, by giving to Administrative Agent and such Lender Party not less than three Business Days' notice, to Convert all (but not less than all) of any such Eurodollar Loans into Base Rate Loans.

Section 3.4. Notice; Change of Applicable Lending Office. A Lender Party shall notify Borrower of any event occurring after the date of this Agreement that will entitle such Lender Party to compensation under Section 3.2, 3.3 or 3.5 hereof as promptly as practicable, but in any event within 90 days, after such Lender Party obtains actual knowledge thereof; provided, that (i) if such Lender Party fails to give such notice within 90 days after it obtains actual knowledge of such an event, such Lender Party shall, with respect to compensation payable pursuant to Section 3.2, 3.3 or 3.5 in respect of any costs resulting from such event, only be entitled to payment under Section 3.2, 3.3 or 3.5 hereof for costs incurred from and after the date 90 days prior to the date that such Lender Party does give such notice and (ii) such Lender Party will designate a different Applicable Lending Office for the Loans affected by such event if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole opinion of such Lender Party, be disadvantageous to such Lender Party, except that such Lender Party shall have no obligation to designate an Applicable Lending Office located in the United States of America. Each Lender Party will furnish to Borrower a certificate setting forth the basis and amount of each request by such Lender Party for compensation under Section 3.2, 3.3, or 3.5 hereof.

Section 3.5. Availability. If (a) any change in applicable Laws, or in the interpretation or administration thereof of or in any jurisdiction whatsoever, domestic or foreign, shall make it unlawful or impracticable for any Lender Party to fund or maintain Eurodollar Loans or to issue or participate in Letters of Credit, or shall materially restrict the authority of any Lender Party to purchase or take offshore deposits of dollars (i.e., "eurodollars"), or (b) any Lender Party determines that matching deposits appropriate to fund or maintain any Eurodollar Loan are not available to it, or (c) any Lender Party determines that the formula for calculating the Eurodollar Rate does not fairly reflect the cost to such Lender Party of making or maintaining loans based on such rate, then, upon notice by such Lender Party to Borrower and Administrative

Agent, Borrower's right to elect Eurodollar Loans from such Lender Party (or, if applicable, to obtain Letters of Credit) shall be suspended to the extent and for the duration of such illegality, impracticability or restriction and all Eurodollar Loans of such Lender Party which are then outstanding or are then the subject of any Borrowing Notice and which cannot lawfully or practicably be maintained or funded shall immediately become or remain, or shall be funded as, Base Rate Loans of such Lender Party. Borrower agrees to indemnify each Lender Party and hold it harmless against all costs, expenses, claims, penalties, liabilities and damages which may result from any such change in Law, interpretation or administration. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.6. Funding Losses. In addition to its other obligations hereunder, Borrower will indemnify each Lender Party against, and reimburse each Lender Party on demand for, any loss or expense incurred or sustained by such Lender Party (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by a Lender Party to fund or maintain Eurodollar Loans), as a result of (a) any payment or prepayment (whether or not authorized or required hereunder) of all or a portion of a Eurodollar Loan on a day other than the day on which the applicable Interest Period ends, (b) any payment or prepayment, whether or not required hereunder, of a Loan made after the delivery, but before the effective date, of a Continuation/Conversion Notice, if such payment or prepayment prevents such Continuation/Conversion Notice from becoming fully effective, (c) the failure of any Loan to be made or of any Continuation/Conversion Notice to become effective due to any condition precedent not being satisfied or due to any other action or inaction of any Restricted Person, or (d) any Conversion (whether or not authorized or required hereunder) of all or any portion of any Eurodollar Loan into a Base Rate Loan or into a different Eurodollar Loan on a day other than the day on which the applicable Interest Period ends. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.7. Reimbursable Taxes. Borrower covenants and agrees that:

(a) Borrower will indemnify each Lender Party against and reimburse each Lender Party for all present and future income, stamp and other taxes, levies, costs and charges whatsoever imposed, assessed, levied or collected on or in respect of this Agreement or any Eurodollar Loans or Letters of Credit (whether or not legally or correctly imposed, assessed, levied or collected), excluding, however, any taxes imposed on or measured by the overall net income of Administrative Agent or such Lender Party or any Applicable Lending Office of such Lender Party by any jurisdiction in which such Lender Party or any such Applicable Lending Office is located (all such non-excluded taxes, levies, costs and charges being collectively called "Reimbursable Taxes" in this section). Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

(b) All payments on account of the principal of, and interest on, each Lender Party's Loans and Note, and all other amounts payable by Borrower to any Lender Party hereunder, shall be made in full without set-off or counterclaim and shall be made free and clear of and without deductions or withholdings of any nature by reason of any Reimbursable Taxes, all of which will be for the account of Borrower. In the event of

Borrower being compelled by Law to make any such deduction or withholding from any payment to any Lender Party, Borrower shall pay on the due date of such payment, by way of additional interest, such additional amounts as are needed to cause the amount receivable by such Lender Party after such deduction or withholding to equal the amount which would have been receivable in the absence of such deduction or withholding. If Borrower should make any deduction or withholding as aforesaid, Borrower shall within 60 days thereafter forward to such Lender Party an official receipt or other official document evidencing payment of such deduction or withholding.

(c) If Borrower is ever required to pay any Reimbursable Tax with respect to any Eurodollar Loan, Borrower may elect, by giving to Administrative Agent and such Lender Party not less than three Business Days' notice, to Convert all (but not less than all) of any such Eurodollar Loan into a Base Rate Loan, but such election shall not diminish Borrower's obligation to pay all Reimbursable Taxes.

(d) Notwithstanding the foregoing provisions of this section, Borrower shall be entitled, to the extent it is required to do so by Law, to deduct or withhold (and not to make any indemnification or reimbursement for) income or other similar taxes imposed by the United States of America (other than any portion thereof attributable to a change in federal income tax Laws effected after the date hereof) from interest, fees or other amounts payable hereunder for the account of any Lender Party, other than a Lender Party (i) who is a U.S. person for Federal income tax purposes or (ii) who has the Prescribed Forms on file with Administrative Agent (with copies provided to Borrower) for the applicable year to the extent deduction or withholding of such taxes is not required as a result of the filing of such Prescribed Forms, provided that if Borrower shall so deduct or withhold any such taxes, it shall provide a statement to Administrative Agent and such Lender Party, setting forth the amount of such taxes so deducted or withheld, the applicable rate and any other information or documentation which such Lender Party may reasonably request for assisting such Lender Party to obtain any allowable credits or deductions for the taxes so deducted or withheld in the jurisdiction or jurisdictions in which such Lender Party is subject to tax. As used in this section, "Prescribed Forms" means such duly executed forms or statements, and in such number of copies, which may, from time to time, be prescribed by Law and which, pursuant to applicable provisions of (x) an income tax treaty between the United States and the country of residence of the Lender Party providing the forms or statements, (y) the Code, or (z) any applicable rules or regulations thereunder, permit Borrower to make payments hereunder for the account of such Lender Party free of such deduction or withholding of income or similar taxes.

Section 3.8 Replacement of Lenders. If any Lender Party seeks reimbursement for increased costs under Sections 3.2 through 3.7, then within ninety days thereafter -- provided no Event of Default then exists -- Borrower shall have the right (unless such Lender Party withdraws its request for additional compensation) to replace such Lender Party by requiring such Lender Party to assign its Loans and Notes and its commitments hereunder to an Eligible Transferee reasonably acceptable to Administrative Agent and to Borrower, provided that: (i) all Obligations of Borrower owing to such Lender Party being replaced (including such increased costs, but excluding principal and accrued interest on the Notes being assigned) shall be paid in full to such

Lender Party concurrently with such assignment, and (ii) the replacement Eligible Transferee shall purchase the Note being assigned by paying to such Lender Party a price equal to the principal amount thereof plus accrued and unpaid interest and accrued and unpaid commitment fees thereon. In connection with any such assignment Borrower, Administrative Agent, such Lender Party and the replacement Eligible Transferee shall otherwise comply with Section 10.5. Notwithstanding the foregoing rights of Borrower under this section, however, Borrower may not replace any Lender Party which seeks reimbursement for increased costs under Section 3.2 through 3.7 unless Borrower is at the same time replacing all Lender Parties which are then seeking such compensation.

Section 3.9. Application of Proceeds After Acceleration. If any Event of Default shall have occurred and be continuing, and if the Obligations have become due and payable, all cash collateral held by Administrative Agent under this Agreement and the proceeds of any sale, disposition, or other realization by Administrative Agent upon the Collateral (or any portion thereof) pursuant to the Security Documents, shall be distributed in whole or in part by Administrative Agent in the following order of priority, unless otherwise directed by all of the Lenders:

First, to the Administrative Agent, in an amount equal to all reimbursements to Administrative Agent due and payable as of the date of such distribution;

Second, to the Lenders, ratably, in an amount equal to all accrued and unpaid interest and fees owing to the Lenders under this Agreement due and payable as of the date of such distribution; provided, however, that in case such proceeds shall be insufficient to pay in full all such Obligations, then to the payment thereof to the Lenders, ratably, in proportion to its percentage of the sum of the aggregate amounts of all such Obligations;

Third, to the Lenders, ratably, in an amount equal to all Loans plus LC Obligations; provided, however, that in the case such proceeds shall be insufficient to pay in full all such Obligations, then to the payment thereof to the Lenders, ratably, in proportion to its percentage of the sum of the aggregate amounts of all such Obligations;

Fourth, to the Lenders, ratably, in an amount equal to all amounts owing to the Lenders under all Obligations with respect to Hedging Contracts between any Restricted Person and any Lender or an Affiliate; provided, however, that in case such proceeds shall be insufficient to pay in full all such Obligations, then to the payment thereof to the Lenders, ratably, in proportion to its percentage of the sum of the aggregate amounts of all such Obligations;

Fifth, to the Lenders in an amount equal to all other Obligations; provided, however, that in the case such proceeds shall be insufficient to pay in full such Obligations, then to the payment thereof to the Lenders, ratably, in proportion to its percentage of the sum of the aggregate amounts of all such Obligations; and

Sixth, to the extent of any surplus, to the Restricted Persons as their respective interests may appear, except as may be provided otherwise by law;

it being understood that the Restricted Persons shall remain liable to the extent of any deficiency between the amount of proceeds of the Collateral and the aggregate sums referred to in clauses First through Fifth above.

## ARTICLE IV - Conditions Precedent to Lending

Section 4.1. Documents to be Delivered. No Lender has any obligation to make its first Loan, and LC Issuer has no obligation to issue the first Letter of Credit unless Administrative Agent shall have received all of the following, at Administrative Agent's office in New York, New York, duly executed and delivered and in form, substance and date satisfactory to Administrative Agent:

(a) This Agreement and any other documents that Lenders are to execute in connection herewith.

(b) Each Note.

(c) Each Security Document listed in the Security Schedule.

(d) Certain certificates including:

(i) An "Omnibus Certificate" of the secretary and of the president of General Partner, which shall contain the names and signatures of the officers of General Partner authorized to execute Loan Documents and which shall certify to the truth, correctness and completeness of the following exhibits attached thereto: (1) a copy of resolutions duly adopted by the Board of Directors of General Partner and in full force and effect at the time this Agreement is entered into, authorizing the execution of this Agreement and the other Loan Documents delivered or to be delivered in connection herewith and the consummation of the transactions contemplated herein and therein, (2) a copy of the charter documents of each Restricted Person and all amendments thereto, certified by the appropriate official of such Restricted Person's state of organization, and (3) a copy of any bylaws or agreement of limited partnership of each Restricted Person; and

(ii) A certificate of the president and of the chief financial officer of General Partner, regarding satisfaction of Section 4.2.

(e) A certificate (or certificates) of the due formation, valid existence and good standing of each Restricted Person in its respective state of organization, issued by the appropriate authorities of such jurisdiction, and certificates of each Restricted Person's good standing and due qualification to do business, issued by appropriate officials in any states in which such Restricted Person owns property subject to Security Documents.

(f) Documents similar to those specified in subsections (d)(i) and (e) of this section with respect to each Guarantor and the execution by it of its guaranty of Borrower's Obligations.

(g) A favorable opinion of Michael Patterson, Esq., General Counsel for Restricted Persons, substantially in the form set forth in Exhibit E-1, Fulbright & Jaworski L.L.P., special Texas and New York counsel to Restricted Persons, substantially in the form set forth in Exhibit E-2, Andrews & Kurth L.L.P., special counsel to Restricted Persons, substantially in the form of Exhibit E-3, and local counsel for the states of Arizona, California, New Mexico and Oklahoma satisfactory to Administrative Agent.

(h) The Initial Financial Statements.

(i) Certificates or binders evidencing Restricted Persons' insurance in effect on the date hereof.

(j) Copies of such permits and approvals regarding the property and business of Restricted Persons as Administrative Agent may request.

(k) A certificate signed by the chief executive officer of General Partner in form and detail acceptable to Administrative Agent confirming the insurance that is in effect as of the date hereof and certifying that such insurance is customary for the businesses conducted by Restricted Persons and is in compliance with the requirements of this Agreement.

(l) Payment of all commitment, facility, agency and other fees required to be paid to any Lender pursuant to any Loan Documents or any commitment agreement heretofore entered into.

(m) The Intercreditor Agreement with the lenders party to the Marketing Credit Agreement in the form of Exhibit I hereto.

Section 4.2. Additional Conditions to Initial Credit. No Lender has any obligation to make its first Loan, and LC Issuer has no obligation to issue the first Letter of Credit unless, prior to or contemporaneously with the initial Loan or initial Letter of Credit issuance hereunder, the following conditions precedent have been satisfied:

(a) The Offering and all of the transactions contemplated under the Offering Documents shall have been consummated, in compliance with the terms and conditions thereof and all representations and warranties made by any party to the Offering Documents shall be true and correct.

(b) Each Restricted Person shall have executed and delivered the Marketing Credit Agreement and all conditions precedent to the Marketing Credit Agreement shall have been satisfied.

(c) After giving effect to each of the transactions under the Offering Documents, all representations and warranties made by any Restricted Person in any Loan Document shall be true on and as of the date of such Loan or the date of issuance of such

Letter of Credit as if such representations and warranties had been made as of the date of such Loan or the date of issuance of such Letter of Credit.

(d) General Partner shall have (i) received sufficient funds from the net proceeds of the Offering in order to fully repay that portion of the outstanding principal balance of the term loans under the Existing Agreement that exceeds $175,000,000 and to repay the revolving credit loans under the Existing Credit Agreement in full, and (ii) made such repayment of such term loans and such revolving credit loans.

(e) General Partner shall have delivered to Administrative Agent a Consolidated balance sheet for Plains MLP and its Subsidiaries certified by the chief financial officer of General Partner, reflecting compliance with each event specified in Sections 7.11 through 7.15, inclusive.

(f) Plains MLP shall have a market capitalization of at least $500,000,000, calculated based upon the total issued partnership units of Plains MLP and the market price of the publicly held portion of such partnership units of Plains MLP.

(g) Plains MLP shall have a minimum tangible net worth of $225,000,000.

(h) Each condition precedent set forth in Section 4.3 has been satisfied as of such effective date of this Agreement.

Section 4.3. Additional Conditions Precedent. No Lender has any obligation to make any Loan (including its first), and LC Issuer has no obligation to issue any Letter of Credit (including its first), unless the following conditions precedent have been satisfied:

(a) All representations and warranties made by any Restricted Person in any Loan Document shall be true on and as of the date of such Loan or the date of issuance of such Letter of Credit as if such representations and warranties had been made as of the date of such Loan or the date of issuance of such Letter of Credit except to the extent that such representation or warranty was made as of a specific date or updated, modified or supplemented as of a subsequent date with the consent of Majority Lenders.

(b) No Default shall exist at the date of such Loan or the date of issuance of such Letter of Credit.

(c) No Material Adverse Change shall have occurred to, and no event or circumstance shall have occurred that could cause a Material Adverse Change to, Plains MLP's or Borrower's Consolidated financial condition or businesses since the date of the Initial Financial Statements.

(d) Each Restricted Person shall have performed and complied with all agreements and conditions required in the Loan Documents to be performed or complied with by it on or prior to the date of such Loan or the date of issuance of such Letter of Credit.

(e) The making of such Loan or the issuance of such Letter of Credit shall not be prohibited by any Law and shall not subject any Lender or any LC Issuer to any penalty or other onerous condition under or pursuant to any such Law.

(f) Administrative Agent shall have received all documents and instruments which Administrative Agent has then requested, in addition to those described in Section 4.1 (including opinions of legal counsel for Restricted Persons and Administrative Agent; corporate documents and records; documents evidencing governmental authorizations, consents, approvals, licenses and exemptions; and certificates of public officials and of officers and representatives of Borrower and other Persons), as to (i) the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in this Agreement and the other Loan Documents, (ii) the satisfaction of all conditions contained herein or therein, and (iii) all other matters pertaining hereto and thereto. All such additional documents and instruments shall be satisfactory to Administrative Agent in form, substance and date.

## ARTICLE V - Representations and Warranties

To confirm each Lender's understanding concerning Restricted Persons and Restricted Persons' businesses, properties and obligations and to induce each Lender to enter into this Agreement and to extend credit hereunder, Plains MLP and Borrower represent and warrant to each Lender that:

Section 5.1. No Default. No Restricted Person is in default in the performance of any of the covenants and agreements contained in any Loan Document. No event has occurred and is continuing which constitutes a Default.

Section 5.2. Organization and Good Standing. Each Restricted Person is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, having all powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Each Restricted Person is duly qualified, in good standing, and authorized to do business in all other jurisdictions within the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary except where the failure to so qualify would not cause a Material Adverse Change. Each Restricted Person has taken all actions and procedures customarily taken in order to enter, for the purpose of conducting business or owning property, each jurisdiction outside the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such actions and procedures necessary except where the failure to so qualify would not cause a Material Adverse Change.

Section 5.3. Authorization. Each Restricted Person has duly taken all action necessary to authorize the execution and delivery by it of the Loan Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder. Borrower is duly authorized to borrow funds hereunder.

Section 5.4. No Conflicts or Consents. The execution and delivery by the various Restricted Persons of the Loan Documents and Offering Documents to which each is a party, the performance by each of its obligations under such Loan Documents and Offering Documents, and the consummation of the transactions contemplated by the various Loan Documents and various Offering Documents, do not and will not (i) conflict with any provision of (1) any Law, (2) the organizational documents of any Restricted Person or any of its Affiliates, or (3) any agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person or any of its Affiliates, (ii) result in the acceleration of any Indebtedness owed by any Restricted Person or any of its Affiliates, or (iii) result in or require the creation of any Lien upon any assets or properties of any Restricted Person or any of its Affiliates except as expressly contemplated in the Loan Documents. Except as expressly contemplated in the Loan Documents or the Offering Documents, no consent, approval, authorization or order of, and no notice to or filing with, any Tribunal or third party is required in connection with the execution, delivery or performance by any Restricted Person of any Loan Document or Offering Document or to consummate any transactions contemplated by the Loan Documents and the Offering Documents.

Section 5.5. Enforceable Obligations. This Agreement is, and the other Loan Documents and the Offering Documents when duly executed and delivered will be, legal, valid and binding obligations of each Restricted Person which is a party hereto or thereto, enforceable in accordance with their terms except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

Section 5.6. Initial Financial Statements. Plains MLP has heretofore delivered to each Lender true, correct and complete copies of the Initial Financial Statements. The Initial Financial Statements fairly present Plains MLP's Consolidated financial position at the date thereof and the Consolidated results of Plains MLP's operations and Consolidated cash flows for the period thereof. Since the date of the annual Initial Financial Statements no Material Adverse Change has occurred, except as reflected in the quarterly Initial Financial Statements or in the Disclosure Schedule. All Initial Financial Statements were prepared in accordance with GAAP.

Section 5.7. Other Obligations and Restrictions. No Restricted Person has any outstanding Liabilities of any kind (including contingent obligations, tax assessments, and unusual forward or long-term commitments) which are, in the aggregate, material to Plains MLP or material with respect to Plains MLP's Consolidated financial condition and not shown in the Initial Financial Statements or disclosed in the Disclosure Schedule. Except as shown in the Initial Financial Statements or disclosed in the Disclosure Schedule, no Restricted Person is subject to or restricted by any franchise, contract, deed, charter restriction, or other instrument or restriction which could cause a Material Adverse Change.

Section 5.8. Full Disclosure. No certificate, statement or other information delivered herewith or heretofore by any Restricted Person to any Lender in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading as of the date made or deemed made. All written information furnished after the date hereof by or on behalf of any Restricted Person to Administrative Agent or any Lender Party in

connection with this Agreement and the other Loan Documents and the transactions contemplated hereby and thereby will be true, complete and accurate in every material respect or based on reasonable estimates on the date as of which such information is stated or certified. There is no fact known to any Restricted Person that has not been disclosed to each Lender in writing which could cause a Material Adverse Change.

Section 5.9. Litigation. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule: (i) there are no actions, suits or legal, equitable, arbitrative or administrative proceedings pending, or to the knowledge of any Restricted Person threatened, against any Restricted Person before any Tribunal which could cause a Material Adverse Change, and (ii) there are no outstanding judgments, injunctions, writs, rulings or orders by any such Tribunal against any Restricted Person or any Restricted Person's stockholders, partners, directors or officers which could cause a Material Adverse Change.

Section 5.10. Labor Disputes and Acts of God. Except as disclosed in the Disclosure Schedule, neither the business nor the properties of any Restricted Person has been affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), which could cause a Material Adverse Change.

Section 5.11. ERISA Plans and Liabilities. All currently existing ERISA Plans are listed in the Disclosure Schedule. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule, no Termination Event has occurred with respect to any ERISA Plan and all ERISA Affiliates are in compliance with ERISA in all material respects. No ERISA Affiliate is required to contribute to, or has any other absolute or contingent liability in respect of, any "multiemployer plan" as defined in Section 4001 of ERISA. Except as set forth in the Disclosure Schedule: (i) no "accumulated funding deficiency" (as defined in Section 412(a) of the Code) exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, and (ii) the current value of each ERISA Plan's benefits does not exceed the current value of such ERISA Plan's assets available for the payment of such benefits by more than $500,000.

Section 5.12. Compliance with Laws. Except as set forth in the Disclosure Schedule, each Restricted Person is conducting its businesses in compliance with all applicable Laws, including Environmental Laws, and has all permits, licenses and authorizations required in connection with the conduct of its businesses, except to the extent failure to have any such permit, license or authorization could not cause a Material Adverse Change. Each Restricted Person is in compliance with the terms and conditions of all such permits, licenses and authorizations, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any Law, including applicable Environmental Law, or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply could not cause a Material Adverse Change. Without limiting the foregoing, each Restricted Person (i) has filed and maintained all tariffs applicable to its business with each applicable commission, (ii) and all such tariffs are in compliance with all Laws administered or promulgated by each applicable commission and (iii) has imposed charges on its customers in

compliance with such tariffs, all contracts applicable to its business and all applicable Laws. As used herein, "commission" includes the Federal Energy Regulatory Commission, the Public Utility Commission of the State of California and each other federal, state or local governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any Restricted Person or its properties.

Section 5.13. Environmental Laws. As used in this section: "CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, "CERCLIS" means the Comprehensive Environmental Response, Compensation and Liability Information System List of the Environmental Protection Agency, and "Release" has the meaning given such term in 42 U.S.C. (S) 9601(22). Without limiting the provisions of Section 5.12, and except as set forth in the Disclosure Schedule:

(a) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed, and no investigation or review is pending or threatened by any Tribunal or any other Person with respect to any of the following which in the aggregate could cause a Material Adverse Change: (i) any alleged generation, treatment, storage, recycling, transportation, disposal, or Release of any Hazardous Materials, either by any Restricted Person or on any property owned by any Restricted Person, (ii) any remedial action which might be needed to respond to any such alleged generation, treatment, storage, recycling, transportation, disposal, or Release, or (iii) any alleged failure by any Restricted Person to have any permit, license or authorization required in connection with the conduct of its business or with respect to any such generation, treatment, storage, recycling, transportation, disposal, or Release.

(b) No Restricted Person otherwise has any known material contingent liability in connection with any alleged generation, treatment, storage, recycling, transportation, disposal, or Release of any Hazardous Materials.

(c) No Restricted Person has handled any Hazardous Materials, other than as a generator, on any properties now or previously owned or leased by any Restricted Person to an extent that such handling has caused, or could cause, a Material Adverse Change.

(d) Except to the extent that the following in the aggregate has not caused and could not cause a Material Adverse Change:

(i) no PCBs are or have been present at any properties now or previously owned or leased by any Restricted Person;

(ii) no asbestos is or has been present at any properties now or previously owned or leased by any Restricted Person;

(iii) there are no underground storage tanks for Hazardous Materials, active or abandoned, at any properties now or previously owned or leased by any Restricted Person; and

(iv) no Hazardous Materials have been Released at, on or under any properties now or previously owned or leased by any Restricted Person.

(e) No Restricted Person has transported or arranged for the transportation of any Hazardous Material to any location which is listed on the National Priorities List under CERCLA, any location listed for possible inclusion on the National Priorities List by the Environmental Protection Agency in CERCLIS, nor, except to the extent that has not caused and could not cause a Material Adverse Change, any location listed on any similar state list or which is the subject of federal, state or local enforcement actions or other investigations which may lead to claims against any Restricted Person for clean-up costs, remedial work, damages to natural resources or for personal injury claims, including, but not limited to, claims under CERCLA.

(f) No property now or previously owned or leased by any Restricted Person is listed or proposed for listing on the National Priority list promulgated pursuant to CERCLA, in CERCLIS, nor, except to the extent that has not caused and could not cause a Material Adverse Change, on any similar state list of sites requiring investigation or clean-up.

(g) There are no Liens arising under or pursuant to any Environmental Laws on any of the real properties or properties owned or leased by any Restricted Person, and no government actions of which Borrower is aware have been taken or are in process which could subject any of such properties to such Liens; nor would any Restricted Person be required to place any notice or restriction relating to the presence of Hazardous Materials at any properties owned by it in any deed to such properties.

(h) There have been no environmental investigations, studies, audits, tests, reviews or other analyses for ground water or soil contamination relating to the Release of Hazardous Materials conducted by or which are in the possession of any Restricted Person in relation to any properties or facility now or previously owned or leased by any Restricted Person which have not been made available to Administrative Agent.

Section 5.14. Names and Places of Business. No Restricted Person has, during the preceding five years, had, been known by, or used any other trade or fictitious name, except as disclosed in the Disclosure Schedule. Except as otherwise indicated in the Disclosure Schedule, the chief executive office and principal place of business of each Restricted Person are (and for the preceding five years have been) located at the address of Borrower set out in Section 10.3. Except as indicated in the Disclosure Schedule, no Restricted Person has any other office or place of business.

Section 5.15. Borrower's Subsidiaries. Borrower does not presently have any Subsidiary or own any stock in any other corporation or association except those listed in the Disclosure Schedule. Neither Borrower nor any Restricted Person is a member of any general or limited partnership, joint venture or association of any type whatsoever except those listed in the Disclosure Schedule. Borrower owns, directly or indirectly, the equity interest in each of its Subsidiaries which is indicated in the Disclosure Schedule.

Section 5.16. Title to Properties; Licenses. Each Restricted Person has good and defensible title to all of its material properties and assets, free and clear of all Liens other than Permitted Liens and of all impediments to the use of such properties and assets in such Restricted Person's business. Each Restricted Person possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, and other intellectual property (or otherwise possesses the right to use such intellectual property without violation of the rights of any other Person) which are necessary to carry out its business as presently conducted and as presently proposed to be conducted hereafter, and no Restricted Person is in violation in any material respect of the terms under which it possesses such intellectual property or the right to use such intellectual property.

Section 5.17. Government Regulation. Neither Borrower nor any other Restricted Person owing Obligations is subject to regulation under the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940 (as any of the preceding acts have been amended) or any other Law which regulates the incurring by such Person of Indebtedness, including Laws relating to common contract carriers or the sale of electricity, gas, steam, water or other public utility services. Neither Borrower nor any other Restricted Person is subject to regulation under the Federal Power Act which would violate, result in a default of, or prohibit the effectiveness or the performance of any of the provisions of the Loan Documents.

Section 5.18. Insider. No Restricted Person, nor any Person having "control" (as that term is defined in 12 U.S.C. (S) 375b(9) or in regulations promulgated pursuant thereto) of any Restricted Person, is a "director" or an "executive officer" or "principal shareholder" (as those terms are defined in 12 U.S.C. (S) 375b(8) or (9) or in regulations promulgated pursuant thereto) of any Lender, of a bank holding company of which any Lender is a Subsidiary or of any Subsidiary of a bank holding company of which any Lender is a Subsidiary.

Section 5.19. Solvency. Upon giving effect to the issuance of the Notes, the execution of the Loan Documents by Borrower and each Guarantor and the consummation of the transactions contemplated hereby, Borrower and each Guarantor will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws).

Section 5.20. Credit Arrangements. The Disclosure Schedule contains a complete and correct list, as of the date of this Agreement, of each credit agreement, loan agreement, indenture, purchase agreement, guaranty or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guaranty by, any Restricted Person, or to which any Restricted Person is subject, other than the Loan Documents, and the aggregate principal or face amount outstanding or which may become outstanding under each such arrangement is correctly described in the Disclosure Schedule. No Restricted Person is subject to any restriction under any credit agreement, loan agreement, indenture, purchase agreement, guaranty or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guaranty by, any Affiliate, other than another Restricted Person.

Section 5.21. Year 2000.

(a) Restricted Persons have (i) begun analyzing the operations of Restricted Persons and their Subsidiaries and Affiliates that could be adversely affected by failure to be become Year 2000 compliant (that is, that computer applications, imbedded microchips and other systems will be able to perform date-sensitive functions prior to and after December 31, 1999) and (ii) developed a plan for becoming Year 2000 compliant in a timely manner, the implementation of which is on schedule in all material respects. Plains MLP and Borrower reasonably believe that Restricted Persons and their Affiliates will become Year 2000 compliant for their operations on a timely basis except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

(b) Plains MLP and Borrower reasonably believe any suppliers and vendors that are material to the operations of Restricted Persons or their Subsidiaries and Affiliates will be Year 2000 compliant for their own computer applications except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

## ARTICLE VI - Affirmative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Borrower, and to induce each Lender to enter into this Agreement and extend credit hereunder, Plains MLP and Borrower covenant and agree that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders, or all Lenders as required under Section 10.1, have previously agreed otherwise:

Section 6.1. Payment and Performance. Each Restricted Person will pay all amounts due under the Loan Documents, to which it is a party, in accordance with the terms thereof and will observe, perform and comply with every covenant, term and condition expressed in the Loan Documents to which it is a party.

Section 6.2. Books, Financial Statements and Reports. Each Restricted Person will at all times maintain full and accurate books of account and records. Plains MLP will maintain and will cause its Subsidiaries to maintain a standard system of accounting, will maintain its Fiscal Year, and will furnish the following statements and reports to each Lender at Restricted Person's expense:

(a) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year (i) complete Consolidated financial statements of Plains MLP together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by PricewaterhouseCoopers LLP, or other independent certified public accountants selected by General Partner and acceptable to Majority Lenders, stating that such Consolidated financial statements have been so prepared and (ii) supporting unaudited consolidating balance sheets and statements of income of each other Restricted Person (except for any Restricted Person whose financial statements are substantially the same as those of Plains MLP). These financial statements shall contain a Consolidated and consolidating balance sheet as of the end of such Fiscal Year and Consolidated and

consolidating statements of earnings for such Fiscal Year. Such Consolidated financial statements shall set forth in comparative form the corresponding figures for the preceding Fiscal Year. In addition, within ninety (90) days after the end of each Fiscal Year Plains MLP will furnish a certificate signed by such accountants (i) stating that they have read this Agreement, (ii) containing calculations showing compliance (or non-compliance) at the end of such Fiscal Year with the requirements of Sections 7.11 through 7.15, inclusive, and (iii) further stating that in making their examination and reporting on the Consolidated financial statements described above they obtained no knowledge of any Default existing at the end of such Fiscal Year, or, if they did so conclude that a Default existed, specifying its nature and period of existence.

(b) As soon as available, and in any event within forty-five (45) days after the end of each of the first three Fiscal Quarters of each Fiscal Year, (i) Plains MLP's Consolidated balance sheet as of the end of such Fiscal Quarter and Consolidated statements of Plains MLP's earnings and cash flows for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, and (ii) supporting consolidating balance sheets and statements of income of each other Restricted Person (except for any Restricted Person whose financial statements are substantially the same as those of Plains MLP), all in reasonable detail and prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments; and as soon as available, and in any event within forty-five (45) days after the end of the last Fiscal Quarter of each Fiscal Year, Plains MLP's unaudited Consolidated balance sheet as of the end of such Fiscal Quarter and income statement for such Fiscal Quarter and for the period from the beginning of the current Fiscal Year to the end of such Fiscal Quarter. In addition Plains MLP will, together with each such set of financial statements and each set of financial statements furnished under subsection (a) of this section, furnish a certificate in the form of Exhibit D signed by the chief financial officer of General Partner stating that such financial statements are accurate and complete in all material respects (subject to normal year-end adjustments), stating that he has reviewed the Loan Documents, containing calculations showing compliance (or non-compliance) at the end of such Fiscal Quarter with the requirements of Sections 7.11 through 7.15, inclusive and stating that no Default exists at the end of such Fiscal Quarter or at the time of such certificate or specifying the nature and period of existence of any such Default.

(c) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent by Plains MLP to its unit holders and all registration statements, periodic reports and other statements and schedules filed by Plains MLP with any securities exchange, the Securities and Exchange Commission or any similar governmental authority.

(d) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year, a five-year business and financial plan for Plains MLP (in form reasonably satisfactory to Administrative Agent), prepared or caused to be prepared by a senior financial officer thereof, setting forth for the first year thereof, quarterly financial projections and budgets for Plains MLP, and thereafter yearly financial projections and budgets for the next four Fiscal Years.

(e) As soon as available, and in any event within forty-five (45) days after the end of each month, throughput volume reports setting forth in detail pipeline volumes of crude oil delivered by Restricted Persons for such month in connection with, and transportation fees charged and margins realized by the Restricted Persons for such month delivered through all pipeline facilities of Plains MLP and its Subsidiaries.

(f) As soon as available, and in any event within forty-five (45) days after the end of each Fiscal Quarter, a report setting forth volumes and margins for all marketing activities of Restricted Persons.

(g) As soon as available, and in any event within thirty (30) days after the end of each Fiscal Year, an environmental compliance certificate signed by the president or chief executive officer of General Partner in the form attached hereto as Exhibit F. Further, if requested by Administrative Agent, Restricted Persons shall permit and cooperate with an environmental and safety review made in connection with the operations of Restricted Persons' properties one time during each Fiscal Year beginning with the Fiscal Year 1999, by Pilko & Associates, Inc. or other consultants selected by Administrative Agent which review shall, if requested by Administrative Agent, be arranged and supervised by environmental legal counsel for Administrative Agent, all at Restricted Persons' cost and expense. The consultant shall render a verbal or written report, as specified by Administrative Agent, based upon such review at Restricted Persons' cost and expense and a copy thereof will be provided to Restricted Persons.

(h) Concurrently with the annual renewal of Restricted Persons' insurance policies, Restricted Persons shall at their own cost and expense, if requested by Administrative Agent in writing, cause a certificate or report to be issued by Administrative Agent's professional insurance consultants or other insurance consultants satisfactory to Administrative Agent certifying that Restricted Persons' insurance for the next succeeding year after such renewal (or for such longer period for which such insurance is in effect) complies with the provisions of this Agreement and the Security Documents.

Section 6.3. Other Information and Inspections. In each case subject to the last sentence of this Section 6.3, each Restricted Person will furnish to each Lender any information which Administrative Agent or any Lender may from time to time request concerning any covenant, provision or condition of the Loan Documents or any matter in connection with Restricted Persons' businesses and operations. In each case subject to the last sentence of this Section 6.3, each Restricted Person will permit representatives appointed by Administrative Agent (including independent accountants, auditors, agents, attorneys, appraisers and any other Persons) to visit and inspect during normal business hours any of such Restricted Person's property, including its books of account, other books and records, and any facilities or other business assets, and to make extra copies therefrom and photocopies and photographs thereof, and to write down and record any information such representatives obtain, and each Restricted Person shall permit Administrative Agent or its representatives to investigate and verify the accuracy of the information furnished to Administrative Agent or any Lender in connection with the Loan Documents and to discuss all such matters with its officers, employees and, upon prior notice to

Borrower, its representatives. Each of the foregoing inspections shall be made subject to compliance with applicable safety standards and the same conditions applicable to any Restricted Person in respect of property of that Restricted Person on the premises of Persons other than a Restricted Person or an Affiliate of a Restricted Person, and all information, books and records furnished or requested to be furnished, or of which copies, photocopies or photographs are made or requested to be made, all information to be investigated or verified and all discussions conducted with any officer, employee or representative of any Restricted Person shall be subject to any applicable attorney-client privilege exceptions which the Restricted Person determines is reasonably necessary and compliance with conditions to disclosures under non-disclosure agreements between any Restricted Person and Persons other than a Restricted Person or an Affiliate of a Restricted Person and the express undertaking of each Person acting at the direction of or on behalf of any Lender Party to be bound by the confidentiality provisions of Section 10.6 of this Agreement.

Section 6.4. Notice of Material Events and Change of Address. Each Restricted Person will notify each Lender Party, not later than five (5) Business Days after any executive officer of Restricted Persons has knowledge thereof, stating that such notice is being given pursuant to this Agreement, of:

(a) the occurrence of any Material Adverse Change,

(b) the occurrence of any Default,

(c) the acceleration of the maturity of any Indebtedness owed by any Restricted Person or of any default by any Restricted Person under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound, if such acceleration or default could cause a Material Adverse Change,

(d) the occurrence of any Termination Event,

(e) any claim of $1,000,000 or more, any notice of potential liability under any Environmental Laws which might be reasonably likely to exceed such amount, or any other material adverse claim asserted against any Restricted Person or with respect to any Restricted Person's properties taken as a whole, and

(f) the filing of any suit or proceeding against any Restricted Person in which an adverse decision could cause a Material Adverse Change.

Upon the occurrence of any of the foregoing Restricted Persons will take all necessary or appropriate steps to remedy promptly any such Material Adverse Change, Default, acceleration, default or Termination Event, to protect against any such adverse claim, to defend any such suit or proceeding, and to resolve all controversies on account of any of the foregoing. Restricted Persons will also notify Administrative Agent and Administrative Agent's counsel in writing at least twenty Business Days prior to the date that any Restricted Person changes its name or the location of its chief executive office or principal place of business or the place where it keeps its

books and records concerning the Collateral, furnishing with such notice any necessary financing statement amendments or requesting Administrative Agent and its counsel to prepare the same.

Borrower will promptly notify Administrative Agent in the event Borrower determines that any computer application which is material to the operations of Borrower, its Subsidiaries, its Affiliates or any of its material vendors or suppliers will not be fully Year 2000 compliant on a timely basis, except to the extent that such failure could not reasonably be expected to cause a Material Adverse Change.

Section 6.5. Maintenance of Properties. Each Restricted Person will maintain, preserve, protect, and keep all Collateral and all other property used or useful in the conduct of its business in good condition (ordinary wear and tear excepted) and in compliance with all applicable Laws, and will from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times.

Section 6.6. Maintenance of Existence and Qualifications. Each Restricted Person will maintain and preserve its existence and its rights and franchises in full force and effect and will qualify to do business in all states or jurisdictions where required by applicable Law, except where the failure so to qualify will not cause a Material Adverse Change.

Section 6.7. Payment of Trade Liabilities, Taxes, etc. Each Restricted Person will (a) timely file all required tax returns (including any extensions); (b) timely pay all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property; (c) within one hundred twenty (120) days after the date such goods are delivered or such services are rendered, pay all Liabilities owed by it on ordinary trade terms to vendors, suppliers and other Persons providing goods and services used by it in the ordinary course of its business; (d) pay and discharge when due all other Liabilities now or hereafter owed by it; and (e) maintain appropriate accruals and reserves for all of the foregoing in accordance with GAAP. Each Restricted Person may, however, delay paying or discharging any of the foregoing so long as it is in good faith contesting the validity thereof by appropriate proceedings, if necessary, and has set aside on its books adequate reserves therefor which are required by GAAP.

Section 6.8. Insurance. Each Restricted Person shall at all times maintain insurance for its property in accordance with the Insurance Schedule, which insurance shall be by financially sound and reputable insurers. Borrower will maintain any additional insurance coverage as described in the respective Security Documents. Upon demand by Administrative Agent any insurance policies covering Collateral shall be endorsed (a) to provide for payment of losses to Administrative Agent as its interests may appear, (b) to provide that such policies may not be canceled or reduced or affected in any material manner for any reason without fifteen days prior notice to Administrative Agent, and (c) to provide for any other matters specified in any applicable Security Document or which Administrative Agent may reasonably require. Each Restricted Person shall at all times maintain insurance against its liability for injury to persons or property in accordance with the Insurance Schedule, which insurance shall be by financially sound and reputable insurers. Without limiting the foregoing, each Restricted Person shall at all time maintain liability insurance in accordance with the Insurance Schedule.

Section 6.9. Performance on Borrower's Behalf. If any Restricted Person fails to pay any taxes, insurance premiums, expenses, attorneys' fees or other amounts it is required to pay under any Loan Document, Administrative Agent may pay the same after notice of such payment by Administrative Agent is given to Borrower. Borrower shall immediately reimburse Administrative Agent for any such payments and each amount paid by Administrative Agent shall constitute an Obligation owed hereunder which is due and payable on the date such amount is paid by Administrative Agent.

Section 6.10. Interest. Borrower hereby promises to each Lender to pay interest at the Default Rate on all Obligations (including Obligations to pay fees or to reimburse or indemnify any Lender) which Borrower has in this Agreement promised to pay to such Lender and which are not paid when due. Such interest shall accrue from the date such Obligations become due until they are paid.

Section 6.11. Compliance with Agreements and Law. Each Restricted Person will perform all material obligations it is required to perform under the terms of each indenture, mortgage, deed of trust, security agreement, lease, and franchise, and each material agreement, contract or other instrument or obligation to which it is a party or by which it or any of its properties is bound. Each Restricted Person will conduct its business and affairs in compliance with all Laws applicable thereto.

Section 6.12. Environmental Matters; Environmental Reviews.

(a) Each Restricted Person will comply in all material respects with all Environmental Laws now or hereafter applicable to such Restricted Person as well as all contractual obligations and agreements with respect to environmental remediation or other environmental matters, and shall obtain, at or prior to the time required by applicable Environmental Laws, all environmental, health and safety permits, licenses and other authorizations necessary for its operations and will maintain such authorizations in full force and effect.

(b) Each Restricted Person will promptly furnish to Administrative Agent all written notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings received by any Restricted Person or General Partner, or of which it has notice, pending or threatened against any Restricted Person, the potential liability of which exceeds $1,000,000 or would cause a Material Adverse Change if resolved adversely against any Restricted Person, by any governmental authority with respect to any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations in connection with its ownership or use of its properties or the operation of its business.

(c) Each Restricted Person will promptly furnish to Administrative Agent all requests for information, notices of claim, demand letters, and other notifications, received by any Restricted Person or General Partner in connection with its ownership or use of its properties or the conduct of its business, relating to potential responsibility with respect to any investigation or clean-up of Hazardous Material at any location, the potential liability of which exceeds $1,000,000 or would cause a Material Adverse Change if resolved adversely against any Restricted Person.

Section 6.13. Evidence of Compliance. Subject to the last sentence of Section 6.3, each Restricted Person will furnish to each Lender at such Restricted Person's expense all evidence which Administrative Agent from time to time reasonably requests in writing as to the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in the Loan Documents, the satisfaction of all conditions contained therein, and all other matters pertaining thereto.

Section 6.14. Agreement to Deliver Security Documents. Restricted Persons will deliver to further secure the Obligations whenever requested by Administrative Agent in its sole and absolute discretion, deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other Security Documents in form and substance satisfactory to Administrative Agent for the purpose of granting, confirming, and perfecting first and prior liens or security interests in any real or personal property now owned or hereafter acquired by any Restricted Person.

Section 6.15. Perfection and Protection of Security Interests and Liens. Each Restricted Person will from time to time deliver to Administrative Agent any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by Restricted Persons in form and substance satisfactory to Administrative Agent, which Administrative Agent requests for the purpose of perfecting, confirming, or protecting any Liens or other rights in Collateral securing any Obligations.

Section 6.16. Bank Accounts; Offset. To secure the repayment of the Obligations, each Restricted Person hereby grants to each Lender a security interest, a lien, and a right of offset, each of which shall be in addition to all other interests, liens, and rights of any Lender at common Law, under the Loan Documents, or otherwise, and each of which shall be upon and against (a) any and all moneys, securities or other property (and the proceeds therefrom) of such Restricted Person now or hereafter held or received by or in transit to any Lender from or for the account of such Restricted Person, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final) of such Restricted Person with any Lender, and (c) any other credits and claims of such Restricted Person at any time existing against any Lender, including claims under certificates of deposit. At any time and from time to time during the continuance of any Event of Default, each Lender is hereby authorized to foreclose upon, or to offset against the Obligations then due and payable (in either case without notice to any Restricted Person), any and all items herein above referred to. The remedies of foreclosure and offset are separate and cumulative, and either may be exercised independently of the other without regard to procedures or restrictions applicable to the other.

Section 6.17. Guaranties of Subsidiaries. Each Subsidiary of Plains MLP now existing or created, acquired or coming into existence after the date hereof shall, promptly upon request by Administrative Agent, execute and deliver to Administrative Agent an absolute and unconditional guaranty of the timely repayment of the Obligations and the due and punctual performance of the obligations of Borrower hereunder, which guaranty shall be satisfactory to Administrative Agent in form and substance. Each Subsidiary of Plains MLP existing on the date hereof shall duly execute and deliver such a guaranty prior to the making of any Loan hereunder. Plains MLP will

cause each of its Subsidiaries to deliver to Administrative Agent, simultaneously with its delivery of such a guaranty, written evidence satisfactory to Administrative Agent and its counsel that such Subsidiary has taken all corporate or partnership action necessary to duly approve and authorize its execution, delivery and performance of such guaranty and any other documents which it is required to execute.

Section 6.18. Interest Rate Hedging Agreements. Borrower shall at all times maintain interest rate Hedging Contracts which are: (a) for combined durations as of any day of not less than 24 months following such time, (b) in combined notional amounts not less than fifty percent (50%) of the outstanding principal balance of the Term Loans, (c) in compliance with Section 7.3, and (d) otherwise on terms acceptable to Administrative Agent in its sole discretion.

Section 6.19. Compliance with Agreements. Each Restricted Person shall observe, perform or comply with any agreement with any Person or any term or condition of any instrument, if such agreement or instrument is materially significant to such Restricted Person or to Restricted Persons on a Consolidated basis or materially significant to any Guarantor, and such failure is not remedied within the applicable period of grace (if any) provided in such agreement or instrument.

Section 6.20. Year 2000.

(a) Restricted Persons (i) no later than December 31, 1998 shall have completed the analysis of the operations of Restricted Persons and their Affiliates that could be adversely affected by failure to become Year 2000 compliant (that is, that computer applications, imbedded microchips and other systems will be able to perform date-sensitive functions prior to and after December 31, 1999) and developed a plan for Restricted Persons and their Affiliates for becoming Year 2000 compliant in a timely manner, and (ii) shall at all times after development of such plan implement such plan in all material respects, in a timely manner, and in accordance with the schedule of such plan. Contemporaneously with the delivery of each compliance certificate under Section 6.2 (a) or (b) on and after December 31, 1998, Each Restricted Person shall certify that it reasonably believes that Restricted Persons and their Affiliates will become Year 2000 compliant for their operations on a timely basis except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

(b) Contemporaneously with the delivery of each compliance certificate under Section 6.2 (a) or (b) on and after December 31, 1998, Plains MLP shall certify that it reasonably believes any suppliers and vendors that are material to the operations of Plains MLP or its Subsidiaries and Affiliates will be Year 2000 compliant for their own computer applications except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

Section 6.21. Rents. By the terms of the various Security Documents, certain Restricted Persons are and will be assigning to Administrative Agent, for the benefit of Lender Parties, all of the "Rents" (as defined therein) accruing to the property covered thereby. Notwithstanding any such assignments, so long as no Default has occurred and is continuing, (i) such Restricted Persons may continue to receive and collect from the payors of such Rents all such Rents, subject, however, to the Liens created under the Security Documents, which Liens are hereby affirmed

and ratified, and free and clear of such Liens, use the proceeds of the Rents, and (ii) the Administrative Agent will not notify the obligors of such Rents or take any other action to cause proceeds thereof to be remitted to the Administrative Agent. Upon the occurrence of a Default, Administrative Agent may exercise all rights and remedies granted under the Security Documents, including the right to obtain possession of all Rents then held by such Restricted Persons or to receive directly from the payors of such Rents all other Rents until such time as such Default is no longer continuing. If the Administrative Agent shall receive any Rent proceeds from any payor at any time other than during the continuance of a Default, then it shall notify Borrower thereof and (i) upon request and pursuant to the instructions of Borrower, it shall, if no Default is then continuing, remit such proceeds to the Borrower and (ii) at the request and expense of Borrower, execute and deliver a letter to such payors confirming Restricted Persons' right to receive and collect Rents until otherwise notified by Administrative Agent. In no case shall any failure, whether purposed or inadvertent, by Administrative Agent to collect directly any such Rents constitute in any way a waiver, remission or release of any of its rights under the Security Documents, nor shall any release of any Rents by Administrative Agent to such Restricted Persons constitute a waiver, remission, or release of any other Rents or of any rights of Administrative Agent to collect other Rents thereafter.

Section 6.22. Working Capital Borrowings. For at least fifteen (15) consecutive calendar days in each Fiscal Year, the aggregate outstanding principal balance of all Working Capital Borrowings shall be less than or equal to $8,000,000.

## ARTICLE VII - Negative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Borrower, and to induce each Lender to enter into this Agreement and make the Loans, Plains MLP and Borrower covenant and agree that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders, or all Lenders as required under Section 10.1, have previously agreed otherwise:

Section 7.1. Indebtedness. No Restricted Person will in any manner owe or be liable for Indebtedness except:

(a) the Obligations;

(b) Indebtedness arising under Hedging Contracts permitted under Section 7.3;

(c) Indebtedness of any Restricted Person owing to another Restricted Person;

(d) Liabilities with respect to obligations to deliver crude oil or to render terminaling or storage services in consideration for advance payments to a Restricted Person provided such delivery or rendering, as applicable, is to be made within 60 days after such payment;

(e) Indebtedness under the Marketing Credit Agreement, provided that the principal amount of loans and face amount of letters of credit thereunder at any one time outstanding shall not exceed $175,000,000;

(f) guaranties by Plains MLP of trade payables of any Restricted Person incurred and paid in the ordinary course of business on ordinary trade terms; and

(g) other Indebtedness not to exceed in the aggregate in respect of all Restricted Persons the principal amount of $25,000,000 at any one time outstanding.

Section 7.2. Limitation on Liens. No Restricted Person will create, assume or permit to exist any Lien upon any of the properties or assets which it now owns or hereafter acquires, except the following ("Permitted Liens"):

(a) Liens created pursuant to this Agreement or the Security Documents and Liens existing on the date of this Agreement and listed in the Disclosure Schedule or Liens created pursuant to the Marketing Credit Agreement, subject to the terms of the Intercreditor Agreement referred to in Section 4.1(m).

(b) Liens imposed by any governmental authority for taxes, assessments or charges not yet due or the validity of which is being contested in good faith and by appropriate proceedings, if necessary, for which adequate reserves are maintained on the books of any Restricted Person in accordance with GAAP;

(c) pledges or deposits under worker's compensation, unemployment insurance or other social security legislation;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlord's, or other like Liens (including without limitation, Liens on property of Marketing in the possession of storage facilities, pipelines or barges) arising in the ordinary course of business for amounts which are not more than 60 days past due or the validity of which is being contested in good faith and by appropriate proceedings, if necessary, and for which adequate reserves are maintained on the books of any Restricted Person in accordance with GAAP;

(e) deposits of cash or securities to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of real property or minor imperfections in title thereto which, in the aggregate, are not material in amount, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of any Restricted Person;

(g) Liens in respect of operating leases and Capital Leases permitted under Section 7.1;

(h) Liens upon any property or assets acquired after the date hereof by a Restricted Person, each of which either (i) existed on such property or asset before the time of its acquisition and was not created in anticipation thereof, or (ii) was created solely for the purpose of securing Indebtedness representing, or incurred to finance, refinance or refund, the cost (including the cost of construction) of such property or asset; provided that no such Lien shall extend to or cover any property or asset of a Restricted Person other than the property or asset so acquired (or constructed) and the Indebtedness secured thereby is permitted under Section 7.1(g) hereof; and any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancings, refundings or replacements), in whole or part, of the foregoing, provided, however, that such Liens shall not cover or secure any additional Indebtedness, obligations, property or asset;

(i) rights reserved to or vested in any governmental authority by the terms of any right, power, franchise, grant, license or permit, or by any provision of law, to revoke or terminate any such right, power, franchise, grant, license or permit or to condemn or acquire by eminent domain or similar process;

(j) rights reserved to or vested by Law in any governmental authority to in any manner, control or regulate in any manner any of the properties of any Restricted Person or the use thereof or the rights and interests of any Restricted Person therein, in any manner under any and all Laws;

(k) rights reserved to the grantors of any properties of any Restricted Person, and the restrictions, conditions, restrictive covenants and limitations, in respect thereto, pursuant to the terms, conditions and provisions of any rights-of-way agreements, contracts or other agreements therewith;

(l) Inchoate Liens in respect of pending litigation or with respect to a judgment which has not resulted in an Event of Default under Section 8.1; and

(m) Liens on property of Marketing permitted pursuant to the terms of the Marketing Credit Agreement.

Section 7.3. Hedging Contracts. No Restricted Person will be a party to or in any manner be liable on any Hedging Contract, except:

(a) Hedging Contracts entered into by a Restricted Person with the purpose and effect of fixing interest rates on a principal amount of indebtedness of such Restricted Person that is accruing interest at a variable rate, provided that (i) the aggregate notional amount of such contracts never exceeds one hundred percent (100%) of the anticipated outstanding principal balance of the indebtedness to be hedged by such contracts or an average of such principal balances calculated using a generally accepted method of matching interest swap contracts to declining principal balances, (ii) the floating rate index of each such contract generally matches the index used to determine the floating rates of interest on the corresponding indebtedness to be hedged by such contract and (iii) each such contract is with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender or one of its

Affiliates) at the time the contract is made has long-term unsecured and unenhanced debt obligations rated AA or Aa2 or better, respectively, by either Rating Agency or is an investment grade-rated industry participant or otherwise acceptable to Majority Lenders.

(b) Hedging Contracts entered into with the purpose and effect of fixing prices on crude oil then owned by a Restricted Person or which a Restricted Person is then obligated to purchase, provided that at all times: (i) no such contract fixes a price for a term of more than twelve (12) months, except for time trades in which the length of time between the purchase and sale contracts shall not exceed thirty-six (36) months and further provided that such time trades shall not exceed 30% of the Cushing Terminal's storage capacity; (ii) with respect to crude oil constituting the linefill carried in the All American Pipeline, the aggregate amount of oil so hedged at any one time does not exceed 500,000 barrels, (iii) with respect to crude oil owned by Restricted Persons other than linefill carried in the All American Pipeline, the aggregate amount of such other crude oil so hedged at any one time does not exceed the aggregate Open Position at such time, (iv) such contract is entered into for the purpose of hedging the price risk on oil anticipated to be disposed of and for which no other fixed sale price or other price fixing arrangement exists, and (v) each such contract is either (A) with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender Party or one of its Affiliates) at the time the contract is made has long-term unsecured and unenhanced debt obligations rated AA or Aa2 or better, respectively, by either Rating Agency or (B) entered into on the New York Mercantile Exchange ("Nymex") through a broker listed on the Disclosure Schedule or otherwise approved by Majority Lenders; provided that if a Nymex position is converted to a physical position by way of an "exchange for physicals" or an "alternative delivery procedure" then such Restricted Person may extend credit in connection with such physical position so long as such credit would comply with the credit requirements of the definition of "Approved Eligible Receivables."

Section 7.4. Limitation on Mergers, Issuances of Securities. Except as expressly provided in this section, no Restricted Person will (a) enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), (b) acquire any business or property from, or capital stock of, or be a party to any acquisition of, any Person except for purchases of inventory and other property to be sold or used in the ordinary course of business and Investments permitted under Section 7.7 hereof or (c) sell, transfer, lease, exchange, alienate or otherwise dispose of, in one transaction or a series of transactions, any part of its business or property, whether now owned or hereafter acquired, except for sales or transfers not prohibited by under Section 7.5 hereof. Any Person, other than Borrower, that is a Subsidiary of a Restricted Person may, however, be merged into or consolidated with (i) another Subsidiary of such Restricted Person, so long as a Guarantor is the surviving business entity, or (ii such Restricted Person, so long as such Restricted Person is the surviving business entity. Plains MLP will not issue any securities other than (i) limited partnership interests and any options or warrants giving the holders thereof only the right to acquire such interests, (ii) general or subordinate partnership interests issued to Resources or a Wholly Owned Subsidiary of Resources and (iii) debt securities permitted by Section 7.1(g). No Subsidiary of Plains MLP will issue any additional shares of its capital stock or other securities or any options, warrants or other rights to acquire such additional shares or other securities except a direct Subsidiary of a Restricted Person may issue additional shares or other securities to such

Restricted Person, to Plains MLP or to General Partner so long as such Subsidiary is a Wholly Owned Subsidiary of Plains MLP after giving effect thereto. No Subsidiary of Borrower which is a partnership will allow any diminution of Borrower's interest (direct or indirect) therein.

Section 7.5. Limitation on Sales of Property. No Restricted Person will sell, transfer, lease, exchange, alienate or dispose of any Collateral or any of its material assets or properties or any material interest therein except:

(a) equipment which is worthless or obsolete or which is replaced by equipment of equal suitability and value;

(b) inventory (including pipeline linefill) which is sold in the ordinary course of business on ordinary trade terms;

(c) in other property which is sold for fair consideration not in the aggregate in excess of $10,000,000 in any Fiscal Year, the sale of which will not materially impair or diminish the value of the Collateral or any Restricted Person's financial condition, business or operations; and

(d) sales or transfers, subject to the Security Documents, by a Person (other than Borrower) that is a Subsidiary of a Restricted Person to such Restricted Person or to a Wholly Owned Subsidiary of such Restricted Person that is a Guarantor.

No Restricted Person will sell, transfer or otherwise dispose of capital stock of or interest in any of its Subsidiaries except to Plains MLP or a Wholly Owned Subsidiary of Plains MLP. No Restricted Person will discount, sell, pledge or assign any notes payable to it, accounts receivable or future income. So long as no Default then exists, Administrative Agent will, at Borrower's request and expense, execute a release, satisfactory to Borrower and Administrative Agent, of any Collateral so sold, transferred, leased, exchanged, alienated or disposed of pursuant to the clause (a) or (c) of this Section.

Section 7.6. Limitation on Dividends and Redemptions. No Restricted Person will declare or pay any dividends on, or make any other distribution in respect of, any class of its capital stock or any partnership or other interest in it, nor will any Restricted Person directly or indirectly make any capital contribution to or purchase, redeem, acquire or retire any shares of the capital stock of or partnership interests in any Restricted Person (whether such interests are now or hereafter issued, outstanding or created), or cause or permit any reduction or retirement of the capital stock of any Restricted Person, while the Revolver Loan is outstanding. Notwithstanding the foregoing, but subject to Section 7.5, (i) Subsidiaries of Plains MLP, Borrower, or of any Guarantor shall not be restricted, directly or indirectly, from declaring and paying dividends or making any other distributions to Plains MLP, Borrower, or any such Guarantor, respectively, (ii) no Restricted Person shall be restricted from making capital contributions to a Wholly Owned Subsidiary of such Restricted Person that is a Guarantor, and (iii) so long as no Default or Event of Default has occurred and is continuing or would result therefrom, Plains MLP shall not be restricted from (A) distributing Available Cash (other than amounts required to be applied as otherwise required in any Loan Document) to its partners in accordance with the Partnership

Agreement or (B) purchasing its partnership units on the open market in connection with the Incentive and Option Plans.

Section 7.7. Limitation on Investments and New Businesses. No Restricted Person will (a) make any expenditure or commitment or incur any obligation or enter into or engage in any transaction except in the ordinary course of business, (b) engage directly or indirectly in any business or conduct any operations except in connection with or incidental to its present businesses and operations, (c) make any acquisitions of or capital contributions to or other Investments in any Person, other than Permitted Investments and Permitted Acquisitions, or (d) make any acquisitions of properties other than Permitted Acquisitions. All transactions permitted under the foregoing subsections (a) through (d), inclusive, are subject to Section 7.5.

Section 7.8. Limitation on Credit Extensions. Except for Permitted Investments and Hedging Contracts permitted under Section 7.3(b) hereof, no Restricted Person will extend credit, make advances or make loans other than normal and prudent extensions of credit to customers buying goods and services in the ordinary course of business or to another Restricted Person in the ordinary course of business, which extensions shall not be for longer periods than those extended by similar businesses operated in a normal and prudent manner.

Section 7.9. Transactions with Affiliates. No Restricted Person will engage in any material transaction with any of its Affiliates except: (a) transactions among Plains MLP and Wholly Owned Subsidiaries of Plains MLP, subject to the other provisions of this Agreement, (b) transactions governed by the Affiliate Agreements, and (c) transactions entered into in the ordinary course of business of such Restricted Person on terms which are no less favorable to such Restricted Person than those which would have been obtainable at the time in arm's-length transactions with Persons other than such Affiliates.

Section 7.10. Prohibited Contracts. Except as expressly provided for in the Loan Documents and as described in the Disclosure Schedule, no Restricted Person will, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction on the ability of any Subsidiary of Plains MLP, including but not limited to Borrower and any Subsidiary of Borrower to: (a) pay dividends or make other distributions to Borrower or Plains MLP, (b) redeem equity interests held in it by Borrower or Plains MLP, (c) repay loans and other indebtedness owing by it to Borrower or Plains MLP, or (d) transfer any of its assets to Borrower or Plains MLP. No Restricted Person will enter into any "take-or-pay" contract or other contract or arrangement for the purchase of goods or services which obligates it to pay for such goods or service regardless of whether they are delivered or furnished to it. No Restricted Persons will amend, modify or release any of the Affiliate Agreements. No Restricted Person will amend or permit any amendment to any contract or lease which releases, qualifies, limits, makes contingent or otherwise detrimentally affects the rights and benefits of Administrative Agent or any Lender under or acquired pursuant to any Security Documents. No ERISA Affiliate will incur any obligation to contribute to any "multiemployer plan" as defined in Section 4001 of ERISA that is subject to Title IV of ERISA.

Section 7.11. Current Ratio. The ratio of (i) the sum of Plains MLP's Consolidated current assets plus the excess, if any, of the Revolver Commitment over the Revolver Usage to

(ii) Plains MLP's Consolidated current liabilities will never be less than 1.0 to 1.0. For purposes of this section, Plains MLP's Consolidated current liabilities will be calculated without including (a) any payments of principal on the Notes which are required to be repaid within one year from the time of calculation and (b) all Liabilities arising under permitted Hedging Contracts.

Section 7.12. Debt Coverage Ratio. At the end of any Fiscal Quarter, the ratio of (a) Consolidated Funded Indebtedness to (b) Consolidated EBITDA for the four Fiscal Quarter period ending with such Fiscal Quarter will not be greater than 5.0 to 1.0.

Section 7.13. Interest Coverage Ratio. At the end of any Fiscal Quarter, the ratio of (a) Consolidated EBITDA to (b) Interest Expense for the four-Fiscal Quarter period ending with such Fiscal Quarter will not be less than 3.0 to 1.0.

Section 7.14. Fixed Charge Coverage Ratio. At the end of any Fiscal Quarter, the ratio of (a) the sum of Consolidated EBITDA plus Consolidated Lease Rentals to (b) the sum of Interest Expense plus Consolidated Lease Rentals plus any principal payments due on any Indebtedness during the next four-Fiscal Quarter period (exclusive of principal payments due on the Loans or on any Indebtedness under the Marketing Credit Agreement) plus capital expenditure required to maintain the assets and properties of the Restricted Persons in accordance with the covenants contained in each Loan Document, in each case for the four-Fiscal Quarter period ending with such Fiscal Quarter will not be less than 1.25 to 1 for any such period.

Section 7.15. Debt to Capital Ratio. The ratio of (a) all Consolidated Funded Indebtedness to (b) the sum of Consolidated Funded Indebtedness plus Consolidated Net Worth will never be greater than .60 to 1.0 at any time.

## ARTICLE VIII - Events of Default and Remedies

Section 8.1. Events of Default. Each of the following events constitutes an Event of Default under this Agreement:

(a) Any Restricted Person fails to pay the principal component of any Loan or any reimbursement obligation with respect to any Letter of Credit when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise;

(b) Any Restricted Person fails to pay any Obligation (other than the Obligations in subsection (a) above) when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise, within three Business Days after the same becomes due;

(c) Any event defined as a "default" or "event of default" in any Loan Document occurs, and the same is not remedied within the applicable period of grace (if any) provided in such Loan Document;

(d) Any Restricted Person fails to duly observe, perform or comply with any covenant, agreement or provision of Section 6.4 or Article VII;

(e) Any Restricted Person fails (other than as referred to in subsections (a), (b), (c) or (d) above) to duly observe, perform or comply with any covenant, agreement, condition or provision of any Loan Document to which it is a party, and such failure remains unremedied for a period of thirty (30) days after notice of such failure is given by Administrative Agent to Borrower;

(f) Any representation or warranty previously, presently or hereafter made in writing by or on behalf of any Restricted Person in connection with any Loan Document shall prove to have been false or incorrect in any material respect on any date on or as of which made, or any Loan Document at any time ceases to be valid, binding and enforceable as warranted in Section 5.5 for any reason other than its release or subordination by Administrative Agent;

(g) Any Restricted Person shall default in the payment when due of any principal of or interest on any of its other Indebtedness in excess of $2,500,000 in the aggregate (other than Indebtedness the validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves with respect thereto are maintained on the books of such Restricted Person in accordance with GAAP), or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due, or to be prepaid in full (whether by redemption, purchase, offer to purchase or otherwise), prior to its stated maturity;

(h) Either (i) any "accumulated funding deficiency" (as defined in Section 412(a) of the Code) in excess of $500,000 exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, or (ii) any Termination Event occurs with respect to any ERISA Plan and the then current value of such ERISA Plan's benefit liabilities exceeds the then current value of such ERISA Plan's assets available for the payment of such benefit liabilities by more than $500,000 (or in the case of a Termination Event involving the withdrawal of a substantial employer, the withdrawing employer's proportionate share of such excess exceeds such amount);

(i) General Partner or any Restricted Person:

(i) has entered against it of a judgment, decree or order for relief by a Tribunal of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar Law of any jurisdiction now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended, or has any such proceeding commenced against it, in each case, which remains undismissed for a period of sixty days; or

(ii) commences a voluntary case under any applicable bankruptcy, insolvency or similar Law now or hereafter in effect, including the federal Bankruptcy Code, as from

time to time amended; or applies for or consents to the entry of an order for relief in an involuntary case under any such Law; or makes a general assignment for the benefit of creditors; or is generally unable to pay (or admits in writing its inability to so pay) its debts as such debts become due; or takes corporate or other action to authorize any of the foregoing; or

(iii) has entered against it the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or a substantial part of its assets in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within sixty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(iv) has entered against it the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any part of the Collateral of a value in excess of $2,500,000 in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within sixty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(v) has entered against it a final judgment for the payment of money in excess of $2,500,000 (in each case not covered by insurance satisfactory to Administrative Agent in its discretion), unless the same is stayed or discharged within thirty days after the date of entry thereof or an appeal or appropriate proceeding for review thereof is taken within such period and a stay of execution pending such appeal is obtained; or

(vi) suffers a writ or warrant of attachment or any similar process to be issued by any Tribunal against all or any substantial part of its assets or any part of the Collateral of a value in excess of $2,500,000, and such writ or warrant of attachment or any similar process is not stayed or released within thirty days after the entry or levy thereof or after any stay is vacated or set aside;

(j) General Partner shall default in the payment when due of any principal of or interest on any of its Indebtedness in excess of $1,000,000 in the aggregate, or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due, or to be prepaid in full (whether by redemption, purchase, offer to purchase or otherwise), prior to its stated maturity; or

(k) Any Change in Control occurs.

Upon the occurrence of an Event of Default described in subsection (i)(i), (i)(ii) or (i)(iii) of this section with respect to Borrower or Plains MLP, all of the Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and

nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Restricted Person who at any time ratifies or approves this Agreement. Upon any such acceleration, any obligation of any Lender to make any further Loans and any obligation of LC Issuer to issue Letters of Credit hereunder shall be permanently terminated. During the continuance of any other Event of Default, Administrative Agent at any time and from time to time may (and upon written instructions from Majority Lenders, Administrative Agent shall), without notice to Borrower or any other Restricted Person, do either or both of the following: (1) terminate any obligation of Lenders to make Loans hereunder and any obligation of LC Issuer to issue Letters of Credit hereunder, and (2) declare any or all of the Obligations immediately due and payable, and all such Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Restricted Person who at any time ratifies or approves this Agreement.

Section 8.2. Remedies. If any Default shall occur and be continuing, each Lender Party may protect and enforce its rights under the Loan Documents by any appropriate proceedings, including proceedings for specific performance of any covenant or agreement contained in any Loan Document, and each Lender Party may enforce the payment of any Obligations due it or enforce any other legal or equitable right which it may have. All rights, remedies and powers conferred upon Lender Parties under the Loan Documents shall be deemed cumulative and not exclusive of any other rights, remedies or powers available under the Loan Documents or at Law or in equity.

## ARTICLE IX - Administrative Agent

Section 9.1. Appointment and Authority. Each Lender Party hereby irrevocably authorizes Administrative Agent, and Administrative Agent hereby undertakes, to receive payments of principal, interest and other amounts due hereunder as specified herein and to take all other actions and to exercise such powers under the Loan Documents as are specifically delegated to Administrative Agent by the terms hereof or thereof, together with all other powers reasonably incidental thereto. The relationship of Administrative Agent to the other Lender Parties is only that of one commercial lender acting as administrative agent for others, and nothing in the Loan Documents shall be construed to constitute Administrative Agent a trustee or other fiduciary for any Lender Party or any holder of any participation in a Note nor to impose on Administrative Agent duties and obligations other than those expressly provided for in the Loan Documents. With respect to any matters not expressly provided for in the Loan Documents and any matters which the Loan Documents place within the discretion of Administrative Agent, Administrative Agent shall not be required to exercise any discretion or take any action, and it may request instructions from Lenders with respect to any such matter, in which case it shall be required to act or to refrain from acting (and shall be fully protected and free from liability to all Lender Parties in so acting or refraining from acting) upon the instructions of Majority Lenders (including itself), provided, however, that Administrative Agent shall not be required to take any action

which exposes it to a risk of personal liability that it considers unreasonable or which is contrary to the Loan Documents or to applicable Law. Upon receipt by Administrative Agent from Borrower of any communication calling for action on the part of Lenders or upon notice from Borrower or any Lender to Administrative Agent of any Default or Event of Default, Administrative Agent shall promptly notify each other Lender thereof.

Section 9.2. Exculpation, Administrative Agent's Reliance, Etc. Neither Administrative Agent nor any of its directors, officers, agents, attorneys, or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with the Loan Documents, INCLUDING THEIR NEGLIGENCE OF ANY KIND, except that each shall be liable for its own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Administrative Agent (a) may treat the payee of any Note as the holder thereof until Administrative Agent receives written notice of the assignment or transfer thereof in accordance with this Agreement, signed by such payee and in form satisfactory to Administrative Agent; (b) may consult with legal counsel (including counsel for Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any other Lender Party and shall not be responsible to any other Lender Party for any statements, warranties or representations made in or in connection with the Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of the Loan Documents on the part of any Restricted Person or to inspect the property (including the books and records) of any Restricted Person; (e) shall not be responsible to any other Lender Party for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any instrument or document furnished in connection therewith; (f) may rely upon the representations and warranties of each Restricted Person or Lender Party in exercising its powers hereunder; and (g) shall incur no liability under or in respect of the Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (including any facsimile, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper Person or Persons.

Section 9.3. Credit Decisions. Each Lender Party acknowledges that it has, independently and without reliance upon any other Lender Party, made its own analysis of Borrower and the transactions contemplated hereby and its own independent decision to enter into this Agreement and the other Loan Documents. Each Lender Party also acknowledges that it will, independently and without reliance upon any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents.

SECTION 9.4. INDEMNIFICATION. EACH LENDER AGREES TO INDEMNIFY ADMINISTRATIVE AGENT (TO THE EXTENT NOT REIMBURSED BY BORROWER WITHIN TEN (10) DAYS AFTER DEMAND) FROM AND AGAINST SUCH LENDER'S PERCENTAGE SHARE OF ANY AND ALL LIABILITIES, OBLIGATIONS, CLAIMS, LOSSES, DAMAGES, PENALTIES, FINES, ACTIONS, JUDGMENTS, SUITS, SETTLEMENTS, COSTS, EXPENSES OR DISBURSEMENTS (INCLUDING

REASONABLE FEES OF ATTORNEYS, ACCOUNTANTS, EXPERTS AND ADVISORS) OF ANY KIND OR NATURE WHATSOEVER (IN THIS SECTION COLLECTIVELY CALLED "LIABILITIES AND COSTS") WHICH TO ANY EXTENT (IN WHOLE OR IN PART) MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST ADMINISTRATIVE AGENT GROWING OUT OF, RESULTING FROM OR IN ANY OTHER WAY ASSOCIATED WITH ANY OF THE COLLATERAL, THE LOAN DOCUMENTS AND THE TRANSACTIONS AND EVENTS (INCLUDING THE ENFORCEMENT THEREOF) AT ANY TIME ASSOCIATED THEREWITH OR CONTEMPLATED THEREIN (WHETHER ARISING IN CONTRACT OR IN TORT OR OTHERWISE AND INCLUDING ANY VIOLATION OR NONCOMPLIANCE WITH ANY ENVIRONMENTAL LAWS BY ANY PERSON OR ANY LIABILITIES OR DUTIES OF ANY PERSON WITH RESPECT TO HAZARDOUS MATERIALS FOUND IN OR RELEASED INTO THE ENVIRONMENT).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ADMINISTRATIVE AGENT, provided only that no Lender shall be obligated under this section to indemnify Administrative Agent for that portion, if any, of any liabilities and costs which is proximately caused by Administrative Agent's own individual gross negligence or willful misconduct, as determined in a final judgment. Cumulative of the foregoing, each Lender agrees to reimburse Administrative Agent promptly upon demand for such Lender's Percentage Share of any costs and expenses to be paid to Administrative Agent by Borrower under Section 10.4(a) to the extent that Administrative Agent is not timely reimbursed for such expenses by Borrower as provided in such section. As used in this section the term "Administrative Agent" shall refer not only to the Person designated as such in Section 1.1 but also to each director, officer, agent, attorney, employee, representative and Affiliate of such Person.

Section 9.5. Rights as Lender. In its capacity as a Lender, Administrative Agent shall have the same rights and obligations as any Lender and may exercise such rights as though it were not Administrative Agent. Administrative Agent may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with any Restricted Person or their Affiliates, all as if it were not Administrative Agent hereunder and without any duty to account therefor to any other Lender.

Section 9.6. Sharing of Set-Offs and Other Payments. Each Lender Party agrees that if it shall, whether through the exercise of rights under Security Documents or rights of banker's lien, set off, or counterclaim against Borrower or otherwise, obtain payment of a portion of the aggregate Obligations owed to it which, taking into account all distributions made by Administrative Agent under Section 3.1, causes such Lender Party to have received more than it would have received had such payment been received by Administrative Agent and distributed

pursuant to Section 3.1, then (a) it shall be deemed to have simultaneously purchased and shall be obligated to purchase interests in the Obligations as necessary to cause all Lender Parties to share all payments as provided for in Section 3.1, and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that Administrative Agent and all Lender Parties share all payments of Obligations as provided in Section 3.1; provided, however, that nothing herein contained shall in any way affect the right of any Lender Party to obtain payment (whether by exercise of rights of banker's lien, set-off or counterclaim or otherwise) of indebtedness other than the Obligations. Borrower expressly consents to the foregoing arrangements and agrees that any holder of any such interest or other participation in the Obligations, whether or not acquired pursuant to the foregoing arrangements, may to the fullest extent permitted by Law and, subject to the provisions of Section 6.16, exercise any and all rights of banker's lien, set-off, or counterclaim as fully as if such holder were a holder of the Obligations in the amount of such interest or other participation. If all or any part of any funds transferred pursuant to this section is thereafter recovered from the seller under this section which received the same, the purchase provided for in this section shall be deemed to have been rescinded to the extent of such recovery, together with interest, if any, if interest is required pursuant to the order of a Tribunal to be paid on account of the possession of such funds prior to such recovery.

Section 9.7. Investments. Whenever Administrative Agent in good faith determines that it is uncertain about how to distribute to Lender Parties any funds which it has received, or whenever Administrative Agent in good faith determines that there is any dispute among Lender Parties about how such funds should be distributed, Administrative Agent may choose to defer distribution of the funds which are the subject of such uncertainty or dispute. If Administrative Agent in good faith believes that the uncertainty or dispute will not be promptly resolved, or if Administrative Agent is otherwise required to invest funds pending distribution to Lender Parties, Administrative Agent shall invest such funds pending distribution; all interest on any such Investment shall be distributed upon the distribution of such Investment and in the same proportion and to the same Persons as such Investment. All moneys received by Administrative Agent for distribution to Lender Parties (other than to the Person who is Administrative Agent in its separate capacity as a Lender Party) shall be held by Administrative Agent pending such distribution solely as Administrative Agent for such Lender Parties, and Administrative Agent shall have no equitable title to any portion thereof.

Section 9.8. Benefit of Article IX. The provisions of this Article are intended solely for the benefit of Lender Parties, and no Restricted Person shall be entitled to rely on any such provision or assert any such provision in a claim or defense against any Lender (other than in relation to the reference to Section 6.16 contained in Section 9.6 or the right to reasonably approve a successor Administrative Agent under Section 9.9). Lender Parties may waive or amend such provisions as they desire without any notice to or consent of Borrower or any other Restricted Person.

Section 9.9. Resignation. Administrative Agent may resign at any time by giving written notice thereof to Lenders and Borrower. Each such notice shall set forth the date of such resignation. Upon any such resignation Majority Lenders shall have the right to appoint a successor Administrative Agent, subject to the approval of Borrower, which approval will not be unreasonably withheld. A successor must be appointed for any retiring Administrative Agent, and

such Administrative Agent's resignation shall become effective when such successor accepts such appointment. If, within thirty days after the date of the retiring Administrative Agent's resignation, no successor Administrative Agent has been appointed and has accepted such appointment, then the retiring Administrative Agent may appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed to conduct a banking or trust business under the Laws of the United States of America or of any state thereof. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Administrative Agent's resignation hereunder the provisions of this Article IX shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

Section 9.10. Other Agents. Neither the Syndication Agent nor the Documentation Agent, in such capacities, shall have any duties or responsibilities or incur any liabilities under this Agreement or the other Loan Documents.

## ARTICLE X - Miscellaneous

Section 10.1. Waivers and Amendments; Acknowledgments.

(a) Waivers and Amendments. No failure or delay (whether by course of conduct or otherwise) by any Lender in exercising any right, power or remedy which such Lender Party may have under any of the Loan Documents shall operate as a waiver thereof or of any other right, power or remedy, nor shall any single or partial exercise by any Lender Party of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. No waiver of any provision of any Loan Document and no consent to any departure therefrom shall ever be effective unless it is in writing and signed as provided below in this section, and then such waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. No notice to or demand on any Restricted Person shall in any case of itself entitle any Restricted Person to any other or further notice or demand in similar or other circumstances. This Agreement and the other Loan Documents set forth the entire understanding between the parties hereto with respect to the transactions contemplated herein and therein and supersede all prior discussions and understandings with respect to the subject matter hereof and thereof, and no waiver, consent, release, modification or amendment of or supplement to this Agreement or the other Loan Documents shall be valid or effective against any party hereto unless the same is in writing and signed by (i) if such party is Borrower, by Borrower, (ii) if such party is Administrative Agent or LC Issuer, by such party, and (iii) if such party is a Lender, by such Lender or by Administrative Agent on behalf of Lenders with the written consent of Majority Lenders (which consent has already been given as to the termination of the Loan Documents as provided in Section 10.9). Notwithstanding the foregoing or anything to the contrary herein, Administrative Agent shall not, without the prior consent of each individual Lender, execute and deliver on behalf of such Lender any waiver or amendment which would: (1) waive any of the conditions specified in Article IV (provided that Administrative Agent may in its discretion withdraw any request it has made under

Section 4.3), (2) increase the maximum amount which such Lender is committed hereunder to lend, (3) reduce any fees payable to such Lender hereunder, or the principal of, or interest on, such Lender's Note, (4) change any date fixed for any payment of any such fees, principal or interest, (5) amend the definition herein of "Majority Lenders" or otherwise change the aggregate amount of Percentage Shares which is required for Administrative Agent, Lenders or any of them to take any particular action under the Loan Documents, (6) release Borrower from its obligation to pay such Lender's Note or any Guarantor from its guaranty of such payment, or (7) release any Collateral, except such releases relating to sales of property as permitted under Section 7.5.

(b) Acknowledgments and Admissions. Borrower hereby represents, warrants, acknowledges and admits that (i) it has been advised by counsel in the negotiation, execution and delivery of the Loan Documents to which it is a party, (ii) it has made an independent decision to enter into this Agreement and the other Loan Documents to which it is a party, without reliance on any representation, warranty, covenant or undertaking by Administrative Agent or any other Lender Party, whether written, oral or implicit, other than as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iii) there are no representations, warranties, covenants, undertakings or agreements by any Lender Party as to the Loan Documents except as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iv) no Lender Party has any fiduciary obligation toward Borrower with respect to any Loan Document or the transactions contemplated thereby, (v) the relationship pursuant to the Loan Documents between Borrower and the other Restricted Persons, on one hand, and each Lender Party, on the other hand, is and shall be solely that of debtor and creditor, respectively, (vi) no partnership or joint venture exists with respect to the Loan Documents between any Restricted Person and any Lender Party, (vii) Administrative Agent is not Borrower's Administrative Agent, but Administrative Agent for Lenders, (viii) should an Event of Default or Default occur or exist, each Lender Party will determine in its sole discretion and for its own reasons what remedies and actions it will or will not exercise or take at that time, (ix) without limiting any of the foregoing, Borrower is not relying upon any representation or covenant by any Lender Party, or any representative thereof, and no such representation or covenant has been made, that any Lender Party will, at the time of an Event of Default or Default, or at any other time, waive, negotiate, discuss, or take or refrain from taking any action permitted under the Loan Documents with respect to any such Event of Default or Default or any other provision of the Loan Documents, and (x) all Lender Parties have relied upon the truthfulness of the acknowledgments in this section in deciding to execute and deliver this Agreement and to become obligated hereunder.

(c) Representation by Lenders. Each Lender hereby represents that it will acquire its Note for its own account in the ordinary course of its commercial lending or investing business; however, the disposition of such Lender's property shall at all times be and remain within its control and, in particular and without limitation, such Lender may sell or otherwise transfer its Note, any participation interest or other interest in its Note, or any of its other rights and obligations under the Loan Documents subject to compliance with Sections 10.5(b) through (f), inclusive, and applicable Law.

(d) JOINT ACKNOWLEDGMENT. THIS WRITTEN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN

THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 10.2. Survival of Agreements; Cumulative Nature. All of Restricted Persons' various representations, warranties, covenants and agreements in the Loan Documents shall survive the execution and delivery of this Agreement and the other Loan Documents and the performance hereof and thereof, including the making or granting of the Loans and the delivery of the Notes and the other Loan Documents, and shall further survive until all of the Obligations are paid in full to each Lender Party and all of Lender Parties' obligations to Borrower are terminated. All statements and agreements contained in any certificate or other instrument delivered by any Restricted Person to any Lender Party under any Loan Document shall be deemed representations and warranties by Borrower or agreements and covenants of Borrower under this Agreement. The representations, warranties, indemnities, and covenants made by Restricted Persons in the Loan Documents, and the rights, powers, and privileges granted to Lender Parties in the Loan Documents, are cumulative, and, except for expressly specified waivers and consents, no Loan Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to any Lender Party of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception set out in this Agreement to any representation, warranty, indemnity, or covenant herein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Loan Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions which are expressly made applicable to it by the terms of the various Loan Documents.

Section 10.3. Notices. All notices, requests, consents, demands and other communications required or permitted under any Loan Document shall be in writing, unless otherwise specifically provided in such Loan Document (provided that Administrative Agent may give telephonic notices to the other Lender Parties), and shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile or other electronic transmission, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, to Borrower and Restricted Persons at the address of Borrower specified on the signature pages hereto and to each Lender Party at its address specified on the signature pages hereto (unless changed by similar notice in writing given by the particular Person whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided herein, (b) in the case of facsimile or other electronic transmission, upon receipt, or (c) in the case of registered or certified United States mail, three days after deposit in the mail; provided, however, that no Borrowing Notice or Continuation/Conversion Notice shall become effective until actually received by Administrative Agent.

Section 10.4. Payment of Expenses; Indemnity.

(a) Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, Borrower will promptly (and in any event, within 30 days after any invoice or other statement or notice) pay: (i) all transfer, stamp, mortgage, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any of the other Loan Documents or any other document referred to herein or therein, (ii) all reasonable costs and expenses incurred by or on behalf of Administrative Agent (including attorneys' fees, consultants' fees and engineering fees, travel costs and miscellaneous expenses) in connection with (1) the negotiation, preparation, execution and delivery of the Loan Documents, and any and all consents, waivers or other documents or instruments relating thereto, (2) the filing, recording, refiling and re-recording of any Loan Documents and any other documents or instruments or further assurances required to be filed or recorded or refiled or re-recorded by the terms of any Loan Document, (3) the borrowings hereunder and other action reasonably required in the course of administration hereof, (4) monitoring or confirming (or preparation or negotiation of any document related to) Borrower's compliance with any covenants or conditions contained in this Agreement or in any Loan Document, and (iii) all reasonable costs and expenses incurred by or on behalf of any Lender Party (including attorneys' fees, consultants' fees and accounting fees) in connection with the defense or enforcement of any of the Loan Documents (including this section) or the defense of any Lender Party's exercise of its rights thereunder. In addition to the foregoing, until all Obligations have been paid in full, Borrower will also pay or reimburse Administrative Agent for all reasonable out-of-pocket costs and expenses of Administrative Agent or its agents or employees in connection with the continuing administration of the Loans and the related due diligence of Administrative Agent, including travel and miscellaneous expenses and fees and expenses of Administrative Agent's outside counsel, reserve engineers and consultants engaged in connection with the Loan Documents.

(b) Indemnity. Borrower agrees to indemnify each Lender Party, upon demand, from and against any and all liabilities, obligations, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") which to any extent (in whole or in part) may be imposed on, incurred by, or asserted against such Lender Party growing out of, resulting from or in any other way associated with any of the Collateral, the Loan Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein (whether arising in contract or in tort or otherwise and including any violation or noncompliance with any Environmental Laws by any Lender Party or any other Person or any liabilities or duties of any Lender Party or any other Person with respect to Hazardous Materials found in or released into the environment).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY, provided only that no Lender Party shall be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final

judgment. If any Person (including Borrower or any of its Affiliates) ever alleges such gross negligence or willful misconduct by any Lender Party, the indemnification provided for in this section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. As used in this section the term "Lender Party" shall refer not only to each Person designated as such in Section 1.1 but also to each director, officer, trustee, agent, attorney, employee, representative and Affiliate of such Persons.

Section 10.5. Joint and Several Liability; Parties in Interest; Assignments.

(a) All Obligations which are incurred by two or more Restricted Persons shall be their joint and several obligations and liabilities. All grants, covenants and agreements contained in the Loan Documents shall bind and inure to the benefit of the parties thereto and their respective successors and permitted assigns; provided, however, that no Restricted Person may assign or transfer any of its rights or delegate any of its duties or obligations under any Loan Document without the prior consent of all Lenders. Neither Borrower nor any Affiliates of Borrower shall directly or indirectly purchase or otherwise retire any Obligations owed to any Lender nor will any Lender accept any offer to do so, unless each Lender shall have received substantially the same offer with respect to the same Percentage Share of the Obligations owed to it. If Borrower or any Affiliate of Borrower at any time purchases some but less than all of the Obligations owed to all Lender Parties, such purchaser shall not be entitled to any rights of any Lender under the Loan Documents unless and until Borrower or its Affiliates have purchased all of the Obligations.

(b) No Lender shall sell any participation interest in its commitment hereunder or any of its rights under its Loans or under the Loan Documents to any Person unless the agreement between such Lender and such participant at all times provides: (i) that such participation exists only as a result of the agreement between such participant and such Lender and that such transfer does not give such participant any right to vote as a Lender or any other direct claims or rights against any Person other than such Lender, (ii) that such participant is not entitled to payment from any Restricted Person under Sections 3.2 through 3.6 of amounts in excess of those payable to such Lender under such sections (determined without regard to the sale of such participation), and (iii) unless such participant is an Affiliate of such Lender, that such participant shall not be entitled to require such Lender to take any action under any Loan Document or to obtain the consent of such participant prior to taking any action under any Loan Document, except for actions which would require the consent of all Lenders under subsection (a) of Section 10.1. No Lender selling such a participation shall, as between the other parties hereto and such Lender, be relieved of any of its obligations hereunder as a result of the sale of such participation. Each Lender which sells any such participation to any Person (other than an Affiliate of such Lender) shall give prompt notice thereof to Administrative Agent and Borrower; provided, however, that no liability shall arise if any such Lender fails to give such notice to Borrower.

(c) Except for sales of participations under the immediately preceding subsection, no Lender shall make any assignment or transfer of any kind of its commitments or any of its rights under its Loans or under the Loan Documents, except for assignments to an Eligible Transferee or, subject to the provisions of Subsection (g) below, to an Affiliate, and then only if such assignment is made in accordance with the following requirements:

(i) In the case of an assignment by a Revolver Lender of less than all of its Revolver Loans, LC Obligations, and Revolver Commitments, each such assignment shall apply to a consistent percentage of all Revolver Loans and LC Obligations owing to the assignor Revolver Lender hereunder and to the same percentage of the unused portion of the assignor Lender's Revolver Commitments, so that after such assignment is made both the assignee Revolver Lender and the assignor Revolver Lender shall have a fixed (and not a varying) Revolver Percentage Share in its Revolver Loans and LC Obligations and be committed to make that Revolver Percentage Share of all future Revolver Loans and make that Revolver Percentage Share of all future participations in LC Obligations, and the Revolver Percentage Share of the Revolver Commitment of both the assignor and assignee shall equal or exceed $5,000,000.

(ii) In the case of an assignment by a Term Lender, after such assignment is made the outstanding Term Loans of both the assignor and assignee shall equal or exceed $5,000,000, except with respect to an assignment of all such Lender's Term Loans or such lesser amount as may be agreed to by the Administrative Agent and Borrower (except that no such minimum shall be applicable with respect to an assignment to a Lender).

(iii) The parties to each such assignment shall execute and deliver to Administrative Agent, for its acceptance and recording in the "Register" (as defined below in this section), an Assignment and Acceptance in the form of Exhibit H, appropriately completed, together with the Note subject to such assignment and a processing fee payable by such assignor Lender (and not at Borrower's expense) to Administrative Agent of $3,500. Upon such execution, delivery, and payment and upon the satisfaction of the conditions set out in such Assignment and Acceptance, then (i) Borrower shall issue new Notes to such assignor and assignee upon return of the old Notes to Borrower, and (ii) as of the "Settlement Date" specified in such Assignment and Acceptance the assignee thereunder shall be a party hereto and a Lender hereunder and Administrative Agent shall thereupon deliver to Borrower and each Lender a revised Schedule 1 hereto showing the revised Revolver Percentage Shares and total Percentage Shares of such assignor Lender and such assignee Lender and the revised Revolver Percentage Shares and total Percentage Shares of all other Lenders.

(iv) Each assignee Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, shall (to the extent it has not already done so) provide Administrative Agent and Borrower with the "Prescribed Forms" referred to in Section 3.7(d).

(d) Nothing contained in this section shall prevent or prohibit any Lender from assigning or pledging all or any portion of its Loans and Note to any Federal Reserve Bank as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank; provided that (i) no such assignment or pledge shall relieve such Lender from its obligations hereunder and (ii) all related costs, fees and expenses incurred by such Lender in connection with such assignment and

the reassignment back to it, free of any interests of such Federal Reserve Banks shall be for the sole account of such Lender.

(e) By executing and delivering an Assignment and Acceptance, each assignee Lender thereunder will be confirming to and agreeing with Borrower, Administrative Agent and each other Lender Party that such assignee understands and agrees to the terms hereof, including Article IX hereof.

(f) Administrative Agent shall maintain a copy of each Assignment and Acceptance and a register for the recordation of the names and addresses of Lenders and the Percentage Shares of, and principal amount of the Loans owing to, each Lender from time to time (in this section called the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and Borrower and each Lender Party may treat each Person whose name is recorded in the Register as a Lender Party hereunder for all purposes. The Register shall be available for inspection by Borrower or any Lender Party at any reasonable time and from time to time upon reasonable prior notice.

(g) Any Lender may assign or transfer its commitment or its rights under its Loans or under the Loan Documents to (i) any Affiliate that is wholly-owned direct or indirect subsidiary of such Lender or of any Person that wholly owns, directly or indirectly, such Lender, or (ii) if such Lender is a fund that makes or invests in bank loans, any other fund that makes or invests in bank loans and is advised or managed by (A) the same investment advisor as any Lender or (B) any Affiliate of such investment advisor that is a wholly-owned direct or indirect subsidiary of any Person that wholly owns, directly or indirectly, such investment advisor, subject to the following additional conditions:

(x) any right of such Lender assignor and such assignee to vote as a Lender, or any other direct claims or rights against any other Persons, shall be uniformly exercised or pursued in the manner that such Lender assignor would have so exercised such vote, claim or right if it had not made such assignment or transfer;

(y) such assignee shall not be entitled to payment from any Restricted Person under Sections 3.2 through 3.7 of amounts in excess of those payable to such Lender assignor under such sections (determined without regard to such assignment or transfer); and

(z) if such Lender assignor is a Revolver Lender that assigns or transfers to such assignee any of such Lender Revolver Commitment, assignee may become primarily liable for such Revolver Commitment, but such assignment or transfer shall not relieve or release such Lender from such Revolver Commitment.

Section 10.6. Confidentiality. Each Lender Party agrees (on behalf of itself and each of its Affiliates, and each of its and their directors, officers, agents, attorneys, employees, and representatives) that it (and each of them) will take all reasonable steps to keep confidential any non-public information supplied to it by or at the direction of any Restricted Person so identified when delivered, provided, however, that this restriction shall not apply to information which (a) has at the time in question entered the public domain, (b) is required to be disclosed by Law

(whether valid or invalid) of any Tribunal, (c) is disclosed to any Lender Party's Affiliates, auditors, attorneys, or agents, (d) is furnished to any other Lender Party or to any purchaser or prospective purchaser of participations or other interests in any Loan or Loan Document (provided each such purchaser or prospective purchaser first agrees to hold such information in confidence on the terms provided in this section), or (d) is disclosed in the course of enforcing its rights and remedies during the existence of an Event of Default.

Section 10.7. GOVERNING LAW; SUBMISSION TO PROCESS. EXCEPT TO THE EXTENT THAT THE LAW OF ANOTHER JURISDICTION IS EXPRESSLY ELECTED IN A LOAN DOCUMENT, THE LOAN DOCUMENTS SHALL BE DEEMED CONTRACTS AND INSTRUMENTS MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK AND THE LAWS OF THE UNITED STATES OF AMERICA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. BORROWER HEREBY AGREES THAT ANY LEGAL ACTION OR PROCEEDING AGAINST BORROWER WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OF THE LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK AS LENDER PARTIES MAY ELECT, AND, BY EXECUTION AND DELIVERY HEREOF, BORROWER ACCEPTS AND CONSENTS FOR ITSELF AND IN RESPECT TO ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. BORROWER AGREES THAT SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK SHALL APPLY TO THE LOAN DOCUMENTS AND WAIVES ANY RIGHT TO STAY OR TO DISMISS ANY ACTION OR PROCEEDING BROUGHT BEFORE SAID COURTS ON THE BASIS OF FORUM NON CONVENIENS. IN FURTHERANCE OF THE FOREGOING, BORROWER HEREBY IRREVOCABLY DESIGNATES AND APPOINTS CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK 12207, AS AGENT OF BORROWER TO RECEIVE SERVICE OF ALL PROCESS BROUGHT AGAINST BORROWER WITH RESPECT TO ANY SUCH PROCEEDING IN ANY SUCH COURT IN NEW YORK, SUCH SERVICE BEING HEREBY ACKNOWLEDGED BY BORROWER TO BE EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT. COPIES OF ANY SUCH PROCESS SO SERVED SHALL ALSO, IF PERMITTED BY LAW, BE SENT BY REGISTERED MAIL TO BORROWER AT ITS ADDRESS SET FORTH BELOW, BUT THE FAILURE OF BORROWER TO RECEIVE SUCH COPIES SHALL NOT AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS AS AFORESAID. BORROWER SHALL FURNISH TO LENDER PARTIES A CONSENT OF CORPORATION SERVICE COMPANY AGREEING TO ACT HEREUNDER PRIOR

TO THE EFFECTIVE DATE OF THIS AGREEMENT. NOTHING HEREIN SHALL AFFECT THE RIGHT OF LENDER PARTIES TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT OF LENDER PARTIES TO BRING PROCEEDINGS AGAINST BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. IF FOR ANY REASON CORPORATION SERVICE COMPANY SHALL RESIGN OR OTHERWISE CEASE TO ACT AS BORROWER'S AGENT, BORROWER HEREBY IRREVOCABLY AGREES TO (A) IMMEDIATELY DESIGNATE AND APPOINT A NEW AGENT ACCEPTABLE TO ADMINISTRATIVE AGENT TO SERVE IN SUCH CAPACITY AND, IN SUCH EVENT, SUCH NEW AGENT SHALL BE DEEMED TO BE SUBSTITUTED FOR CORPORATION SERVICE COMPANY FOR ALL PURPOSES HEREOF AND (B) PROMPTLY DELIVER TO AGENT THE WRITTEN CONSENT (IN FORM AND SUBSTANCE SATISFACTORY TO ADMINISTRATIVE AGENT) OF SUCH NEW AGENT AGREEING TO SERVE IN SUCH CAPACITY.

Section 10.8. Limitation on Interest. Lender Parties, Restricted Persons and the other parties to the Loan Documents intend to contract in strict compliance with applicable usury Law from time to time in effect. In furtherance thereof such persons stipulate and agree that none of the terms and provisions contained in the Loan Documents shall ever be construed to provide for interest in excess of the maximum amount of interest permitted to be charged by applicable Law from time to time in effect. Neither any Restricted Person nor any present or future guarantors, endorsers, or other Persons hereafter becoming liable for payment of any Obligation shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that may be lawfully charged under applicable Law from time to time in effect, and the provisions of this section shall control over all other provisions of the Loan Documents which may be in conflict or apparent conflict herewith.

Section 10.9. Termination; Limited Survival. In its sole and absolute discretion Borrower may at any time that no Obligations are owing or outstanding elect in a written notice delivered to Administrative Agent to terminate this Agreement. Upon receipt by Administrative Agent of such a notice, if no Obligations are then owing or outstanding this Agreement and all other Loan Documents shall thereupon be terminated and the parties thereto released from all prospective obligations thereunder. Notwithstanding the foregoing or anything herein to the contrary, any waivers or admissions made by any Restricted Person in any Loan Document, any Obligations under Sections 3.2 through 3.6, and any obligations which any Person may have to indemnify or compensate any Lender Party shall survive any termination of this Agreement or any other Loan Document. At the request and expense of Borrower, Administrative Agent shall prepare and execute all necessary instruments to reflect and effect such termination of the Loan Documents. Administrative Agent is hereby authorized to execute all such instruments on behalf of all Lenders, without the joinder of or further action by any Lender.

Section 10.10. Severability. If any term or provision of any Loan Document shall be determined to be illegal or unenforceable all other terms and provisions of the Loan Documents

shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable Law.

Section 10.11. Counterparts. This Agreement may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Agreement.

Section 10.12. WAIVER OF JURY TRIAL, PUNITIVE DAMAGES, ETC. TO THE EXTENT PERMITTED BY LAW, LENDER PARTIES AND BORROWER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF SUCH PERSONS OR BORROWER. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER PARTIES' ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. BORROWER AND EACH LENDER PARTY HEREBY FURTHER (A) IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES," AS DEFINED BELOW, (B) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (C) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION. AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

ALL AMERICAN PIPELINE, L.P.

By: PLAINS ALL AMERICAN INC., its general partner

By: /s/ Phillip D. Kramer
Name: Phillip D. Kramer
Title: Executive Vice President

Address:

500 Dallas Street
Suite 700
Houston, Texas 77002
Attention: Phil Kramer

Telephone: (713) 654-1414
Fax: (713) 654-1523

PLAINS MARKETING, L.P.

By: PLAINS ALL AMERICAN INC., its general partner

By: /s/ Phillip D. Kramer
Name: Phillip D. Kramer
Title: Executive Vice President

Address:

500 Dallas Street
Suite 700
Houston, Texas 77002
Attention: Phil Kramer

Telephone: (713) 654-1414
Fax: (713) 654-1523

PLAINS ALL AMERICAN PIPELINE, L.P.

By: PLAINS ALL AMERICAN INC., its
general partner

By: /s/ Phillip D. Kramer
---
Name: Phillip D. Kramer
Title: Executive Vice President

Address:

500 Dallas Street
Suite 700
Houston, Texas 77002
Attention: Phil Kramer

Telephone: (713) 654-1414
Fax: (713) 654-1523

ING (U.S.) CAPITAL CORPORATION,
Administrative Agent and Lender

By: /s/ Christopher R. Wagner
    ------------------------------
    Name:  Christopher R. Wagner
    Title: Senior Vice President

Address:

ING (U.S.) Capital Corporation
135 East 57th Street
New York, New York
Attention: Christopher Wagner

Telephone: (212) 409-1500
Fax: (212) 832-3616

ING BARING FURMAN SELZ LLC,
Syndication Agent

By: /s/ Christopher R. Wagner
    ------------------------------
    Name:  Christopher R. Wagner
    Title: Senior Vice President

Address:

ING Baring  (U.S.) Capital Corporation
135 East 57th Street
New York, New York
Attention:

Telephone: (212)
Fax: (212)

BANCBOSTON ROBERTSON STEPHENS INC.,
Documentation Agent

By: /s/ Richard J. Makin
    ------------------------------
    Name: Richard J. Makin
    Title: Managing Director

Address:

100 Federal Street
Boston, Massachusetts 02110
Attention: Terrence Ronan
Mail Code: 01-08-04

Telephone: (617) 434-5472
Fax: (617) 434-3652

BANKBOSTON, N.A., LC Issuer and Lender

By: /s/ Terrence Ronan
    ------------------------------
    Name: Terrence Ronan
    Title: Director

Address:

100 Federal Street
Boston, Massachusetts 02110
Attention: Terrence Ronan
Mail Code: 01-08-04

Telephone: (617) 434-5472
Fax: (617) 434-3652

EXHIBIT 10.2

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AMENDED AND RESTATED CREDIT AGREEMENT

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PLAINS MARKETING, L.P.,

as Borrower,

and

ALL AMERICAN PIPELINE, L.P.,

as Guarantor

and

PLAINS ALL AMERICAN PIPELINE, L.P.,

as Guarantor,

and

BANKBOSTON, N.A.,

as Administrative Agent,

BANCBOSTON ROBERTSON STEPHENS INC.,

as Syndication Agent,

ING BARING FURMAN SELZ LLC

as Documentation Agent,

and CERTAIN FINANCIAL INSTITUTIONS,

as Lenders

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$175,000,000

November 17, 1998

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TABLE OF CONTENTS

Schedules and Exhibits:

# AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT is made as of November 17, 1998, by and among PLAINS MARKETING, L.P. ("Borrower"), a Delaware limited partnership, ALL AMERICAN PIPELINE, L.P. ("All American"), a Texas limited partnership, PLAINS ALL AMERICAN PIPELINE, L.P. ("Plains MLP"), a Delaware limited partnership, and BANKBOSTON, N.A., as administrative agent (in such capacity, "Administrative Agent"), BANCBOSTON ROBERTSON STEPHENS INC., as syndication agent (in such capacity, "Syndication Agent"), ING BARING FURMAN SELZ LLC, as documentation agent (in such capacity, "Documentation Agent") and the Lenders referred to below.

## RECITALS

1. Plains Marketing & Transportation Inc., a Delaware corporation ("PMTI"), is party to a Credit Agreement dated as of July 30, 1998 with Administrative Agent, BancBoston Robertson Stephens Inc., as Syndication Agent, ING (U.S.) Capital Corporation, as Documentation Agent, and certain Lenders named therein (the "Existing Agreement").

2. On the Funding Date (as defined herein) PMTI and certain other Subsidiaries of Plains Resources Inc. ("Resources") will be merged with and into Resources and the liabilities of PMTI and such Subsidiaries of Resources will be assumed by Resources.

3. Pursuant to the Contribution Agreement (as defined herein) on the Funding Date all of the assets and liabilities of PMTI and certain other Subsidiaries of Resources to be acquired and assumed by Resources pursuant to such merger will be conveyed to and assumed by Borrower.

4. The Administrative Agent and Lenders party to the Existing Agreement have consented to such transactions, subject to the agreement by Borrower to amend and restate the Existing Agreement as provided herein;

In consideration of the mutual covenants and agreements contained herein the parties hereto agree as follows:

## ARTICLE I - Definitions and References

Section 1.1. Defined Terms. As used in this Agreement, each of the following terms has the meaning given to such term in this Section 1.1 or in the sections and subsections referred to below:

"Acceptable Issuer" means any national or state bank or trust company which is organized under the laws of the United States of America or any state thereof or any branch licensed to operate under the laws of the United States of America or any state thereof, which is a branch of a bank organized under any country which is a member of the Organization for Economic

Cooperation and Development, in each case which has capital, surplus and undivided profits of at least $500,000,000 and whose commercial paper is rated at least P-1 by Moody's or A-1 by S&P.

"Account" shall have the meaning given that term in the UCC.

"Account Debtor" means any Person who is or who may become obligated under, with respect to, or on account of, an Account.

"Adjusted Eurodollar Rate" means, with respect to each particular Eurodollar Loan and the related Interest Period, the rate per annum (rounded upwards, if necessary, to the nearest 1/1000 of 1%) determined by Administrative Agent to be equal to the quotient obtained by dividing (i) the Eurodollar Rate for such Eurodollar Loan for such Interest Period by (ii) 1 minus the Reserve Requirement for such Eurodollar Loan for such Interest Period. The Adjusted Eurodollar Rate for any Eurodollar Loan shall change whenever the Reserve Requirement changes.

"Administrative Agent" means BankBoston, N.A., as Administrative Agent hereunder, and its successors in such capacity.

"Affiliate" means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with, such Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power

(a) to vote 5% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or

(b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Affiliate Agreements" means the Crude Oil Marketing Agreement, the Omnibus Agreement and the Contribution Agreement.

"Agreement" means this Amended and Restated Credit Agreement.

"All American" means All American Pipeline, L.P., a Texas limited partnership.

"All American Agreement" means that certain Credit Agreement of even date herewith among Borrower, All American, Plains MLP, the Agents named therein and certain financial institutions as Lenders.

"All American Revolver Availability" means for any day, the unutilized portion available on such day of the commitment for revolving credit loans to All American pursuant to the All American Agreement.

"All American Term Loans" means those certain loans made to All American pursuant to the All American Agreement which are evidenced by a "Term Note" (as such term is defined in the All American Agreement).

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of Base Rate Loans and such Lender's Eurodollar Lending Office in the case of Eurodollar Loans.

"Applicable Leverage Level" means the level set forth below that corresponds to the ratio of (i) Consolidated Funded Indebtedness of Plains MLP and its Subsidiaries to (ii) the Consolidated EBITDA for the applicable period of four Fiscal Quarters (the "Leverage Ratio"):

| Applicable Leverage Level | Leverage Ratio |
|---|---|
| Level I | greater than or equal to 4.0 to 1.0 |
| Level II | greater than or equal to 3.0 to 1.0 but less than 4.0 to 1.0 |
| Level III | greater than or equal to 2.0 to 1.0 but less than 3.0 to 1.0 |
| Level IV | less than 2.0 to 1.0 |

The Leverage Ratio will be determined quarterly by Administrative Agent within two (2) Business Days after Administrative Agent's receipt of Plains MLP's Consolidated financial statements for the immediate preceding Fiscal Quarter based upon: (i) Consolidated Funded Indebtedness as of the end of such Fiscal Quarter, and (ii) the Consolidated EBITDA for the four Fiscal Quarters ending with such Fiscal Quarter. The Applicable Leverage Level shall become effective upon such determination of the Leverage Ratio by Administrative Agent and shall remain effective until the next such determination by Administrative Agent of the Leverage Ratio. From the date hereof until the date the Administrative Agent has determined the Leverage Ratio based on the December 31, 1998 Fiscal Quarter, the Applicable Leverage Level shall be Level III.

"Applicable Rating Level" means, for any day, the level set forth below that corresponds to the higher of the ratings publicly announced by Moody's or S&P, as applicable on that day, to the All American Term Loans; provided that if ratings announced by Moody's and S&P differ by more than two (2) levels on such day, then the Applicable Rating Level shall be based upon the level which is one level lower than the higher.

| Applicable Rating Level | Moody's | S&P |
|---|---|---|
| Level A | *Baa3 | *BBB- |
| Level B | **Baa3 | **BBB- |

"*" means greater than or equal to and "**" means less than. If neither Moody's or S&P shall have in effect a rating for the All American Term Loans, then the Applicable Rating Level shall be deemed to be Level B. If the rating system of either rating agency shall change, or if a rating agency shall cease to be in the business of rating corporate debt obligations, Plains MLP and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency, but until such an agreement shall be reached, the Applicable Rating Level shall be based only upon the rating by the remaining rating agency.

"Approved Eligible Receivables" means each Eligible Receivable (other than Eligible Exchange Balances) (a) from a Person whose Debt Rating is either at least Baa3 by Moody's or at least BBB- by S&P; (b) fully and unconditionally guaranteed as to payment by a Person whose Debt Rating is either at least Baa3 by Moody's or at least BBB- by S&P; (c) from any other Person Currently Approved by Majority Lenders; or (d) fully covered by a letter of credit from an Acceptable Issuer.

"Available Cash" has the meaning given such term in the Partnership Agreement.

"Base Rate" means the higher of (a) the annual rate of interest announced from time to time by Administrative Agent at its "base rate" at its head office in Boston, Massachusetts, or (b) the Federal Funds Rate plus one-half percent (0.5%) per annum; provided that such rate may not be the lowest rate at which funds are made available to customers of Administrative Agent at such time. Each change in the Base Rate shall become effective without prior notice to Borrower automatically as of the opening of business on the date of such change in the Base Rate.

"Base Rate Loan" means a Loan which does not bear interest at the Adjusted Eurodollar Rate.

"Borrower" means Plains Marketing, L.P., a Delaware limited partnership.

"Borrowing" means a borrowing of new Loans of a single Type pursuant to Section 2.2 or a Continuation or Conversion of all or a portion of an existing Loan (whether alone or as a combination with a new Loan) into a single Type (and, in the case of Eurodollar Loans, with the same Interest Period) pursuant to Section 2.3.

"Borrowing Base" means the remainder of (a) minus (b) below as of the date of determination:

(a) the sum of the following as of the date of determination :

(i) 100% of Eligible Cash Equivalents; plus

(ii) 90% of Approved Eligible Receivables; plus

(iii) the lesser of (A) 85% of Other Eligible Receivables or (B) 1/3 of the sum of the amounts of clauses (a)(i) plus (a)(ii) [(i.e., (a)(i) plus (a)(ii) must be 75% of (a)(i) plus (a)(ii) plus (a)(iii); plus

(iv) 85% of Eligible Margin Deposits; plus

(v) the lesser of (A) 95% of Hedged Eligible Inventory plus 100% of Other Eligible Inventory Value or (B) $40,000,000; plus

(vi) 80% of Eligible Exchange Balances, plus

(vii) 100% of all Paid but Unexpired Letters of Credit

MINUS (b) the following as of the date of determination:

(i) 100% of First Purchase Crude Payables; plus

(ii) 100% of Other Priority Claims, plus

(iii) The Estimate Adjustment Amount as provided in Section 2.13.

"Borrowing Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.2.

"Business Day" means a day, other than a Saturday or Sunday, on which commercial banks are open for business with the public in Boston, Massachusetts. Any Business Day in any way relating to Eurodollar Loans (such as the day on which an Interest Period begins or ends) must also be a day on which, in the judgment of Administrative Agent, significant transactions in dollars are carried out in the London interbank eurocurrency market.

"Capital Lease" means a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Capital Lease Obligation" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"Cash and Carry Purchases" means purchases of crude oil for physical storage at a Plains Terminal or in transit in pipelines Currently Approved by Majority Lenders which constitutes Hedged Eligible Inventory.

"Cash Equivalents" means Investments in:

(a) marketable obligations, maturing within 12 months after acquisition thereof, issued or unconditionally guaranteed by the United States of America or an instrumentality or agency thereof and entitled to the full faith and credit of the United States of America;

(b) demand deposits and time deposits (including certificates of deposit) maturing within 12 months from the date of deposit thereof, (i) with any office of any Lender or (ii) with a domestic office of any national or state bank or trust company which is organized under the Laws of the United States of America or any state therein, which has capital, surplus and undivided profits of at least $500,000,000, and whose long-term certificates of deposit are rated at least Aa3 by Moody's or AA- by S&P;

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in subsection (a) above entered into with (i) any Lender or (ii) any other commercial bank meeting the specifications of subsection (b) above;

(d) open market commercial paper, maturing within 270 days after acquisition thereof, which are rated at least P-1 by Moody's or A-1 by S&P; and

(e) money market or other mutual funds substantially all of whose assets comprise securities of the types described in subsections (a) through (d) above.

"Change of Control" means the occurrence of any of the following events: (i) an event or series of events by which any Person or other entity or group of Persons or other entities acting in concert as a partnership or other group (a "Group of Persons") shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases, merger, consolidation or otherwise, have become the beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of (A) 50% or more of the combined voting power of the then outstanding voting stock of Resources, in the case of any Person or Group of Persons constituting or controlled by Affiliates of Kayne Anderson Investment Management, Inc., or (B) 40% or more of such combined voting power in the case of any other Person or Group of Persons, (ii) during any period of two consecutive years (A) the members of the board of directors of Resources (the "Board") as of January 1, 1998, (B) any director elected thereafter in any annual meeting of the stockholders of Resources upon the recommendation of the Board, and (C) any other member of the Board who will be recommended or elected to succeed those Persons described in subclauses (A) and (B) of this clause (ii) by a majority of such Persons who are then members of the Board, cease for any reason to constitute collectively a majority of the Board then in office, (iii) the direct or indirect sale, lease, exchange or other transfer of all or substantially all of the Consolidated assets of Resources and its Subsidiaries, to any Person or Group of Persons, or (iv) Resources, either directly or through a Wholly Owned Subsidiary of Resources, shall cease to be the legal and beneficial owner (as defined above) of more than 50% of the voting power of the outstanding voting stock of General Partner, or General Partner shall cease to be 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, All American, or Borrower, (v) any Person or Group of Persons other than Resources or any Subsidiary of Resources shall be the beneficial owner (as defined above) of 50% or more of the combined voting power of the then total partnership interests in Plains MLP, or (vi) Resources

and its Wholly Owned Subsidiaries taken as a whole shall hold legal and beneficial ownership of issued and outstanding partnership interests of Plains MLP representing less than 5% of the total outstanding partnership interests of Plains MLP.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, together with all rules and regulations promulgated with respect thereto.

"Collateral" means all property of any kind which is subject to a Lien in favor of Lenders (or in favor of Administrative Agent for the benefit of Lenders) or which, under the terms of any Security Document, is purported to be subject to such a Lien, in each case granted or created to secure all or part of the Obligations.

"Commitment Period" means the period from and including the date hereof until July 31, 2001 (or, if earlier, the day on which (i) the obligation of Lenders to make Loans hereunder and the obligations of LC Issuer to issue Letters of Credit hereunder have terminated, (ii) the obligation of LC Issuer to issue Letters of Credit hereunder has terminated, or (iii) the Notes first become due and payable in full, whichever shall first occur).

"Consolidated" refers to the consolidation of any Person, in accordance with GAAP, with its properly consolidated subsidiaries. References herein to a Person's Consolidated financial statements, financial position, financial condition, liabilities, etc. refer to the consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly consolidated subsidiaries.

"Consolidated EBITDA" means, for any four-Fiscal Quarter period, the sum of (1) the Consolidated Net Income of Plains MLP and its Subsidiaries during such period, plus (2) all interest expense which was deducted in determining such Consolidated Net Income for such period, plus (3) all income taxes (including any franchise taxes to the extent based upon net income) which were deducted in determining such Consolidated Net Income, plus (4) all depreciation, amortization (including amortization of good will and debt issue costs) and other non-cash charges (including any provision for the reduction in the carrying value of assets recorded in accordance with GAAP) which were deducted in determining such Consolidated Net Income, minus (5) all non-cash items of income which were included in determining such Consolidated Net Income. For the Fiscal Quarters preceding the date hereof, Consolidated EBITDA shall be mean the pro forma Consolidated EBITDA reflected on Schedule 5 for such Fiscal Quarter.

"Consolidated Funded Indebtedness" means as of any date, the sum of the following (without duplication): (i) all Indebtedness which is classified as "long-term indebtedness" on a consolidated balance sheet of Plains MLP and its Consolidated Subsidiaries prepared as of such date in accordance with GAAP and any current maturities and other principal amount in respect of such Indebtedness due within one year but which was classified as "long-term indebtedness" at the creation thereof, (ii) indebtedness for borrowed money of Plains MLP and its Consolidated Subsidiaries outstanding under a revolving credit or similar agreement providing for borrowings (and renewals and extensions thereof) over a period of more than one year, notwithstanding the fact that any such borrowing is made within one year of the expiration of such agreement, and (iii)

Indebtedness in respect of Capital Leases of Plains MLP and its Consolidated Subsidiaries; provided, however, Consolidated Funded Indebtedness shall not include Indebtedness in respect of letters of credit or in respect of Cash and Carry Purchases.

"Consolidated Net Income" means, for any period, Plains MLP's and its Subsidiaries' gross revenues for such period, including any cash dividends or distributions actually received from any other Person during such period, minus Plains MLP's and its Subsidiaries' expenses and other proper charges against income (including taxes on income to the extent imposed), determined on a Consolidated basis after eliminating earnings or losses attributable to outstanding minority interests and excluding the net earnings of any Person other than a Subsidiary in which Plains MLP or any of its Subsidiaries has an ownership interest. Consolidated Net Income shall not include any gain or loss from the sale of assets or any extraordinary gains or losses.

"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 (a) Plains MLP's Consolidated liabilities, as determined in accordance with GAAP, and (b) all outstanding Minority Interests. The effect of any increase or decrease in net worth in any period as a result of any unrealized gains or losses from a mark to market of any Hedging Contracts not reflected in the determination of net income but reflected in the determination of comprehensive income shall be excluded in determining Consolidated Net Worth. "Minority Interests" means the book value of any equity interests in any of Plains MLP's Subsidiaries (exclusive of the general partner interests held by the General Partner in Marketing, All American or any other Restricted Person of up to two percent (2%) of the aggregate ownership interest in any such Person) which equity interests are owned by a Person other than Plains MLP or a Wholly Owned Subsidiary of Plains MLP.

"Continuation/Conversion Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.3.

"Continue", "Continuation", and "Continued" shall refer to the continuation pursuant to Section 2.3 hereof of a Eurodollar Loan as a Eurodollar Loan from one Interest Period to the next Interest Period.

"Contribution Agreement" means that certain Contribution, Conveyance and Assumption Agreement between Resources, Plains MLP, Borrower and certain other parties, subject to Section 1.3.

"Convert", "Conversion", and "Converted" shall refer to a conversion pursuant to Section 2.3 or Article III of one Type of Loan into another Type of Loan.

"Crude Oil Marketing Agreement" means that certain Crude Oil Marketing Agreement among Resources, Plains Illinois Inc., Stocker Resources, L.P., Calumet Florida, Inc. and Marketing, subject to Section 1.3.

"Currently Approved by Majority Lenders" means such Person (including a limit on the maximum credit exposure to any such Person), storage location, pipeline, form of Letter of Credit or other matter as the case may be, as reflected in the most recent written notice given by

Administrative Agent to Borrower as being approved by Majority Lenders. Each such written notice will supersede and revoke each prior notice.

"Cushing Terminal" means that certain storage facility owned by Borrower located in Cushing, Oklahoma.

"Debt Rating" means with respect to a Person, the rating then in effect by a Rating Agency for the long term senior unsecured non-credit enhanced debt of such Person.

"Default" means any Event of Default and any default, event or condition which would, with the giving of any requisite notices and the passage of any requisite periods of time, constitute an Event of Default.

"Default Rate" means, at the time in question, (i) three and three-fourths percent (3.75%) per annum plus the Adjusted Eurodollar Rate then in effect for any Eurodollar Loan (up to the end of the applicable Interest Period) or (ii) two percent (2%) per annum plus the Base Rate for each Base Rate Loan; provided, however, the Default Rate shall never exceed the Highest Lawful Rate.

"Default Rate Period" means (i) any period during which an Event of Default, other than pursuant to Section 8.1 (a) or (b), is continuing, provided that such period shall not begin until notice of the commencement of the Default Rate has been given to Borrower by Administrative Agent upon the instruction by Majority Lenders and (ii) any period during which any Event of Default pursuant to Section 8.1 (a) or (b) is continuing unless Borrower has been notified otherwise by Administrative Agent upon the instruction by Majority Lenders.

"Disclosure Schedule" means Schedule 2 hereto.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" in the Lender Schedule hereto, or such other office as such Lender may from time to time specify to Borrower and Administrative Agent; with respect to LC Issuer, the office, branch, or agency through which it issues Letters of Credit; and, with respect to Administrative Agent, the office, branch, or agency through which it administers this Agreement.

"Eligible Cash Equivalents" means Cash Equivalents in which Borrower has lawful and absolute title, which are free from any express or implied at law Lien, trust or other beneficial interest, in which Administrative Agent holds a fully perfected first-priority security interest prior to the rights of, and enforceable as such against, any other Persons pursuant to an account agreement satisfactory to Administrative Agent and which remain under the sole dominion and control of Administrative Agent.

"Eligible Exchange Balances" means each Approved Eligible Receivable (including for this purpose only either the right to receive crude oil in kind or to receive money) arising from the trading, lending, borrowing or exchange of crude oil, net of any netted obligations or other offsets or counterclaims determined in accordance with prices set forth in the applicable exchange

contracts, based on current value at the Market Price, in which Borrower has lawful and absolute title, which is not subject to any Lien in favor of any Person (other than Permitted Inventory Liens), and which is subject to a fully perfected first-priority security interest (subject only to Permitted Inventory Liens) in favor of Administrative Agent pursuant to the Loan Documents prior to the rights of, and enforceable as such against, any other Persons minus without duplication the amount of any Permitted Inventory Lien on any crude oil receivable in kind.

"Eligible Inventory" means inventories of crude oil in which Borrower has lawful and absolute title (specifically excluding, however, crude oil line fill carried in the SJV Gathering System or in the All American Pipeline), which are not subject to any Lien in favor of any Person (other than Permitted Inventory Liens), which are subject to a fully perfected first priority security interest (subject only to Permitted Inventory Liens) in favor of Administrative Agent pursuant to the Loan Documents prior to the rights of, and enforceable as such against, any other Person, which are otherwise satisfactory to Majority Lenders in their reasonable business judgment and which are located in storage locations (including pipelines) which are either (a) owned by a Restricted Person or (b) Currently Approved by Majority Lenders minus without duplication the amount of any Permitted Inventory Lien on any such inventory.

"Eligible Margin Deposit" means net equity value of investments by Borrower in margin deposit accounts with commodities brokers on nationally recognized exchanges subject to a perfected security interest in favor of Administrative Agent and a three-party agreement among Borrower, Administrative Agent and the depository institution, in form and substance satisfactory to Administrative Agent.

"Eligible Receivables" means, at the time of any determination thereof (and without duplication), each Account and, with respect to each determination made on or after the 20th day of each calendar month and prior to the first day of the next calendar month, each amount which will be, in the good faith estimate reasonably determined by Borrower, an Account of the Borrower with respect to sales and deliveries of crude oil during such calendar month or deliveries of crude oil during the next calendar month under firm written purchase and sale agreements, in either event as to which the following requirements have been fulfilled (or as to future Accounts, will be fulfilled as of the date of such sales and deliveries of crude oil), to the reasonable satisfaction of Administrative Agent:

(i) Borrower has lawful and absolute title to such Account;

(ii) such Account is a valid, legally enforceable obligation of an Account Debtor payable in United States dollars, arising from the sale and delivery of crude oil to such Person in the United States of America in the ordinary course of business of Borrower, to the extent of the volumes of crude oil delivered to such Person prior to the date of determination;

(iii) there has been excluded from such Account (A) any portion that is subject to any dispute, rejection, loss, non-conformance , counterclaim or other claim or defense on the part of any Account Debtor or to any claim on the part of any Account Debtor denying liability under such Account, and (B) the amount of any account payable or other

liability owed by Borrower to the Account Debtor on such Account, whether or not a specific netting agreement may exist, excluding, however, any portion of any such account payable or other liability which is at the time in question covered by a Letter of Credit;

(iv) Borrower has the full and unqualified right to assign and grant a security interest in such Account to Administrative Agent as security for the Obligation;

(v) such Account (A) is evidenced by an invoice rendered to the Account Debtor, or (B) represents the uninvoiced amount in respect to actual deliveries of crude oil not earlier than 45 days prior to the date of determination and is governed by a purchase and sale agreement, exchange agreement or other written agreement, and in either event such Account is not evidenced by any promissory note or other instrument;

(vi) such Account is not subject to any Lien in favor of any Person and is subject to a fully perfected first priority security interest in favor of Administrative Agent pursuant to the Loan Documents, prior to the rights of, and enforceable as such against, any other Person except for a Lien in respect of First Purchase Crude Payables;

(vii) such Account is due not more than 30 days following the last day of the calendar month in which the crude oil delivery occurred and is not more than 30 days past due (except that Accounts of a single Account Debtor in excess of $500,000 which are not Approved Eligible Receivables shall be excluded from Eligible Receivables if not paid within three Business Days after the due date);

(viii) such Account is not payable by an Account Debtor with more than twenty percent (20%) of its Accounts to Borrower that are outstanding more than 60 days from the invoice date;

(ix) the Account Debtor in respect of such Account (A) is located, is conducting significant business or has significant assets in the United States of America or is a Person Currently Approved by Majority Lenders, (B) is not an Affiliate of Borrower, and (C) is not the subject of any event of the type described in Section 8.1(i);

(x) the Account Debtor in respect of such Account is not a governmental authority, domestic or foreign; and

(xi) such Account is not the obligation of an Account Debtor that Administrative Agent or Majority Lenders determine in good faith that there is a legitimate concern over the timing or collection of such receivable.

"Eligible Transferee" means a Person which either (a) is a Lender, or (b) is consented to as an Eligible Transferee by Administrative Agent and, so long as no Default or Event of Default is continuing, by Borrower, which consents in each case will not be unreasonably withheld (provided that no Person organized outside the United States may be an Eligible Transferee if Borrower would be required to pay withholding taxes on interest or principal owed to such Person).

"Environmental Laws" means any and all Laws relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, together with all rules and regulations promulgated with respect thereto.

"ERISA Affiliate" means each Restricted Person and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with such Restricted Person, are treated as a single employer under Section 414 of the Code.

"ERISA Plan" means any employee pension benefit plan subject to Title IV of ERISA maintained by any ERISA Affiliate with respect to which any Restricted Person has a fixed or contingent liability.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" on the Lender Schedule hereto (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to Borrower and Administrative Agent.

"Eurodollar Loan" means a Loan that bears interest at a rate based upon the Adjusted Eurodollar Rate.

"Eurodollar Rate" means, for any Eurodollar Loan within a Borrowing and with respect to the related Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/1000 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "Eurodollar Rate" shall mean, for any Eurodollar Loan within a Borrowing and with respect to the related Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/1000 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/1000 of 1%).

"Eurodollar Rate Margin" means the percent per annum set forth below on the Applicable Leverage Level and Applicable Rating Level in effect on such date.

| Applicable Leverage Level | Applicable Rating Level | |
|---|---|---|
| | Level A | Level B |
| Level I | 1.50% | 1.75% |
| Level II | 1.25% | 1.50% |
| Level III | 1.00% | 1.25% |
| Level IV | .75% | 1.00% |

Changes in the Eurodollar Rate Margin will occur automatically without prior notice as changes in the Applicable Leverage Level or Applicable Rating Level occur. Administrative Agent will give notice promptly to Borrower and the Lenders of Applicable Rating Level changes in the Eurodollar Rate Margin.

"Event of Default" has the meaning given to such term in Section 8.1.

"Existing Agreement" means that certain Credit Agreement among PMTI, Administrative Agent, ING (U.S.) Capital Corporation, as Documentation Agent, BancBoston Securities, Inc., as Syndication Agent and other financial institutions dated as of July 30, 1998, as amended, restated or supplemented to the date hereof.

"Facility Usage" means, at the time in question, the aggregate amount of outstanding Loans and LC Obligations at such time.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of one percent) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate quoted to Administrative Agent on such day on such transactions as determined by Administrative Agent.

"First Purchase Crude Payables" means the unpaid amount of any payable obligation related to the purchase of crude oil by Borrower which Administrative Agent determines will be secured by a statutory Lien, including but not limited to the statutory Liens created under the laws of Texas, New Mexico and Wyoming, to the extent such payable obligation is not at the time in question covered by a Letter of Credit.

"Fiscal Quarter" means a three-month period ending on March 31, June 30, September 30 or December 31 of any year.

"Fiscal Year" means a twelve-month period ending on December 31 of any year.

"Funding Date" means the Business Day, no later than four (4) Business Days after the date of this Agreement, on which the Offering is completed.

"GAAP" means those generally accepted accounting principles and practices which are recognized as such by the Financial Accounting Standards Board (or any generally recognized successor) and which, in the case of Plains MLP and its Consolidated Subsidiaries, are applied for all periods after the date hereof in a manner consistent with the manner in which such principles and practices were applied to the Initial Financial Statements. If any change in any accounting principle or practice is required by the Financial Accounting Standards Board (or any such successor) in order for such principle or practice to continue as a generally accepted accounting principle or practice, all reports and financial statements required hereunder with respect to Plains MLP or with respect to Plains MLP and its Consolidated Subsidiaries may be prepared in accordance with such change, but all calculations and determinations to be made hereunder may be made in accordance with such change only after notice of such change is given to each Lender, and Majority Lenders agree to such change insofar as it affects the accounting of Plains MLP or of Plains MLP and its Consolidated Subsidiaries.

"General Partner" means Plains All American Inc., a Delaware corporation.

"Guarantors" means Plains MLP and all of its Subsidiaries (including All American but excluding Borrower) and any other Person who has guaranteed some or all of the Obligations and who has been accepted by Administrative Agent as a Guarantor or any Subsidiary of Plains MLP which now or hereafter executes and delivers a guaranty to Administrative Agent pursuant to Section 6.17.

"Hazardous Materials" means any substances regulated under any Environmental Law, whether as pollutants, contaminants, or chemicals, or as industrial, toxic or hazardous substances or wastes, or otherwise.

"Hedged Eligible Inventory" means Eligible Inventory, which has been (a) hedged on the New York Mercantile Exchange arranged through brokers approved by Administrative Agent and with whom a three party agreement among Borrower, Administrative Agent and such broker has been entered in form and substance satisfactory to Administrative Agent or (b) otherwise hedged in a manner satisfactory to Majority Lenders. The value of Hedged Eligible Inventory shall be the volume of the inventory times the prices fixed in such hedge, minus all storage, transportation and other applicable costs.

"Hedging Contract" means (a) any agreement providing for options, swaps, floors, caps, collars, forward sales or forward purchases involving interest rates, commodities or commodity prices, equities, currencies, bonds, or indexes based on any of the foregoing, (b) any option, futures or forward contract traded on an exchange, and (c) any other derivative agreement or other similar agreement or arrangement.

"Highest Lawful Rate" means, with respect to each Lender Party to whom Obligations are owed, the maximum nonusurious rate of interest that such Lender Party is permitted under applicable Law to contract for, take, charge, or receive with respect to such Obligations. All determinations herein of the Highest Lawful Rate, or of any interest rate determined by reference to the Highest Lawful Rate, shall be made separately for each Lender Party as appropriate to assure that the Loan Documents are not construed to obligate any Person to pay interest to any Lender Party at a rate in excess of the Highest Lawful Rate applicable to such Lender Party.

"Incentive and Option Plans" means the Plains All American Inc. 1998 Long-Term Incentive Plan as in effect on the date hereof, the Plains All American Inc. Management Incentive Plan as in effect on the date hereof and those certain Transaction Grant Agreements disclosed in writing to Administrative Agent prior to the date of this Agreement.

"Indebtedness" of any Person means its Liabilities (without duplication) in any of the following categories:

(a) Liabilities for borrowed money,

(b) Liabilities constituting an obligation to pay the deferred purchase price of property or services,

(c) Liabilities evidenced by a bond, debenture, note or similar instrument,

(d) Liabilities (other than reserves for taxes and reserves for contingent obligations) which (i) would under GAAP be shown on such Person's balance sheet as a liability and (ii) are payable more than one year from the date of creation or incurrence thereof,

(e) Liabilities arising under Hedging Contracts (on a net basis to the extent netting is provided for in the applicable Hedging Contract),

(f) Liabilities constituting principal under Capital Leases,

(g) Liabilities arising under conditional sales or other title retention agreements,

(h) Liabilities owing under direct or indirect guaranties of Liabilities of any other Person or otherwise constituting obligations to purchase or acquire or to otherwise protect or insure a creditor against loss in respect of Liabilities of any other Person (such as obligations under working capital maintenance agreements, agreements to keep-well, or agreements to purchase Liabilities, assets, goods, securities or services), but excluding endorsements in the ordinary course of business of negotiable instruments in the course of collection,

(i) Liabilities consisting of an obligation to purchase or redeem securities or other property, if such Liabilities arises out of or in connection with the sale or issuance of the same or similar securities or property (for example, repurchase agreements, mandatorily redeemable preferred stock and sale/leaseback agreements),

(j) Liabilities with respect to letters of credit or applications or reimbursement agreements therefor,

(k) Liabilities with respect to banker's acceptances, or

(l) Liabilities with respect to obligations to deliver goods or services in consideration of advance payments therefor;

provided, however, that the "Indebtedness" of any Person shall not include Liabilities that were incurred in the ordinary course of business by such Person on ordinary trade terms to vendors, suppliers or other Persons providing goods and services for use by such Person in the ordinary course of its business, unless and until such Liabilities are outstanding more than 120 days after the date the respective goods are delivered or the respective services are rendered, other than Liabilities contested in good faith by appropriate proceedings, if required, and for which adequate reserves are maintained on the books of such Person in accordance with GAAP.

"Initial Financial Statements" means the audited pro forma Consolidated financial statements of Plains MLP as of September 30, 1998.

"Insurance Schedule" means Schedule 4 attached hereto.

"Interest Expense" means, with respect to any period, the sum (without duplication) of the following (in each case, eliminating all offsetting debits and credits between Plains MLP and its Subsidiaries and all other items required to be eliminated in the course of the preparation of Consolidated financial statements of Plains MLP and its Subsidiaries in accordance with GAAP): (a) all interest and commitment fees in respect of Indebtedness of Plains MLP or any of its Subsidiaries (including imputed interest on Capital Lease Obligations) which are accrued during such period and whether expensed in such period or capitalized; plus (b) all fees, expenses and charges in respect of letters of credit issued for the account of Plains MLP or any of its Subsidiaries, which are accrued during such period and whether expensed in such period or capitalized.

"Interest Payment Date" means (a) with respect to each Base Rate Loan, the last day of each March, June, September and December, and (b) with respect to each Eurodollar Loan, the last day of the Interest Period that is applicable thereto.

"Interest Period" means, with respect to each particular Eurodollar Loan in a Borrowing, the period specified in the Borrowing Notice or Continuation/Conversion Notice applicable thereto, beginning on and including the date specified in such Borrowing Notice or Continuation/Conversion Notice (which must be a Business Day), and ending one, two or three months thereafter, as Borrower may elect in such notice; provided that: (a) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day; (b) any Interest Period which begins on the last Business Day in a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last

Business Day in a calendar month; and (c) notwithstanding the foregoing, no Interest Period may be selected that would end after the last day of the Commitment Period.

"Investment" means any investment made, directly or indirectly in any Person, whether by acquisition of shares of capital stock, indebtedness or other obligations or securities or by loan, advance, capital contribution or otherwise and whether made in cash, by the transfer of property or by any other means.

"Law" means any statute, law, regulation, ordinance, rule, treaty, judgment, order, decree, permit, concession, franchise, license, agreement or other governmental restriction of the United States or any state or political subdivision thereof or of any foreign country or any department, province or other political subdivision thereof.

"LC Application" means any application for a Letter of Credit hereafter made by Borrower to LC Issuer.

"LC Collateral" has the meaning given to such term in Section 2.11(a).

"LC Issuer" means BankBoston, N.A. in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity. Administrative Agent may, with the consent of Borrower and the Lender in question, appoint any Lender hereunder as an LC Issuer in place of or in addition to BankBoston, N.A.

"LC Obligations" means, at the time in question, the sum of all Matured LC Obligations plus the maximum amounts which LC Issuer might then or thereafter be called upon to advance under all Letters of Credit then outstanding.

"Lease Rentals" means, with respect to any period, the sum of the rental and other obligations required to be paid during such period by Plains MLP or any Subsidiary of Plains MLP as lessee under all leases of real or personal property (other than Capital Leases), excluding any amount required to be paid by the lessee (whether or not therein designated as rental or additional rental) on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges, provisions that, if at the date of determination, any such rental or other obligations are contingent or not otherwise definitely determinable by terms of the related lease, the amount of such obligations (i) shall be assumed to be equal to the amount of such obligations for the period of 12 consecutive calendar months immediately preceding the date of determination or (ii) if the related lease was not in effect during such preceding 12-month period, shall be the amount estimated by a senior financial officer of General Partner on a reasonable basis and in good faith.

"Lender Parties" means Administrative Agent, Syndication Agent, Documentation Agent, LC Issuer, and all Lenders.

"Lender Schedule" means Schedule 1 hereto.

"Lenders" means each signatory hereto (other than Borrower and any Restricted Person that is a party hereto), including BankBoston, N.A. in its capacity as a Lender hereunder rather than as Administrative Agent and LC Issuer, and the successors of each such party as holder of a Note.

"Letter of Credit" means any letter of credit issued by LC Issuer hereunder at the application of Borrower.

"Liabilities" means, as to any Person, all indebtedness, liabilities and obligations of such Person, whether matured or unmatured, liquidated or unliquidated, primary or secondary, direct or indirect, absolute, fixed or contingent, and whether or not required to be considered pursuant to GAAP.

"Lien" means, with respect to any property or assets, any right or interest therein of a creditor to secure Liabilities owed to it or any other arrangement with such creditor which provides for the payment of such Liabilities out of such property or assets or which allows such creditor to have such Liabilities satisfied out of such property or assets prior to the general creditors of any owner thereof, including any lien, mortgage, security interest, pledge, deposit, production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, tax lien, mechanic's or materialman's lien, or any other charge or encumbrance for security purposes, whether arising by Law or agreement or otherwise, but excluding any right of offset which arises without agreement in the ordinary course of business. "Lien" also means any filed financing statement, any registration of a pledge (such as with an issuer of uncertificated securities), or any other arrangement or action which would serve to perfect a Lien described in the preceding sentence, regardless of whether such financing statement is filed, such registration is made, or such arrangement or action is undertaken before or after such Lien exists.

"Loans" has the meaning given to such term in Section 2.1.

"Loan Documents" means this Agreement, the Notes, the Security Documents, the Letters of Credit, the LC Applications, and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets and commitment letters).

"Majority Lenders" means Lenders whose aggregate Percentage Shares equal or exceed sixty-six and two-thirds percent (66-2/3%).

"Market Price" means on each day a spot price for the inventory of crude oil being valued, determined by published prices and methodology approved by Administrative Agent from time to time, based on an index gravity and grade of crude oil at a delivery point reflecting as nearly as practical the actual gravity, grade, and location of the crude oil being valued, adjusted to reflect any differences in gravity and grade between the index crude oil and the actual inventory and to reflect transportation costs or other appropriate location price differential from the actual location to the index location.

"Material Adverse Change" means a material and adverse change, from the state of affairs presented in the Initial Financial Statements or as represented or warranted in any Loan Document, to (a) Plains MLP's Consolidated financial condition, (b) Plains MLP's Consolidated operations, properties or prospects, considered as a whole, (c) Borrower's ability to timely pay the Obligations, or (d) the enforceability of the material terms of any Loan Document.

"Material Market Open Position Loss" means a cumulative amount of net losses resulting from open inventory positions of all Restricted Persons on a mark to market basis during any period of 12 consecutive months in excess of $5,000,000 (exclusive of linefill carried in the All American Pipeline).

"Matured LC Obligations" means all amounts paid by LC Issuer on drafts or demands for payment drawn or made under or purported to be under any Letter of Credit and all other amounts due and owing to LC Issuer under any LC Application for any Letter of Credit, to the extent the same have not been repaid to LC Issuer (with the proceeds of Loans or otherwise).

"Maximum Drawing Amount" means at the time in question the sum of the maximum amounts which LC Issuer might then or thereafter be called upon to advance under all Letters of Credit then outstanding.

"Maximum Facility Amount" means the amount of $175,000,000, as such amount may be reduced by Borrower from time to time as provided in Section 2.12.

"Merger Agreement" means that certain Merger Agreement among Resources, PMTI, and certain other Subsidiaries of Resources, subject to Section 1.3.

"Moody's" means Moody's Investor Service, Inc., or its successor.

"Note" has the meaning given to such term in Section 2.1.

"Obligations" means all Liabilities from time to time owing by any Restricted Person to any Lender Party under or pursuant to any of the Loan Documents, including all LC Obligations. "Obligation" means any part of the Obligations.

"Offering" means the public issuance of limited partnership interests of Plains MLP as described in the Preliminary Prospectus.

"Offering Documents" means the documents listed on Schedule 6 hereto.

"Omnibus Agreement" means that certain Omnibus Agreement between Resources, Plains MLP, Borrower, All American and General Partner.

"Open Position" means the aggregate volume of crude oil on which Restricted Persons have commodity price risk, which may include, without limitation, (i) the aggregate volume of crude oil owned for which Restricted Persons do not have, on an aggregate basis, contracts for sale at a fixed price and (ii) the aggregate volumes of crude oil under contracts for purchase for

which Restricted Persons do not have, on an aggregate basis, contracts for sale on the substantially same pricing basis (i.e. at a fixed price for sale substantially equivalent to or above the fixed price for purchase of such crude oil, or at an index price for sale substantially equivalent to the index price for purchase of such crude oil, or at an index price for sale substantially equivalent to a margin above the index price for purchase of such crude oil). "Open Position" shall not include, during the period from the first to the 25/th/ day of a calendar month, any volumes of crude oil which Restricted Persons are obligated to gather in the next succeeding calendar month at a price based upon the posted price from time to time in effect during such next calendar month.

"Other Eligible Inventory Value" means the following amount of Eligible Inventory, other than Hedged Eligible Inventory: (a) if the WTI Price is less than or equal to $30 per barrel, 80% of the product of the volume of such crude oil times the Market Price, or (b) if the WTI Price is greater than $30 per barrel the greater of (i) 70% of the product of the volume of such crude oil times the Market Price or (ii) 80% of the product of the volume of such crude oil times $30 per barrel; minus, in each case, all storage, transportation and other applicable costs. As used herein "WTI Price" means on each day the Platt's Average Spot Price for West Texas intermediate crude oil (Cushing, Oklahoma).

"Other Eligible Receivable" means any Eligible Receivable which is not an Approved Eligible Receivable nor an Eligible Exchange Balance. The portions of the aggregate of the Other Eligible Receivables owed by any obligor and its Affiliates exceeding 20% of the aggregate amount of all Other Eligible Receivables shall not be included without the prior written approval of the Majority Lenders.

"Other Priority Claims" means any account payable, obligation or liability which Administrative Agent has determined has or will have a Lien upon or claim against any Cash Equivalent, account or inventory of Borrower senior or equal in priority to the security interests in favor of Administrative Agent for the benefit of Lenders, in each case to the extent such Cash Equivalent, account or inventory of Borrower is otherwise included in the determination of the Borrowing Base and the included portion thereof has not already been reduced by such Lien or claim.

"Paid but Unexpired Letters of Credit" means, on any day, the maximum drawing amount of Letters of Credit on such day where no underlying obligation exists on such day, or if the amount of the Letter of Credit exceeds the underlying obligation on such day, the amount of such excess. As used herein, "underlying obligation" includes without limitation, all existing and future obligations to the beneficiary of such Letter of Credit in respect of crude oil purchased or received on or prior to such day or in respect of crude oil Borrower is then obligated to purchase or receive or has then nominated to purchase or receive.

"Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of Plains MLP, subject to Section 1.3.

"Percentage Share" means, with respect to any Lender (a) when used in Sections 2.1, 2.2 or 2.12, in any Borrowing Notice or when no Loans are outstanding hereunder, the percentage set

forth opposite such Lender's name on the Lender Schedule hereto, and (b) when used otherwise, the percentage obtained by dividing (i) the sum of the unpaid principal balance of such Lender's Loans at the time in question plus the Matured LC Obligations which such Lender has funded pursuant to Section 2.9(c) plus the portion of the Maximum Drawing Amount which such Lender might be obligated to fund under Section 2.9(c), by (ii) the sum of the aggregate unpaid principal balance of all Loans at such time plus the aggregate amount of LC Obligations outstanding at such time.

"Permitted Acquisitions" means (A) the acquisition of all of the capital stock or other equity interest in a Person (exclusive of general partner interests held by General Partner or another Wholly Owned Subsidiary of Resources not in excess of a 1% economic interest) and exclusive of director qualifying shares and other equity interests required to be held by an Affiliate to comply with a requirement of Law) or (B) any acquisition of all or a portion of the business, assets or operations of a Person, provided that (i) prior to and after giving effect to such acquisition no Default or Event of Default shall have occurred and be continuing; (ii) all representations and warranties shall be true and correct as if restated immediately following the consummation of such acquisition; and (iii) substantially all of such business, assets and operations so acquired, or of the Person so acquired, consists of crude oil and/or gas marketing, gathering, transportation, storage, terminaling and pipeline operation.

"Permitted Inventory Liens" means any Lien, and the amount of any Liability secured thereby, on crude oil inventory which would be a Permitted Lien under Section 7.2(d).

"Permitted Investments" means (a) Cash Equivalents, (b) Investments described in the Disclosure Schedule, (c) Investments by Plains MLP or any of its Subsidiaries in any Wholly Owned Subsidiary of Plains MLP which is a Guarantor and (d) Permitted Acquisitions.

"Permitted Lien" has the meaning given to such term in Section 7.2.

"Person" means an individual, corporation, partnership, limited liability company, association, joint stock company, trust or trustee thereof, estate or executor thereof, unincorporated organization or joint venture, Tribunal, or any other legally recognizable entity.

"Plains MLP" means Plains All American Pipeline, L.P., a Delaware limited partnership.

"Plains Terminal" means either the storage terminal in Ingleside, Texas owned by Borrower or the Cushing Terminal.

"Preliminary Prospectus" has the meaning given such term in Schedule 6 hereto.

"PMTI" means Plains Marketing & Transportation, Inc., a Delaware corporation.

"Qualified Inventory Purchases" means (i) Cash and Carry Purchases and (ii) purchases of crude oil designated as working inventory at a Plains Terminal and line fill in pipelines Currently Approved by Majority Lenders.

"Rating Agency" means either S&P or Moody's.

"Registration Statement" means that certain Registration Statement on Form S-1 filed with the Securities and Exchange Commission by Plains MLP under registration number 333-64107 (as amended prior to the date hereof), together with its referenced exhibits and other appendices.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect.

"Reserve Requirement" means, at any time, the maximum rate at which reserves (including any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) by member banks of the Federal Reserve System against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (a) any category of liabilities which includes deposits by reference to which the Adjusted Eurodollar Rate is to be determined, or (b) any category of extensions of credit or other assets which include Eurodollar Loans.

"Resources" means Plains Resources Inc., a Delaware corporation.

"Restricted Person" means any of Plains MLP and each Subsidiary of Plains MLP, including but not limited to Borrower, All American, and each Subsidiary of Borrower and/or All American.

"S&P" means Standard & Poor's Ratings Group (a division of McGraw Hill, Inc.) or its successor.

"Security Documents" means the instruments listed in the Security Schedule and all other security agreements, deeds of trust, mortgages, chattel mortgages, pledges, guaranties, financing statements, continuation statements, extension agreements and other agreements or instruments now, heretofore, or hereafter delivered by any Restricted Person to Administrative Agent in connection with this Agreement or any transaction contemplated hereby to secure or guarantee the payment of any part of the Obligations or the performance of any Restricted Person's other duties and obligations under the Loan Documents.

"Security Schedule" means Schedule 3 hereto.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled or owned more than fifty percent by such Person.

"Termination Event" means (a) the occurrence with respect to any ERISA Plan of (i) a reportable event described in Sections 4043(c)(5) or (6) of ERISA or (ii) any other reportable

event described in Section 4043(c) of ERISA other than a reportable event not subject to the provision for 30-day notice to the Pension Benefit Guaranty Corporation pursuant to a waiver by such corporation under Section 4043(a) of ERISA, or (b) the withdrawal of any ERISA Affiliate from an ERISA Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the filing of a notice of intent to terminate any ERISA Plan or the treatment of any ERISA Plan amendment as a termination under Section 4041 of ERISA, or (d) the institution of proceedings to terminate any ERISA Plan by the Pension Benefit Guaranty Corporation under Section 4042 of ERISA, or (e) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan.

"Tribunal" means any government, any arbitration panel, any court or any governmental department, commission, board, bureau, agency or instrumentality of the United States of America or any state, province, commonwealth, nation, territory, possession, county, parish, town, township, village or municipality, whether now or hereafter constituted or existing.

"Type" means, with respect to any Loans, the characterization of such Loans as either Base Rate Loans or Eurodollar Loans.

"UCC" means the Uniform Commercial Code as in effect in the State of New York.

"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, excluding any general partner interests owned by General Partner in any such Subsidiary that is a partnership, such general partner interests not to exceed two percent (2%) of the aggregate ownership interests of any such partnership and directors' qualifying shares if applicable.

Section 1.2. Exhibits and Schedules; Additional Definitions. All Exhibits and Schedules attached to this Agreement are a part hereof for all purposes. Reference is hereby made to the Security Schedule for the meaning of certain terms defined therein and used but not defined herein, which definitions are incorporated herein by reference.

Section 1.3. Amendment of Defined Instruments. Unless the context otherwise requires or unless otherwise provided herein the terms defined in this Agreement which refer to a particular agreement, instrument or document also refer to and include all renewals, extensions, modifications, amendments and restatements of such agreement, instrument or document, provided that nothing contained in this section shall be construed to authorize any such renewal, extension, modification, amendment or restatement. All references to the terms "Contribution Agreement", "Crude Oil Marketing Agreement", "Merger Agreement", "Omnibus Agreement", and "Partnership Agreement" shall be deemed to be references to those agreements as such agreements are executed and delivered by the parties thereto on the Funding Date, provided each such agreement is in the form of such agreement attached as an exhibit to the Registration Statement, with changes to such form that are non-substantive or that the Administrative Agent

approves on or prior to the Funding Date. The terms "All American Pipeline" and "SJV Gathering System" shall have the meanings given in the Preliminary Prospectus.

Section 1.4. References and Titles. All references in this Agreement to Exhibits, Schedules, articles, sections, subsections and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections and other subdivisions of this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "this Agreement," "this instrument," "herein," "hereof," "hereby," "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The phrases "this section" and "this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not exclusive, and the word "including" (in its various forms) means "including without limitation." Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires.

Section 1.5. Calculations and Determinations. All calculations under the Loan Documents of interest chargeable with respect to Eurodollar Loans and of fees shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 360 days. All other calculations of interest made under the Loan Documents shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 365 or 366 days, as appropriate. Each determination by a Lender Party of amounts to be paid under Article III or any other matters which are to be determined hereunder by a Lender Party (such as any Eurodollar Rate, Adjusted Eurodollar Rate, Business Day, Interest Period, or Reserve Requirement) shall, in the absence of manifest error, be conclusive and binding. Unless otherwise expressly provided herein or unless Majority Lenders otherwise consent all financial statements and reports furnished to any Lender Party hereunder shall be prepared and all financial computations and determinations pursuant hereto shall be made in accordance with GAAP.

## ARTICLE II - The Loans and Letters of Credit

Section 2.1. Commitments to Lend; Notes. Subject to the terms and conditions hereof, each Lender agrees to make loans to Borrower (herein called such Lender's "Loans") upon Borrower's request from time to time during the Commitment Period, provided that (a) subject to Sections 3.3, 3.4 and 3.6, all Lenders are requested to make Loans of the same Type in accordance with their respective Percentage Shares and as part of the same Borrowing, (b) after giving effect to such loans, the aggregate principal amount of outstanding Loans will not exceed $40,000,000, and (c) after giving effect to such Loans, the Facility Usage does not exceed the lesser of (i) the Maximum Facility Amount and (ii) the Borrowing Base determined as of the date on which the requested Loans are to be made. The aggregate amount of all Loans in any Borrowing must be equal to $2,000,000 or any higher integral multiple of $250,000. Borrower may have no more than five Borrowings of Eurodollar Loans outstanding at any time. The obligation of Borrower to repay to each Lender the aggregate amount of all Loans made by such

Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Lender's "Note") made by Borrower payable to the order of such Lender in the form of Exhibit A with appropriate insertions. The amount of principal owing on any Lender's Note at any given time shall be the aggregate amount of all Loans theretofore made by such Lender minus all payments of principal theretofore received by such Lender on such Note. Interest on each Note shall accrue and be due and payable as provided herein and therein. Each Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the last day of the Commitment Period. Subject to the terms and conditions of this Agreement, Borrower may borrow, repay, and reborrow hereunder.

Section 2.2. Requests for New Loans. Borrower must give to Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing of Loans to be funded by Lenders. Each such notice constitutes a "Borrowing Notice" hereunder and must:

(a) specify (i) the aggregate amount of any such Borrowing of Base Rate Loans and the date on which such Base Rate Loans are to be advanced, or (ii) the aggregate amount of any such Borrowing of Eurodollar Loans, the date on which such Eurodollar Loans are to be advanced (which shall be the first day of the Interest Period which is to apply thereto), and the length of the applicable Interest Period; and

(b) be received by Administrative Agent not later than 11:00 a.m., Boston, Massachusetts time, on (i) the day on which any such Base Rate Loans are to be made, or (ii) the third Business Day preceding the day on which any such Eurodollar Loans are to be made.

Each such written request or confirmation must be made in the form and substance of the "Borrowing Notice" attached hereto as Exhibit B, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Borrowing Notice, Administrative Agent shall give each Lender prompt notice of the terms thereof. If all conditions precedent to such new Loans have been met, each Lender will on the date requested promptly remit to Administrative Agent at Administrative Agent's office in Boston, Massachusetts the amount of such Lender's Loan in immediately available funds, and upon receipt of such funds, unless to its actual knowledge any conditions precedent to such Loans have been neither met nor waived as provided herein, Administrative Agent shall promptly make such Loans available to Borrower. Unless Administrative Agent shall have received prompt notice from a Lender that such Lender will not make available to Administrative Agent such Lender's new Loan, Administrative Agent may in its discretion assume that such Lender has made such Loan available to Administrative Agent in accordance with this section and Administrative Agent may if it chooses, in reliance upon such assumption, make such Loan available to Borrower. If and to the extent such Lender shall not so make its new Loan available to Administrative Agent, such Lender and Borrower severally agree to pay or repay to Administrative Agent within three days after demand the amount of such Loan together with interest thereon, for each day from the date such amount was made available to Borrower until the date such amount is paid or repaid to Administrative Agent, with interest at (i) the Federal Funds Rate, if such Lender is making such

payment and (ii) the interest rate applicable at the time to the other new Loans made on such date, if Borrower is making such repayment. If neither such Lender nor Borrower pays or repays to Administrative Agent such amount within such three-day period, Administrative Agent shall be entitled to recover from Borrower, on demand, in lieu of interest provided for in the preceding sentence, interest thereon at the Default Rate, calculated from the date such amount was made available to Borrower. The failure of any Lender to make any new Loan to be made by it hereunder shall not relieve any other Lender of its obligation hereunder, if any, to make its new Loan, but no Lender shall be responsible for the failure of any other Lender to make any new Loan to be made by such other Lender.

Section 2.3. Continuations and Conversions of Existing Loans. Borrower may make the following elections with respect to Loans already outstanding: to Convert, in whole or in part, Base Rate Loans to Eurodollar Loans, to Convert, in whole or in part, Eurodollar Loans to Base Rate Loans on the last day of the Interest Period applicable thereto, and to Continue, in whole or in part, Eurodollar Loans beyond the expiration of such Interest Period by designating a new Interest Period to take effect at the time of such expiration. In making such elections, Borrower may combine existing Loans made pursuant to separate Borrowings into one new Borrowing or divide existing Loans made pursuant to one Borrowing into separate new Borrowings, provided that Borrower may have no more than five Borrowings of Eurodollar Loans outstanding at any time. To make any such election, Borrower must give to Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any such Conversion or Continuation of existing Loans, with a separate notice given for each new Borrowing. Each such notice constitutes a "Continuation/Conversion Notice" hereunder and must:

(a) specify the existing Loans which are to be Continued or Converted;

(b) specify (i) the aggregate amount of any Borrowing of Base Rate Loans into which such existing Loans are to be Continued or Converted and the date on which such Continuation or Conversion is to occur, or (ii) the aggregate amount of any Borrowing of Eurodollar Loans into which such existing Loans are to be Continued or Converted, the date on which such Continuation or Conversion is to occur (which shall be the first day of the Interest Period which is to apply to such Eurodollar Loans), and the length of the applicable Interest Period; and

(c) be received by Administrative Agent not later than 11:00 a.m., Boston, Massachusetts time, on (i) the day on which any such Continuation or Conversion to Base Rate Loans is to occur, or (ii) the third Business Day preceding the day on which any such Continuation or Conversion to Eurodollar Loans is to occur.

Each such written request or confirmation must be made in the form and substance of the "Continuation/Conversion Notice" attached hereto as Exhibit C, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Continuation/Conversion Notice, Administrative Agent shall give each Lender prompt notice of the terms thereof. Each Continuation/Conversion Notice shall be irrevocable and binding on Borrower. During the continuance of any Default, Borrower may not make any

election to Convert existing Loans into Eurodollar Loans or Continue existing Loans as Eurodollar Loans beyond the expiration of their respective and corresponding Interest Period then in effect. If (due to the existence of a Default or for any other reason) Borrower fails to timely and properly give any Continuation/Conversion Notice with respect to a Borrowing of existing Eurodollar Loans at least three days prior to the end of the Interest Period applicable thereto, such Eurodollar Loans, to the extent not prepaid at the end of such Interest Period, shall automatically be Converted into Base Rate Loans at the end of such Interest Period. No new funds shall be repaid by Borrower or advanced by any Lender in connection with any Continuation or Conversion of existing Loans pursuant to this section, and no such Continuation or Conversion shall be deemed to be a new advance of funds for any purpose; such Continuations and Conversions merely constitute a change in the interest rate applicable to already outstanding Loans.

Section 2.4. Use of Proceeds. Borrower shall use the proceeds of all Loans to make Qualified Inventory Purchases and to refinance Matured LC Obligations. In no event shall any Loan or any Letter of Credit be used (i) to fund distributions by Plains MLP, (ii) directly or indirectly by any Person for personal, family, household or agricultural purposes, (iii) for the purpose, whether immediate, incidental or ultimate, of purchasing, acquiring or carrying any "margin stock" (as such term is defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System) or (iv) to extend credit to others directly or indirectly for the purpose of purchasing or carrying any such margin stock. Borrower represents and warrants that Borrower is not engaged principally, or as one of Borrower's important activities, in the business of extending credit to others for the purpose of purchasing or carrying such margin stock.

Section 2.5. Optional Prepayments of Loans. Borrower may, upon five Business Days' notice to Administrative Agent (and Administrative Agent will promptly give notice to the other Lenders), from time to time and without premium or penalty prepay the Loans, in whole or in part, so long as the aggregate amounts of all partial prepayments of principal on the Loans equals $2,000,000 or any higher integral multiple of $250,000. Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

Section 2.6. Mandatory Prepayments. If at any time the Facility Usage exceeds the Borrowing Base (whether due to a reduction in the Borrowing Base in accordance with this Agreement, or otherwise), Borrower shall immediately upon demand prepay the principal of the Loans in an amount at least equal to such excess. Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

Section 2.7. Letters of Credit. Subject to the terms and conditions hereof, Borrower may during the Commitment Period request LC Issuer to issue, amend, or extend the expiration date of, one or more Letters of Credit, provided that:

(a) after taking such Letter of Credit into account (i) the Facility Usage does not exceed the lesser of (A) the Maximum Facility Amount at such time or (B) the Borrowing Base at such time and (ii) such Letter of Credit can be incurred by Borrower pursuant to the Permitted Debt Limit at such time;

(b) the expiration date of such Letter of Credit is prior to the earlier of (i) 70 days (or 100 days, if the beneficiary thereof is Exxon Company U.S.A.) after the date of issuance of such Letter of Credit (or 180 days after the date of issuance in the case of a Surety Letter of Credit) or (ii) 30 days prior to the end of the Commitment Period;

(c) the issuance of such Letter of Credit will be in compliance with all applicable governmental restrictions, policies, and guidelines and will not subject LC Issuer to any cost which is not reimbursable under Article III;

(d) either (i) such Letter of Credit is related to the purchase or exchange by Borrower of crude oil and is in the Form of Exhibit D hereto or such other form and terms as shall be acceptable to LC Issuer in its sole and absolute discretion and Currently Approved by Majority Lenders, or (ii) such Letter of Credit is a Surety Letter of Credit and after taking such Letter of Credit into account the aggregate amount of LC Obligations in respect to all Surety Letters of Credit does not exceed $1,000,000; and

(e) all other conditions in this Agreement to the issuance of such Letter of Credit have been satisfied.

LC Issuer will honor any such request if the foregoing conditions (a) through (e) (in the following Section 2.8 called the "LC Conditions") have been met as of the date of issuance, amendment, or extension of such Letter of Credit. The outstanding letters of credit issued by LC Issuer under the Existing Agreement shall be deemed to be Letters of Credit issued hereunder; Borrower hereby represents and warrants that the LC Conditions have been met as of the date hereof with respect to each such Letter of Credit.

Section 2.8. Requesting Letters of Credit. Borrower must make written application for any Letter of Credit at least two Business Days before the date on which Borrower desires for LC Issuer to issue such Letter of Credit. By making any such written application, unless otherwise expressly stated therein, Borrower shall be deemed to have represented and warranted that the LC Conditions described in Section 2.7 will be met as of the date of issuance of such Letter of Credit. Each such written application for a Letter of Credit must be made in writing in the form and substance of Exhibit E, the terms and provisions of which are hereby incorporated herein by reference (or in such other form as may mutually be agreed upon by LC Issuer and Borrower). If all LC Conditions for a Letter of Credit have been met as described in Section 2.7 on any Business Day before 11:00 a.m, Boston, Massachusetts time, LC Issuer will issue such Letter of Credit on the same Business Day at LC Issuer's office in Boston, Massachusetts. If the LC Conditions are met as described in Section 2.7 on any Business Day on or after 11:00 a.m, Boston, Massachusetts time, LC Issuer will issue such Letter of Credit on the next succeeding Business Day at LC Issuer's office in Boston, Massachusetts. If any provisions of any LC

Application conflict with any provisions of this Agreement, the provisions of this Agreement shall govern and control.

Section 2.9. Reimbursement and Participations.

(a) Reimbursement by Borrower. Each Matured LC Obligation shall constitute a loan by LC Issuer to Borrower. Borrower promises to pay to LC Issuer, or to LC Issuer's order, on demand, the full amount of each Matured LC Obligation, together with interest thereon (i) at the Base Rate to and including the second Business Day after the Matured LC Obligation is incurred and (ii) at the Default Rate on each day thereafter.

(b) Letter of Credit Advances. If the beneficiary of any Letter of Credit makes a draft or other demand for payment thereunder then Borrower may, during the interval between the making thereof and the honoring thereof by LC Issuer, request Lenders to make Loans to Borrower in the amount of such draft or demand, which Loans shall be made concurrently with LC Issuer's payment of such draft or demand and shall be immediately used by LC Issuer to repay the amount of the resulting Matured LC Obligation. Such a request by Borrower shall be made in compliance with all of the provisions hereof, provided that for the purposes of the first sentence of Section 2.1, the amount of such Loans shall be considered, but the amount of the Matured LC Obligation to be concurrently paid by such Loans shall not be considered.

(c) Participation by Lenders. LC Issuer irrevocably agrees to grant and hereby grants to each Lender, and -- to induce LC Issuer to issue Letters of Credit hereunder -- each Lender irrevocably agrees to accept and purchase and hereby accepts and purchases from LC Issuer, on the terms and conditions hereinafter stated and for such Lender's own account and risk an undivided interest equal to such Lender's Percentage Share of LC Issuer's obligations and rights under each Letter of Credit issued hereunder and the amount of each Matured LC Obligation paid by LC Issuer thereunder. Each Lender unconditionally and irrevocably agrees with LC Issuer that, if a Matured LC Obligation is paid under any Letter of Credit for which LC Issuer is not reimbursed in full by Borrower in accordance with the terms of this Agreement and the related LC Application (including any reimbursement by means of concurrent Loans or by the application of LC Collateral), such Lender shall (in all circumstances and without set-off or counterclaim) pay to LC Issuer on demand, in immediately available funds at LC Issuer's address for notices hereunder, such Lender's Percentage Share of such Matured LC Obligation (or any portion thereof which has not been reimbursed by Borrower). Each Lender's obligation to pay LC Issuer pursuant to the terms of this subsection is irrevocable and unconditional. If any amount required to be paid by any Lender to LC Issuer pursuant to this subsection is paid by such Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Lender, on demand, interest thereon calculated from such due date at the Federal Funds Rate. If any amount required to be paid by any Lender to LC Issuer pursuant to this subsection is not paid by such Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Lender, on demand, interest thereon calculated from such due date at the Base Rate.

(d) Distributions to Participants. Whenever LC Issuer has in accordance with this section received from any Lender payment of such Lender's Percentage Share of any Matured LC Obligation, if LC Issuer thereafter receives any payment of such Matured LC Obligation or any payment of interest thereon (whether directly from Borrower or by application of LC Collateral or otherwise, and excluding only interest for any period prior to LC Issuer's demand that such Lender make such payment of its Percentage Share), LC Issuer will distribute to such Lender its Percentage Share of the amounts so received by LC Issuer; provided, however, that if any such payment received by LC Issuer must thereafter be returned by LC Issuer, such Lender shall return to LC Issuer the portion thereof which LC Issuer has previously distributed to it.

(e) Calculations. A written advice setting forth in reasonable detail the amounts owing under this section, submitted by LC Issuer to Borrower or any Lender from time to time, shall be conclusive, absent manifest error, as to the amounts thereof.

Section 2.10. No Duty to Inquire.

(a) Drafts and Demands. LC Issuer is authorized and instructed to accept and pay drafts and demands for payment under any Letter of Credit without requiring, and without responsibility for, any determination as to the existence of any event giving rise to said draft, either at the time of acceptance or payment or thereafter. LC Issuer is under no duty to determine the proper identity of anyone presenting such a draft or making such a demand (whether by tested telex or otherwise) as the officer, representative or agent of any beneficiary under any Letter of Credit, and payment by LC Issuer to any such beneficiary when requested by any such purported officer, representative or agent is hereby authorized and approved. Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the subject matter of this section, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

(b) Extension of Maturity. If the maturity of any Letter of Credit is extended by its terms or by Law or governmental action, if any extension of the maturity or time for presentation of drafts or any other modification of the terms of any Letter of Credit is made at the request of Borrower, or if the amount of any Letter of Credit is increased at the request of Borrower, this Agreement shall be binding upon all Restricted Persons with respect to such Letter of Credit as so extended, increased or otherwise modified, with respect to drafts and property covered thereby, and with respect to any action taken by LC Issuer, LC Issuer's correspondents, or any Lender Party in accordance with such extension, increase or other modification.

(c) Transferees of Letters of Credit. If any Letter of Credit provides that it is transferable, LC Issuer shall have no duty to determine the proper identity of anyone appearing as transferee of such Letter of Credit, nor shall LC Issuer be charged with responsibility of any

nature or character for the validity or correctness of any transfer or successive transfers, and payment by LC Issuer to any purported transferee or transferees as determined by LC Issuer is hereby authorized and approved, and Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the foregoing, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

Section 2.11. LC Collateral.

(a) LC Obligations in Excess of Borrowing Base. If, after the making of all mandatory prepayments required under Section 2.6, the outstanding LC Obligations will exceed the Borrowing Base, then in addition to prepayment of the entire principal balance of the Loans Borrower will immediately pay to LC Issuer an amount equal to such excess. LC Issuer will hold such amount as collateral security for the remaining LC Obligations (all such amounts held as collateral security for LC Obligations being herein collectively called "LC Collateral") and the other Obligations, and such collateral may be applied from time to time to pay Matured LC Obligations. Neither this subsection nor the following subsection shall, however, limit or impair any rights which LC Issuer may have under any other document or agreement relating to any Letter of Credit, LC Collateral or LC Obligation, including any LC Application, or any rights which any Lender Party may have to otherwise apply any payments by Borrower and any LC Collateral under Section 3.1.

(b) Acceleration of LC Obligations. If the Obligations or any part thereof become immediately due and payable pursuant to Section 8.1 then, unless all Lenders otherwise specifically elect to the contrary (which election may thereafter be retracted by all Lenders at any time), all LC Obligations shall become immediately due and payable without regard to whether or not actual drawings or payments on the Letters of Credit have occurred, and Borrower shall be obligated to pay to LC Issuer immediately an amount equal to the aggregate LC Obligations which are then outstanding to be held as LC Collateral.

(c) Investment of LC Collateral. Pending application thereof, all LC Collateral shall be invested by LC Issuer in such Cash Equivalents as LC Issuer may choose in its sole discretion. All interest on (and other proceeds of) such Investments shall be reinvested or applied to Matured LC Obligations or other Obligations which are due and payable. When all Obligations have been satisfied in full, including all LC Obligations, all Letters of Credit have expired or been terminated, and all of Borrower's reimbursement obligations in connection therewith have been satisfied in full, LC Issuer shall release any remaining LC Collateral. Borrower hereby assigns and grants to LC Issuer a continuing security interest in all LC Collateral paid by it to LC Issuer, all Investments purchased with such LC Collateral, and all proceeds thereof to secure its Matured LC Obligations and its Obligations under this Agreement, each Note, and the other Loan Documents, and Borrower agrees that such LC Collateral, Investments and proceeds shall be subject to all of

the terms and conditions of the Security Documents. Borrower further agrees that LC Issuer shall have all of the rights and remedies of a secured party under the UCC with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest.

(d) Payment of LC Collateral. When Borrower is required to provide LC Collateral for any reason and fails to do so on the day when required, LC Issuer or Administrative Agent may without prior notice to Borrower or any other Restricted Person provide such LC Collateral (whether by application of proceeds of other Collateral, by transfers from other accounts maintained with LC Issuer, or otherwise) using any available funds of Borrower or any other Person also liable to make such payments, and LC Issuer or Administrative Agent will give notice thereof to Borrower promptly after such application or transfer. Any such amounts which are required to be provided as LC Collateral and which are not provided on the date required shall, for purposes of each Security Document, be considered past due Obligations owing hereunder, and LC Issuer is hereby authorized to exercise its respective rights under each Security Document to obtain such amounts.

Section 2.12. Interest Rates and Fees; Reduction in Commitment.

(a) Interest Rates. Unless the Default Rate shall apply, (i) each Base Rate Loan shall bear interest on each day outstanding at the Base Rate in effect on such day and (ii) each Eurodollar Loan shall bear interest on each day during the related Interest Period at the related Adjusted Eurodollar Rate plus the Eurodollar Rate Margin in effect on such day. During a Default Rate Period, all Loans shall bear interest on each day outstanding at the Default Rate. If an Event of Default based upon Section 8.1(a), Section 8.1(b) or, with respect to Borrower, based upon Section 8.1(i)(i), (i)(ii) or (i)(iii) exists and the Loans are not bearing interest at the Default Rate, the past due principal and past due interest shall bear interest on each day outstanding at the Default Rate. The interest rate shall change whenever the applicable Base Rate, the Adjusted Eurodollar Rate or the Eurodollar Rate Margin changes. In no event shall the interest rate on any Loan exceed the Highest Lawful Rate.

(b) Commitment Fees. In consideration of each Lender's commitment to make Loans, Borrower will pay to Administrative Agent for the account of each Lender a commitment fee determined on a daily basis by applying a rate of one quarter of one percent (0.25%) per annum to such Lender's Percentage Share of the unused portion of the Maximum Facility Amount on each day during the Commitment Period, determined for each such day by deducting from the amount of the Maximum Facility Amount at the end of such day the Facility Usage. This commitment fee shall be due and payable in arrears on the last day of each Fiscal Quarter and at the end of the Commitment Period. Borrower shall have the right from time to time to permanently reduce the Maximum Facility Amount, provided that (i) notice of such reduction is given not less than 2 business Days prior to such reduction, (ii) the resulting Maximum Facility Amount is not less than the Facility Usage, and (iii) each partial reduction shall be in an amount at least equal to $500,000 and in multiples of $100,000 in excess thereof.

(c) Letter of Credit Fees. In consideration of LC Issuer's issuance of any Letter of Credit, Borrower agrees to pay (i) to Administrative Agent, for the account of all Lenders in accordance

with their respective Percentage Shares, a letter of credit fee at a rate equal to nine-tenths of one percent (0.9%) per annum, and (ii) to such LC Issuer for its own account, a letter of credit fronting fee at a rate equal to one-tenth of one percent (.10%) per annum. Each such fee will be calculated on the face amount of each Letter of Credit outstanding on each day at the above applicable rates and will be payable monthly in arrears on the last day of each month. In addition, Borrower will pay to LC Issuer a minimum administrative issuance fee of $100 for each Letter of Credit and such other fees and charges customarily charged by the LC Issuer in respect of any amendment or negotiation of any Letter of Credit in accordance with the LC Issuer's published schedule of such charges as of the date of such amendment or negotiation.

(d) Administrative Agent's Fees. In addition to all other amounts due to Administrative Agent under the Loan Documents, Borrower will pay fees to Administrative Agent as described in a letter agreement between Administrative Agent and Borrower.

Section 2.13. Borrowing Base Reporting. The Borrowing Base Reports are subject to the procedures set forth on Schedule 7.

## ARTICLE III - Payments to Lenders

Section 3.1. General Procedures. Borrower will make each payment which it owes under the Loan Documents to Administrative Agent for the account of the Lender Party to whom such payment is owed in lawful money of the United States of America, without set-off, deduction or counterclaim, and in immediately available funds. Each such payment must be received by Administrative Agent not later than noon, Boston, Massachusetts time, on the date such payment becomes due and payable. Any payment received by Administrative Agent after such time will be deemed to have been made on the next following Business Day. Should any such payment become due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day, and, in the case of a payment of principal or past due interest, interest shall accrue and be payable thereon for the period of such extension as provided in the Loan Document under which such payment is due. Each payment under a Loan Document shall be due and payable at the place provided therein and, if no specific place of payment is provided, shall be due and payable at the place of payment of Administrative Agent's Note. When Administrative Agent collects or receives money on account of the Obligations, Administrative Agent shall distribute all money so collected or received, and each Lender Party shall apply all such money so distributed, as follows:

(a) first, for the payment of all Obligations which are then due (and if such money is insufficient to pay all such Obligations, first to any reimbursements due Administrative Agent under Section 6.9 or 10.4 and then to the partial payment of all other Obligations then due in proportion to the amounts thereof, or as Lender Parties shall otherwise agree);

(b) then for the prepayment of amounts owing under the Loan Documents (other than principal on the Notes) if so specified by Borrower;

(c) then for the prepayment of principal on the Notes, together with accrued and unpaid interest on the principal so prepaid; and

(d) last, for the payment or prepayment of any other Obligations.

All payments applied to principal or interest on any Note shall be applied first to any interest then due and payable, then to principal then due and payable, and last to any prepayment of principal and interest in compliance with Sections 2.5 and 2.6. All distributions of amounts described in any of subsections (b), (c) or (d) above shall be made by Administrative Agent pro rata to each Lender Party then owed Obligations described in such subsection in proportion to all amounts owed to all Lender Parties which are described in such subsection; provided that if any Lender then owes payments to LC Issuer for the purchase of a participation under Section 2.9(c) or to Administrative Agent under Section 9.4, any amounts otherwise distributable under this section to such Lender shall be deemed to belong to LC Issuer or Administrative Agent, respectively, to the extent of such unpaid payments, and Administrative Agent shall apply such amounts to make such unpaid payments rather than distribute such amounts to such Lender.

Section 3.2. Capital Reimbursement. If either (a) the introduction or implementation of or the compliance with or any change in or in the interpretation of any Law, or (b) the introduction or implementation of or the compliance with any request, directive or guideline from any central bank or other governmental authority (whether or not having the force of Law) affects or would affect the amount of capital required or expected to be maintained by any Lender Party or any corporation controlling any Lender Party, then, within five Business Days after demand by such Lender Party, Borrower will pay to Administrative Agent for the benefit of such Lender Party, from time to time as specified by such Lender Party, such additional amount or amounts which such Lender Party shall determine to be appropriate to compensate such Lender Party or any corporation controlling such Lender Party in light of such circumstances, to the extent that such Lender Party reasonably determines that the amount of any such capital would be increased or the rate of return on any such capital would be reduced by or in whole or in part based on the existence of the face amount of such Lender Party's Loans, Letters of Credit, participations in Letters of Credit or commitments under this Agreement.

Section 3.3. Increased Cost of Eurodollar Loans or Letters of Credit. If any applicable Law (whether now in effect or hereinafter enacted or promulgated, including Regulation D) or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of Law):

(a) shall change the basis of taxation of payments to any Lender Party of any principal, interest, or other amounts attributable to any Eurodollar Loan or Letter of Credit or otherwise due under this Agreement in respect of any Eurodollar Loan or Letter of Credit (other than taxes imposed on, or measured by, the overall net income of such Lender Party or any Applicable Lending Office of such Lender Party by any jurisdiction in which such Lender Party or any such Applicable Lending Office is located); or

(b) shall change, impose, modify, apply or deem applicable any reserve, special deposit or similar requirements in respect of any Eurodollar Loan or any Letter of Credit

(excluding those for which such Lender Party is fully compensated pursuant to adjustments made in the definition of Eurodollar Rate) or against assets of, deposits with or for the account of, or credit extended by, such Lender Party; or

(c) shall impose on any Lender Party or the interbank eurocurrency deposit market any other condition affecting any Eurodollar Loan or Letter of Credit, the result of which is to increase the cost to any Lender Party of funding or maintaining any Eurodollar Loan or of issuing any Letter of Credit or to reduce the amount of any sum receivable by any Lender Party in respect of any Eurodollar Loan or Letter of Credit by an amount deemed by such Lender Party to be material,

then such Lender Party shall promptly notify Administrative Agent and Borrower in writing of the happening of such event and of the amount required to compensate such Lender Party for such event (on an after-tax basis, taking into account any taxes on such compensation), whereupon (i) Borrower shall, within five Business Days after demand therefor by such Lender Party, pay such amount to Administrative Agent for the account of such Lender Party and (ii) Borrower may elect, by giving to Administrative Agent and such Lender Party not less than three Business Days' notice, to Convert all (but not less than all) of any such Eurodollar Loans into Base Rate Loans.

Section 3.4. Notice; Change of Applicable Lending Office. A Lender Party shall notify Borrower of any event occurring after the date of this Agreement that will entitle such Lender Party to compensation under Section 3.2, 3.3 or 3.5 hereof as promptly as practicable, but in any event within 90 days, after such Lender Party obtains actual knowledge thereof; provided, that (i) if such Lender Party fails to give such notice within 90 days after it obtains actual knowledge of such an event, such Lender Party shall, with respect to compensation payable pursuant to Section 3.2, 3.3 or 3.5 in respect of any costs resulting from such event, only be entitled to payment under Section 3.2, 3.3 or 3.5 hereof for costs incurred from and after the date 90 days prior to the date that such Lender Party does give such notice and (ii) such Lender Party will designate a different Applicable Lending Office for the Loans affected by such event if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole opinion of such Lender Party, be disadvantageous to such Lender Party, except that such Lender Party shall have no obligation to designate an Applicable Lending Office located in the United States of America. Each Lender Party will furnish to Borrower a certificate setting forth the basis and amount of each request by such Lender Party for compensation under Section 3.2, 3.3 or 3.5 hereof.

Section 3.5. Availability. If (a) any change in applicable Laws, or in the interpretation or administration thereof of or in any jurisdiction whatsoever, domestic or foreign, shall make it unlawful or impracticable for any Lender Party to fund or maintain Eurodollar Loans or to issue or participate in Letters of Credit, or shall materially restrict the authority of any Lender Party to purchase or take offshore deposits of dollars (i.e., "eurodollars"), or (b) any Lender Party determines that matching deposits appropriate to fund or maintain any Eurodollar Loan are not available to it, or (c) any Lender Party determines that the formula for calculating the Eurodollar Rate does not fairly reflect the cost to such Lender Party of making or maintaining loans based on such rate, then, upon notice by such Lender Party to Borrower and Administrative Agent, Borrower's right to elect Eurodollar Loans from such Lender Party (or, if applicable, to obtain Letters of Credit) shall be suspended to the extent and for the duration of such illegality,

impracticability or restriction and all Eurodollar Loans of such Lender Party which are then outstanding or are then the subject of any Borrowing Notice and which cannot lawfully or practicably be maintained or funded shall immediately become or remain, or shall be funded as, Base Rate Loans of such Lender Party. Borrower agrees to indemnify each Lender Party and hold it harmless against all costs, expenses, claims, penalties, liabilities and damages which may result from any such change in Law, interpretation or administration. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.6. Funding Losses. In addition to its other obligations hereunder, Borrower will indemnify each Lender Party against, and reimburse each Lender Party on demand for, any loss or expense incurred or sustained by such Lender Party (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by a Lender Party to fund or maintain Eurodollar Loans), as a result of (a) any payment or prepayment (whether or not authorized or required hereunder) of all or a portion of a Eurodollar Loan on a day other than the day on which the applicable Interest Period ends, (b) any payment or prepayment, whether or not required hereunder, of a Loan made after the delivery, but before the effective date, of a Continuation/Conversion Notice, if such payment or prepayment prevents such Continuation/Conversion Notice from becoming fully effective, (c) the failure of any Loan to be made or of any Continuation/Conversion Notice to become effective due to any condition precedent not being satisfied or due to any other action or inaction of any Restricted Person, or (d) any Conversion (whether or not authorized or required hereunder) of all or any portion of any Eurodollar Loan into a Base Rate Loan or into a different Eurodollar Loan on a day other than the day on which the applicable Interest Period ends. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.7. Reimbursable Taxes. Borrower covenants and agrees that:

(a) Borrower will indemnify each Lender Party against and reimburse each Lender Party for all present and future income, stamp and other taxes, levies, costs and charges whatsoever imposed, assessed, levied or collected on or in respect of this Agreement or any Eurodollar Loans or Letters of Credit (whether or not legally or correctly imposed, assessed, levied or collected), excluding, however, any taxes imposed on or measured by the overall net income of Administrative Agent or such Lender Party or any Applicable Lending Office of such Lender Party by any jurisdiction in which such Lender Party or any such Applicable Lending Office is located (all such non-excluded taxes, levies, costs and charges being collectively called "Reimbursable Taxes" in this section). Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

(b) All payments on account of the principal of, and interest on, each Lender Party's Loans and Note, and all other amounts payable by Borrower to any Lender Party hereunder, shall be made in full without set-off or counterclaim and shall be made free and clear of and without deductions or withholdings of any nature by reason of any Reimbursable Taxes, all of which will be for the account of Borrower. In the event of Borrower being compelled by Law to make any such deduction or withholding from any payment to any Lender Party, Borrower shall pay on the due date of such payment, by

way of additional interest, such additional amounts as are needed to cause the amount receivable by such Lender Party after such deduction or withholding to equal the amount which would have been receivable in the absence of such deduction or withholding. If Borrower should make any deduction or withholding as aforesaid, Borrower shall within 60 days thereafter forward to such Lender Party an official receipt or other official document evidencing payment of such deduction or withholding.

(c) If Borrower is ever required to pay any Reimbursable Tax with respect to any Eurodollar Loan, Borrower may elect, by giving to Administrative Agent and such Lender Party not less than three Business Days' notice, to Convert all (but not less than all) of any such Eurodollar Loan into a Base Rate Loan, but such election shall not diminish Borrower's obligation to pay all Reimbursable Taxes.

(d) Notwithstanding the foregoing provisions of this section, Borrower shall be entitled, to the extent it is required to do so by Law, to deduct or withhold (and not to make any indemnification or reimbursement for) income or other similar taxes imposed by the United States of America (other than any portion thereof attributable to a change in federal income tax Laws effected after the date hereof) from interest, fees or other amounts payable hereunder for the account of any Lender Party, other than a Lender Party (i) who is a U.S. person for Federal income tax purposes or (ii) who has the Prescribed Forms on file with Administrative Agent (with copies provided to Borrower) for the applicable year to the extent deduction or withholding of such taxes is not required as a result of the filing of such Prescribed Forms, provided that if Borrower shall so deduct or withhold any such taxes, it shall provide a statement to Administrative Agent and such Lender Party, setting forth the amount of such taxes so deducted or withheld, the applicable rate and any other information or documentation which such Lender Party may reasonably request for assisting such Lender Party to obtain any allowable credits or deductions for the taxes so deducted or withheld in the jurisdiction or jurisdictions in which such Lender Party is subject to tax. As used in this section, "Prescribed Forms" means such duly executed forms or statements, and in such number of copies, which may, from time to time, be prescribed by Law and which, pursuant to applicable provisions of (x) an income tax treaty between the United States and the country of residence of the Lender Party providing the forms or statements, (y) the Code, or (z) any applicable rules or regulations thereunder, permit Borrower to make payments hereunder for the account of such Lender Party free of such deduction or withholding of income or similar taxes.

Section 3.8 Replacement of Lenders. If any Lender Party seeks reimbursement for increased costs under Sections 3.2 through 3.7, then within ninety days thereafter -- provided no Event of Default then exists -- Borrower shall have the right (unless such Lender Party withdraws its request for additional compensation) to replace such Lender Party by requiring such Lender Party to assign its Loans and Notes and its commitments hereunder to an Eligible Transferee reasonably acceptable to Administrative Agent and to Borrower, provided that: (i) all Obligations of Borrower owing to such Lender Party being replaced (including such increased costs, but excluding principal and accrued interest on the Notes being assigned) shall be paid in full to such Lender Party concurrently with such assignment, and (ii) the replacement Eligible Transferee shall purchase the Note being assigned by paying to such Lender Party a price equal to the principal

amount thereof plus accrued and unpaid interest and accrued and unpaid commitment fees thereon. In connection with any such assignment Borrower, Administrative Agent, such Lender Party and the replacement Eligible Transferee shall otherwise comply with Section 10.5. Notwithstanding the foregoing rights of Borrower under this section, however, Borrower may not replace any Lender Party which seeks reimbursement for increased costs under Section 3.2 through 3.7 unless Borrower is at the same time replacing all Lender Parties which are then seeking such compensation.

## ARTICLE IV - Conditions Precedent to Credit

Section 4.1. Documents to be Delivered. This Agreement shall not be effective to amend or restate the Existing Agreement or govern the indebtedness, obligations or liabilities thereunder and no Lender has any obligation to make its first Loan, and LC Issuer has no obligation to issue the first Letter of Credit unless Administrative Agent shall have received all of the following, at Administrative Agent's office in Boston, Massachusetts, duly executed and delivered and in form, substance and date satisfactory to Administrative Agent:

(a) This Agreement and any other documents that Lenders are to execute in connection herewith.

(b) Each Note.

(c) Each Security Document listed in the Security Schedule.

(d) Certain certificates including:

(i) An "Omnibus Certificate" of the secretary and of the president of General Partner, which shall contain the names and signatures of the officers of General Partner authorized to execute Loan Documents and which shall certify to the truth, correctness and completeness of the following exhibits attached thereto: (1) a copy of resolutions duly adopted by the Board of Directors of General Partner and in full force and effect at the time this Agreement is entered into, authorizing the execution of this Agreement and the other Loan Documents delivered or to be delivered in connection herewith and the consummation of the transactions contemplated herein and therein, (2) a copy of the charter documents of each Restricted Person and all amendments thereto, certified by the appropriate official of such Restricted Person's state of organization, and (3) a copy of any bylaws or agreement of limited partnership of each Restricted Person; and

(ii) A certificate of the president and of the chief financial officer of General Partner, regarding satisfaction of Section 4.2.

(e) A certificate (or certificates) of the due formation, valid existence and good standing of each Restricted Person in its respective state of organization, issued by the appropriate authorities of such jurisdiction, and certificates of each Restricted Person's

good standing and due qualification to do business, issued by appropriate officials in any states in which such Restricted Person owns property subject to Security Documents.

(f) Documents similar to those specified in subsections (d)(i) and (e) of this section with respect to each Guarantor and the execution by it of its guaranty of Borrower's Obligations.

(g) A favorable opinion of Michael Patterson, Esq., General Counsel for Restricted Persons, substantially in the form set forth in Exhibit G-1, Fulbright & Jaworski L.L.P., special Texas and New York counsel to Restricted Persons, substantially in the form set forth in Exhibit G-2, Andrews & Kurth L.L.P., special counsel to Restricted Persons, substantially in the form of Exhibit G-3, and local counsel for the states of Arizona, California, New Mexico and Oklahoma satisfactory to Administrative Agent.

(h) The Initial Financial Statements.

(i) Certificates or binders evidencing Restricted Persons' insurance in effect on the date hereof.

(j) Copies of such permits and approvals regarding the property and business of Restricted Persons as Administrative Agent may request.

(k) A certificate signed by the chief executive officer of General Partner in form and detail acceptable to Administrative Agent confirming the insurance that is in effect as of the date hereof and certifying that such insurance is customary for the businesses conducted by Restricted Persons and is in compliance with the requirements of this Agreement.

(l) Payment of all commitment, facility, agency and other fees required to be paid to any Lender pursuant to any Loan Documents or any commitment agreement heretofore entered into.

(m) The Intercreditor Agreement with the lenders party to the All American Agreement in the form of Exhibit K hereto.

Section 4.2. Additional Conditions to Initial Credit. This Agreement shall not be effective to amend or restate the Existing Agreement or govern the indebtedness, obligations or liabilities thereunder and no Lender has any obligation to make its first Loan, and LC Issuer has no obligation to issue the first Letter of Credit unless prior to or contemporaneously with the initial Loan or initial Letter of Credit issuance hereunder the following conditions precedent have been satisfied:

(a) The Offering and all of the transactions contemplated under the Offering Documents shall have been consummated, in compliance with the terms and conditions thereof, and all representations and warranties made by any party to the Offering Documents shall be true and correct.

(b) Each Restricted Person shall have executed and delivered the All American Credit Agreement and all conditions precedent to the All American Agreement have been satisfied.

(c) After giving effect to each of the transactions under the Offering Documents, all representations and warranties made by any Restricted Person in any Loan Document shall be true on and as of the date of such Loan or the date of issuance of such Letter of Credit as if such representations and warranties had been made as of the date of such Loan or the date of issuance of such Letter of Credit.

(d) General Partner shall have delivered to Administrative Agent a Consolidated balance sheet for Plains MLP and its Subsidiaries certified by the chief financial officer of General Partner, reflecting compliance with each event specified in Sections 7.11 through 7.15, inclusive.

(e) The Borrowing Base as of the date of such first Loan and first Letter of Credit shall be at least $5,000,000 more than the initial Facility Usage on such date after giving effects to the Loans and Letters of Credit requested for such date, and General Partner shall have delivered to the Administrative Agent a Borrowing Base Report in reasonable detail demonstrating compliance with this requirement.

(f) Plains MLP shall have a market capitalization of at least $500,000,000 calculated based upon the total issued partnership units of Plains MLP and the market price of the publicly held portion of such partnership units of Plains MLP.

(g) Plains MLP shall have a minimum tangible net worth of $225,000,000.

(h) Each condition precedent set forth in Section 4.3 has been satisfied as of such effective date of this Agreement.

Section 4.3. Additional Conditions Precedent. No Lender has any obligation to make any Loan (including its first), and LC Issuer has no obligation to issue any Letter of Credit (including its first), unless the following conditions precedent have been satisfied:

(a) All representations and warranties made by any Restricted Person in any Loan Document shall be true on and as of the date of such Loan or the date of issuance of such Letter of Credit as if such representations and warranties had been made as of the date of such Loan or the date of issuance of such Letter of Credit except to the extent that such representation or warranty was made as of a specific date or updated, modified or supplemented as of a subsequent date with the consent of Majority Lenders.

(b) No Default shall exist at the date of such Loan or the date of issuance of such Letter of Credit.

(c) No Material Adverse Change shall have occurred to, and no event or circumstance shall have occurred that could cause a Material Adverse Change to, Plains

MLP's or Borrower's Consolidated financial condition or businesses since the date of the Initial Financial Statements.

(d) Each Restricted Person shall have performed and complied with all agreements and conditions required in the Loan Documents to be performed or complied with by it on or prior to the date of such Loan or the date of issuance of such Letter of Credit.

(e) The making of such Loan or the issuance of such Letter of Credit shall not be prohibited by any Law and shall not subject any Lender or any LC Issuer to any penalty or other onerous condition under or pursuant to any such Law.

(f) Administrative Agent shall have received all documents and instruments which Administrative Agent has then requested, in addition to those described in Section 4.1 (including opinions of legal counsel for Restricted Persons and Administrative Agent; corporate documents and records; documents evidencing governmental authorizations, consents, approvals, licenses and exemptions; and certificates of public officials and of officers and representatives of Borrower and other Persons), as to (i) the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in this Agreement and the other Loan Documents, (ii the satisfaction of all conditions contained herein or therein, and (ii all other matters pertaining hereto and thereto. All such additional documents and instruments shall be satisfactory to Administrative Agent in form, substance and date.

## ARTICLE V - Representations and Warranties

To confirm each Lender's understanding concerning Restricted Persons and Restricted Persons' businesses, properties and obligations and to induce each Lender to enter into this Agreement and to extend credit hereunder, Plains MLP and Borrower represent and warrant to each Lender that:

Section 5.1. No Default. No Restricted Person is in default in the performance of any of the covenants and agreements contained in any Loan Document. No event has occurred and is continuing which constitutes a Default.

Section 5.2. Organization and Good Standing. Each Restricted Person is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, having all powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Each Restricted Person is duly qualified, in good standing, and authorized to do business in all other jurisdictions within the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary except where the failure to so qualify would not cause a Material Adverse Change. Each Restricted Person has taken all actions and procedures customarily taken in order to enter, for the purpose of conducting business or owning property, each jurisdiction outside the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such actions and procedures necessary except where the failure to so qualify would not cause a Material Adverse Change.

Section 5.3. Authorization. Each Restricted Person has duly taken all action necessary to authorize the execution and delivery by it of the Loan Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder. Borrower is duly authorized to borrow funds hereunder.

Section 5.4. No Conflicts or Consents. The execution and delivery by the various Restricted Persons of the Loan Documents and Offering Documents to which each is a party, the performance by each of its obligations under such Loan Documents and Offering Documents, and the consummation of the transactions contemplated by the various Loan Documents and various Offering Documents, do not and will not (i) conflict with any provision of (1) any Law, (2) the organizational documents of any Restricted Person or any of its Affiliates, or (3) any agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person or any of its Affiliates, (ii result in the acceleration of any Indebtedness owed by any Restricted Person, or any of its Affiliates, or (ii result in or require the creation of any Lien upon any assets or properties of any Restricted Person or any of its Affiliates except as expressly contemplated in the Loan Documents. Except as expressly contemplated in the Loan Documents or the Offering Documents no consent, approval, authorization or order of, and no notice to or filing with, any Tribunal or third party is required in connection with the execution, delivery or performance by any Restricted Person of any Loan Document or Offering Document or to consummate any transactions contemplated by the Loan Documents and the Offering Documents.

Section 5.5. Enforceable Obligations. This Agreement is, and the other Loan Documents and the Offering Documents when duly executed and delivered will be, legal, valid and binding obligations of each Restricted Person which is a party hereto or thereto, enforceable in accordance with their terms except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

Section 5.6. Initial Financial Statements. Plains MLP has heretofore delivered to each Lender true, correct and complete copies of the Initial Financial Statements. The Initial Financial Statements fairly present Plains MLP's Consolidated financial position at the date thereof and the Consolidated results of Plains MLP's operations and Consolidated cash flows for the period thereof. Since the date of the annual Initial Financial Statements no Material Adverse Change has occurred, except as reflected in the quarterly Initial Financial Statements or in the Disclosure Schedule. All Initial Financial Statements were prepared in accordance with GAAP.

Section 5.7. Other Obligations and Restrictions. No Restricted Person has any outstanding Liabilities of any kind (including contingent obligations, tax assessments, and unusual forward or long-term commitments) which are, in the aggregate, material to Plains MLP or material with respect to Plains MLP's Consolidated financial condition and not shown in the Initial Financial Statements or disclosed in the Disclosure Schedule. Except as shown in the Initial Financial Statements or disclosed in the Disclosure Schedule, no Restricted Person is subject to or restricted by any franchise, contract, deed, charter restriction, or other instrument or restriction which could cause a Material Adverse Change.

Section 5.8. Full Disclosure. No certificate, statement or other information delivered herewith or heretofore by any Restricted Person to any Lender in connection with the negotiation

of this Agreement or in connection with any transaction contemplated hereby contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading as of the date made or deemed made. All written information furnished after the date hereof by or on behalf of any Restricted Person to Administrative Agent or any Lender Party in connection with this Agreement and the other Loan Documents and the transactions contemplated hereby and thereby will be true, complete and accurate in every material respect or based on reasonable estimates on the date as of which such information is stated or certified. There is no fact known to any Restricted Person that has not been disclosed to each Lender in writing which could cause a Material Adverse Change.

Section 5.9. Litigation. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule: (i) there are no actions, suits or legal, equitable, arbitrative or administrative proceedings pending, or to the knowledge of any Restricted Person threatened, against any Restricted Person before any Tribunal which could cause a Material Adverse Change, and (ii) there are no outstanding judgments, injunctions, writs, rulings or orders by any such Tribunal against any Restricted Person or any Restricted Person's stockholders, partners, directors or officers which could cause a Material Adverse Change.

Section 5.10. Labor Disputes and Acts of God. Except as disclosed in the Disclosure Schedule, neither the business nor the properties of any Restricted Person has been affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), which could cause a Material Adverse Change.

Section 5.11. ERISA Plans and Liabilities. All currently existing ERISA Plans are listed in the Disclosure Schedule. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule, no Termination Event has occurred with respect to any ERISA Plan and all ERISA Affiliates are in compliance with ERISA in all material respects. No ERISA Affiliate is required to contribute to, or has any other absolute or contingent liability in respect of, any "multiemployer plan" as defined in Section 4001 of ERISA. Except as set forth in the Disclosure Schedule: (i) no "accumulated funding deficiency" (as defined in Section 412(a) of the Code exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, and (ii) the current value of each ERISA Plan's benefits does not exceed the current value of such ERISA Plan's assets available for the payment of such benefits by more than $500,000.

Section 5.12. Compliance with Laws. Except as set forth in the Disclosure Schedule, each Restricted Person is conducting its businesses in compliance with all applicable Laws, including Environmental Laws, and has all permits, licenses and authorizations required in connection with the conduct of its businesses, except to the extent failure to have any such permit, license or authorization could not cause a Material Adverse Change. Each Restricted Person is in compliance with the terms and conditions of all such permits, licenses and authorizations, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any Law, including applicable Environmental Law, or in any regulation, code, plan, order, decree, judgment, injunction, notice

or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply could not cause a Material Adverse Change.

Section 5.13. Environmental Laws. As used in this section: "CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, "CERCLIS" means the Comprehensive Environmental Response, Compensation and Liability Information System List of the Environmental Protection Agency, and "Release" has the meaning given such term in 42 U.S.C. (S) 9601(22). Without limiting the provisions of Section 5.12 and except as set forth in the Disclosure Schedule:

(a) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed, and no investigation or review is pending or threatened by any Tribunal or any other Person with respect to any of the following which in the aggregate could cause a Material Adverse Change (i) any alleged generation, treatment, storage, recycling, transportation, disposal, or Release of any Hazardous Materials, either by any Restricted Person or on any property owned by any Restricted Person, (ii) any remedial action which might be needed to respond to any such alleged generation, treatment, storage, recycling, transportation, disposal, or Release, or (iii) any alleged failure by any Restricted Person to have any permit, license or authorization required in connection with the conduct of its business or with respect to any such generation, treatment, storage, recycling, transportation, disposal, or Release.

(b) No Restricted Person otherwise has any known material contingent liability in connection with any alleged generation, treatment, storage, recycling, transportation, disposal, or Release of any Hazardous Materials.

(c) No Restricted Person has handled any Hazardous Materials, other than as a generator, on any properties now or previously owned or leased by any Restricted Person to an extent that such handling has caused, or could cause, a Material Adverse Change.

(d) Except to the extent that the following in the aggregate has not caused and could not cause a Material Adverse Change:

(i) no PCBs are or have been present at any properties now or previously owned or leased by any Restricted Person;

(ii) no asbestos is or has been present at any properties now or previously owned or leased by any Restricted Person;

(iii) there are no underground storage tanks for Hazardous Materials, active or abandoned, at any properties now or previously owned or leased by any Restricted Person; and

(iv) no Hazardous Materials have been Released at, on or under any properties now or previously owned or leased by any Restricted Person.

(e) No Restricted Person has transported or arranged for the transportation of any Hazardous Material to any location which is listed on the National Priorities List under CERCLA, any location listed for possible inclusion on the National Priorities List by the Environmental Protection Agency in CERCLIS, nor, except to the extent that has not caused and could not cause a Material Adverse Change, any location listed on any similar state list or which is the subject of federal, state or local enforcement actions or other investigations which may lead to claims against any Restricted Person for clean-up costs, remedial work, damages to natural resources or for personal injury claims, including, but not limited to, claims under CERCLA.

(f) No property now or previously owned or leased by any Restricted Person is listed or proposed for listing on the National Priority list promulgated pursuant to CERCLA, in CERCLIS, nor, except to the extent that has not caused and could not cause a Material Adverse Change, on any similar state list of sites requiring investigation or clean-up.

(g) There are no Liens arising under or pursuant to any Environmental Laws on any of the real properties or properties owned or leased by any Restricted Person, and no government actions of which Borrower is aware have been taken or are in process which could subject any of such properties to such Liens; nor would any Restricted Person be required to place any notice or restriction relating to the presence of Hazardous Materials at any properties owned by it in any deed to such properties.

(h) There have been no environmental investigations, studies, audits, tests, reviews or other analyses for ground water or soil contamination relating to the Release of Hazardous Materials conducted by or which are in the possession of any Restricted Person in relation to any properties or facility now or previously owned or leased by any Restricted Person which have not been made available to Administrative Agent.

Section 5.14. Names and Places of Business. No Restricted Person has, during the preceding five years, had, been known by, or used any other trade or fictitious name, except as disclosed in the Disclosure Schedule. Except as otherwise indicated in the Disclosure Schedule, the chief executive office and principal place of business of each Restricted Person are (and for the preceding five years have been) located at the address of Borrower set out in Section 10.3. Except as indicated in the Disclosure Schedule, no Restricted Person has any other office or place of business.

Section 5.15. Borrower's Subsidiaries. Borrower does not presently have any Subsidiary or own any stock in any other corporation or association except those listed in the Disclosure Schedule. Neither Borrower nor any Restricted Person is a member of any general or limited partnership, joint venture or association of any type whatsoever except those listed in the Disclosure Schedule. Borrower owns, directly or indirectly, the equity interest in each of its Subsidiaries which is indicated in the Disclosure Schedule.

Section 5.16. Title to Properties; Licenses. Each Restricted Person has good and defensible title to all of its material properties and assets, free and clear of all Liens other than Permitted Liens and of all impediments to the use of such properties and assets in such Restricted Person's business. Each Restricted Person possesses all licenses, permits, franchises, patents,

copyrights, trademarks and trade names, and other intellectual property (or otherwise possesses the right to use such intellectual property without violation of the rights of any other Person) which are necessary to carry out its business as presently conducted and as presently proposed to be conducted hereafter, and no Restricted Person is in violation in any material respect of the terms under which it possesses such intellectual property or the right to use such intellectual property.

Section 5.17. Government Regulation. Neither Borrower nor any other Restricted Person owing Obligations is subject to regulation under the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940 (as any of the preceding acts have been amended) or any other Law which regulates the incurring by such Person of Indebtedness, including Laws relating to common contract carriers or the sale of electricity, gas, steam, water or other public utility services. Neither Borrower nor any other Restricted Person is subject to regulation under the Federal Power Act which would violate, result in a default of, or prohibit the effectiveness or the performance of any of the provisions of the Loan Documents.

Section 5.18. Insider. No Restricted Person, nor any Person having "control" (as that term is defined in 12 U.S.C. (S) 375b(9) or in regulations promulgated pursuant thereto) of any Restricted Person, is a "director" or an "executive officer" or "principal shareholder" (as those terms are defined in 12 U.S.C. (S) 375b(8) or (9) or in regulations promulgated pursuant thereto) of any Lender, of a bank holding company of which any Lender is a Subsidiary or of any Subsidiary of a bank holding company of which any Lender is a Subsidiary.

Section 5.19. Solvency. Upon giving effect to the issuance of the Notes, the execution of the Loan Documents by Borrower and each Guarantor and the consummation of the transactions contemplated hereby, Borrower and each Guarantor will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws).

Section 5.20. Credit Arrangements. The Disclosure Schedule contains a complete and correct list, as of the date of this Agreement, of each credit agreement, loan agreement, indenture, purchase agreement, guaranty or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guaranty by, any Restricted Person, or to which any Restricted Person is subject, other than the Loan Documents, and the aggregate principal or face amount outstanding or which may become outstanding under each such arrangement is correctly described in the Disclosure Schedule. No Restricted Person is subject to any restriction under any credit agreement, loan agreement, indenture, purchase agreement, guaranty or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guaranty by, any Affiliate, other than another Restricted Person.

Section 5.21. Year 2000.

(a) Restricted Persons have (i) begun analyzing the operations of Restricted Persons and their Subsidiaries and Affiliates that could be adversely affected by failure to be become Year 2000 compliant (that is, that computer applications, imbedded microchips and other systems will be able to perform date-sensitive functions prior to and after December 31, 1999) and (ii)

developed a plan for becoming Year 2000 compliant in a timely manner, the implementation of which is on schedule in all material respects. Plains MLP and Borrower reasonably believe that Restricted Persons and their Affiliates will become Year 2000 compliant for their operations on a timely basis except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

(b) Plains MLP and Borrower reasonably believe any suppliers and vendors that are material to the operations of Restricted Persons or their Subsidiaries and Affiliates will be Year 2000 compliant for their own computer applications except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

## ARTICLE VI - Affirmative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Borrower, and to induce each Lender to enter into this Agreement and extend credit hereunder, Plains MLP and Borrower covenant and agree that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders, or all Lenders as required under Section 10.1, have previously agreed otherwise:

Section 6.1. Payment and Performance. Each Restricted Person will pay all amounts due under the Loan Documents, to which it is a party, in accordance with the terms thereof and will observe, perform and comply with every covenant, term and condition expressed in the Loan Documents to which it is a party.

Section 6.2. Books, Financial Statements and Reports. Each Restricted Person will at all times maintain full and accurate books of account and records. Plains MLP will maintain and will cause its Subsidiaries to maintain a standard system of accounting, will maintain its Fiscal Year, and will furnish the following statements and reports to each Lender at Restricted Person's expense:

(a) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year (i) complete Consolidated financial statements of Plains MLP together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by PricewaterhouseCoopers LLP, or other independent certified public accountants selected by General Partner and acceptable to Majority Lenders, stating that such Consolidated financial statements have been so prepared and (ii) supporting unaudited consolidating balance sheets and statements of income of each other Restricted Person (except for any Restricted Person whose financial statements are substantially the same as those of Plains MLP). These financial statements shall contain a Consolidated and consolidating balance sheet as of the end of such Fiscal Year and Consolidated and consolidating statements of earnings for such Fiscal Year. Such Consolidated financial statements shall set forth in comparative form the corresponding figures for the preceding Fiscal Year. In addition, within ninety (90) days after the end of each Fiscal Year Plains MLP will furnish a certificate signed by such accountants (i) stating that they have read

this Agreement, (ii) containing calculations showing compliance (or non-compliance) at the end of such Fiscal Year with the requirements of Sections 7.11 through 7.15, inclusive, and (iii) further stating that in making their examination and reporting on the Consolidated financial statements described above they obtained no knowledge of any Default existing at the end of such Fiscal Year, or, if they did so conclude that a Default existed, specifying its nature and period of existence.

(b) As soon as available, and in any event within forty-five (45) days after the end of each of the first three Fiscal Quarters of each Fiscal Year (i) Plains MLP's Consolidated balance sheet as of the end of such Fiscal Quarter and Consolidated statements of Plains MLP's earnings and cash flows for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, and (ii) supporting consolidating balance sheets and statements of income of each other Restricted Person (except for any Restricted Person whose financial statements are substantially the same as those of Plains MLP), all in reasonable detail and prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments, and as soon as available, and in any event within forty-five (45) days after the end of the last Fiscal Quarter of each Fiscal Year, Plains MLP's unaudited Consolidated balance sheet as of the end of such Fiscal Quarter and income statement for such Fiscal Quarter and for the period from the beginning of the current Fiscal Year to the end of such Fiscal Quarter. In addition Plains MLP will, together with each such set of financial statements and each set of financial statements furnished under subsection (a) of this section, furnish a certificate in the form of Exhibit F signed by the chief financial officer of General Partner stating that such financial statements are accurate and complete in all material respects (subject to normal year-end adjustments), stating that he has reviewed the Loan Documents, containing calculations showing compliance (or non-compliance) at the end of such Fiscal Quarter with the requirements of Sections 7.11 through 7.16, inclusive and stating that no Default exists at the end of such Fiscal Quarter or at the time of such certificate or specifying the nature and period of existence of any such Default.

(c) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent by Plains MLP to its unit holders and all registration statements, periodic reports and other statements and schedules filed by Plains MLP with any securities exchange, the Securities and Exchange Commission or any similar governmental authority.

(d) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year, a business and financial plan for Plains MLP (in form reasonably satisfactory to Administrative Agent), prepared or caused to be prepared by a senior financial officer thereof, setting forth for the first year thereof, quarterly financial projections and budgets for Plains MLP, and thereafter yearly financial projections and budgets during the Commitment Period.

(e) On the twenty-sixth (26th) day of each calendar month (i) a Borrowing Base Report in the form of Exhibit H duly completed by an authorized officer of General Partner and conforming with the requirements of Section 2.13, and (ii) a statement

reconciling such report with the Borrowing Base Report delivered on the 26th day of the preceding calendar month.

(f) As soon as available, and in any event within thirty-five (35) days after the end of each calendar month, a report setting forth for such month aggregate volumes and margins for all marketing activities of Restricted Persons.

(g) As soon as available, and in any event within thirty (30) days after the end of each Fiscal Year, an environmental compliance certificate signed by the president or chief executive officer of General Partner in the form attached hereto as Exhibit I. Further, if requested by Administrative Agent, Restricted Persons shall permit and cooperate with an environmental and safety review made in connection with the operations of Restricted Persons' properties one time during each Fiscal Year beginning with the Fiscal Year 1999, by Pilko & Associates, Inc. or other consultants selected by Administrative Agent which review shall, if requested by Administrative Agent, be arranged and supervised by environmental legal counsel for Administrative Agent, all at Restricted Persons' cost and expense. The consultant shall render a verbal or written report, as specified by Administrative Agent, based upon such review at Restricted Persons' cost and expense and a copy thereof will be provided to Restricted Persons.

(h) Concurrently with the annual renewal of Restricted Persons' insurance policies, Restricted Persons shall at their own cost and expense, if requested by Administrative Agent in writing, cause a certificate or report to be issued by Administrative Agent's professional insurance consultants or other insurance consultants satisfactory to Administrative Agent certifying that Restricted Persons' insurance for the next succeeding year after such renewal (or for such longer period for which such insurance is in effect) complies with the provisions of this Agreement and the Security Documents.

Section 6.3. Other Information and Inspections. In each case subject to the last sentence of this Section 6.3, each Restricted Person will furnish to each Lender any information which Administrative Agent or any Lender may from time to time request concerning any covenant, provision or condition of the Loan Documents or any matter in connection with Restricted Persons' businesses and operations. In each case subject to the last sentence of this Section 6.3, each Restricted Person will permit representatives appointed by Administrative Agent (including independent accountants, auditors, agents, attorneys, appraisers and any other Persons) to visit and inspect during normal business hours any of such Restricted Person's property, including its books of account, other books and records, and any facilities or other business assets, and to make extra copies therefrom and photocopies and photographs thereof, and to write down and record any information such representatives obtain, and each Restricted Person shall permit Administrative Agent or its representatives to investigate and verify the accuracy of the information furnished to Administrative Agent or any Lender in connection with the Loan Documents and to discuss all such matters with its officers, employees and, upon prior notice to Borrower, its representatives. Each of the foregoing inspections shall be made subject to compliance with applicable safety standards and the same conditions applicable to any Restricted Person in respect of property of that Restricted Person on the premises of Persons other than a Restricted Person or an Affiliate of a Restricted Person, and all information, books and records

furnished or requested to be furnished, or of which copies, photocopies or photographs are made or requested to be made, all information to be investigated or verified and all discussions conducted with any officer, employee or representative of any Restricted Person shall be subject to any applicable attorney-client privilege exceptions which the Restricted Person determines is reasonably necessary and compliance with conditions to disclosures under non-disclosure agreements between any Restricted Person and Persons other than a Restricted Person or an Affiliate of a Restricted Person and the express undertaking of each Person acting at the direction of or on behalf of any Lender Party to be bound by the confidentiality provisions of Section 10.6 of this Agreement.

Section 6.4. Notice of Material Events and Change of Address. Each Restricted Person will notify each Lender Party, not later than five (5) Business Days after any executive officer of Restricted Persons has knowledge thereof, stating that such notice is being given pursuant to this Agreement, of:

(a) the occurrence of any Material Adverse Change,

(b) the occurrence of any Default,

(c) the acceleration of the maturity of any Indebtedness owed by any Restricted Person or of any default by any Restricted Person under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound, if such acceleration or default could cause a Material Adverse Change,

(d) the occurrence of any Termination Event,

(e) any claim of $1,000,000 or more, any notice of potential liability under any Environmental Laws which might be reasonably likely to exceed such amount, or any other material adverse claim asserted against any Restricted Person or with respect to any Restricted Person's properties taken as a whole, and

(f) the filing of any suit or proceeding against any Restricted Person in which an adverse decision could cause a Material Adverse Change.

Upon the occurrence of any of the foregoing, Restricted Persons will take all necessary or appropriate steps to remedy promptly any such Material Adverse Change, Default, acceleration, default, or Termination Event to protect against any such adverse claim, to defend any such suit or proceeding, and to resolve all controversies on account of any of the foregoing. Restricted Persons will also notify Administrative Agent and Administrative Agent's counsel in writing at least twenty Business Days prior to the date that any Restricted Person changes its name or the location of its chief executive office or principal place of business or the place where it keeps its books and records concerning the Collateral, furnishing with such notice any necessary financing statement amendments or requesting Administrative Agent and its counsel to prepare the same.

Borrower will promptly notify Administrative Agent in the event Borrower determines that any computer application which is material to the operations of Borrower, its Subsidiaries, its Affiliates or any of its material vendors or suppliers will not be fully Year 2000 compliant on a timely basis, except to the extent that such failure could not reasonably be expected to cause a Material Adverse Change.

Section 6.5. Maintenance of Properties. Each Restricted Person will maintain, preserve, protect, and keep all Collateral and all other property used or useful in the conduct of its business in good condition (ordinary wear and tear excepted) and in compliance with all applicable Laws, and will from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times.

Section 6.6. Maintenance of Existence and Qualifications. Each Restricted Person will maintain and preserve its existence and its rights and franchises in full force and effect and will qualify to do business in all states or jurisdictions where required by applicable Law, except where the failure so to qualify will not cause a Material Adverse Change.

Section 6.7. Payment of Trade Liabilities, Taxes, etc. Each Restricted Person will (a) timely file all required tax returns including any extensions; (b) timely pay all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property; (c) within one hundred twenty (120) days after the date such goods are delivered or such services are rendered, pay all Liabilities owed by it on ordinary trade terms to vendors, suppliers and other Persons providing goods and services used by it in the ordinary course of its business; (d) pay and discharge when due all other Liabilities now or hereafter owed by it; and (e) maintain appropriate accruals and reserves for all of the foregoing in accordance with GAAP. Each Restricted Person may, however, delay paying or discharging any of the foregoing so long as it is in good faith contesting the validity thereof by appropriate proceedings, if necessary, and has set aside on its books adequate reserves therefor which are required by GAAP.

Section 6.8. Insurance. Each Restricted Person shall at all times maintain insurance for its property in accordance with the Insurance Schedule which insurance shall be by financially sound and reputable insurers. Borrower will maintain any additional insurance coverage as described in the respective Security Documents. Upon demand by Administrative Agent any insurance policies covering Collateral shall be endorsed (a) to provide for payment of losses to Administrative Agent as its interests may appear, (b) to provide that such policies may not be canceled or reduced or affected in any material manner for any reason without fifteen days prior notice to Administrative Agent, and (c) to provide for any other matters specified in any applicable Security Document or which Administrative Agent may reasonably require. Each Restricted Person shall at all times maintain insurance against its liability for injury to persons or property in accordance with the Insurance Schedule, which insurance shall be by financially sound and reputable insurers. Without limiting the foregoing, each Restricted Person shall at all time maintain liability insurance in accordance with the Insurance Schedule.

Section 6.9. Performance on Borrower's Behalf. If any Restricted Person fails to pay any taxes, insurance premiums, expenses, attorneys' fees or other amounts it is required to pay under

any Loan Document, Administrative Agent may pay the same after notice of such payment by Administrative Agent is given to Borrower. Borrower shall immediately reimburse Administrative Agent for any such payments and each amount paid by Administrative Agent shall constitute an Obligation owed hereunder which is due and payable on the date such amount is paid by Administrative Agent.

Section 6.10. Interest. Borrower hereby promises to each Lender to pay interest at the Default Rate on all Obligations (including Obligations to pay fees or to reimburse or indemnify any Lender) which Borrower has in this Agreement promised to pay to such Lender and which are not paid when due. Such interest shall accrue from the date such Obligations become due until they are paid.

Section 6.11. Compliance with Agreements and Law. Each Restricted Person will perform all material obligations it is required to perform under the terms of each indenture, mortgage, deed of trust, security agreement, lease, and franchise, and each material agreement, contract or other instrument or obligation to which it is a party or by which it or any of its properties is bound. Each Restricted Person will conduct its business and affairs in compliance with all Laws applicable thereto.

Section 6.12. Environmental Matters; Environmental Reviews.

(a) Each Restricted Person will comply in all material respects with all Environmental Laws now or hereafter applicable to such Restricted Person as well as all contractual obligations and agreements with respect to environmental remediation or other environmental matters and shall obtain, at or prior to the time required by applicable Environmental Laws, all environmental, health and safety permits, licenses and other authorizations necessary for its operations and will maintain such authorizations in full force and effect.

(b) Each Restricted Person will promptly furnish to Administrative Agent all written notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings received by any Restricted Person or General Partner, or of which it has notice, pending or threatened against any Restricted Person, the potential liability of which exceeds $1,000,000 or would cause a Material Adverse Change if resolved adversely against any Restricted Person, by any governmental authority with respect to any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations in connection with its ownership or use of its properties or the operation of its business.

(c) Each Restricted Person will promptly furnish to Administrative Agent all requests for information, notices of claim, demand letters, and other notifications, received by any Restricted Person or General Partner in connection with its ownership or use of its properties or the conduct of its business, relating to potential responsibility with respect to any investigation or clean-up of Hazardous Material at any location, the potential liability of which exceeds $1,000,000 or would cause a Material Adverse Change if resolved adversely against any Restricted Person.

Section 6.13. Evidence of Compliance. Subject to the last sentence of Section 6.3, each Restricted Person will furnish to each Lender at such Restricted Person's expense all evidence

which Administrative Agent from time to time reasonably requests in writing as to the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in the Loan Documents, the satisfaction of all conditions contained therein, and all other matters pertaining thereto.

Section 6.14. Agreement to Deliver Security Documents. Restricted Persons will deliver to further secure the Obligations whenever requested by Administrative Agent in its sole and absolute discretion, deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other Security Documents in form and substance satisfactory to Administrative Agent for the purpose of granting, confirming, and perfecting first and prior liens or security interests in any real or personal property now owned or hereafter acquired by any Restricted Person.

Section 6.15. Perfection and Protection of Security Interests and Liens. Each Restricted Person will from time to time deliver to Administrative Agent any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by Restricted Persons in form and substance satisfactory to Administrative Agent, which Administrative Agent requests for the purpose of perfecting, confirming, or protecting any Liens or other rights in Collateral securing any Obligations.

Section 6.16. Bank Accounts; Offset. To secure the repayment of the Obligations each Restricted Person hereby grants to each Lender a security interest, a lien, and a right of offset, each of which shall be in addition to all other interests, liens, and rights of any Lender at common Law, under the Loan Documents, or otherwise, and each of which shall be upon and against (a) any and all moneys, securities or other property (and the proceeds therefrom) of such Restricted Person now or hereafter held or received by or in transit to any Lender from or for the account of such Restricted Person, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final) of such Restricted Person with any Lender, and (c) any other credits and claims of such Restricted Person at any time existing against any Lender, including claims under certificates of deposit. At any time and from time to time during the continuance of any Event of Default, each Lender is hereby authorized to foreclose upon, or to offset against the Obligations then due and payable (in either case without notice to any Restricted Person), any and all items herein above referred to. The remedies of foreclosure and offset are separate and cumulative, and either may be exercised independently of the other without regard to procedures or restrictions applicable to the other.

Section 6.17. Guaranties of Subsidiaries. Each Subsidiary of Plains MLP now existing or created, acquired or coming into existence after the date hereof shall, promptly upon request by Administrative Agent, execute and deliver to Administrative Agent an absolute and unconditional guaranty of the timely repayment of the Obligations and the due and punctual performance of the obligations of Borrower hereunder, which guaranty shall be satisfactory to Administrative Agent in form and substance. Each Subsidiary of Plains MLP existing on the date hereof shall duly execute and deliver such a guaranty prior to the making of any Loan hereunder. Plains MLP will cause each of its Subsidiaries to deliver to Administrative Agent, simultaneously with its delivery of such a guaranty, written evidence satisfactory to Administrative Agent and its counsel that such

Subsidiary has taken all corporate or partnership action necessary to duly approve and authorize its execution, delivery and performance of such guaranty and any other documents which it is required to execute.

Section 6.18. Compliance with Agreements. Each Restricted Person shall observe, perform or comply with any agreement with any Person or any term or condition of any instrument, if such agreement or instrument is materially significant to such Restricted Person or to Restricted Persons on a Consolidated basis or materially significant to any Guarantor, and such failure is not remedied within the applicable period of grace (if any) provided in such agreement or instrument.

Section 6.19. Year 2000.

(a) Restricted Persons (i) no later than December 31, 1998 shall have completed the analysis of the operations of Restricted Persons and their Affiliates that could be adversely affected by failure to become Year 2000 compliant (that is, that computer applications, imbedded microchips and other systems will be able to perform date-sensitive functions prior to and after December 31, 1999) and developed a plan for Restricted Persons and their Affiliates for becoming Year 2000 compliant in a timely manner, and (ii) shall at all times after development of such plan implement such plan in all material respects, in a timely manner, and in accordance with the schedule of such plan. Contemporaneously with the delivery of each compliance certificate under Section 6.2 (a) or (b) on and after December 31, 1998, Each Restricted Person shall certify that it reasonably believes that Restricted Persons and their Affiliates will become Year 2000 compliant for their operations on a timely basis except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

(b) Contemporaneously with the delivery of each compliance certificate under Section 6.2 (a) or (b) on and after December 31, 1998, Plains MLP shall certify that it reasonably believes any suppliers and vendors that are material to the operations of Plains MLP or its Subsidiaries and Affiliates will be Year 2000 compliant for their own computer applications except to the extent that a failure to do so could not reasonably be expected to cause a Material Adverse Change.

Section 6.20. Rents. By the terms of the various Security Documents, certain Restricted Persons are and will be assigning to Administrative Agent, for the benefit of Lender Parties, all of the "Rents" (as defined therein) accruing to the property covered thereby. Notwithstanding any such assignments, so long as no Default has occurred and is continuing, (i) such Restricted Persons may continue to receive and collect from the payors of such Rents all such Rents, subject, however, to the Liens created under the Security Documents, which Liens are hereby affirmed and ratified, and free and clear of such Liens, use the proceeds of the Rents, and (ii) the Administrative Agent will not notify the obligors of such Rents or take any other action to cause proceeds thereof to be remitted to the Administrative Agent. Upon the occurrence of a Default, Administrative Agent may exercise all rights and remedies granted under the Security Documents, including the right to obtain possession of all Rents then held by such Restricted Persons or to receive directly from the payors of such Rents all other Rents until such time as such Default is no longer continuing. If the Administrative Agent shall receive any Rent proceeds from any payor at any time other than during the continuance of a Default, then it shall notify Borrower thereof and

(i) upon request and pursuant to the instructions of Borrower, it shall, if no Default is then continuing, remit such proceeds to the Borrower and (ii) at the request and expense of Borrower, execute and deliver a letter to such payors confirming Restricted Persons' right to receive and collect Rents until otherwise notified by Administrative Agent. In no case shall any failure, whether purposed or inadvertent, by Administrative Agent to collect directly any such Rents constitute in any way a waiver, remission or release of any of its rights under the Security Documents, nor shall any release of any Rents by Administrative Agent to such Restricted Persons constitute a waiver, remission, or release of any other Rents or of any rights of Administrative Agent to collect other Rents thereafter.

## ARTICLE VII - Negative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Borrower, and to induce each Lender to enter into this Agreement and make the Loans, Plains MLP and Borrower covenant and agree that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders, or all Lenders as required under Section 10.1, have previously agreed otherwise:

Section 7.1. Indebtedness. No Restricted Person will in any manner owe or be liable for Indebtedness except:

(a) the Obligations;

(b) Indebtedness arising under Hedging Contracts permitted under Section 7.3;

(c) Indebtedness of any Restricted Person owing to another Restricted Person;

(d) Liabilities with respect to obligations to deliver crude oil or to render terminaling or storage services in consideration for advance payments to a Restricted Person provided such delivery or rendering, as applicable, is to be made within 60 days after such payment;

(e) Indebtedness under the All American Agreement, provided that the principal amount of loans and face amount of letters of credit thereunder at any one time outstanding shall not exceed $225,000,000;

(f) guaranties by Plains MLP of trade payables of any Restricted Person incurred and paid in the ordinary course of business on ordinary trade terms; and

(g) other Indebtedness not to exceed in the aggregate in respect of all Restricted Persons the principal amount of $25,000,000 at any one time outstanding.

Section 7.2. Limitation on Liens. No Restricted Person will create, assume or permit to exist (i) any Lien upon any Collateral except (A) Permitted Inventory Liens, (B) Liens created pursuant to the Security Documents, (C) statutory Liens in respect of First Purchase Crude

Payables, (D) Liens of the type described in clause (e) below in connection with any Eligible Margin Deposit to secure Hedging Contracts permitted under Section 7.1 with the broker that is the holder of such Eligible Margin Deposit, and (E) any other Liens expressly permitted to encumber such Collateral under any Security Document covering such Collateral or (ii) any Lien upon any of the properties or assets other than Collateral (except as provided in the preceding clause (i)) which it now owns or hereafter acquires except the following (Liens, to the extent permitted by this Section, herein called "Permitted Liens"):

(a) Liens existing on the date of this Agreement and listed in the Disclosure Schedule or Liens created pursuant to the All American Agreement, subject to the terms of the Intercreditor Agreement referred to in Section 4.1(m);

(b) Liens imposed by any governmental authority for taxes, assessments or charges not yet due or the validity of which is being contested in good faith and by appropriate proceedings, if necessary, for which adequate reserves are maintained on the books of any Restricted Person in accordance with GAAP;

(c) pledges or deposits under worker's compensation, unemployment insurance or other social security legislation;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlord's, or other like Liens (including, without limitation, Liens on property in the possession of storage facilities, pipelines or barges) arising in the ordinary course of business for amounts which are not more than 60 days past due or the validity of which is being contested in good faith and by appropriate proceedings, if necessary, and for which adequate reserves are maintained on the books of any Restricted Person in accordance with GAAP;

(e) Liens under or with respect to accounts with brokers or counterparties with respect to Hedging Contracts consisting of cash, commodities or futures contracts, options, securities, instruments, and other like assets securing only Hedging Contracts permitted under Section 7.1;

(f) deposits of cash or securities to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of real property or minor imperfections in title thereto which, in the aggregate, are not material in amount, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of any Restricted Person;

(h) Liens in respect of operating leases and Capital Leases permitted under Section 7.1;

(i) Liens upon any property or assets acquired after the date hereof by a Restricted Person, each of which either (i) existed on such property or asset before the time of its acquisition and was not created in anticipation thereof, or (ii) was created solely for the purpose of securing Indebtedness representing, or incurred to finance, refinance or refund, the cost (including the cost of construction) of such property or asset; provided that no such Lien shall extend to or cover any property or asset of a Restricted Person other than the property or asset so acquired (or constructed) and the Indebtedness secured thereby is permitted under Section 7.1(g) hereof; and any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancings, refundings or replacements), in whole or part, of the foregoing, provided, however, that such Liens shall not cover or secure any additional Indebtedness, obligations, property or asset;

(j) rights reserved to or vested in any governmental authority by the terms of any right, power, franchise, grant, license or permit, or by any provision of law, to revoke or terminate any such right, power, franchise, grant, license or permit or to condemn or acquire by eminent domain or similar process;

(k) rights reserved to or vested by Law in any governmental authority to in any manner, control or regulate in any manner any of the properties of any Restricted Person or the use thereof or the rights and interests of any Restricted Person therein, in any manner under any and all Laws;

(l) rights reserved to the grantors of any properties of any Restricted Person, and the restrictions, conditions, restrictive covenants and limitations, in respect thereto, pursuant to the terms, conditions and provisions of any rights-of-way agreements, contracts or other agreements therewith; and

(m) Inchoate Liens in respect of pending litigation or with respect to a judgment which has not resulted in an Event of Default under Section 8.1.

Section 7.3. Hedging Contracts. No Restricted Person will be a party to or in any manner be liable on any Hedging Contract, except:

(a) Hedging Contracts entered into by a Restricted Person with the purpose and effect of fixing interest rates on a principal amount of indebtedness of such Restricted Person that is accruing interest at a variable rate, provided that (i) the aggregate notional amount of such contracts never exceeds one hundred percent (100%) of the anticipated outstanding principal balance of the indebtedness to be hedged by such contracts or an average of such principal balances calculated using a generally accepted method of matching interest swap contracts to declining principal balances, (ii) the floating rate index of each such contract generally matches the index used to determine the floating rates of interest on the corresponding indebtedness to be hedged by such contract and (iii) each such contract is with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender or one of its Affiliates) at the time the contract is made has long-term unsecured and unenhanced debt obligations rated AA or Aa2 or better, respectively, by either Rating Agency or is an investment grade-rated industry participant or otherwise acceptable to Majority Lenders.

(b) Hedging Contracts entered into with the purpose and effect of fixing prices on crude oil then owned by a Restricted Person or which a Restricted Person is then obligated to purchase, provided that at all times: (i) no such contract fixes a price for a term of more than twelve (12) months, except for time trades in which the length of time between the purchase and sale contracts shall not exceed thirty-six (36) months and further provided that such time trades shall not exceed 30% of the Cushing Terminal's storage capacity; (ii) with respect to crude oil constituting the linefill carried in the All American Pipeline, the aggregate amount of oil so hedged at any one time does not exceed 500,000 barrels, (iii) with respect to crude oil owned by Restricted Persons other than linefill carried in the All American Pipeline, the aggregate amount of such other crude oil so hedged at any one time does not exceed the aggregate Open Position at such time, (iv) such contract is entered into for the purpose of hedging the price risk on oil anticipated to be disposed of and for which no other fixed sale price or other price fixing arrangement exists, and (v) each such contract is either (A) with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender Party or one of its Affiliates) at the time the contract is made has long-term unsecured and unenhanced debt obligations rated AA or Aa2 or better, respectively, by either Rating Agency or (B) entered into on the New York Mercantile Exchange ("Nymex") through a broker listed on the Disclosure Schedule or otherwise approved by Majority Lenders; provided that if a Nymex position is converted to a physical position by way of an "exchange for physicals" or an "alternative delivery procedure" then such Restricted Person may extend credit in connection with such physical position so long as such credit would comply with the credit requirements of the definition of "Approved Eligible Receivables."

Section 7.4. Limitation on Mergers, Issuances of Securities. Except as expressly provided in this section, no Restricted Person will (a) enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), (b) acquire any business or property from, or capital stock of, or be a party to any acquisition of, any Person except for purchases of inventory and other property to be sold or used in the ordinary course of business and Investments permitted under Section 7.7 hereof or (c) sell, transfer, lease, exchange, alienate or otherwise dispose of, in one transaction or a series of transactions, any part of its business or property, whether now owned or hereafter acquired, except for sales or transfers not prohibited by under Section 7.5 hereof. Any Person, other than Borrower, that is a Subsidiary of a Restricted Person may, however, be merged into or consolidated with (i) another Subsidiary of such Restricted Person, so long as a Guarantor is the surviving business entity, or (ii such Restricted Person, so long as such Restricted Person is the surviving business entity. Plains MLP will not issue any securities other than (i) limited partnership interests and any options or warrants giving the holders thereof only the right to acquire such interests, (ii) general or subordinate partnership interests issued to Resources or a Wholly Owned Subsidiary of Resources and (iii) debt securities permitted by Section 7.1(g). No Subsidiary of Plains MLP will issue any additional shares of its capital stock or other securities or any options, warrants or other rights to acquire such additional shares or other securities except a direct Subsidiary of a Restricted Person may issue additional shares or other securities to such Restricted Person, to Plains MLP or to General Partner so long as such Subsidiary is a Wholly Owned Subsidiary of Plains MLP after giving effect thereto. No Subsidiary of Borrower which is a partnership will allow any diminution of Borrower's interest (direct or indirect) therein.

Section 7.5. Limitation on Sales of Property. No Restricted Person will sell, transfer, lease, exchange, alienate or dispose of any Collateral or any of its material assets or properties or any material interest therein except:

(a) equipment which is worthless or obsolete or which is replaced by equipment of equal suitability and value;

(b) inventory (including pipeline linefill) which is sold in the ordinary course of business on ordinary trade terms;

(c) in other property which is sold for fair consideration not in the aggregate in excess of $10,000,000 in any Fiscal Year, the sale of which will not materially impair or diminish the value of the Collateral or any Restricted Person's financial condition, business or operations; and

(d) sales or transfers, subject to the Security Documents, by a Person (other than Borrower) that is a Subsidiary of a Restricted Person to such Restricted Person or to a Wholly Owned Subsidiary of such Restricted Person that is a Guarantor.

No Restricted Person will sell, transfer or otherwise dispose of capital stock of or interest in any of its Subsidiaries except to Plains MLP or a Wholly Owned Subsidiary of Plains MLP. No Restricted Person will discount, sell, pledge or assign any notes payable to it, accounts receivable or future income. So long as no Default then exists, Administrative Agent will, at Borrower's request and expense, execute a release, satisfactory to Borrower and Administrative Agent, of any Collateral so sold, transferred, leased, exchanged, alienated or disposed of pursuant to the clause (a) or (c) of this Section.

Section 7.6. Limitation on Dividends and Redemptions. No Restricted Person will declare or pay any dividends on, or make any other distribution in respect of, any class of its capital stock or any partnership or other interest in it, nor will any Restricted Person directly or indirectly make any capital contribution to or purchase, redeem, acquire or retire any shares of the capital stock of or partnership interests in any Restricted Person (whether such interests are now or hereafter issued, outstanding or created), or cause or permit any reduction or retirement of the capital stock of any Restricted Person, while any Loan is outstanding. Notwithstanding the foregoing, but subject to Section 7.5, (i) Subsidiaries of Plains MLP, Borrower, or of any Guarantor shall not be restricted, directly or indirectly, from declaring and paying dividends or making any other distributions to Plains MLP, Borrower, or any such Guarantor, respectively, (ii) no Restricted Person shall be restricted from making capital contributions to a Wholly Owned Subsidiary of such Restricted Person that is a Guarantor, and (iii) so long as no Default or Event of Default has occurred and is continuing or would result therefrom, Plains MLP shall not be restricted from (A) distributing Available Cash (other than amounts required to be applied as otherwise required in any Loan Document) to its partners in accordance with the Partnership Agreement or (B) purchasing its partnership units on the open market in connection with the Incentive and Option Plans.

Section 7.7. Limitation on Investments and New Businesses. No Restricted Person will (a) make any expenditure or commitment or incur any obligation or enter into or engage in any

transaction except in the ordinary course of business, (b) engage directly or indirectly in any business or conduct any operations except in connection with or incidental to its present businesses and operations, (c) make any acquisitions of or capital contributions to or other Investments in any Person, other than Permitted Investments and Permitted Acquisitions, or (d) make any acquisitions of properties other than Permitted Acquisitions. All transactions permitted under the foregoing subsections (a) through (d), inclusive, are subject to Section 7.5.

Section 7.8. Limitation on Credit Extensions. Except for Permitted Investments and Hedging Contracts permitted under Section 7.3(b) hereof, no Restricted Person will extend credit, make advances or make loans other than normal and prudent extensions of credit to customers buying goods and services in the ordinary course of business or to another Restricted Person in the ordinary course of business, which extensions shall not be for longer periods than those extended by similar businesses operated in a normal and prudent manner.

Section 7.9. Transactions with Affiliates. No Restricted Person will engage in any material transaction with any of its Affiliates except: (a) transactions among Plains MLP and Wholly Owned Subsidiaries of Plains MLP, subject to the other provisions of this Agreement, (b) transactions governed by the Affiliate Agreements, and (c) transactions entered into in the ordinary course of business of such Restricted Person on terms which are no less favorable to such Restricted Person than those which would have been obtainable at the time in arm's-length transactions with Persons other than such Affiliates.

Section 7.10. Prohibited Contracts. Except as expressly provided for in the Loan Documents and as described in the Disclosure Schedule, no Restricted Person will, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction on the ability of any Subsidiary of Plains MLP, including but not limited to Borrower and any Subsidiary of Borrower to: (a) pay dividends or make other distributions to Borrower or Plains MLP, (b) redeem equity interests held in it by Borrower or Plains MLP, (c) repay loans and other indebtedness owing by it to Borrower or Plains MLP, or (d) transfer any of its assets to Borrower or Plains MLP. No Restricted Person will enter into any "take-or-pay" contract or other contract or arrangement for the purchase of goods or services which obligates it to pay for such goods or service regardless of whether they are delivered or furnished to it. No Restricted Persons will amend, modify or release any of the Affiliate Agreements. No Restricted Person will amend or permit any amendment to any contract or lease which releases, qualifies, limits, makes contingent or otherwise detrimentally affects the rights and benefits of Administrative Agent or any Lender under or acquired pursuant to any Security Documents. No ERISA Affiliate will incur any obligation to contribute to any "multiemployer plan" as defined in Section 4001 of ERISA that is subject to Title IV of ERISA.

Section 7.11. Current Ratio. The ratio of (i) the sum of Plains MLP's Consolidated current assets plus the All American Revolver Availability to (ii) Plains MLP's Consolidated current liabilities will never be less than 1.0 to 1.0. For purposes of this section, Plains MLP's Consolidated current liabilities will be calculated without including (a) any payments of principal on the Notes which are required to be repaid within one year from the time of calculation and (b) all Liabilities arising under permitted Hedging Contracts.

Section 7.12. Debt Coverage Ratio. At the end of any Fiscal Quarter, the ratio of (a) Consolidated Funded Indebtedness to (b) Consolidated EBITDA for the four Fiscal Quarter period ending with such Fiscal Quarter will not be greater than 5.0 to 1.0.

Section 7.13. Interest Coverage Ratio. At the end of any Fiscal Quarter, the ratio of (a) Consolidated EBITDA to (b) Interest Expense for the four-Fiscal Quarter period ending with such Fiscal Quarter will not be less than 3.0 to 1.0.

Section 7.14. Fixed Charge Coverage Ratio. At the end of any Fiscal Quarter, the ratio of (a) the sum of Consolidated EBITDA plus Consolidated Lease Rentals to (b) the sum of Interest Expense plus Consolidated Lease Rentals plus any principal payments due on any Indebtedness during the next four-Fiscal Quarter period (exclusive of principal payments due on the Loans or on any Indebtedness under the All American Credit Agreement) plus capital expenditure required to maintain the assets and properties of the Restricted Persons in accordance with the covenants contained in each Loan Document, in each case for the four-Fiscal Quarter period ending with such Fiscal Quarter will not be less than 1.25 to 1 for any such period.

Section 7.15. Debt to Capital Ratio. The ratio of (a) all Consolidated Funded Indebtedness to (b) the sum of Consolidated Funded Indebtedness plus Consolidated Net Worth will never be greater than .60 to 1.0 at any time.

Section 7.16. Open Inventory Position. Borrower shall not at any time have an Open Position (exclusive of line fill carried in the All American Pipeline) greater than 600,000 barrels.

## ARTICLE VIII - Events of Default and Remedies

Section 8.1. Events of Default. Each of the following events constitutes an Event of Default under this Agreement:

(a) Any Restricted Person fails to pay the principal component of any Loan or any reimbursement obligation with respect to any Letter of Credit when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise;

(b) Any Restricted Person fails to pay any Obligation (other than the Obligations in subsection (a) above) when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise, within three Business Days after the same becomes due;

(c) Any event defined as a "default" or "event of default" in any Loan Document occurs, and the same is not remedied within the applicable period of grace (if any) provided in such Loan Document;

(d) Any Restricted Person fails to duly observe, perform or comply with any covenant, agreement or provision of Section 6.4 or Article VII;

(e) Any Restricted Person fails (other than as referred to in subsections (a), (b), (c) or (d) above) to duly observe, perform or comply with any covenant, agreement, condition or provision of any Loan Document to which it is a party, and such failure remains unremedied for a period of thirty (30) days after notice of such failure is given by Administrative Agent to Borrower;

(f) Any representation or warranty previously, presently or hereafter made in writing by or on behalf of any Restricted Person in connection with any Loan Document shall prove to have been false or incorrect in any material respect on any date on or as of which made, or any Loan Document at any time ceases to be valid, binding and enforceable as warranted in Section 5.5 for any reason other than its release or subordination by Administrative Agent;

(g) Any Restricted Person shall default in the payment when due of any principal of or interest on any of its other Indebtedness in excess of $2,500,000 in the aggregate (other than Indebtedness the validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves with respect thereto are maintained on the books of such Restricted Person in accordance with GAAP), or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due, or to be prepaid in full (whether by redemption, purchase, offer to purchase or otherwise), prior to its stated maturity;

(h) Either (i) any "accumulated funding deficiency" (as defined in Section 412(a) of the Code) in excess of $500,000 exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, or (ii any Termination Event occurs with respect to any ERISA Plan and the then current value of such ERISA Plan's benefit liabilities exceeds the then current value of such ERISA Plan's assets available for the payment of such benefit liabilities by more than $500,000 (or in the case of a Termination Event involving the withdrawal of a substantial employer, the withdrawing employer's proportionate share of such excess exceeds such amount);

(i) General Partner or any Restricted Person:

(i) has entered against it of a judgment, decree or order for relief by a Tribunal of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar Law of any jurisdiction now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended, or has any such proceeding commenced against it, in each case, which remains undismissed for a period of sixty days; or

(ii) commences a voluntary case under any applicable bankruptcy, insolvency or similar Law now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended; or applies for or consents to the entry of an order for relief in an involuntary case under any such Law; or makes a general assignment for the benefit of creditors; or is generally unable to pay (or admits in writing its inability to so pay) its debts

as such debts become due; or takes corporate or other action to authorize any of the foregoing; or

(iii) has entered against it the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or a substantial part of its assets in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within sixty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(iv) has entered against it the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any part of the Collateral of a value in excess of $2,500,000 in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within sixty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(v) has entered against it a final judgment for the payment of money in excess of $2,500,000 (in each case not covered by insurance satisfactory to Administrative Agent in its discretion), unless the same is stayed or discharged within thirty days after the date of entry thereof or an appeal or appropriate proceeding for review thereof is taken within such period and a stay of execution pending such appeal is obtained; or

(vi) suffers a writ or warrant of attachment or any similar process to be issued by any Tribunal against all or any substantial part of its assets or any part of the Collateral of a value in excess of $2,500,000, and such writ or warrant of attachment or any similar process is not stayed or released within thirty days after the entry or levy thereof or after any stay is vacated or set aside;

(j) General Partner shall default in the payment when due of any principal of or interest on any of its Indebtedness in excess of $1,000,000 in the aggregate, or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due, or to be prepaid in full (whether by redemption, purchase, offer to purchase or otherwise), prior to its stated maturity;

(k) Any Change in Control occurs; or

(l) Any Material Market Open Position Loss occurs.

Upon the occurrence of an Event of Default described in subsection (i)(i), (i)(ii) or (i)(iii) of this section with respect to Borrower or Plains MLP, all of the Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly

waived by Borrower and each Restricted Person who at any time ratifies or approves this Agreement. Upon any such acceleration, any obligation of any Lender to make any further Loans and any obligation of LC Issuer to issue Letters of Credit hereunder shall be permanently terminated. During the continuance of any other Event of Default, Administrative Agent at any time and from time to time may (and upon written instructions from Majority Lenders, Administrative Agent shall), without notice to Borrower or any other Restricted Person, do either or both of the following: (1) terminate any obligation of Lenders to make Loans hereunder and any obligation of LC Issuer to issue Letters of Credit hereunder, and (2) declare any or all of the Obligations immediately due and payable, and all such Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Restricted Person who at any time ratifies or approves this Agreement.

Section 8.2. Remedies. If any Default shall occur and be continuing, each Lender Party may protect and enforce its rights under the Loan Documents by any appropriate proceedings, including proceedings for specific performance of any covenant or agreement contained in any Loan Document, and each Lender Party may enforce the payment of any Obligations due it or enforce any other legal or equitable right which it may have. All rights, remedies and powers conferred upon Lender Parties under the Loan Documents shall be deemed cumulative and not exclusive of any other rights, remedies or powers available under the Loan Documents or at Law or in equity.

## ARTICLE IX - Administrative Agent

Section 9.1. Appointment and Authority. Each Lender Party hereby irrevocably authorizes Administrative Agent, and Administrative Agent hereby undertakes, to receive payments of principal, interest and other amounts due hereunder as specified herein and to take all other actions and to exercise such powers under the Loan Documents as are specifically delegated to Administrative Agent by the terms hereof or thereof, together with all other powers reasonably incidental thereto. The relationship of Administrative Agent to the other Lender Parties is only that of one commercial lender acting as administrative agent for others, and nothing in the Loan Documents shall be construed to constitute Administrative Agent a trustee or other fiduciary for any Lender Party or any holder of any participation in a Note nor to impose on Administrative Agent duties and obligations other than those expressly provided for in the Loan Documents. With respect to any matters not expressly provided for in the Loan Documents and any matters which the Loan Documents place within the discretion of Administrative Agent, Administrative Agent shall not be required to exercise any discretion or take any action, and it may request instructions from Lenders with respect to any such matter, in which case it shall be required to act or to refrain from acting (and shall be fully protected and free from liability to all Lender Parties in so acting or refraining from acting) upon the instructions of Majority Lenders (including itself), provided, however, that Administrative Agent shall not be required to take any action which exposes it to a risk of personal liability that it considers unreasonable or which is contrary to the Loan Documents or to applicable Law. Upon receipt by Administrative Agent from Borrower of

any communication calling for action on the part of Lenders or upon notice from Borrower or any Lender to Administrative Agent of any Default or Event of Default, Administrative Agent shall promptly notify each other Lender thereof.

Section 9.2. Exculpation, Administrative Agent's Reliance, Etc. Neither Administrative Agent nor any of its directors, officers, agents, attorneys, or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with the Loan Documents, INCLUDING THEIR NEGLIGENCE OF ANY KIND, except that each shall be liable for its own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Administrative Agent (a) may treat the payee of any Note as the holder thereof until Administrative Agent receives written notice of the assignment or transfer thereof in accordance with this Agreement, signed by such payee and in form satisfactory to Administrative Agent; (b) may consult with legal counsel (including counsel for Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any other Lender Party and shall not be responsible to any other Lender Party for any statements, warranties or representations made in or in connection with the Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of the Loan Documents on the part of any Restricted Person or to inspect the property (including the books and records) of any Restricted Person; (e) shall not be responsible to any other Lender Party for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any instrument or document furnished in connection therewith; (f) may rely upon the representations and warranties of each Restricted Person or Lender Party in exercising its powers hereunder; and (g) shall incur no liability under or in respect of the Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (including any facsimile, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper Person or Persons.

Section 9.3. Credit Decisions. Each Lender Party acknowledges that it has, independently and without reliance upon any other Lender Party, made its own analysis of Borrower and the transactions contemplated hereby and its own independent decision to enter into this Agreement and the other Loan Documents. Each Lender Party also acknowledges that it will, independently and without reliance upon any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents.

Section 9.4. Indemnification. EACH LENDER AGREES TO INDEMNIFY ADMINISTRATIVE AGENT (TO THE EXTENT NOT REIMBURSED BY BORROWER WITHIN TEN (10) DAYS AFTER DEMAND) FROM AND AGAINST SUCH LENDER'S PERCENTAGE SHARE OF ANY AND ALL LIABILITIES, OBLIGATIONS, CLAIMS, LOSSES, DAMAGES, PENALTIES, FINES, ACTIONS, JUDGMENTS, SUITS, SETTLEMENTS, COSTS, EXPENSES OR DISBURSEMENTS (INCLUDING REASONABLE FEES OF ATTORNEYS, ACCOUNTANTS, EXPERTS AND ADVISORS) OF ANY KIND OR NATURE WHATSOEVER (IN THIS SECTION COLLECTIVELY CALLED "LIABILITIES AND COSTS") WHICH TO ANY EXTENT (IN WHOLE OR IN PART) MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST ADMINISTRATIVE AGENT GROWING OUT OF, RESULTING FROM OR IN ANY

OTHER WAY ASSOCIATED WITH ANY OF THE COLLATERAL, THE LOAN DOCUMENTS AND THE TRANSACTIONS AND EVENTS (INCLUDING THE ENFORCEMENT THEREOF) AT ANY TIME ASSOCIATED THEREWITH OR CONTEMPLATED THEREIN (WHETHER ARISING IN CONTRACT OR IN TORT OR OTHERWISE AND INCLUDING ANY VIOLATION OR NONCOMPLIANCE WITH ANY ENVIRONMENTAL LAWS BY ANY PERSON OR ANY LIABILITIES OR DUTIES OF ANY PERSON WITH RESPECT TO HAZARDOUS MATERIALS FOUND IN OR RELEASED INTO THE ENVIRONMENT).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ADMINISTRATIVE AGENT,

provided only that no Lender shall be obligated under this section to indemnify Administrative Agent for that portion, if any, of any liabilities and costs which is proximately caused by Administrative Agent's own individual gross negligence or willful misconduct, as determined in a final judgment. Cumulative of the foregoing, each Lender agrees to reimburse Administrative Agent promptly upon demand for such Lender's Percentage Share of any costs and expenses to be paid to Administrative Agent by Borrower under Section 10.4(a) to the extent that Administrative Agent is not timely reimbursed for such expenses by Borrower as provided in such section. As used in this section the term "Administrative Agent" shall refer not only to the Person designated as such in Section 1.1 but also to each director, officer, agent, attorney, employee, representative and Affiliate of such Person.

Section 9.5. Rights as Lender. In its capacity as a Lender, Administrative Agent shall have the same rights and obligations as any Lender and may exercise such rights as though it were not Administrative Agent. Administrative Agent may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with any Restricted Person or their Affiliates, all as if it were not Administrative Agent hereunder and without any duty to account therefor to any other Lender.

Section 9.6. Sharing of Set-Offs and Other Payments. Each Lender Party agrees that if it shall, whether through the exercise of rights under Security Documents or rights of banker's lien, set off, or counterclaim against Borrower or otherwise, obtain payment of a portion of the aggregate Obligations owed to it which, taking into account all distributions made by Administrative Agent under Section 3.1, causes such Lender Party to have received more than it would have received had such payment been received by Administrative Agent and distributed pursuant to Section 3.1, then (a) it shall be deemed to have simultaneously purchased and shall be obligated to purchase interests in the Obligations as necessary to cause all Lender Parties to share all payments as provided for in Section 3.1, and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that Administrative Agent and all Lender Parties share all payments of Obligations as provided in Section 3.1; provided, however, that nothing herein contained shall in any way affect the right of any Lender Party to obtain payment (whether by exercise of rights of banker's lien, set-off or counterclaim or otherwise) of indebtedness other than

the Obligations. Borrower expressly consents to the foregoing arrangements and agrees that any holder of any such interest or other participation in the Obligations, whether or not acquired pursuant to the foregoing arrangements, may to the fullest extent permitted by Law and, subject to the provisions of Section 6.16, exercise any and all rights of banker's lien, set-off, or counterclaim as fully as if such holder were a holder of the Obligations in the amount of such interest or other participation. If all or any part of any funds transferred pursuant to this section is thereafter recovered from the seller under this section which received the same, the purchase provided for in this section shall be deemed to have been rescinded to the extent of such recovery, together with interest, if any, if interest is required pursuant to the order of a Tribunal to be paid on account of the possession of such funds prior to such recovery.

Section 9.7. Investments. Whenever Administrative Agent in good faith determines that it is uncertain about how to distribute to Lender Parties any funds which it has received, or whenever Administrative Agent in good faith determines that there is any dispute among Lender Parties about how such funds should be distributed, Administrative Agent may choose to defer distribution of the funds which are the subject of such uncertainty or dispute. If Administrative Agent in good faith believes that the uncertainty or dispute will not be promptly resolved, or if Administrative Agent is otherwise required to invest funds pending distribution to Lender Parties, Administrative Agent shall invest such funds pending distribution; all interest on any such Investment shall be distributed upon the distribution of such Investment and in the same proportion and to the same Persons as such Investment. All moneys received by Administrative Agent for distribution to Lender Parties (other than to the Person who is Administrative Agent in its separate capacity as a Lender Party) shall be held by Administrative Agent pending such distribution solely as Administrative Agent for such Lender Parties, and Administrative Agent shall have no equitable title to any portion thereof.

Section 9.8. Benefit of Article IX. The provisions of this Article are intended solely for the benefit of Lender Parties, and no Restricted Person shall be entitled to rely on any such provision or assert any such provision in a claim or defense against any Lender (other than in relation to the reference to Section 6.16 contained in Section 9.6 or the right to reasonably approve a successor Administrative Agent under Section 9.9). Lender Parties may waive or amend such provisions as they desire without any notice to or consent of Borrower or any other Restricted Person.

Section 9.9. Resignation. Administrative Agent may resign at any time by giving written notice thereof to Lenders and Borrower. Each such notice shall set forth the date of such resignation. Upon any such resignation Majority Lenders shall have the right to appoint a successor Administrative Agent, subject to the approval of Borrower, which approval will not be unreasonably withheld. A successor must be appointed for any retiring Administrative Agent, and such Administrative Agent's resignation shall become effective when such successor accepts such appointment. If, within thirty days after the date of the retiring Administrative Agent's resignation, no successor Administrative Agent has been appointed and has accepted such appointment, then the retiring Administrative Agent may appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed to conduct a banking or trust business under the Laws of the United States of America or of any state thereof. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative

Agent, the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Administrative Agent's resignation hereunder the provisions of this Article IX shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

Section 9.10. Other Agents. Neither the Syndication Agent nor the Documentation Agent, in such capacities, shall have any duties or responsibilities or incur any liabilities under this Agreement or the other Loan Documents.

## ARTICLE X - Miscellaneous

Section 10.1. Waivers and Amendments; Acknowledgments.

(a) Waivers and Amendments. No failure or delay (whether by course of conduct or otherwise) by any Lender in exercising any right, power or remedy which such Lender Party may have under any of the Loan Documents shall operate as a waiver thereof or of any other right, power or remedy, nor shall any single or partial exercise by any Lender Party of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. No waiver of any provision of any Loan Document and no consent to any departure therefrom shall ever be effective unless it is in writing and signed as provided below in this section, and then such waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. No notice to or demand on any Restricted Person shall in any case of itself entitle any Restricted Person to any other or further notice or demand in similar or other circumstances. This Agreement and the other Loan Documents set forth the entire understanding between the parties hereto with respect to the transactions contemplated herein and therein and supersede all prior discussions and understandings with respect to the subject matter hereof and thereof, and no waiver, consent, release, modification or amendment of or supplement to this Agreement or the other Loan Documents shall be valid or effective against any party hereto unless the same is in writing and signed by (i) if such party is Borrower, by Borrower, (ii if such party is Administrative Agent or LC Issuer, by such party, and (ii if such party is a Lender, by such Lender or by Administrative Agent on behalf of Lenders with the written consent of Majority Lenders (which consent has already been given as to the termination of the Loan Documents as provided in Section 10.9). Notwithstanding the foregoing or anything to the contrary herein, Administrative Agent shall not, without the prior consent of each individual Lender, execute and deliver on behalf of such Lender any waiver or amendment which would: (1) waive any of the conditions specified in Article IV (provided that Administrative Agent may in its discretion withdraw any request it has made under Section 4.3(f)), (2) increase the Percentage Share of any such Lender or the maximum amount any such Lender is committed to fund in respect of Letter of Credit Obligations and Loans or subject such Lender to any additional obligations, (3) reduce any fees payable to such Lender hereunder, or the principal of, or interest on, such Lender's Note, (4) change any date fixed for any payment of any such fees, principal or interest, (5) amend the definition herein of "Borrowing Base" or any of the terms used in that definition, (6) amend the definition herein of "Majority Lenders" or otherwise change the aggregate amount of Percentage Shares which is required for

Administrative Agent, Lenders or any of them to take any particular action under the Loan Documents, (7) release Borrower from its obligation to pay such Lender's Note or any Guarantor from its guaranty of such payment, or (8) release any Collateral, except such releases relating to sales of property permitted under Section 7.5.

(b) Acknowledgments and Admissions. Borrower hereby represents, warrants, acknowledges and admits that (i) it has been advised by counsel in the negotiation, execution and delivery of the Loan Documents to which it is a party, (ii it has made an independent decision to enter into this Agreement and the other Loan Documents to which it is a party, without reliance on any representation, warranty, covenant or undertaking by Administrative Agent or any other Lender Party, whether written, oral or implicit, other than as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (ii there are no representations, warranties, covenants, undertakings or agreements by any Lender Party as to the Loan Documents except as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iv no Lender Party has any fiduciary obligation toward Borrower with respect to any Loan Document or the transactions contemplated thereby, (v) the relationship pursuant to the Loan Documents between Borrower and the other Restricted Persons, on one hand, and each Lender Party, on the other hand, is and shall be solely that of debtor and creditor, respectively, (vi no partnership or joint venture exists with respect to the Loan Documents between any Restricted Person and any Lender Party, (vi Administrative Agent is not Borrower's Administrative Agent, but Administrative Agent for Lenders, (vi should an Event of Default or Default occur or exist, each Lender Party will determine in its sole discretion and for its own reasons what remedies and actions it will or will not exercise or take at that time, (ix without limiting any of the foregoing, Borrower is not relying upon any representation or covenant by any Lender Party, or any representative thereof, and no such representation or covenant has been made, that any Lender Party will, at the time of an Event of Default or Default, or at any other time, waive, negotiate, discuss, or take or refrain from taking any action permitted under the Loan Documents with respect to any such Event of Default or Default or any other provision of the Loan Documents, and (x) all Lender Parties have relied upon the truthfulness of the acknowledgments in this section in deciding to execute and deliver this Agreement and to become obligated hereunder.

(c) Representation by Lenders. Each Lender hereby represents that it will acquire its Note for its own account in the ordinary course of its commercial lending business; however, the disposition of such Lender's property shall at all times be and remain within its control and, in particular and without limitation, such Lender may sell or otherwise transfer its Note, any participation interest or other interest in its Note, or any of its other rights and obligations under the Loan Documents subject to compliance with Sections 10.5(b) through (f), inclusive, and applicable Law.

(d) Joint Acknowledgment. THIS WRITTEN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 10.2. Survival of Agreements; Cumulative Nature. All of Restricted Persons' various representations, warranties, covenants and agreements in the Loan Documents shall survive the execution and delivery of this Agreement and the other Loan Documents and the performance hereof and thereof, including the making or granting of the Loans and the delivery of the Notes and the other Loan Documents, and shall further survive until all of the Obligations are paid in full to each Lender Party and all of Lender Parties' obligations to Borrower are terminated. All statements and agreements contained in any certificate or other instrument delivered by any Restricted Person to any Lender Party under any Loan Document shall be deemed representations and warranties by Borrower or agreements and covenants of Borrower under this Agreement. The representations, warranties, indemnities, and covenants made by Restricted Persons in the Loan Documents, and the rights, powers, and privileges granted to Lender Parties in the Loan Documents, are cumulative, and, except for expressly specified waivers and consents, no Loan Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to any Lender Party of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception set out in this Agreement to any representation, warranty, indemnity, or covenant herein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Loan Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions which are expressly made applicable to it by the terms of the various Loan Documents.

Section 10.3. Notices. All notices, requests, consents, demands and other communications required or permitted under any Loan Document shall be in writing, unless otherwise specifically provided in such Loan Document (provided that Administrative Agent may give telephonic notices to the other Lender Parties), and shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile or other electronic transmission, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, to Borrower and Restricted Persons at the address of Borrower specified on the signature pages hereto and to each Lender Party at its address specified on the signature pages hereto (unless changed by similar notice in writing given by the particular Person whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided herein, (b) in the case of facsimile or other electronic transmission, upon receipt, or (c) in the case of registered or certified United States mail, three days after deposit in the mail; provided, however, that no Borrowing Notice or Continuation/Conversion Notice shall become effective until actually received by Administrative Agent.

Section 10.4. Payment of Expenses; Indemnity.

(a) Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, Borrower will promptly (and in any event, within 30 days after any invoice or other statement or notice) pay: (i) all transfer, stamp, mortgage, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect

of this Agreement or any of the other Loan Documents or any other document referred to herein or therein, (ii all reasonable costs and expenses incurred by or on behalf of Administrative Agent (including attorneys' fees, consultants' fees and engineering fees, travel costs and miscellaneous expenses) in connection with (1) the negotiation, preparation, execution and delivery of the Loan Documents, and any and all consents, waivers or other documents or instruments relating thereto, (2) the filing, recording, refiling and re-recording of any Loan Documents and any other documents or instruments or further assurances required to be filed or recorded or refiled or re-recorded by the terms of any Loan Document, (3) the borrowings hereunder and other action reasonably required in the course of administration hereof, (4) monitoring or confirming (or preparation or negotiation of any document related to) Borrower's compliance with any covenants or conditions contained in this Agreement or in any Loan Document, and (ii all reasonable costs and expenses incurred by or on behalf of any Lender Party (including attorneys' fees, consultants' fees and accounting fees) in connection with the defense or enforcement of any of the Loan Documents (including this section) or the defense of any Lender Party's exercise of its rights thereunder. In addition to the foregoing, until all Obligations have been paid in full, Borrower will also pay or reimburse Administrative Agent for all reasonable out-of-pocket costs and expenses of Administrative Agent or its agents or employees in connection with the continuing administration of the Loans and the related due diligence of Administrative Agent, including travel and miscellaneous expenses and fees and expenses of Administrative Agent's outside counsel, reserve engineers and consultants engaged in connection with the Loan Documents.

(b) Indemnity. Borrower agrees to indemnify each Lender Party, upon demand, from and against any and all liabilities, obligations, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") which to any extent (in whole or in part) may be imposed on, incurred by, or asserted against such Lender Party growing out of, resulting from or in any other way associated with any of the Collateral, the Loan Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein whether arising in contract or in tort or otherwise and including any violation or noncompliance with any Environmental Laws by any Lender Party or any other Person or any liabilities or duties of any Lender Party or any other Person with respect to Hazardous Materials found in or released into the environment).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY,

provided only that no Lender Party shall be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment. If any Person (including Borrower or any of its Affiliates) ever alleges such gross negligence or willful misconduct by any Lender Party, the indemnification provided for in this section shall nonetheless

be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. As used in this section the term "Lender Party" shall refer not only to each Person designated as such in Section 1.1 but also to each director, officer, agent, attorney, employee, representative and Affiliate of such Persons.

Section 10.5. Joint and Several Liability; Parties in Interest; Assignments.

(a) All Obligations which are incurred by two or more Restricted Persons shall be their joint and several obligations and liabilities. All grants, covenants and agreements contained in the Loan Documents shall bind and inure to the benefit of the parties thereto and their respective successors and permitted assigns; provided, however, that no Restricted Person may assign or transfer any of its rights or delegate any of its duties or obligations under any Loan Document without the prior consent of all Lenders. Neither Borrower nor any Affiliates of Borrower shall directly or indirectly purchase or otherwise retire any Obligations owed to any Lender nor will any Lender accept any offer to do so, unless each Lender shall have received substantially the same offer with respect to the same Percentage Share of the Obligations owed to it. If Borrower or any Affiliate of Borrower at any time purchases some but less than all of the Obligations owed to all Lender Parties, such purchaser shall not be entitled to any rights of any Lender under the Loan Documents unless and until Borrower or its Affiliates have purchased all of the Obligations.

(b) No Lender shall sell any participation interest in its commitment hereunder or any of its rights under its Loans or under the Loan Documents to any Person unless the agreement between such Lender and such participant at all times provides: (i) that such participation exists only as a result of the agreement between such participant and such Lender and that such transfer does not give such participant any right to vote as a Lender or any other direct claims or rights against any Person other than such Lender, (ii) that such participant is not entitled to payment from any Restricted Person under Sections 3.2 through 3.6 of amounts in excess of those payable to such Lender under such sections (determined without regard to the sale of such participation), and (iii) unless such participant is an Affiliate of such Lender, that such participant shall not be entitled to require such Lender to take any action under any Loan Document or to obtain the consent of such participant prior to taking any action under any Loan Document, except for actions which would require the consent of all Lenders under subsection (a) of Section 10.1. No Lender selling such a participation shall, as between the other parties hereto and such Lender, be relieved of any of its obligations hereunder as a result of the sale of such participation. Each Lender which sells any such participation to any Person (other than an Affiliate of such Lender) shall give prompt notice thereof to Administrative Agent and Borrower; provided, however, that no liability shall arise if any Lender fails to give such notice to Borrower.

(c) Except for sales of participations under the immediately preceding subsection, no Lender shall make any assignment or transfer of any kind of its commitments or any of its rights under its Loans or under the Loan Documents, except for assignments to an Eligible Transferee, or, subject to the provisions of subsection (g) below, to an Affiliate and then only if such assignment is made in accordance with the following requirements:

(i) Each such assignment shall apply to all Obligations owing to the assignor Lender hereunder and to the unused portion of the assignor Lender's commitments, so that after such assignment is made the assignor Lender shall have

a fixed (and not a varying) Percentage Share in its Loans and Note and be committed to make that Percentage Share of all future Loans, the assignee shall have a fixed Percentage Share in such Loans and Note and be committed to make that Percentage Share of all future Loans, and the Percentage Share of the Maximum Loan Amount of both the assignor and assignee shall equal or exceed $5,000,000.

(ii) The parties to each such assignment shall execute and deliver to Administrative Agent, for its acceptance and recording in the "Register" (as defined below in this section), an Assignment and Acceptance in the form of Exhibit J, appropriately completed, together with the Note subject to such assignment and a processing fee payable by such assignor Lender (and not at Borrower's expense) to Administrative Agent of $3,500. Upon such execution, delivery, and payment and upon the satisfaction of the conditions set out in such Assignment and Acceptance, then (i) Borrower shall issue new Notes to such assignor and assignee upon return of the old Notes to Borrower, and (ii) as of the "Settlement Date" specified in such Assignment and Acceptance the assignee thereunder shall be a party hereto and a Lender hereunder and Administrative Agent shall thereupon deliver to Borrower and each Lender a revised Schedule 1 hereto showing the revised Percentage Shares of such assignor Lender and such assignee Lender and the Percentage Shares of all other Lenders.

(iii) Each assignee Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, shall (to the extent it has not already done so) provide Administrative Agent and Borrower with the "Prescribed Forms" referred to in Section 3.6(d).

(d) Nothing contained in this section shall prevent or prohibit any Lender from assigning or pledging all or any portion of its Loans and Note to any Federal Reserve Bank as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank; provided that (i) no such assignment or pledge shall relieve such Lender from its obligations hereunder and (ii) all related costs, fees and expenses incurred by such Lender in connection with such assignment and the reassignment back to it, free of any interests of such Federal Reserve Banks, shall be for the sole account of such Lender.

(e) By executing and delivering an Assignment and Acceptance, each assignee Lender thereunder will be confirming to and agreeing with Borrower, Administrative Agent and each other Lender Party that such assignee understands and agrees to the terms hereof, including Article IX hereof.

(f) Administrative Agent shall maintain a copy of each Assignment and Acceptance and a register for the recordation of the names and addresses of Lenders and the Percentage Shares of, and principal amount of the Loans owing to, each Lender from time to time (in this section called the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and Borrower and each Lender Party may treat each Person whose name is recorded in the Register as a Lender Party hereunder for all purposes. The Register shall be available for

inspection by Borrower or any Lender Party at any reasonable time and from time to time upon reasonable prior notice.

(g) Any Lender may assign or transfer its commitment or its rights under its Loans or under the Loan Documents to (i) any Affiliate that is wholly-owned direct or indirect subsidiary of such Lender or of any Person that wholly owns, directly or indirectly, such Lender, or (ii) if such Lender is a fund that invests in bank loans, any other fund that invests in bank loans and is advised or managed by (A) the same investment advisor as any Lender or (B) any Affiliate of such investment advisor that is a wholly-owned direct or indirect subsidiary of any Person that wholly owns, directly or indirectly, such investment advisor, subject to the following additional conditions:

(x) any right of such Lender assignor and such assignee to vote as a Lender, or any other direct claims or rights against any other Persons, shall be uniformly exercised or pursued in the manner that such Lender assignor would have so exercised such vote, claim or right if it had not made such assignment or transfer;

(y) such assignee shall not be entitled to payment from any Restricted Person under Sections 3.2 through 3.7 of amounts in excess of those payable to such Lender assignor under such sections (determined without regard to such assignment or transfer); and

(z) if such Lender assignor assigns or transfers to such assignee any of such Lender's commitment, such assignee may become primarily liable for such commitment, but such assignment or transfer shall not relieve or release such Lender from such commitment.

Section 10.6. Confidentiality. Each Lender Party agrees (on behalf of itself and each of its Affiliates, and each of its and their directors, officers, agents, attorneys, employees, and representatives) that it (and each of them) will take all reasonable steps to keep confidential any non-public information supplied to it by or at the direction of any Restricted Person so identified when delivered, provided, however, that this restriction shall not apply to information which (a) has at the time in question entered the public domain, (b) is required to be disclosed by Law (whether valid or invalid) of any Tribunal, (c) is disclosed to any Lender Party's Affiliates, auditors, attorneys, or agents, (d) is furnished to any other Lender Party or to any purchaser or prospective purchaser of participations or other interests in any Loan or Loan Document (provided each such purchaser or prospective purchaser first agrees to hold such information in confidence on the terms provided in this section), or (d) is disclosed in the course of enforcing its rights and remedies during the existence of an Event of Default.

Section 10.7. Governing Law; Submission to Process. EXCEPT TO THE EXTENT THAT THE LAW OF ANOTHER JURISDICTION IS EXPRESSLY ELECTED IN A LOAN DOCUMENT, THE LOAN DOCUMENTS SHALL BE DEEMED CONTRACTS AND INSTRUMENTS MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK AND THE LAWS OF THE UNITED STATES OF AMERICA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. BORROWER HEREBY AGREES THAT ANY LEGAL ACTION OR PROCEEDING AGAINST BORROWER WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OF THE LOAN

DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK AS LENDER PARTIES MAY ELECT, AND, BY EXECUTION AND DELIVERY HEREOF, BORROWER ACCEPTS AND CONSENTS FOR ITSELF AND IN RESPECT TO ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. BORROWER AGREES THAT SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK SHALL APPLY TO THE LOAN DOCUMENTS AND WAIVES ANY RIGHT TO STAY OR TO DISMISS ANY ACTION OR PROCEEDING BROUGHT BEFORE SAID COURTS ON THE BASIS OF FORUM NON CONVENIENS. IN FURTHERANCE OF THE FOREGOING, BORROWER HEREBY IRREVOCABLY DESIGNATES AND APPOINTS CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK 12207, AS AGENT OF BORROWER TO RECEIVE SERVICE OF ALL PROCESS BROUGHT AGAINST BORROWER WITH RESPECT TO ANY SUCH PROCEEDING IN ANY SUCH COURT IN NEW YORK, SUCH SERVICE BEING HEREBY ACKNOWLEDGED BY BORROWER TO BE EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT. COPIES OF ANY SUCH PROCESS SO SERVED SHALL ALSO, IF PERMITTED BY LAW, BE SENT BY REGISTERED MAIL TO BORROWER AT ITS ADDRESS SET FORTH BELOW, BUT THE FAILURE OF BORROWER TO RECEIVE SUCH COPIES SHALL NOT AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS AS AFORESAID. BORROWER SHALL FURNISH TO LENDER PARTIES A CONSENT OF CORPORATION SERVICE COMPANY AGREEING TO ACT HEREUNDER PRIOR TO THE EFFECTIVE DATE OF THIS AGREEMENT. NOTHING HEREIN SHALL AFFECT THE RIGHT OF LENDER PARTIES TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT OF LENDER PARTIES TO BRING PROCEEDINGS AGAINST BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. IF FOR ANY REASON CORPORATION SERVICE COMPANY SHALL RESIGN OR OTHERWISE CEASE TO ACT AS BORROWER'S AGENT, BORROWER HEREBY IRREVOCABLY AGREES TO (A) IMMEDIATELY DESIGNATE AND APPOINT A NEW AGENT ACCEPTABLE TO ADMINISTRATIVE AGENT TO SERVE IN SUCH CAPACITY AND, IN SUCH EVENT, SUCH NEW AGENT SHALL BE DEEMED TO BE SUBSTITUTED FOR CORPORATION SERVICE COMPANY FOR ALL PURPOSES HEREOF AND (B) PROMPTLY DELIVER TO AGENT THE WRITTEN CONSENT (IN FORM AND SUBSTANCE SATISFACTORY TO ADMINISTRATIVE AGENT) OF SUCH NEW AGENT AGREEING TO SERVE IN SUCH CAPACITY.

Section 10.8. Limitation on Interest. Lender Parties, Restricted Persons and the other parties to the Loan Documents intend to contract in strict compliance with applicable usury Law from time to time in effect. In furtherance thereof such persons stipulate and agree that none of the terms and provisions contained in the Loan Documents shall ever be construed to provide for interest in excess of the maximum amount of interest permitted to be charged by applicable Law from time to time in effect. Neither any Restricted Person nor any present or future guarantors, endorsers, or other Persons hereafter becoming liable for payment of any Obligation shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that may be lawfully charged under applicable Law from time to time in effect, and the provisions of this section shall control over all other provisions of the Loan Documents which may be in conflict or apparent conflict herewith.

Section 10.9. Termination; Limited Survival. In its sole and absolute discretion Borrower may at any time that no Obligations are owing or outstanding elect in a written notice delivered to Administrative Agent to terminate this Agreement. Upon receipt by Administrative Agent of such

a notice, if no Obligations are then owing or outstanding this Agreement and all other Loan Documents shall thereupon be terminated and the parties thereto released from all prospective obligations thereunder. Notwithstanding the foregoing or anything herein to the contrary, any waivers or admissions made by any Restricted Person in any Loan Document, any Obligations under Sections 3.2 through 3.6, and any obligations which any Person may have to indemnify or compensate any Lender Party shall survive any termination of this Agreement or any other Loan Document. At the request and expense of Borrower, Administrative Agent shall prepare and execute all necessary instruments to reflect and effect such termination of the Loan Documents. Administrative Agent is hereby authorized to execute all such instruments on behalf of all Lenders, without the joinder of or further action by any Lender.

Section 10.10. Severability. If any term or provision of any Loan Document shall be determined to be illegal or unenforceable all other terms and provisions of the Loan Documents shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable Law.

Section 10.11. Counterparts. This Agreement may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Agreement.

Section 10.12. Waiver of Jury Trial, Punitive Damages, etc. TO THE EXTENT PERMITTED BY LAW, LENDER PARTIES AND BORROWER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF SUCH PERSONS OR BORROWER. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER PARTIES' ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. BORROWER AND EACH LENDER PARTY HEREBY FURTHER (A) IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES," AS DEFINED BELOW, (B) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (C) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION. AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

Section 10.13. Amendment and Restatement. Upon satisfaction with each of the conditions set forth in Sections 4.1 and 4.2 (except any condition the performance of which has been waived as a condition to the initial Loan or initial issuance of a Letter of Credit pursuant to

this Agreement), this Agreement shall be deemed to amend and restate in its entirety the Existing Agreement, at which time (the "Effective Time") each Lender and each Restricted Person hereby agrees that (i) the Percentage Share of each Lender shall be as set forth in the definition to this Agreement, (ii) the Loans outstanding under the Existing Agreement and all accrued and unpaid interest thereon, all letters of credit issued and outstanding under the Existing Agreement and reimbursement obligations with respect thereto, and all accrued and unpaid fees and expenses under the Existing Agreement (the "Outstanding Obligations") shall be deemed to be outstanding under and governed by this Agreement, and (iii) any party named as a "Lender" under the Existing Agreement that is not a signatory hereto as a Lender under this Agreement (an "Exiting Lender") shall cease to be a Lender and shall be released from its obligations under the Existing Agreement and this Agreement. At the Effective Time, the Borrower shall make such adjustments in the Loans, including the borrowing of additional Loans and the repayment of Loans under the Existing Agreement plus all applicable accrued interest, fees and expenses (including any costs under Article III of the Existing Agreement) as shall be necessary to repay in full all Exiting Lenders and to provide for Loans by each Lender in the amount of its new Percentage Share of all Loans as of the Effective Time. At the Effective Time the liability of Resources in respect to the Outstanding Obligations (including any liability of Resources under its Guaranty thereof and the liability of PMTI under the Existing Agreement, Notes or other Loan Documents, as defined in the Existing Agreement, and the liability of PLX Crude Lines Inc. and Plains Terminal & Transfer Corporation under their Guaranties which had been assumed by Resources), and any Lien securing such Outstanding Obligations upon any assets or properties of Resources retained by Resources after giving effect to the Contribution Agreement, shall be terminated and released in full. At Resources expense, each Lender and Administrative Agent agrees to execute such documents and file such releases as Resources shall reasonable request to further memorialize the foregoing.

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

PLAINS MARKETING, L.P., Borrower

By: PLAINS ALL AMERICAN INC., its general partner

By: /s/ Phillip D. Kramer
---
Name: Phillip D. Kramer
Title: Executive Vice President

Address:

500 Dallas Street
Suite 700
Houston, Texas 77002
Attention: Phil Kramer

Telephone: (713) 654-1414
Fax: (713) 654-1523

PLAINS ALL AMERICAN PIPELINE, L.P.

By: PLAINS ALL AMERICAN INC., its general partner

By:/s/ Phillip D. Kramer
---
Name: Phillip D. Kramer
Title: Executive Vice President

Address:

500 Dallas Street
Suite 700
Houston, Texas 77002
Attention: Phil Kramer

Telephone: (713) 654-1414
Fax: (713) 654-1523

ALL AMERICAN PIPELINE, L.P.

By: PLAINS ALL AMERICAN INC., its general partner

By:/s/ Phillip D. Kramer
---
Name: Phillip D. Kramer
Title: Executive Vice President

Address:

500 Dallas Street
Suite 700
Houston, Texas 77002
Attention: Phil Kramer

Telephone: (713) 654-1414
Fax: (713) 654-1523

BANKBOSTON, N.A.,
Administrative Agent,
LC Issuer and Lender

By: /s/ Terrence Ronan
---
Name: Terrence Ronan
Title: Director

Address:

100 Federal Street
Boston, Massachusetts 02110
Attention: Terrence Ronan
Mail Code: 01-08-04

Telephone: (617) 434-5472
Fax: (617) 434-3652

BANCBOSTON ROBERTSON STEPHENS INC.,
Syndication Agent

By: /s/ John R. Barlow
---
Name: John R. Barlow
Title: Director

Address:

100 Federal Street
Boston, Massachusetts 02110
Attention: Richard Makin
Mail Code: 01-11-04

Telephone: (617) 434-7381
Fax: (617) 434-0382

ING BARING FURMAN SELZ, LLC,
Documentation Agent

By: /s/ Christopher R. Wagner
---
Name: Christopher R. Wagner
Title: Senior Vice President

Address:

135 East 57th Street
New York, New York 10022
Attention:

Telephone: (212)
Fax: (212)

ING (U.S.) CAPITAL CORPORATION, Lender

By: /s/ Christopher R. Wagner
---
Name: Christopher R. Wagner
Title: Senior Vice President

Address:

135 East 57th Street
New York, New York 10022
Attention:

Telephone: (212)
Fax: (212)

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By: /s/ Leonard Russo
---
Name: Leonard Russo
Title: Managing Director

Address:

333 Clay St., Suite 4550
Houston, Texas 77002
Attention: Irene Rummel

Telephone: (713) 651-4921
Fax: (713) 651-4921

BANK OF SCOTLAND

By: /s/ Annie Chin Tat
---
Name: Annie Chin Tat
Title:

Address:

565 Fifth Avenue
New York, New York 10017
Attention: Annie Chin Tat

Telephone: (212) 450-0871
Fax: (212) 557-9460

With Copy to:

1200 Smith Street
Houston, Texas 77002
Attention: Richard C. Butler

Telephone: (713) 651-1870
Fax: (713) 651-9714

DEN NORSKE BANK ASA

By: /s/ J. Morten Kreutz
---
Name: J. Morten Kreutz
Title: Vice President

By: /s/ William V. Moyer
---
Name: William V. Moyer
Title: Senior Vice President

Address:

Three Allen Center
333 Clay Street, Suite 4890
Houston, Texas 77002
Attention: Byron L. Cooley

Telephone: (713) 844-9258
Fax: (713) 757-1167

COMERICA BANK - TEXAS

By: /s/ Daniel P. Tralmer
---
Name: Daniel P. Tralmer
Title: Vice President

Address:

910 Louisiana, Suite 410
Houston, Texas 77002
Attention: Jim Kimble

Telephone: (713) 220-5614
Fax: (713) 220-5650

HIBERNIA NATIONAL BANK

By: /s/ Tammy Angelety
---
Name: Tammy Angelety
Title: Assistant Vice President

Address:

313 Carondelet Street
New Orleans, Louisiana 70130
Attention: Tammy Angelety

Telephone: (504) 533-2045
Fax: (504) 533-5434

MEESPIERSON CAPITAL CORP.

By: /s/ Deirdre M. Sanborn
---
Name: Deirdre M. Sanborn
Title: Assistant Vice President

By: /s/ Darrell W. Holley
---
Name: Darrell W. Holley
Title: Senior Vice President

Address:

300 Crescent Court, Suite 1750
Dallas, Texas 75201
Attention: Darrell W. Holley

Telephone: (214) 953-9307
Fax: (214) 754-5981

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Monte E. Deckerd
---
Name: Monte E. Deckerd
Title: Vice President

Address:

918 17TH Street
Denver, Colorado 80202
Attention: Monte E. Deckerd

Telephone: (303) 585-4212
Fax: (303) 585-4362

FIRST UNION NATIONAL BANK

By: /s/ Robert R. Wetteroff
---
Name: Robert R. Wetteroff
Title: Senior Vice President

Address:

1001 Fannin, Suite 2255
Houston, Texas 77002
Attention: David Humphreys

Telephone: (713) 650-9843
Fax: (713) 650-6354

EXHIBIT 10.3

# CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT

THIS CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT, dated as of November 23, 1998, is entered into by and among PLAINS RESOURCES INC., a Delaware corporation ("Plains Resources"), PLAINS ALL AMERICAN INC., a Delaware corporation ("PAAI"), PLAINS ALL AMERICAN PIPELINE, L.P., a Delaware limited partnership (the "Partnership"), PLAINS MARKETING, L.P., a Delaware limited partnership ("Plains Marketing"), ALL AMERICAN PIPELINE, L.P., a Texas limited partnership ("All American L.P."), PAAI LLC, a Delaware limited liability company ("PAAI LLC"), and GATHERING LLC, a Delaware limited liability company ("Gathering LLC").

## RECITALS

WHEREAS, PAAI and Plains Resources have formed the Partnership pursuant to the Delaware Revised Uniform Limited Partnership Act (the "Delaware Act") for the purpose of serving as the sole limited partner of Plains Marketing;

WHEREAS, PAAI contributed $990.00 to the capital of the Partnership and received a 1% general partner interest and a 49% limited partner interest therein; and Plains Resources contributed $990.00 to the capital of the Partnership and received a 50% limited partner interest therein;

WHEREAS, Plains Resources sold its 50% limited partner interest in the Partnership to Michael Patterson (the "Organizational Limited Partner");

WHEREAS, PAAI and the Partnership have heretofore formed Plains Marketing pursuant to the Delaware Act for the purpose of acquiring, owning and operating the midstream

crude oil business and assets of Plains Resources and its subsidiaries, including, without limitation, the business of crude oil marketing, gathering, transportation, storage, terminaling and pipeline operation and the assets (other than the Plains Excluded Assets) of Plains Transportation, Plains Terminal, PLX Crude and PLX Ingleside (as defined herein) (the "Business");

WHEREAS, PAAI contributed $500 to the capital of Plains Marketing and received a 1% general partner interest and a 49% limited partner interest therein; and the Partnership contributed $500 to the capital of Plains Marketing and received a 50% limited partner interest therein;

WHEREAS, All American Pipeline Company, a Texas corporation ("All American"), has previously formed Gathering LLC as a wholly owned subsidiary of All American and has caused its subsidiary Celeron Gathering Corporation, a Delaware corporation ("CGC"), to merge into Gathering LLC;

WHEREAS, PAAI has previously formed PAAI LLC as a wholly-owned subsidiary of PAAI to hold one share of All American stock;

WHEREAS, All American has previously adopted articles of conversion and converted to All American L.P. in which PAAI holds a .001% general partner interest and a 98.999% limited partner interest (such limited partner interest, the "All American LP Interest"), and PAAI LLC holds a 1% limited partner interest;

WHEREAS, concurrently with the consummation of the transactions contemplated hereby, All American L.P. will assume $175 million of PAAI's outstanding debt and will distribute its ownership interest in Gathering LLC (the "Gathering LLC Interest") to PAAI;

WHEREAS, concurrently with the consummation of the transactions contemplated hereby, each of Plains Marketing & Transportation Inc., a Delaware corporation ("Plains Transportation"), Plains Terminal & Transfer Corporation, a Delaware corporation ("Plains Terminal"), PLX Crude Lines Inc., a Delaware corporation ("PLX Crude"), and PLX Ingleside, Inc., a Delaware corporation ("PLX Ingleside"), will be merged with and into Plains Resources;

WHEREAS, concurrently with the consummation of the transactions contemplated hereby Celeron Trading & Transportation Company, a Delaware corporation ("CT&T"), shall be merged with and into PAAI;

WHEREAS, concurrently with the consummation of the transactions contemplated hereby, PAAI and the Partnership have entered into that certain Amended and Restated Agreement of Limited Partnership of Plains Marketing (the "Operating Partnership Agreement");

WHEREAS, concurrently with the consummation of the transactions contemplated hereby, PAAI and the Organizational Limited Partner have entered into that certain Second Amended and Restated Agreement of Limited Partnership of the Partnership (the "Partnership Agreement");

NOW, THEREFORE, in consideration of their mutual undertakings and agreements hereunder, the parties to this Agreement undertake and agree as follows:

## ARTICLE I

## DEFINITIONS; CONCURRENT TRANSACTIONS

1.1 Definitions. The following capitalized terms shall have the meanings given below.

"Agreement" means this Contribution, Conveyance and Assumption Agreement.

"All American" has the meaning assigned to such term in the Recitals to this Agreement.

"Additional All American L.P. Interest" has the meaning assigned to such term in Section 2.3.

"All American L.P." has the meaning assigned to such term in the opening paragraph of this Agreement.

"All American LP Interest" has the meaning assigned to such term in the Recitals to this Agreement.

"Assets" means the Plains Assets and the PAAI Assets.

"Business" has the meaning assigned to such term in the Recitals to this Agreement.

"CGC" has the meaning assigned to such term in the Recitals to this Agreement.

"Common Units" means common limited partner interests in the Partnership.

"Conveyance, Assignment and Bill of Sale" means a Conveyance, Assignment and Bill of Sale in recordable form from each of Plains Resources and PAAI, as the case may be, to Plains Marketing, the form of which is attached hereto as Exhibit A.

"CT&T" has the meaning assigned to such term in the Recitals to this Agreement.

"CT&T Assets" means all of the assets owned, leased or held by CT&T, as of the Effective Time, of every kind and description, whether tangible or intangible, whether real, personal or mixed, and wherever located, including, without limitation, all of the crude oil inventory (line fill) owned by CT&T and located in the crude oil pipeline system owned by All American L.P.

"Cushing Terminal" means the crude oil terminal and storage facility located in Payne and Lincoln Counties, Oklahoma, including, without limitation, the real property and other property interests described in that certain Conveyance, Assignment and Bill of Sale (Cushing) of even date herewith from Plains Resources to Plains Marketing (a copy of the form of which is attached hereto

as Exhibit A) along with the Plains Midstream Subsidiaries' Assets described below that are a part of or are used exclusively in connection with the crude oil terminal and storage facility:

(i) storage tanks, stations, substations, terminal facilities and related properties and assets, along with all crude oil inventory located in such facilities;

(ii) all motor vehicles, tractors, trailers, tanks, railcars, other vehicles, machinery and related equipment, whether owned or leased;

(iii) every contract, agreement, arrangement, grant, gift, trust or other arrangement or understanding of any kind;

(iv) any and all rights, claims and causes of action under warranties, insurance policies, contracts and related rights;

(v) communication equipment, computer equipment and software and leasehold interests therein;

(vi) all know-how, every trade secret, every customer list and all other confidential information of every kind;

(vii) every customer relationship, employee relationship, supplier relationship and other relationship of any kind;

(viii) every other proprietary right of any kind;

(ix) all governmental licenses, permits, approvals, franchises, registrations and authorizations of every kind;

(x) copies of all of the books, records, papers and instruments, including without limitation, accounting and financial records;

(xi) any and all monies, rents, revenues, accounts receivable or other proceeds receivable;

(xii) all deposits, prepayments and prepaid expenses;

(xiii) all unbilled receivables;

(xiv) all trade names, trademarks, service marks, logos, marks and symbols of any kind, together with all goodwill associated therewith and all other trade names, trademarks and service marks;

(xv) all rights, benefits, privileges and appurtenances pertaining to any of the foregoing;

excluding, however, any of such assets that constitute Plains Excluded Assets.

"Delaware Act" has the meaning assigned to such term in the Recitals to this Agreement.

"Effective Time" means 12:01 a.m. Eastern Standard Time on November 23, 1998.

"Existing Indebtedness" means indebtedness, liabilities and obligations of PAAI under that certain $325 million Senior Secured Credit Facility dated July 30, 1998 with ING (U.S.) Capital Corporation, as Administrative Agent, executed in connection with the acquisition of all of the capital stock of CT&T and All American by PAAI.

"Gathering LLC" has the meaning assigned to such term in the opening paragraph of this Agreement.

"Gathering LLC Interest" has the meaning assigned to such term in the Recitals to this Agreement.

"Ingleside Terminal" means the crude oil terminal and storage facility located in San Patricio County, Texas, including, without limitation, the real property and other property interests described in that certain Conveyance, Assignment and Bill of Sale (Ingleside) of even date herewith from Plains Resources to Plains Marketing (a copy of the form of which is attached hereto as Exhibit A) along with the Plains Midstream Subsidiaries' Assets described below that are a part of or are used exclusively in connection with the crude oil terminal and storage facility:

(i) storage tanks, stations, substations, terminal facilities and related properties and assets, along with all crude oil inventory located in such facilities;

(ii) all motor vehicles, tractors, trailers, tanks, railcars, other vehicles, machinery and related equipment, whether owned or leased;

(iii) every contract, agreement, arrangement, grant, gift, trust or other arrangement or understanding of any kind;

(iv) any and all rights, claims and causes of action under warranties, insurance policies, contracts and related rights;

(v) communication equipment, computer equipment and software and leasehold interests therein;

(vi) all know-how, every trade secret, every customer list and all other confidential information of every kind;

(vii) every customer relationship, employee relationship, supplier relationship and other relationship of any kind;

(viii) every other proprietary right of any kind;

(ix) all governmental licenses, permits, approvals, franchises, registrations and authorizations of every kind;

(x) copies of all of the books, records, papers and instruments, including without limitation, accounting and financial records;

(xi) any and all monies, rents, revenues, accounts receivable or other proceeds receivable;

(xii) all deposits, prepayments and prepaid expenses;

(xiii) all unbilled receivables;

(xiv) all trade names, trademarks, service marks, logos, marks and symbols of any kind, together with all goodwill associated therewith and all other trade names, trademarks and service marks;

(xv) all rights, benefits, privileges and appurtenances pertaining to any of the foregoing;

excluding, however, any of such assets that constitute Plains Excluded Assets.

"Laws" means any and all laws, statutes, ordinances, rules or regulations promulgated by a governmental authority, orders of a governmental authority, judicial decisions, decisions of arbitrators or determinations of any governmental authority or court.

"Operating Partnership Agreement" has the meaning assigned to such term in the Recitals to this Agreement.

"Organizational Limited Partner" has the meaning assigned to such term in the Recitals to this Agreement.

"PAAI" has the meaning assigned to such term in the opening paragraph of this Agreement.

"PAAI Assets" means the CT&T Assets and the Gathering LLC Interest of PAAI.

"PAAI Assumed Liabilities" means all of PAAI's liabilities arising from or relating to the PAAI Assets or the Business, as of the Effective Time, of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of PAAI as of the Effective Time, excluding, however, any of such liabilities that constitute PAAI Excluded Liabilities.

"PAAI Excluded Liabilities" means (i) all of the liabilities and obligations of CT&T and CGC for the Existing Indebtedness, (ii) all federal, state and local income tax liabilities attributable to operation of the PAAI Assets prior to the Effective Time, including any such income tax liabilities that may result from the consummation of the transactions contemplated by this Agreement and (iii) all of the liabilities that arise pursuant to the indemnification obligation of PAAI under the Omnibus Agreement dated of even date with this Agreement among Plains Resources, PAAI, the Partnership, Plains Marketing and All American L.P.

"PAAI LLC" has the meaning assigned to such term in the Recitals to this Agreement.

"PAAI OLP Interest" has the meaning assigned to such term in Section 2.1.

"Partnership" has the meaning assigned to such term in the opening paragraph of this Agreement.

"Partnership Agreement" has the meaning assigned to such term in the Recitals to this Agreement.

"Plains Assets" means (a) the Cushing Terminal and the Ingleside Terminal and (b) the Plains Midstream Subsidiaries' Assets described below, to the extent the following comprise a part of or are used exclusively in connection with the operation of the Business, and without duplication of the Cushing Terminal and the Ingleside Terminal:

(i) the real property and other property interests described in that certain Conveyance, Assignment and Bill of Sale (Other Assets) of even date herewith from Plains Resources to Plains Marketing;

(ii) storage tanks, stations, substations, terminal facilities and related properties and assets, along with all crude oil inventory located in such facilities;

(iii) all motor vehicles, tractors, trailers, tanks, railcars, other vehicles, machinery and related equipment, whether owned or leased;

(iv) every contract, agreement, arrangement, grant, gift, trust or other arrangement or understanding of any kind;

(v) any and all rights, claims and causes of action under warranties, insurance policies, contracts or related rights;

(vi) communication equipment, computer equipment and software and leasehold interests therein;

(vii) all know-how, every trade secret, every customer list and all other confidential information of every kind;

(viii) every customer relationship, employee relationship, supplier relationship and other relationship of any kind;

(ix) every other proprietary right of any kind;

(x) all governmental licenses, permits, approvals, franchises, registrations and authorizations of every kind;

(xi) copies of all of the books, records, papers and instruments, including without limitation, accounting and financial records;

(xii) any and all monies, rents, revenues, accounts receivable or other proceeds receivable;

(xiii) all deposits, prepayments and prepaid expenses;

(xiv) all unbilled receivables;

(xv) all trade names, trademarks, service marks, logos, marks and symbols of any kind, together with all goodwill associated therewith and all other trade names, trademarks and service marks;

(xvi) all rights, benefits, privileges and appurtenances pertaining to any of the foregoing;

excluding, however, any of such assets that constitute Plains Excluded Assets.

"Plains Assumed Liabilities" means all of Plains Resources' liabilities arising from or relating to the Plains Assets or the Business, as of the Effective Time, of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of Plains Resources as of the Effective Time, specifically including the indebtedness, obligations and liabilities under that certain Credit Agreement dated July 30, 1998 among Plains Transportation, BankBoston, N.A., as Administrative Agent and certain other Agents and Lenders party thereto providing for loans and letters of credit up to the amount of $175 million, excluding, however, any of such liabilities that constitute Plains Excluded Liabilities.

"Plains Excluded Assets" means the Employment Agreement between Plains Resources and Harry Pefanis.

"Plains Excluded Liabilities" means (i) all of the liabilities that arise pursuant to the indemnification obligations of Plains Resources under the Omnibus Agreement dated of even date with this Agreement among Plains Resources, PAAI, the Partnership, Plains Marketing and All American L.P., (ii) the Subsidiary Debt and (iii) all federal, state and local income tax liabilities attributable to operation of the Plains Assets prior to the Effective Time, including any such income tax liabilities that may result from the consummation of the transactions contemplated by this Agreement.

"Plains Grantors" means Plains Resources and PAAI.

"Plains Marketing" has the meaning assigned to such term in the opening paragraph of this Agreement.

"Plains Midstream Subsidiaries" means, collectively, Plains Transportation, Plains Terminal, PLX Crude and PLX Ingleside.

"Plains Midstream Subsidiaries' Assets" means, collectively, all of the assets, properties, titles, interests, benefits and rights owned by each of the Plains Midstream Subsidiaries at the time of its merger into Plains Resources, which, as a result of such merger, became the assets, properties, titles, interests, benefits and rights of Plains Resources.

"Plains Resources" has the meaning assigned to such term in the opening paragraph of this Agreement.

"Plains Terminal" has the meaning assigned to such term in the Recitals to this Agreement.

"Plains Transportation" has the meaning assigned to such term in the Recitals to this Agreement.

"PLX Crude" has the meaning assigned to such term in the Recitals to this Agreement.

"PLX Ingleside" has the meaning assigned to such term in the Recitals to this Agreement.

"Restriction" has the meaning assigned to such term in Section 9.2.

"Restriction-Asset" has the meaning assigned to such term in Section 9.2.

"Specific Conveyances" has the meaning assigned to such term in Section 2.9.

"Subordinated Units" means subordinated limited partner interests in the Partnership.

"Subsidiary Debt" shall mean (i) all indebtedness of the Plains Midstream Subsidiaries owed to Plains Resources that was extinguished in the merger of the Plains Midstream Subsidiaries into Plains Resources and (ii) all indebtedness owed by the Plains Midstream Subsidiaries to affiliates of Plains Resources, other than the Plains Midstream Subsidiaries.

1.2 Concurrent Transactions.

(a) All American L.P. hereby assumes and agrees to pay $175 million of Existing Indebtedness.

(b) All American L.P. hereby distributes 100% of its ownership interest in Gathering LLC to PAAI.

ARTICLE II

CONTRIBUTIONS AND SALE OF ASSETS

2.1 Contribution of Assets by PAAI to Plains Marketing. PAAI hereby grants, contributes, transfers and conveys to Plains Marketing, its successors and assigns, for its and their own use forever, all right, title and interest in and to the PAAI Assets in exchange for (i) the continuation of a 1.0101% general partner interest and a limited partner interest (such limited partner interest, the "PAAI OLP Interest") in Plains Marketing and (ii) other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and Plains Marketing hereby accepts the PAAI Assets, as a contribution to the capital of Plains Marketing.

TO HAVE AND TO HOLD the PAAI Assets unto Plains Marketing, its successors and assigns, together with all and singular the rights and appurtenances thereto in any wise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.2 Contribution by PAAI to the Partnership. PAAI hereby grants, contributes, transfers and conveys to the Partnership, its successors and assigns, for its and their own use forever, all right, title and interest of PAAI in and to the PAAI OLP Interest and the All American LP Interest in exchange for (i) a 1% general partner interest in the Partnership, (ii) 9,859,581 Subordinated Units and 6,974,239 Common Units and (iii) other good and valuable consideration, the sufficiency of which is hereby acknowledged, and the Partnership hereby accepts the PAAI OLP Interest and the All American LP Interest, as a contribution to the capital of the Partnership.

TO HAVE AND TO HOLD the PAAI OLP Interest and the All American L.P. Interest unto the Partnership, its successors and assigns, together with all and singular the rights and

appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.3 Contribution by PAAI LLC to the Partnership. PAAILLC hereby grants, contributes, transfers and conveys to the Partnership, its successors and assigns, for its and their own use forever, all right, title and interest of PAAILLC in and to its 1% limited partner interest (the "Additional All American L.P. Interest") in All American L.P. in exchange for 170,038 Subordinated Units and other good and valuable consideration, the sufficiency of which is hereby acknowledged, and the Partnership hereby accepts the 1% limited partner interest in All American L.P., as a contribution to the capital of the Partnership.

TO HAVE AND TO HOLD the Additional All American L.P. Interest unto the Partnership, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.4 Public Cash Contribution. The parties to this Agreement acknowledge a cash contribution of $244,689,500 from the public in exchange for Common Units.

2.5 Partnership Cash Distribution and Contribution. PAAI acknowledges that the Partnership has distributed cash in the amount of $147,989,500 to PAAI as a reimbursement for certain capital expenditures and Plains Marketing acknowledges that the Partnership has contributed (i) cash in the amount of $96,700,000 to Plains Marketing and (ii) all of the syndication costs incurred by the Partnership in connection with the public offering of the Common Units.

2.6 Sale of Assets by Plains Resources. Plains Resources hereby sells and conveys to Plains Marketing, its successors and assigns, for its and their own use forever, all right, title and

interest in and to the Plains Assets in exchange for (i) the payment of $93.7 million in cash, (ii) the assumption of certain liabilities by Plains Marketing as provided in Section 4.1 and (iii) other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

TO HAVE AND TO HOLD the Plains Assets unto Plains Marketing, its successors and assigns, together with all and singular, the rights and appurtenances thereto in any wise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.7 PAAI Use of Proceeds. The parties to this Agreement acknowledge that PAAI has used a portion of the cash received from the Partnership in Section 2.5 above to discharge approximately $110 million of the Existing Indebtedness plus all accrued and unpaid interest, prepayment premiums, fees and expenses in connection with the Existing Indebtedness and has distributed the balance of cash to Plains Resources.

2.8 Contribution by the Partnership to Plains Marketing. The Partnership hereby grants, contributes, transfers and conveys to Plains Marketing, its successors and assigns, for its and their own use forever, all right, title and interest of the Partnership in and to the All American LP Interest and the Additional All American L.P. Interest, as a contribution to the capital of Plains Marketing, and Plains Marketing hereby accepts the All American LP Interest and the Additional All American L.P. Interest, as a contribution to the capital of Plains Marketing.

TO HAVE AND TO HOLD the All American LP Interest and the Additional All American L.P. Interest, unto Plains Marketing, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.9 Specific Conveyances. To further evidence the asset conveyances recited in this Article II and more fully and effectively convey record title with respect to the real property included in the Assets, Plains Resources has executed and delivered to Plains Marketing certain Conveyance, Assignment and Bill of Sale instruments (the "Specific Conveyances"). The Specific Conveyances shall evidence and perfect the sale and contribution made by this Agreement and shall not constitute a second conveyance of the Plains Assets or interests therein and shall be subject to the terms of this Agreement. The Specific Conveyances are not intended to modify, and shall not modify, any of the terms, covenants and conditions herein set forth and are not intended to create, and shall not create, any additional covenants or warranties of or by Plains Resources.

## ARTICLE III

## ADDITIONAL TRANSACTIONS

3.1 Merger of Gathering LLC and Plains Marketing. The parties to this Agreement acknowledge that, concurrent with the transactions referred to in Article II of this Agreement, Gathering LLC has been merged with and into Plains Marketing.

3.2 PAAI Contribution to PAAI LLC. PAAI hereby grants, contributes, transfers and conveys to PAAI LLC, its successors and assigns, for its and their own use forever, all right, title and interest of PAAI in and to all of the Subordinated Units and Common Units held by PAAI as a contribution to the capital of PAAI LLC, and PAAI LLC hereby accepts all of such Subordinated Units and Common Units, as a contribution to the capital of PAAI LLC.

TO HAVE AND TO HOLD such Subordinated Units and Common Units unto PAAI LLC, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

3.3 All American L.P. Refinancing. The parties to this Agreement acknowledge that All American L.P. shall refinance the portion of Existing Indebtedness assumed in Section 1.2(a) above.

## ARTICLE IV

## ASSUMPTION OF CERTAIN LIABILITIES

4.1. Assumption of Certain Plains Liabilities by Plains Marketing. In connection with the sale and transfer of the Plains Assets to Plains Marketing by Plains Resources, Plains Marketing hereby assumes and agrees to duly and timely pay, perform and discharge the Plains Assumed Liabilities, to the full extent that Plains Resources has been heretofore or would have been in the future, were it not for the execution and delivery of this Agreement, obligated to pay, perform and discharge the Plains Assumed Liabilities; provided, however, that said assumption and agreement to duly and timely pay, perform and discharge the Plains Assumed Liabilities shall not (i) increase the obligation of Plains Marketing with respect to the Plains Assumed Liabilities beyond that of Plains Resources, (ii) waive any valid defense that was available to Plains Resources with respect to the Plains Assumed Liabilities or (iii) enlarge any rights or remedies of any third party under any of the Plains Assumed Liabilities.

4.2. Assumption of Certain PAAI Liabilities by Plains Marketing. In connection with the contribution and transfer of the PAAI Assets to Plains Marketing by PAAI, Plains Marketing hereby assumes and agrees to duly and timely pay, perform and discharge the PAAI Assumed Liabilities, to the full extent that PAAI has been heretofore or would have been in the future, were it not for the execution and delivery of this Agreement, obligated to pay, perform and discharge the PAAI Assumed Liabilities; provided, however, that said assumption and agreement to duly and timely pay, perform and discharge the PAAI Assumed Liabilities shall not (i) increase the obligation of Plains

Marketing with respect to the PAAI Assumed Liabilities beyond that of PAAI, (ii) waive any valid defense that was available to PAAI with respect to the PAAI Assumed Liabilities or (iii) enlarge any rights or remedies of any third party under any of the PAAI Assumed Liabilities.

## ARTICLE V

## INDEMNIFICATION

5.1. Indemnification With Respect to Plains Excluded Liabilities. Plains Resources shall indemnify, defend and hold harmless the Partnership, Plains Marketing, their respective officers and directors and their respective successors and assigns from and against any and all claims, demands, costs, liabilities (including, without limitation, liabilities arising by way of active or passive negligence) and expenses (including court costs and reasonable attorneys' fees) of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of Plains Resources as of the Effective Time, arising from or relating to (i) the Plains Excluded Liabilities or (ii) any failure of Plains Resources to comply with any applicable bulk sales law of any jurisdiction in connection with the transfer of the Plains Assets to Plains Marketing.

5.2. Indemnification With Respect to PAAI Excluded Liabilities. PAAI shall indemnify, defend and hold harmless the Partnership, Plains Marketing, their respective officers and directors and their respective successors and assigns from and against any and all claims, demands, costs, liabilities (including, without limitation, liabilities arising by way of active or passive negligence) and expenses (including court costs and reasonable attorneys' fees) of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of PAAI as of the Effective Time, arising from or relating to (i) the PAAI

Excluded Liabilities or (ii) any failure of PAAI to comply with any applicable bulk sales law of any jurisdiction in connection with the transfer of the PAAI Assets to Plains Marketing.

5.3. Indemnification With Respect to Plains Assumed Liabilities. Plains Marketing shall indemnify, defend and hold harmless Plains Resources, its officers and directors, its successors and assigns from and against any and all claims, demands, costs, liabilities (including, without limitation, liabilities arising by way of active or passive negligence) and expenses (including court costs and reasonable attorneys' fees) of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of Plains Resources as of the Effective Time, arising from or relating to the Plains Assumed Liabilities.

5.4. Indemnification With Respect to PAAI Assumed Liabilities. Plains Marketing shall indemnify, defend and hold harmless PAAI, its officers and directors, its successors and assigns from and against any and all claims, demands, costs, liabilities (including, without limitation, liabilities arising by way of active or passive negligence) and expenses (including court costs and reasonable attorneys' fees) of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of PAAI as of the Effective Time, arising from or relating to the PAAI Assumed Liabilities.

## ARTICLE VI

## TITLE MATTERS

6.1. Encumbrances. The contribution and sale of the Assets made under this Agreement are made expressly subject to (a) all recorded and unrecorded liens, encumbrances, agreements, defects, restrictions, adverse claims and all laws, rules, regulations, ordinances, judgments and orders of governmental authorities or tribunals having or asserting jurisdiction over the Assets or the Business

and operations conducted thereon or therewith, in each case to the extent the same are valid and enforceable and affect the Assets, including, without limitation, all matters that a current on the ground survey or visual inspection of the Assets would reflect, (b) the Plains Assumed Liabilities, (c) the PAAI Assumed Liabilities and (d) all matters contained in the Specific Conveyances.

6.2. Disclaimer of Warranties; Subrogation; Waiver of Bulk Sales Laws.

(a) THE PLAINS GRANTORS ARE CONVEYING THE ASSETS "AS IS" WITHOUT REPRESENTATION OR WARRANTY, WHETHER EXPRESS, IMPLIED OR STATUTORY (ALL OF WHICH THE PLAINS GRANTORS HEREBY DISCLAIM), AS TO (i) TITLE, (ii) FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OR DESIGN OR QUALITY, OR (iii) ANY OTHER MATTER WHATSOEVER. THE PROVISIONS OF THIS SECTION 6.2 HAVE BEEN NEGOTIATED BY PLAINS MARKETING AND THE PLAINS GRANTORS AFTER DUE CONSIDERATION AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY REPRESENTATIONS OR WARRANTIES OF THE PLAINS GRANTORS, WHETHER EXPRESS, IMPLIED OR STATUTORY, WITH RESPECT TO THE ASSETS THAT MAY ARISE PURSUANT TO ANY LAW NOW OR HEREAFTER IN EFFECT, OR OTHERWISE, EXCEPT AS EXPRESSLY SET FORTH HEREIN.

(b) The contribution of the Assets made under this Agreement is made with full rights of substitution and subrogation of Plains Marketing, and all persons claiming by, through and under Plains Marketing, to the extent assignable, in and to all covenants and warranties by the predecessors-in-title of the Plains Grantors, and with full subrogation of all

rights accruing under applicable statutes of limitation and all rights of action of warranty against all former owners of the Assets.

(c) The Plains Grantors and Plains Marketing agree that the disclaimers contained in this Section 6.2 are "conspicuous" disclaimers. Any covenants implied by statute or law by the use of the words "grant," "convey," "bargain," "sell," "assign," "transfer," "deliver," or "set over" or any of them or any other words used in this Agreement are hereby expressly disclaimed, waived and negated.

(d) Each of the parties hereto hereby waives compliance with any applicable bulk sales law or any similar law in any applicable jurisdiction in respect of the transactions contemplated by this Agreement.

## ARTICLE VII

## FURTHER ASSURANCES

7.1. Further Assurances. From time to time after the date hereof, and without any further consideration, Plains Resources or PAAI, as the case may be, shall execute, acknowledge and deliver all such additional deeds, assignments, bills of sale, conveyances, instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate (i) more fully to assure Plains Marketing, its successors and assigns, all of the properties, rights, titles, interests, estates, remedies, powers and privileges by this Agreement granted to Plains Marketing or intended so to be and (ii) more fully and effectively to vest in the Partnership and its successors and assigns beneficial and record title to the interests hereby contributed and assigned to the Partnership or intended so to be and to more fully and effectively carry out the purposes and intent of this Agreement.

7.2. Partnership and Operating Partnership Assurances. From time to time after the date hereof, and without any further consideration, the Partnership and Plains Marketing shall execute, acknowledge and deliver all such additional instruments, notices and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate to more fully and effectively carry out the purposes and intent of this Agreement.

7.3. Post-Closing Adjustment. On or before December 31, 1998, PAAI shall prepare balance sheets as of the Effective Time for All American L.P. and Plains Marketing and determine the aggregate excess net working capital of All American L.P. and Plains Marketing. In the event such aggregate excess net working capital of All American L.P. and Plains Marketing does not equal $8 million, PAAI shall either (i) if the aggregate excess net working capital is less than $8 million, contribute cash sufficient to cause such aggregate excess net working capital to equal $8 million, or (ii) if the aggregate excess net working capital is more than $8 million, be distributed cash in an amount equal to the excess over $8 million.

## ARTICLE VIII

## POWER OF ATTORNEY

The Plains Grantors hereby constitute and appoint Plains Marketing, its successors and assigns, their true and lawful attorney-in-fact with full power of substitution for it and in its name, place and stead or otherwise on behalf of the Plains Grantors, their successors and assigns, and for the benefit of Plains Marketing, its successors and assigns, to demand and receive from time to time the Assets and to execute in the name of the Plains Grantors and their successors and assigns instruments of conveyance, instruments of further assurance and to give receipts and releases in respect of the same, and from time to time to institute and prosecute in the name of Plains Marketing

or the Plains Grantors for the benefit of Plains Marketing, as may be appropriate, any and all proceedings at law, in equity or otherwise which Plains Marketing, its successors and assigns may deem proper in order to collect, assert or enforce any claims, rights or titles of any kind in and to the Assets, and to defend and compromise any and all actions, suits or proceedings in respect of any of the Assets and to do any and all such acts and things in furtherance of this Agreement as Plains Marketing, its successors or assigns shall deem advisable. The Plains Grantors hereby declare that the appointment hereby made and the powers hereby granted are coupled with an interest and are and shall be irrevocable and perpetual and shall not be terminated by any act of the Plains Grantors, their successors or assigns or by operation of law.

## ARTICLE IX

## MISCELLANEOUS

9.1. Order of Completion of Transactions; Effective Time.

(a) The transactions provided for in Articles I, II, III and IV of this Agreement shall be completed on the date of this Agreement in the following order:

First, the transactions provided for in Article I shall be completed;

Second, the transactions provided for in Article II shall be completed;

Third, the transactions provided for in Article III shall be completed; and

Fourth, the transactions provided for in Article IV shall be completed.

(b) The sale of the Assets to Plains Marketing shall be effective for all purposes as of the Effective Time.

9.2. Consents; Restriction on Assignment. If there are prohibitions against or conditions to the conveyance of one or more portions of the Assets without the prior written consent of third

parties, including, without limitation, governmental agencies (other than consents of a ministerial nature which are normally granted in the ordinary course of business), which if not satisfied would result in a breach of such prohibitions or conditions or would give an outside party the right to terminate Plains Marketing's rights with respect to such portion of the Assets (herein called a "Restriction"), then any provision contained in this Agreement to the contrary notwithstanding, the transfer of title to or interest in each such portion of the Assets (herein called the "Restriction-Asset") pursuant to this Agreement shall not become effective unless and until such Restriction is satisfied, waived or no longer applies. When and if such a Restriction is so satisfied, waived or no longer applies, to the extent permitted by applicable law and any applicable contractual provisions, the assignment of the Restriction-Asset subject thereto shall become effective automatically as of the Effective Time, without further action on the part of Plains Marketing or either of the Plains Grantors. The Plains Grantors and Plains Marketing agree to use their reasonable best efforts to obtain satisfaction of any Restriction on a timely basis. The description of any portion of the Assets as a "Restriction-Asset" shall not be construed as an admission that any Restriction exists with respect to the transfer of such portion of the Assets. In the event that any Restriction-Asset exists, the Plains Grantors agree to hold such Restriction-Asset in trust for the exclusive benefit of Plains Marketing and to otherwise use their reasonable best efforts to provide Plains Marketing with the benefits thereof, and the Plains Grantors will enter into other agreements, or take such other action as they deem necessary, in order to help ensure that Plains Marketing has the assets and concomitant rights necessary to enable it to operate the Assets contributed to Plains Marketing in all material respects as they were operated prior to the Effective Time.

9.3. Costs. Plains Marketing shall pay all sales, use and similar taxes arising out of the contributions, conveyances and deliveries to be made hereunder, and shall pay all documentary, filing, recording, transfer, deed, and conveyance taxes and fees required in connection therewith. In addition, Plains Marketing shall be responsible for all costs, liabilities and expenses (including court costs and reasonable attorneys' fees) incurred in connection with the satisfaction or waiver of any Restriction pursuant to Section 9.2.

9.4. Headings: References: Interpretation. All Article and Section headings in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any of the provisions hereof. The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole, including, without limitation, all Schedules and Exhibits attached hereto, and not to any particular provision of this Agreement. All references herein to Articles, Sections, Schedules and Exhibits shall, unless the context requires a different construction, be deemed to be references to the Articles and Sections of this Agreement and the Schedules and Exhibits attached hereto, and all such Schedules and Exhibits attached hereto are hereby incorporated herein and made a part hereof for all purposes. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, and the singular shall include the plural and vice versa. The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation," "but not limited to," or words of similar import) is used with reference thereto,

but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

9.5. Successors and Assigns. The Agreement shall be binding upon and inure to the benefit of the parties signatory hereto and their respective successors and assigns.

9.6. No Third Party Rights. The provisions of this Agreement are intended to bind the parties signatory hereto as to each other and are not intended to and do not create rights in any other person or confer upon any other person any benefits, rights or remedies and no person is or is intended to be a third party beneficiary of any of the provisions of this Agreement.

9.7. Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall constitute one agreement binding on the parties hereto.

9.8. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas applicable to contracts made and to be performed wholly within such state without giving effect to conflict of law principles thereof, except to the extent that it is mandatory that the law of some other jurisdiction, wherein the Assets are located, shall apply.

9.9. Severability. If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, and an equitable adjustment shall be made and necessary provision added so as to give effect to the intention of the parties as expressed in this Agreement at the time of execution of this Agreement.

9.10. Deed; Bill of Sale; Assignment. To the extent required by applicable law, this Agreement shall also constitute a "deed," "bill of sale" or "assignment" of the Assets.

9.11. Amendment or Modification. This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto.

9.12 Integration. This Agreement supersedes all previous understandings or agreements between the parties, whether oral or written, with respect to its subject matter. This document is an integrated agreement which contains the entire understanding of the parties. No understanding, representation, promise or agreement, whether oral or written, is intended to be or shall be included in or form part of this Agreement unless it is contained in a written amendment hereto executed by the parties hereto after the date of this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the date first above written.

PLAINS RESOURCES INC., a Delaware corporation

By: /s/ Phillip D. Kramer
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Phillip D. Kramer, Executive Vice President and Chief Financial Officer

PLAINS MARKETING, L.P., a Delaware limited partnership

By: Plains All American Inc., a Delaware corporation, as general partner

By: /s/ Phillip D. Kramer
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Phillip D. Kramer, Executive Vice President and Chief Financial Officer

PLAINS ALL AMERICAN PIPELINE, L.P., a Delaware limited partnership

By: Plains All American Inc., a Delaware corporation, as general partner

By: /s/ Phillip D. Kramer
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Phillip D. Kramer, Executive Vice President and Chief Financial Officer

ALL AMERICAN PIPELINE, L.P., a Texas limited partnership

By: Plains All American Inc., a Delaware corporation, as general partner

By: /s/ Phillip D. Kramer
---
Phillip D. Kramer, Executive Vice President and Chief Financial Officer

PLAINS ALL AMERICAN INC., a Delaware corporation

By: /s/ Phillip D. Kramer
---
Phillip D. Kramer, Executive Vice President and Chief Financial Officer

PAAI LLC, a Delaware limited liability company

By: Plains All American Inc., a Delaware corporation, its sole member

By: /s/ Phillip D. Kramer
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Phillip D. Kramer, Executive Vice President and Chief Financial Officer

GATHERING LLC, a Delaware limited liability company

By: Plains All American Inc., a Delaware corporation, its sole member

By: /s/ Phillip D. Kramer
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Phillip D. Kramer, Executive Vice President and Chief Financial Officer

EXHIBIT 10.4

# PLAINS ALL AMERICAN INC.
# 1998 LONG-TERM INCENTIVE PLAN

SECTION 1. Purpose of the Plan.

The Plains All American Inc. 1998 Long-Term Incentive Plan (the "Plan") is intended to promote the interests of Plains All American Pipeline, L.P., a Delaware limited partnership (the "Partnership"), by providing to employees and directors of Plains All American Inc. (the "Company") and its Affiliates who perform services for the Partnership incentive compensation awards for superior performance that are based on Units. The Plan is also contemplated to enhance the ability of the Company and its Affiliates to attract and retain the services of individuals who are essential for the growth and profitability of the Partnership and to encourage them to devote their best efforts to the business of the Partnership, thereby advancing the interests of the Partnership and its partners.

SECTION 2. Definitions.

As used in the Plan, the following terms shall have the meanings set forth below:

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Award" means an Option or Restricted Unit granted under the Plan.

"Board" means the Board of Directors of the Company.

"Committee" means the Compensation Committee of the Board or such other committee of the Board appointed to administer the Plan.

"DER" means a contingent right, granted in tandem with a specific Restricted Unit, to receive an amount in cash equal to the cash distributions made by the Partnership with respect to a Unit during the period such Restricted Unit is outstanding.

"Director" means a "non-employee director" of the Company, as defined in Rule 16b-3.

"Employee" means any employee of the Company or an Affiliate, as determined by the Committee.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means the closing sales price of a Unit on the applicable date (or if there is no trading in the Units on such date, on the next preceding date on which there was trading) as reported in The Wall Street Journal (or other reporting service approved by the Committee). In the event Units are not publicly traded at the time a determination of fair market value is required to be made hereunder, the determination of fair market value shall be made in good faith by the Committee.

"Option" means an option to purchase Units granted under the Plan.

"Participant" means any Employee or Director granted an Award under the Plan.

"Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Restricted Period" means the period established by the Committee with respect to an Award during which the Award either remains subject to forfeiture or is not exercisable by the Participant. Notwithstanding anything in the Plan to the contrary, the Restricted Period with respect to any Award granted to an Employee may not terminate prior to the end of the Subordination Period (as defined in the Partnership Agreement).

"Restricted Unit" means a phantom unit granted under the Plan which upon or following vesting entitles the Participant to receive a Unit.

"Rule 16b-3" means Rule 16b-3 promulgated by the SEC under the Exchange Act, or any successor rule or regulation thereto as in effect from time to time.

"SEC" means the Securities and Exchange Commission, or any successor thereto.

"Unit" means a Common Unit of the Partnership.

SECTION 3. Administration.

The Plan shall be administered by the Committee. A majority of the Committee shall constitute a quorum, and the acts of the members of the Committee who are present at any meeting thereof at which a quorum is present, or acts unanimously approved by the members of the Committee in writing, shall be the acts of the Committee. Subject to the following, the Committee, in its sole discretion, may delegate any or all of its powers and duties under the Plan, including the power to grant Awards under the Plan, to the Chief Executive Officer of the Company, subject to

such limitations on such delegated powers and duties as the Committee may impose. Upon any such delegation all references in the Plan to the "Committee", other than in Section 7, shall be deemed to include the Chief Executive Officer; provided, however, that such delegation shall not limit the Chief Executive Officer's right to receive Awards under the Plan. Notwithstanding the foregoing, the Chief Executive Officer may not grant Awards to, or take any action with respect to any Award previously granted to, a person who is an officer subject to Rule 16b-3 or a member of the Board. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to a Participant; (iii) determine the number of Units to be covered by Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled, exercised, canceled, or forfeited; (vi) interpret and administer the Plan and any instrument or agreement relating to an Award made under the Plan; (vii) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (viii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon all Persons, including the Company, the Partnership, any Affiliate, any Participant, and any beneficiary of any Award.

SECTION 4. Units Available for Awards.

(a) Units Available. Subject to adjustment as provided in Section 4(c), the number of Units with respect to which Awards may be granted under the Plan is 975,000. If any Award is forfeited or otherwise terminates or is canceled without the delivery of Units, then the Units covered by such Award, to the extent of such forfeiture, termination or cancellation, shall again be Units with respect to which Awards may be granted.

(b) Sources of Units Deliverable Under Awards. Any Units delivered pursuant to an Award shall consist, in whole or in part, of Units acquired in the open market, from any Affiliate, the Partnership or any other Person, or any combination of the foregoing, as determined by the Committee in its discretion.

(c) Adjustments. In the event that the Committee determines that any distribution (whether in the form of cash, Units, other securities, or other property), recapitalization, split, reverse split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Units or other securities of the Partnership, issuance of warrants or other rights to purchase Units or other securities of the Partnership, or other similar transaction or event affects the Units such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Units (or other securities or property) with respect to which Awards may be granted, (ii) the

number and type of Units (or other securities or property) subject to outstanding Awards, and (iii) the grant or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; provided, that the number of Units subject to any Award shall always be a whole number.

SECTION 5. Eligibility.

Any Employee and Director shall be eligible to be designated a Participant.

SECTION 6. Awards.

(a) Options. The Committee shall have the authority to determine the Employees and Directors to whom Options shall be granted, the number of Units to be covered by each Option, the purchase price therefor and the conditions and limitations applicable to the exercise of the Option, including the following terms and conditions and such additional terms and conditions, as the Committee shall determine, that are not inconsistent with the provisions of the Plan.

(i) Exercise Price. The purchase price per Unit purchasable under an Option shall be determined by the Committee at the time the Option is granted but shall not be less than its Fair Market Value as of the date of grant.

(ii) Time and Method of Exercise. The Committee shall determine the Restricted Period, i.e., the time or times at which an Option may be exercised in whole or in part, and the method or methods by which payment of the exercise price with respect thereto may be made or deemed to have been made which may include, without limitation, cash, check acceptable to the Company, a "cashless-broker" exercise (through procedures approved by the Company), other securities or other property, a note from the Participant (in a form acceptable to the Company), or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price.

(iii) Term. Subject to earlier termination as provided in the grant agreement or the Plan, each Option shall expire on the 10th anniversary of its date of grant.

(iv) Forfeiture. Except as otherwise provided in the terms of the Option grant, upon termination of a Participant's employment with the Company and its Affiliates or membership on the Board, whichever is applicable, for any reason during the applicable Restricted Period, all Options shall be forfeited by the Participant. The Committee may, in its discretion, waive in whole or in part such forfeiture with respect to a Participant's Options.

(b) Restricted Units. The Committee shall have the authority to determine the Employees and Directors to whom Restricted Units shall be granted, the number of Restricted Units to be granted to each such Participant, the duration of the Restricted Period, the conditions under which the Restricted Units may become vested or forfeited, and such other terms and conditions as the

Committee may establish with respect to such Awards, including whether DERs are granted with respect to such Restricted Units.

(i) DERs. To the extent provided by the Committee, in its discretion, a grant of Restricted Units may include a tandem DER grant, which may provide that such DERs shall be paid directly to the Participant, be credited to a bookkeeping account (with or without interest in the discretion of the Committee) subject to the same restrictions as the tandem Award, or be subject to such other provisions or restrictions as determined by the Committee in its discretion. Notwithstanding the foregoing however, DERs shall not be granted with respect to any Award prior to the end of the Subordination Period.

(ii) Forfeiture. Except as otherwise provided in the terms of the Restricted Units grant, upon termination of a Participant's employment with the Company and its Affiliates or membership on the Board, whichever is applicable, for any reason during the applicable Restricted Period, all Restricted Units shall be forfeited by the Participant. The Committee may, in its discretion, waive in whole or in part such forfeiture with respect to a Participant's Restricted Units.

(iii) Lapse of Restrictions. Upon the vesting of each Restricted Unit, the Participant shall be entitled to receive from the Company one Unit, subject to the provisions of Section 8(b).

(c) General.

(i) Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for any other Award granted under the Plan or any award granted under any other plan of the Company or any Affiliate, including the Management Incentive Plan. Awards granted in addition to or in tandem with other Awards or awards granted under any other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(ii) Limits on Transfer of Awards.

(A) Except as provided in (C) below, each Option shall be exercisable only by the Participant during the Participant's lifetime, or by the person to whom the Participant's rights shall pass by will or the laws of descent and distribution.

(B) Except as provided in (C) below, no Award and no right under any such Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge,

attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate.

(C) To the extent specifically provided by the Committee with respect to an Option grant, an Option may be transferred by a Participant without consideration to immediate family members or related family trusts, limited partnerships or similar entities or on such terms and conditions as the Committee may from time to time establish.

(iii) Term of Awards. The term of each Award shall be for such period as may be determined by the Committee.

(iv) Unit Certificates. All certificates for Units or other securities of the Partnership delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the SEC, any stock exchange upon which such Units or other securities are then listed, and any applicable federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(v) Consideration for Grants. Awards may be granted for no cash consideration or for such consideration as the Committee determines including, without limitation, such minimal cash consideration as may be required by applicable law.

(vi) Delivery of Units or other Securities and Payment by Participant of Consideration. Notwithstanding anything in the Plan or any grant agreement to the contrary, delivery of Units pursuant to the exercise or vesting of an Award may be deferred for any period during which, in the good faith determination of the Committee, the Company is not reasonably able to obtain Units to deliver pursuant to such Award without violating the rules or regulations of any applicable law or securities exchange. No Units or other securities shall be delivered pursuant to any Award until payment in full of any amount required to be paid pursuant to the Plan or the applicable Award grant agreement (including, without limitation, any exercise price or tax withholding) is received by the Company. Such payment may be made by such method or methods and in such form or forms as the Committee shall determine, including, without limitation, cash, other Awards, withholding of Units, cashless-broker exercises with simultaneous sale, or any combination thereof; provided that the combined value, as determined by the Committee, of all cash and cash equivalents and the Fair Market Value of any such Units or other property so tendered to the Company, as of the date of such tender, is at least equal to the full amount required to be paid to the Company pursuant to the Plan or the applicable Award agreement.

SECTION 7. Amendment and Termination.

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award agreement or in the Plan:

(i) Amendments to the Plan. Except as required by applicable law or the rules of the principal securities exchange on which the Units are traded and subject to Section 7(ii) below, the Board or the Committee may amend, alter, suspend, discontinue, or terminate the Plan in any manner, including increasing the number of Units available for Awards under the Plan, without the consent of any partner, Participant, other holder or beneficiary of an Award, or other Person; provided, however, that no amendment may be made without the approval of a Unit Majority (as defined in the Partnership Agreement) that would either accelerate, with respect to an Award granted to an Employee, vesting to a date prior to the end of the Subordination Period or permit DERs to be granted prior to the end of the Subordination Period.

(ii) Amendments to Awards. The Committee may waive any conditions or rights under, amend any terms of, or alter any Award theretofore granted, provided no change, other than pursuant to Section 7(iii), in any Award shall materially reduce the benefit to Participant without the consent of such Participant.

(iii) Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(c) of the Plan) affecting the Partnership or the financial statements of the Partnership, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

SECTION 8. General Provisions.

(a) No Rights to Awards. No Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants. The terms and conditions of Awards need not be the same with respect to each recipient.

(b) Withholding. The Company or any Affiliate is authorized to withhold from any Award, from any payment due or transfer made under any Award or from any compensation or other amount owing to a Participant the amount (in cash, Units, other securities, Units that would otherwise be issued pursuant to such Award or other property) of any applicable taxes payable in respect of the grant of an Award, its exercise, the lapse of restrictions thereon, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(c) No Right to Employment. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate or to remain on the Board, as applicable. Further, the Company or an Affiliate may at any time dismiss a Participant from employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award agreement.

(d) Governing Law. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable federal law.

(e) Severability. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(f) Other Laws. The Committee may refuse to issue or transfer any Units or other consideration under an Award if, in its sole discretion, it determines that the issuance or transfer or such Units or such other consideration might violate any applicable law or regulation, the rules of the principal securities exchange on which the Units are then traded, or entitle the Partnership or an Affiliate to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary.

(g) No Trust or Fund Created. Neither the Plan nor the Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any general unsecured creditor of the Company or any Affiliate.

(h) No Fractional Units. No fractional Units shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Units or whether such fractional Units or any rights thereto shall be canceled, terminated, or otherwise eliminated.

(i) Headings. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

SECTION 9. Term of the Plan.

The Plan shall be effective on the date of its approval by the Board and shall continue until the date terminated by the Board or Units are no longer available for grants of Awards under the Plan, whichever occurs first. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted prior to such termination, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or to waive any conditions or rights under such Award, shall extend beyond such termination date.

EXHIBIT 10.5

# PLAINS ALL AMERICAN INC.
# MANAGEMENT INCENTIVE PLAN

SECTION 1. Objectives. The objectives of the Plains All American Inc. Management Incentive Plan (the "Plan") are:

- To communicate and focus management's attention on achieving the business goals of Plains All American Pipeline, L.P. (the "Partnership"),

- To attract and retain highly qualified key employees upon whom the success of the Partnership depends, and

- To reward superior performance.

The Plan is intended to encourage management to achieve and surpass the business objectives of the Partnership through establishing quarterly and/or annual objectives, reviewing performance and awarding quarterly and/or annual bonuses based on the achievement of such objectives.

SECTION 2. Administration. The Plan shall be administered by the Compensation Committee of the Board of Directors (the "Committee") of Plains All American Inc. (the "Company"). The Committee shall have such discretionary authority to administer the Plan, to construe and interpret the Plan, to decide all questions of eligibility, to determine the amount, manner and time of payment of any payments hereunder and to make all other determinations deemed necessary or advisable for the administration of the Plan.

SECTION 3. Eligibility. Employees eligible under the Plan are the officers of the Company and its affiliates who may have a substantial impact on the performance of the Partnership. Each calendar year ("Plan Year") (generally at or near the beginning of such Plan Year, or, with respect to an individual hired or promoted after the beginning of the Plan Year, on or within a reasonable period following the date such individual becomes an eligible employee) the Committee shall select the employees who shall be participants for that year and shall assign levels of participation to each such employee. The incentive award opportunity with respect to an eligible employee shall be designed to reflect the overall impact of the employee on the performance of the Partnership.

SECTION 4. Basis for Determining the Incentive Award. (a) The incentive award for any fiscal quarter or Plan Year shall be based upon the achievement of financial and operating results of the Partnership for such fiscal quarter or year as may be established by the Committee, in its sole discretion.

(b) The factors, and their respective weights, if applicable, used in determining the target award for an eligible employee shall be established by the Committee. The target award with respect

to a participant may be expressed as a percentage of the participant's base salary at the beginning of the Plan Year (or when he first became a participant for such Plan Year), a dollar amount or a percentage of a bonus pool or other bonus formula. An eligible employee's basis of participation in the Plan as a participant for a Plan Year will be communicated to him in writing as early as possible following his selection for the Plan Year.

SECTION 5. Performance Objectives. (a) The Committee shall establish in advance the performance objectives for the applicable performance period. Performance objectives are intended to further the success of the Partnership and shall be:

-- Specific and based, in whole or in part, as determined by the Committee, upon measurable results and/or subjective factors as determined, and weighted, by the Committee, and

-- Challenging, but attainable.

(b) The basis and amount of the incentive award to be provided for different levels of performance achievement will be established by the Committee. A performance schedule shall be established by the Committee to indicate the award payable at varying levels of performance. Performance objectives may be revised at any time during a Plan Year by the Committee in light of unanticipated or extraordinary events.

(c) Specific objectives will be based primarily on the Partnership's business plans and levels of performance.

(d) The Committee may assign objectives that are appropriate to the impact of each participant's position and different objectives may be assigned to different participants or groups of participants.

SECTION 6. Performance. At the end of each fiscal quarter and/or Plan Year, the determination of the achievement of the objectives established for such fiscal quarter and/or Plan Year and the payment of awards earned will occur as soon as practicable after the compilation of the financial and operating results for such period. All financial and operating results will be reviewed and approved by the Committee prior to the payment of earned awards.

SECTION 7. Award Payments. (a) Subject to (d) below, payment of earned awards will be made or begin as soon as reasonably practical after the close of each performance period following the approval of the Committee. Payments will be subject to all applicable tax withholding requirements.

(b) If a participant's employment terminates during a performance period, whether voluntarily or involuntarily, the participant shall forfeit all rights to any incentive award for that performance period, unless the Committee, in its discretion, elects to pay all or a portion of the

award. If a participant's employment terminates after the end of the performance period and before payment of the award for any reason other than death or retirement after 15 continuous years of employment with the Company and its affiliates, unless waived by the Committee in its discretion, the participant shall forfeit the incentive award payment, if any, he would otherwise have been eligible to receive had he remained with the Company and its affiliates. However, if such termination is due to the death of the participant, payment of the incentive award, if any, the participant would have received had he lived and remained with the Company and its affiliates shall be made to the participant's beneficiary, in accordance with the designation filed by the participant with the Company or, if no designation has been filed or such designation is ineffective for any reason, the participant's estate.

(c) Earned awards shall be paid in cash, less applicable withholding requirements.

(d) Annual awards (not fiscal quarter awards) to the extent earned for a Plan Year shall be paid as follows, unless the Committee provides otherwise: (i) 40% of the award shall be payable by April 1 following the end of the Plan Year and (ii) 20% of the award shall be payable as soon as reasonably practical on or following each April 1 next following the year of the 40% payment until the earned award is paid in full; provided, however, if a participant's employment with the Company and its affiliates terminates prior to any such payment, all such remaining payment(s) shall be forfeited, unless waived by the Committee, in its discretion.

SECTION 8. Terminations or Amendment. The Plan may be terminated or amended at any time by the Company.

SECTION 9. Effective Date. This Plan is effective as of November 23, 1998.

EXHIBIT 10.6

# EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT ("Agreement"), made as of the 23rd day of November, 1998 (the "Effective Date"), between Plains Resources Inc., a Delaware corporation (the "Company"), and Harry N. Pefanis ("Employee").

W I T N E S S E T H:
- - - - - - - - - - -

1. Employment and Term of Employment. The Company hereby employs the Employee, and the Employee hereby agrees to serve the Company, on the terms and conditions set forth herein. Subject to the provisions of Sections 7 and 8, the term of this Agreement shall be for an initial period of three years from the Effective Date hereof. Not more than 90 days and not less than 60 days prior to the first anniversary of the Effective Date hereof and again during the same period prior to each subsequent anniversary of the Effective Date hereof (each a "Contract Anniversary Date"), the Employee may provide written notice (an "Extension Notice") to the President and Chief Executive Officer of the Company stating that he wishes to extend the remaining term of this Agreement for one year. Unless the Employee receives, prior to the Contract Anniversary Date immediately following delivery of such Extension Notice, a written response from the Chairman of the Board of Directors of the Company (the "Board") (or, if applicable, the Chairman of the Compensation Committee) to the effect that the Board has voted not to extend the remaining term of this Agreement, then the term of this Agreement shall be automatically extended for such one-year period. Failure of the Employee to provide a timely Extension Notice as contemplated by this Section 1 shall automatically cause the term of this Agreement to conclude two years following the Contract Anniversary Date prior to which the Extension Notice would have otherwise been provided. Notwithstanding the foregoing, on the effective date of a "Change in Control of the Company", as defined in Section 7(d), or on the Disposition Date, as defined in Section 7(e), the term of this Agreement automatically shall be extended for three years from such effective date or Disposition Date, as the case may be.

2. Position and Duties. The Employee shall serve as an Executive Vice President of the Company and the President and Chief Operating Officer of Plains All American Inc. ("PAAI"), shall report to the President and Chief Executive Officer of the Company, and shall have supervision and control over and responsibility for (i) the marketing operations of the Company and its subsidiaries, and (ii) the overall operations of PAAI, with such other powers and duties as may from time to time be prescribed by the President and Chief Executive Officer of the Company, provided that such duties are consistent with the Employee's positions. The Employee shall, during the term of this Agreement, devote such of his entire working time, attention, energies and business efforts to his duties and responsibilities hereunder as are reasonably necessary to carry out the duties and responsibilities generally appertaining to such offices, it being agreed that the Employee's principal

duties and responsibilities shall be serving as President and Chief Operating Officer of PAAI and that the Company shall not require the Employee to engage in activities that materially detract from the Employee's ability to satisfactorily discharge his duties and responsibilities as President and Chief Operating Officer of PAAI. The Employee shall not, during the term of this Agreement, engage in any other business activity (regardless of whether such business activity is pursued for gain, profit or other pecuniary advantage) without the prior written approval of the President and Chief Executive Officer of the Company (which approval shall not be unreasonably withheld). Nothing in this Section 2 shall be deemed to restrict the Employee from investing his personal assets as a passive investor in the publicly traded securities of other companies.

3. Place of Performance. Subject to such business travel from time to time as may be reasonably required in the discharge of his duties and responsibilities under this Agreement, the Employee shall perform his obligations hereunder at the Company's principal place of business in Houston, Texas.

4. Compensation.

(a) Base Salary and Bonus. Subject to the provisions of Section 7 and 8, during the period of the Employee's employment hereunder, the Company shall pay the Employee an aggregate base salary at an annual rate which shall be determined from time to time by the Board or its Compensation Committee. The Employee's initial base salary as of the date hereof, shall be $235,000 per annum. Such initial base salary as the same may be increased from time to time as provided herein shall be hereinafter referred to as the "Base Salary." The Base Salary shall be paid in equal installments pursuant to the Company's customary payroll policies in force at the time of payment (but in no event less frequently than semi-monthly), less required payroll deductions. The Base Salary shall be reviewed in January of each year and may be increased as of each January 1st to reflect the Employee's performance and contribution, such increases, if any, to be in such amounts as the Board or the Compensation Committee shall determine is reasonable. During the term of this Agreement, the Employee's Base Salary shall not be reduced below its then-current rate unless the Board shall implement across-the-board salary reductions for all executive officers of the Company, in which event the Employee's Base Salary shall not, without his consent, be reduced to an amount which is less than the greater of (i) $200,000 or (ii) 85% of the Base Salary in effect immediately prior to such reduction. In addition to Base Salary, the Employee shall be entitled to receive such incentive compensation payments as the Board or its Compensation Committee may determine, including an annual bonus. Factors to be considered in determining the amount of any such bonus will include the Employee's contributions to the Company's upstream activities, the performance of Plains All American Pipeline, L.P. and the correlation of the Employee's bonus to the bonuses paid by PAAI to its other key employees pursuant to its annual incentive programs.

(b) Expenses. During the term of his employment hereunder, the Employee shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by him (in accordance with the policies and procedures established by the Company) in performing services hereunder.

(c) Fringe Benefits. The Employee shall be entitled to participate in or receive benefits under any pension plan, profit-sharing plan, savings plan, stock option plan, life insurance, health-and-accident plan or arrangement made available by the Company to its executives and key management employees, subject to and on a basis consistent with the terms, conditions, and overall administration of such plans and arrangements. The Employee shall be entitled to prompt payment or reimbursement by the Company for monthly dues and Company-related charges at such social club or clubs as may be approved during the term of this Agreement by the President and Chief Executive Officer of the Company or his delegate. Except for proceeds from key-man life insurance purchased and maintained by the Company, if applicable, for the purpose, among others, of funding its obligations to the Employee or his estate under Section 8, nothing paid to the Employee under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of compensation to the Employee hereunder.

(d) Working Facilities. The Company shall furnish the Employee with a private office, secretary and such other facilities and services suitable to his position and adequate for the performance of his duties.

(e) Vacations. The Employee shall be entitled to the number of paid vacation days in each calendar year determined by the Company from time to time for its senior executive officers, but not less than 15 business days in any calendar year (prorated in any calendar year during which the Employee is employed hereunder for less than the entire such year in accordance with the number of days in such calendar year during which he is so employed). All such vacation days shall accumulate from calendar year to calendar year during the term of this contract (or any predecessor or successor contracts or arrangements) in the event that the Employee shall be unable to utilize the full allotment to which he may become entitled in any calendar year. The Employee shall also be entitled to all other paid holidays given by the Company to its senior executive officers.

5. Offices. In addition to his duties as set forth hereunder, the Employee agrees to serve without additional compensation, if elected or appointed thereto, in one or more offices or as a director of any of the Company's subsidiaries, provided, however, that the Employee shall not be required to serve as an officer or director of any such subsidiary if such service would expose him to adverse financial consequences.

6. Confidential Information; Non-solicitation. During the period of his employment hereunder and, except as provided below, for the two-year period following the termination of employment, the Employee shall not, without the written consent of the Board or a person authorized thereby, (i) disclose to any person, other than an employee of the Company or PAAI or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Employee of his duties as an executive of the Company and PAAI, any confidential information obtained by him while in the employ of the Company or PAAI with respect to the Company's or PAAI's business, including but not limited to technology, know-how, processes, maps, geological and geophysical data, information regarding any of PAAI's or its affiliates' pipeline terminalling and marketing customers, practices, or operations, and other proprietary information, the disclosure of which he knows or should know will be damaging to the Company or PAAI; provided however, that

confidential information shall not include any information known generally to the public (other than as a result of unauthorized disclosure by the Employee), any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Company, or any information which the Employee may be required to disclose by any applicable law, order, or judicial or administrative proceeding, (ii) associate in any capacity whatsoever, whether as a promoter, owner, officer, director, employee, partner, lessee, lessor, lender, agent, consultant, broker, commission salesman or otherwise, in any business engaged in the marketing business conducted by the Company or its subsidiaries of a type competitive, directly or indirectly, with the business of the Company or its subsidiaries, other than passive ownership of up to 5% of the outstanding shares of a publicly traded company, or (iii) directly or indirectly, for whatever reason, whether for his own account or for the account of any other person, firm, corporation or other organization solicit, take away, hire, employ or endeavor to employ any person who is an employee of the Company or any of its subsidiaries. Notwithstanding the foregoing, if the Employee is terminated by the Company other than for Cause prior to January 1, 2001, the noncompetition restrictions in clause (ii) above shall terminate on the first anniversary of the Date of Termination. If any portion of this Section 6 shall be invalid or unenforceable, such invalidity or unenforceability shall in no way be deemed or construed to affect in any way the enforceability of any other portion of this Section 6. If any court in which the Company seeks to have the provision of this Section 6 specifically enforced determines that the activities, time or geographic area hereinabove specified are too broad, such court may determine a reasonable activity, time or geographic area.

7. Termination.

(a) Death. The Employee's employment hereunder shall terminate upon his death.

(b) Disability. If, as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been absent from his duties hereunder on a full time basis for twelve consecutive months, and, within 30 days after Notice of Termination is given, shall not have returned to the performance of his duties hereunder on a full-time basis, the Company may terminate the Employee's employment hereunder.

(c) Cause. The Company may terminate the Employee's employment hereunder for Cause. For the purpose of this Agreement, the Company shall have "Cause" to terminate the Employee's employment hereunder only upon (i) the willful engaging by the Employee in gross misconduct, or (ii) the nonappealable conviction of the Employee of a felony involving moral turpitude. For purposes of this paragraph, no act, or failure to act, on the Employee's part shall be considered "willful" unless done, or omitted to be done, by him not in good faith and without reasonable belief that his act or omission was in the best interests of the Company or PAAI or otherwise likely to result in no material injury thereto. Notwithstanding the foregoing, the Employee shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Employee a copy of a resolution, duly adopted by the affirmative vote of the Board at a meeting duly called and held for the purpose (after reasonable notice to the Employee and an opportunity for him, together with his counsel, to be heard before the Board), finding that in the good

faith opinion of the Board, the Employee was guilty of conduct set forth above in clause (i) or (ii) and specifying the particulars thereof in detail.

(d) Termination by the Employee. The Employee may terminate his employment hereunder (i) for Good Reason, provided that a Notice of Termination shall have been given by the Employee to the Company within 90 days following the occurrence of the event constituting such Good Reason, (ii) if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, or (iii) at any time by giving three months' written notice to the Company of his intention to terminate. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following circumstances: (A) any removal of the Employee from, or any failure to re-elect the Employee to, the positions indicated in Section 2 hereof, except in connection with termination of the Employee's employment either for Cause or as provided in Section 7(e), or (B) a reduction in the Employee's rate of Base Salary other than as permitted by Section 4(a), a material reduction in the Employee's fringe benefits, or any other material failure by the Company to comply with Section 4 hereof, or (C) failure of the Company to obtain the express assumption of and the agreement to perform this Agreement by any successor as contemplated in Section 9 hereof. Under certain circumstances set forth in Section 8, if the Employee terminates employment on or following a Change in Control of the Company, he may be entitled to additional benefits. A "Change in Control of the Company" shall conclusively be deemed to have occurred (i) on the date when any person, including any partnership, limited partnership, syndicate or other group deemed a "person" for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended, (A) becomes the beneficial owner, directly or indirectly, of shares of the Company's capital stock having 25% or more of the total number of votes that may be cast in the election of directors of the Company and (B) seeks to elect or cause to be elected two or more members of the Board or otherwise exerts or attempts to exert a controlling influence on the management of the Company, or (ii) on the date the individuals who are Directors of the Company on the date hereof constitute less than a majority of the Board unless the election, or the nomination for election by the Company's stockholders, of each new Director has been approved by a majority of the Directors still then in office who are Directors of the Company on the date hereof; provided, however, that a restructuring of the Company as a wholly-owned subsidiary of another corporation in a transaction in which the owners of shares of capital stock of the Company become the owners, in substantially identical proportions, of all or substantially all of the shares of capital stock of such other corporation shall not be deemed to be a "Change in Control of the Company" for purposes of the foregoing clause (ii); and provided further that no "Change in Control of the Company" shall be deemed to have occurred solely as a result of the issuance of the authorized and unissued capital stock of the Company or of any parent of the Company in connection with a financing or acquisition initiated by the Company or such parent.

(e) Disposition of Marketing Operations. If a Marketing Operations Disposition (hereinafter defined) is consummated involving the Company's principal marketing subsidiary, currently Plains Marketing & Transportation Inc. and, effective upon the initial public offering of Common Units of Plains All American Pipeline, L.P. ("PAAP"), PAAI (the "Principal Marketing Subsidiary"), and an entity or person other than an entity or person of which more than 50% of the equity interests are owned, directly or indirectly, by the Company (the "Acquirer"), and as a condition

to the Marketing Operations Disposition, the Acquirer requires that the Employee be employed exclusively by the Acquirer or an affiliate of the Acquirer, the Employee's termination of employment with the Company on the date of consummation of the Marketing Operations Disposition (the "Disposition Date") shall not entitle the Employee to any further payments or benefits from the Company pursuant to this Agreement, provided the Acquirer expressly assumes this Agreement pursuant to Section 9 hereof on the Disposition Date "as if" it were a successor to the Company and all obligations of the Company hereunder. Notwithstanding anything in this Agreement to the contrary, a removal of the Employee from, or failure to re-elect the Employee to, the positions indicated in Section 2 hereof on or in connection with a Marketing Operations Disposition and the assumption of this Agreement by the Acquirer shall not constitute a Good Reason event provided the Employee's status, responsibilities and duties, including reporting responsibilities, with the Acquirer and its affiliate, if applicable, are substantially comparable to those positions indicated in Section 2. As used herein, "Marketing Operations Disposition" shall mean (i) the sale or transfer of 50% or more of the capital stock of the Principal Marketing Subsidiary, (ii) a merger or consolidation of the Principal Marketing Subsidiary, (iii) the sale or transfer of all or substantially all of the assets of the Principal Marketing Subsidiary or of PAAP, or (iv) the Principal Marketing Subsidiary and any other 50% or more owned entity of the Company ceasing to be the general partner of PAAP. If the Acquirer either does not require the Employee to be employed exclusively by the Acquirer or an affiliate of the Acquirer, or it fails to assume this Agreement on the Disposition Date as provided above, a termination of the Employee's employment on or within one year following the Disposition Date either by the Company, other than pursuant to Sections 7(a), 7(b) or 7(c), or by the Employee for a Good Reason shall be deemed a termination pursuant to this Section 7(e).

(f) Notice of Termination. Any termination by the Company pursuant to subsection (b) or (c) above or by the Employee pursuant to subsection (d) or (e) above shall be communicated by written Notice of Termination to the other party hereto. For purposes of the Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated.

(g) Date of Termination. The "Date of Termination" shall mean (i) if the Employee's employment is terminated by his death, the date of his death, (ii) if the Employee's employment is terminated pursuant to subsection (b) above, 30 days after Notice of Termination is given (provided that the Employee shall not have returned to the performance of his duties on a full-time basis during such 30-day period), (iii) if the Employee's employment is terminated pursuant to subsection (c) or (d)(iii) above, the date specified in the Notice of Termination, (iv) if the Employee's employment is terminated pursuant to subsection (e) above, the Disposition Date, and (v) if the Employee's employment is terminated for any other reason, the date on which a Notice of Termination is given.

8. Compensation Upon Termination or During Disability.

(a) If the Employee's employment shall be terminated by reason of his death, the Company shall pay to such person as the Employee shall designate in a notice filed with the Company, or, if no such person shall be designated, to his estate as a lump sum death benefit, an amount equal to the highest annual rate at which his Base Salary hereunder was paid prior to the date of death, multiplied by the lesser of (i) two years or (ii) the number of days remaining in the term of this Agreement as provided in Section 1 divided by 360 days per year. So long as the Employee is employed hereunder, subject to availability at a cost which does not reflect any abnormal health or other risks, the Company may purchase and maintain insurance on the life of the Employee with death benefits thereunder payable to the Employee's designated beneficiary or estate which are at least equal to the death benefit provided for in the preceding sentence. Such death benefit shall be exclusive of and in addition to any payments the Employee's widow, beneficiaries or estate may be entitled to receive pursuant to any pension or employee benefit plan maintained by the Company for its executive officers generally.

(b) During any period that the Employee fails to perform his duties hereunder as a result of incapacity due to physical or mental illness, the Employee shall continue to receive his full Base Salary at the rate in effect prior to the date of such incapacity until the Date of Termination if the Employee's employment is terminated pursuant to Section 7(b) hereof.

(c) If the Employee's employment shall be terminated for Cause as provided in Section 7(c) hereof, the Company shall pay the Employee his full Base Salary through the Date of Termination at the rate in effect at the time Notice of Termination is given and the Company shall have no further payment obligations to the Employee under this Agreement.

(d) If the Company shall terminate the Employee's employment other than pursuant to Sections 7(a), 7(b), 7(c) or 7(e) hereof or if the Employee shall terminate his employment pursuant to Section 7(d)(i) or 7(d)(ii) hereof, then

(i) the Company shall pay the Employee his full Base Salary plus any accumulated vacation pay through the Date of Termination at the rate in effect at the time Notice of Termination is given; and

(ii) in lieu of any further payments to the Employee for periods subsequent to the Date of Termination, the Company shall make a severance payment to the Employee not later than the tenth business day following the Date of Termination, in a lump sum amount equal to the highest annual rate at which his Base Salary hereunder was paid prior to the Date of Termination multiplied by the lesser of (A) two years or (B) the number of days remaining in the term of this Agreement as provided in Section 1 divided by 360 days per year; provided, however, that if the Employee shall terminate his employment pursuant to Section 7(d)(i) on or within one year following a Change in Control of the Company, then such lump sum amount shall equal three times the aggregate of (x) the highest annual rate at which the Employee's Base Salary was paid prior to Date

of Termination plus (y) the highest amount of any annual bonus paid to the Employee during the three years prior to the Date of Termination.

The Employee shall not be required to mitigate the amount of any payment provided for in this Section 8 by seeking other employment or otherwise.

(e) If the Employee terminates this Agreement pursuant to Section 7(d)(iii) hereof, the Employee shall receive his full Base Salary through the Date of Termination including any accrued vacation days at the rate then in effect and the Company shall have no further payment obligations to the Employee under this Agreement.

(f) If the Employee's employment with the Company is terminated pursuant to Section 7(e), then the Company shall make a severance payment to the Employee not later than the tenth business day following the Date of Termination in a lump sum amount equal to three times the aggregate of (x) the highest annual rate at which the Employee's Base Salary was paid prior to Date of Termination plus (y) the highest amount of any annual bonus paid to the Employee during the three years prior to the Date of Termination.

(g) Unless the Employee is terminated for Cause or the Employee's employment is terminated pursuant to Section 7(a) or 7(d)(iii) hereof, the Employee shall be entitled to continue to participate, for a period which is the lesser of two years from the Date of Termination or the remaining term of this Agreement, in such health and accident plan or arrangement as is made available by the Company to its executive officers generally. The Employee shall not be entitled to participate in any other employee benefit plan or arrangement of the Company following the Date of Termination except as expressly provided by the terms of any such plan.

(h) The Company will reimburse the Employee for the federal excise tax, if any, which is due pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended, on the compensation payments (but not this reimbursement payment) described in this Agreement.

9. Successors; Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance reasonably satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Employee to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if he had terminated his employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid, and shall also include any Acquirer as defined in Section 7(e),

which executes and delivers the agreement provided for in this Section 9 (or Section 7(e), if applicable) or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement and all rights of the Employee hereunder shall inure to the benefit of and be enforceable by the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Employee should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Employee's devisee, legatee, or other designee or, if there be no such designee, to the Employee's estate.

10. Indemnification. The Company shall, to the fullest extent permitted by law, indemnify and hold harmless the Employee against any loss, liability, claim, damage and expense, including the cost of defense, incurred in the course of the Employee's employment hereunder. The Company's liability hereunder shall be reduced by the amount of insurance proceeds paid to or on behalf of the Employee with respect to an event giving rise to indemnification hereunder. This indemnification shall survive the death or other termination of employment of the Employee and the termination of this Agreement. Any legal fees incurred by the Employee in the enforcement of this or any other provision of this Agreement shall be promptly reimbursed by the Company as the same are incurred.

11. Survival. The provisions of Sections 6, 8, and 10 shall survive the termination of employment of the Employee. In addition, all obligations of the Company to make payments hereunder shall survive any termination of this Agreement.

12. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the parties at their addresses set forth below, or to such other addresses as either party may have furnished to the other in writing in accordance herewith except that notices of change of address shall be effective only upon receipt.

If to the Company:

Plains Resources Inc.
500 Dallas Street, Suite 700
Houston, Texas 77002
Attention: General Counsel

If to the Employee:

Harry N. Pefanis
4103 University Blvd.
Houston, Texas 77005

13. Miscellaneous. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Texas.

14. Entire Agreement. This Agreement contains the entire understanding of the parties in respect of its subject matter and supersedes all prior oral and written agreements and understandings between the parties with respect to such subject matter and supersedes all subsequent agreements or understandings between the parties with respect to all employee benefit plans or arrangements in effect on the date hereof or hereafter adopted to the extent that such plans or arrangements conflict with the terms of this Agreement.

15. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any provision of this Agreement, which shall remain in full force and effect.

16. Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

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

PLAINS RESOURCES INC.

By: /s/ John H. Lollar
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Chairman of the Compensation
Committee of the Board of Directors

HARRY N. PEFANIS

/s/ Harry N. Pefanis
---
Employee

EXHIBIT 10.7

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CRUDE OIL MARKETING AGREEMENT

among

PLAINS RESOURCES INC.
PLAINS ILLINOIS INC.
STOCKER RESOURCES, L.P.
CALUMET FLORIDA, INC.

and

PLAINS MARKETING, L.P.

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# CRUDE OIL MARKETING AGREEMENT

This CRUDE OIL MARKETING AGREEMENT (this "Agreement"), dated November ___, 1998, is by and between PLAINS RESOURCES INC., a Delaware corporation ("Plains Resources"), PLAINS ILLINOIS INC., a Delaware corporation ("Plains Illinois"), STOCKER RESOURCES, L.P., a California limited partnership ("Stocker"), CALUMET FLORIDA, INC., a Delaware corporation ("Calumet"), and PLAINS MARKETING, L.P., a Delaware limited partnership ("Buyer"). Plains Resources, Plains Illinois, Stocker, and Calumet are sometimes referred to herein individually as a "Seller" and collectively as the "Sellers." Sellers and Buyer are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

R E C I T A L S:

A. Sellers own and produce crude oil from properties located within the lower 48 states of the United States.

B. Sellers desire to sell and Buyer desires to purchase all of the crude oil which is produced and owned by Sellers from such properties.

NOW, THEREFORE, the Parties agree as follows:

## ARTICLE I
## DEFINITIONS

1.1 Definitions. As used herein, the following terms shall have the following meanings:

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreement" means this Agreement and all exhibits, schedules, amendments, modifications, and supplements to this Agreement.

"Anniversary Date" has the meaning assigned in Article III.

"Barrel" means forty-two (42) United States gallons of Crude Oil measured in accordance with the General Provisions.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the states of New York or Texas shall not be regarded as a Business Day.

"Buyer Specified Event" has the meaning assigned in Section 8.1.

"Change of Control" has the meaning assigned in that certain Omnibus Agreement, dated as of the Closing Date (as defined therein), among Plains Resources, Buyer, General Partner, Plains All American Pipeline, L.P., a Delaware limited partnership, and All American, L.P., a Texas limited partnership.

"Conflicts Committee" means a committee of the Board of Directors of the General Partner composed entirely of two or more directors who are neither securityholders, officers nor employees of the General Partner nor officers, directors or employees of any Affiliate of the General Partner.

"Corporate Governance Documents" means, with respect to any Person, the Certificate or Articles of Incorporation, or Partnership Agreement (or their equivalents), the by-laws (or their equivalents), and the other corporate governance documents of such Person.

"Crude Oil" means crude oil meeting the specifications set forth in the General Provisions.

"Defaulting Party" means (a) in the case of a Buyer Specified Event, Buyer, and (b) in the case of a Seller Specified Event, any Seller affected by such Seller Specified Event.

"Delivery Point" has the meaning assigned in Section 2.3.

"Effective Date" means the date of execution of this Agreement.

"Existing Contract" has the meaning assigned in Section 2.2(g).

"Force Majeure" has the meaning assigned in Article IX.

"General Partner" means Plains All American Inc., a Delaware corporation, and its predecessors, successors and permitted assigns as general partner of the Buyer.

"General Provisions" has the meaning assigned in Section 2.6.

"Governmental Requirements" means all judgments, orders, writs, injunctions, decrees, awards, laws, ordinances, statutes, regulations, rules, franchises, permits, certificates, licenses, authorizations, and the like of any government, or any commission, board, court, agency, instrumentality, or political subdivision thereof.

"Marketing and Administrative Fee" has the meaning assigned in Section 2.4.

"Marketing Area" means the lower 48 states of the United States.

"Non-defaulting Party" means (i) in the case of a Buyer Specified Event, any Seller which is affected by such Buyer Specified Event, and (ii) in the case of a Seller Specified Event, Buyer.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Platt's P+ Average" means the arithmetic average of the Platt's Prices for P-Plus WTI during a Trading Cycle.

"Platt's Difference" means the arithmetic average for a Trading Cycle of the difference between the Platt's Prices of the applicable grade of crude to be exchanged (i.e. WTS, LLS, HLS, Eugene Island, Bonito, etc.) and the prompt month WTI.

"Platt's Prices" means the average of the price range of a particular grade of crude oil as published in the Crude Price Assessments table of Platt's Oilgram Price Report.

"Purchase Price" has the meaning assigned in Section 2.4.

"Sales Price" has the meaning assigned in Section 2.4.

"Seller Specified Event" has the meaning assigned in Section 8.2.

"Specified Event" means a Buyer Specified Event or a Seller Specified Event, as the case may be.

"Trading Cycle" means for a particular month of delivery, a cycle beginning on the 26th day of the second month preceding such month of delivery through the 25th day of the month preceding such month of delivery.

"Trade Location" has the meaning assigned in Section 2.4(b).

## ARTICLE II
## PURCHASE AND SALE

2.1 Purchase and Sale. Buyer hereby agrees to purchase and receive and Sellers hereby agree to sell and deliver all of the Crude Oil produced and owned by Sellers from properties located within the Marketing Area. Currently, such properties are set forth on Exhibit A attached hereto and incorporated herein. Exhibit A shall be promptly updated to add or delete, as the case may be, Crude Oil production dedicated to this Agreement.

2.2 Addition or Release of Properties or Sellers. Crude Oil producing properties and Sellers shall be added or released from the terms and provisions of this Agreement upon the occurrence of the following events:

(a) If a Person who owns Crude Oil producing properties within the Marketing Area becomes an Affiliate of Plains Resources, Plains Resources shall cause such Affiliate to become a Seller hereunder by executing and delivering a ratification of this Agreement to Buyer as soon as practicable after the date such Person became an Affiliate of Plains Resources.

(b) If a Seller acquires additional Crude Oil properties within the Marketing Area, such additional properties and the Crude Oil owned and produced therefrom by such Seller shall become subject to this Agreement as soon as practicable after the date of acquisition of such properties.

(c) If a Seller, other than Plains Resources, ceases to be an Affiliate of Plains Resources, this Agreement shall terminate with respect to such Seller, its properties, and the Crude Oil produced therefrom, with such termination to be effective as soon as practicable following the date such Seller gives written notice to Buyer that it has ceased to be an Affiliate of Plains Resources.

(d) If a Seller sells, transfers or otherwise disposes of any of its properties or the interests therein which are within the Marketing Area, such properties or interests shall cease to be subject to this Agreement as soon as practicable following the date of such sale, transfer or disposition; but in no event shall such properties or interests cease to be subject to this Agreement prior to the termination of any agreement Buyer has previously entered into for the sale of Crude Oil attributable to production from such properties or interests.

(e) If a Seller and Buyer determine that it is impracticable for Buyer to purchase Crude Oil from any property owned by such Seller within the Marketing Area, such Seller and Buyer may, by mutual written agreement with the concurrence of the Conflicts Committee, terminate this Agreement with respect to such properties. Thereafter, neither such Seller nor Buyer shall have any further obligations under this Agreement with respect to such properties.

(f) Upon the occurrence of any of the foregoing events under subparagraphs (a), (b), (c), (d) or (e) above, the affected Seller shall give written notice to Buyer as soon as practicable and Exhibit A shall be revised to reflect the effect of such event. Upon request by any Party affected by such event, all Parties hereto shall execute and deliver to the requesting Party such documents and instruments as may be reasonably necessary to evidence additions or releases of Parties or properties to this Agreement.

(g) Notwithstanding the provisions of subparagraphs (a) and (b) above, the addition of any Seller or properties to this Agreement shall be subject to any crude oil sales contract to which such Seller or properties are bound at the time such Seller or properties would otherwise become subject to this Agreement (an "Existing Contract"). Accordingly, no Crude Oil shall be sold

hereunder in contravention of an Existing Contract by such Seller or from such properties until the Existing Contract has expired or been terminated.

2.3 Delivery. Delivery shall be made from the lease tankage on the properties, or such other point as is mutually agreed to and reflected on Exhibit A (a "Delivery Point"), into transportation facilities designated by Buyer.

2.4 Price. The price to be paid by Buyer for Crude Oil sold hereunder (the "Purchase Price") shall be equal to the Sales Price for each Barrel as determined in this Section 2.4, less the sum of (i) a marketing and administrative fee of $.20 for each Barrel sold (the "Marketing and Administrative Fee") and (ii) with respect to Crude Oil which is not sold by Buyer at a Delivery Point, the reasonable out-of-pocket expenses (if any) incurred by Buyer to transport or exchange each Barrel of such Crude Oil.

(a) For Crude Oil which Buyer resells at a Delivery Point, the Sales Price shall be the price received by Buyer for each Barrel sold at the Delivery Point.

(b) For Crude Oil which Buyer either (i) transports to a location other than a Delivery Point (a "Trade Location") or (ii) exchanges for other Crude Oil at a Trade Location, the Sales Price shall be determined as follows:

(x) if such Crude Oil is not aggregated with other Crude Oil owned by Buyer, the Sales Price shall be equal to the price received by Buyer for each Barrel sold at the Trade Location; or

(y) if such Crude Oil is aggregated with other Crude Oil owned by Buyer, the Sales Price shall be equal to the sum of (i) the posted price received by Buyer for each Barrel sold at the Trade Location and (ii) a premium equal to the Platt's P+ Average and plus or minus, as applicable, the Platt's Difference at the Trade Location. If the Platt's P+ Average or the Platt's Difference is not published, then the price shall be the weighted average for each Barrel of Buyer's sales at such Trade Location.

2.5 Payment. Payments by Buyer for Crude Oil purchased hereunder shall be based on the applicable Purchase Price, the volumes delivered by Sellers, and 100% of the interest shown on Exhibit A attached hereto, less state taxes which are withheld by Buyer. All payments shall be wired to Plains Resources for the account of the Sellers in accordance with written instructions from Plains Resources. Such wire transfers shall be made on the twentieth day of the month following the month of actual receipt of Crude Oil; provided that, if the twentieth day of the month falls on a Sunday or a banking holiday, payment will be made on the following Business Day, or if the twentieth day of the month falls on a Saturday, payment will be made on the preceding Business Day.

2.6 General Provisions. Plains Marketing, L.P.'s General Provisions dated November 1, 1998, is attached hereto as Exhibit B and is incorporated by reference and made a part of this Agreement. If any conflict should arise between the General Provisions and the information stated herein, this Agreement shall apply.

2.7 No Restrictions. No provision contained in this Agreement shall in any way be interpreted as being a restriction on the ability of any Seller to convey or transfer Crude Oil to any other Seller, or to any of their subsidiaries. However, all such Crude Oil conveyed or transferred to a Seller or subsidiary is and shall remain subject to this Agreement including the obligations contained in this Article II.

## ARTICLE III
## RENEGOTIATION

Prior to the third anniversary of this Agreement, and the end of each successive three-year period thereafter (an "Anniversary Date"), either the Sellers or Buyer may request, in writing, to renegotiate the Marketing and Administrative Fee. Any such renegotiation request must be accompanied with documentation supporting the request to either increase or decrease the Marketing and Administrative Fee, and shall be in accordance with the following procedures:

(a) At least 120 days prior to the applicable Anniversary Date, either the Sellers or Buyer may request, in writing, to renegotiate the Marketing and Administrative Fee.

(b) Sellers and Buyer shall renegotiate the Marketing and Administrative Fee in good faith. If a revised Marketing and Administrative Fee has not been agreed upon at least 75 days prior to the applicable Anniversary Date, then Sellers may enter into negotiations for the sale of their Crude Oil with any Person who is not an Affiliate of Sellers. If Sellers do not reach an agreement with such non-affiliated Person at least 30 days prior to applicable Anniversary Date, then this Agreement shall continue and the Marketing and Administrative Fee shall be revised, effective the first day after the applicable Anniversary Date, to equal the Marketing and Administrative Fee last offered by Buyer.

(c) If Sellers are successful in reaching agreement with such non-affiliated Person which provides for (i) a term of not less than one year nor more than three years; (ii) a Marketing and Administrative Fee which is less than the Marketing and Administrative Fee last offered by Buyer; and (iii) additional services substantially similar to those provided for in Article IV below, this Agreement shall terminate. Such termination shall be effective on the next Anniversary Date and, thereafter, Sellers may sell their Crude Oil to such non-affiliated Person during the term of their agreement with such Person. Within 120 days prior to the end of the term of such other agreement, either the Sellers or Buyer may request negotiations to resume this Agreement and to negotiate a revised Marketing and Administrative Fee in accordance with the procedures set forth above.

(d) Sellers' and Buyer's right to request a renegotiation of the Marketing and Administrative Fee in order to resume this Agreement shall continue until such time that this Agreement terminates pursuant to Article V, or until such time that Sellers have sold their Crude Oil production to a Person who is not an Affiliate of Sellers for a period of five (5) consecutive years.

## ARTICLE IV
## ADDITIONAL SERVICES

4.1 Additional Services. Upon request, Buyer agrees to provide Sellers with the following services which shall be provided at no additional cost to Sellers except for reimbursement of all reasonable out-of-pocket costs incurred by Buyer to provide such services:

(a) Provide Sellers with (i) historical information related to crude oil and natural gas prices in the possession of, or accessible to, Buyer, and (ii) Buyer's assessment of crude oil and natural gas prices to assist Sellers in their hedging strategies and decisions.

(b) Execute hedges on behalf of, or for the benefit of, Sellers' crude oil and natural gas production.

(c) Assist Sellers in their evaluation of potential acquisitions of oil and gas properties.

(d) Assist Sellers in preparing information relating to their potential disposition of any of their crude oil and natural gas properties.

(e) Market the production of their natural gas and natural gas liquids produced in association with Sellers' crude oil production.

(f) Negotiate natural gas purchase agreements required for the operation of Sellers' properties.

(g) Provide royalty distribution services.

4.2 SELLERS INDEMNITY. SELLERS AGREE TO RELEASE, PROTECT, DEFEND, INDEMNIFY AND HOLD BUYER, THE GENERAL PARTNER, AND THEIR PARENTS, SUBSIDIARIES, AFFILIATES, SUCCESSORS AND ASSIGNS, AND THEIR AGENTS, OFFICERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES AND CONTRACTORS (HEREINAFTER COLLECTIVELY REFERRED TO AS THE "BUYER GROUP") HARMLESS FROM AND AGAINST ALL CLAIMS, LOSSES, COSTS, DEMANDS, DAMAGES, SUITS, JUDGMENTS, PENALTIES, LIABILITIES, DEBTS, EXPENSES AND CAUSES OF ACTION OF WHATSOEVER NATURE OR CHARACTER, INCLUDING BUT NOT LIMITED TO REASONABLE ATTORNEY'S FEES AND OTHER COSTS AND EXPENSES, WHICH IN ANY WAY ARISE OUT OF OR ARE RELATED TO THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, (I) THE PERFORMANCE OR SUBJECT MATTER OF THIS AGREEMENT, (II) THE PERFORMANCE OF THE SERVICES IN SECTION 4.1, (III) THE BREACH BY SELLERS OF ANY TERMS OF THIS AGREEMENT, OR (IV) THE INGRESS, EGRESS OR PRESENCE ON ANY PREMISES, WHETHER LAND, BUILDINGS, OR OTHERWISE, IN CONJUNCTION WITH THIS AGREEMENT (COLLECTIVELY, THE "CLAIMS"), INCLUDING CLAIMS DUE TO PERSONAL INJURY, DEATH, OR LOSS OR DAMAGE OF PROPERTY, WHETHER OR NOT CAUSED BY THE SOLE, JOINT AND/OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY OF ANY MEMBER

OF THE BUYER GROUP, BUT IN NO EVENT DOES THIS INDEMNITY INCLUDE CLAIMS CAUSED BY THE BUYER GROUP'S OWN GROSS NEGLIGENCE OR WILFUL MISCONDUCT.

## ARTICLE V
## TERM

The term of this Agreement shall commence on the date of this Agreement, and unless sooner terminated as provided herein, shall continue in effect until the earlier to occur of: (i) the time at which any Affiliate of Plains Resources ceases to be the general partner of Buyer, or (ii) a Change of Control of Plains Resources.

## ARTICLE VI
## REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of Sellers. Each Seller represents and warrants to Buyer as of the date hereof that:

(a) Each Seller is a corporation or limited partnership duly organized, validly existing, and in good standing under the laws of the state of their respective formation, and has all requisite corporate or partnership power and authority to execute, deliver, and perform this Agreement.

(b) The execution, delivery, and performance by each Seller of this Agreement, and the consummation of the transactions contemplated herein, are within its corporate or partnership power and authority and have been duly authorized by all necessary corporate or partnership action.

(c) No authorization, consent, or approval of, or other action by, or notice to, or filing with, any governmental authority, regulatory body, or any other Person is required for the due authorization, execution, delivery, or performance by any Seller of this Agreement, or the consummation of the transactions contemplated herein, except those authorizations, consents, and approvals which have been obtained and remain in full force and effect, and those notices and filings which have been made and remain in full force and effect.

(d) This Agreement has been duly executed and delivered by each Seller, and is the legal, valid, and binding obligation of each Seller enforceable against it in accordance with its terms, except that enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the rights of creditors generally, and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(e) Neither the execution, delivery, or performance by any Seller of this Agreement, nor the consummation of the transactions contemplated herein, will violate any provision of any Seller's Corporate Governance Documents, or any agreement, indenture, or instrument to which any Seller

is a party or by which any of its property or assets are bound, or any provision of any existing Governmental Requirement.

6.2 Representations and Warranties of Buyer. Buyer represents and warrants to Sellers as of the date hereof that:

(a) Buyer is a limited partnership duly organized, validly existing, and in good standing under the laws of the state of Delaware, and has all requisite power and authority to execute, deliver, and perform this Agreement.

(b) The execution, delivery, and performance by Buyer of this Agreement, and the consummation of the transactions contemplated herein, are within Buyer's partnership power and authority and have been duly authorized by all necessary partnership action.

(c) No authorization, consent, or approval of, or other action by, or notice to, or filing with, any governmental authority, regulatory body, or any other Person is required for the due authorization, execution, delivery, or performance by Buyer of this Agreement, or the consummation of the transactions contemplated by this Agreement, except those authorizations, consents, and approvals which have been obtained and remain in full force and effect, and those notices and filings which have been made and remain in full force and effect.

(d) This Agreement has been duly executed and delivered by Buyer, and is the legal, valid, and binding obligation of Buyer enforceable against Buyer in accordance with its terms, except that enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the rights of creditors generally, and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(e) Neither the execution, delivery, or performance by Buyer of this Agreement, nor the consummation of the transactions contemplated hereby, will violate any provision of Buyer's Corporate Governance Documents, or any agreement, indenture, or instrument to which Buyer is a party or by which any of its property or assets are bound, or any provision of any existing Governmental Requirement.

## ARTICLE VII
## CREDIT REQUIREMENTS

Purchases made by Buyer hereunder shall be on open account provided that:

(a) Buyer or its Affiliates are not in default in the payment when due of any of its indebtedness in excess of $2,500,000 in the aggregate; and

(b) Buyer's sales of Crude Oil hereunder are in accordance with the credit policies set forth by Plains Resources' chief financial officer.

## ARTICLE VIII
## SPECIFIED EVENTS

8.1 Buyer Specified Events. Each of the following shall constitute a Buyer Specified Event for all purposes of this Agreement:

(a) Any amount due hereunder for the purchase of Crude Oil shall not be paid in full when due and Buyer does not cause the cure of such failure on or before the fifteenth (15th) Business Day after notice from a Seller of such failure is received by Buyer;

(b) Buyer fails to receive and purchase Crude Oil production dedicated to this Agreement for reasons other than Force Majeure or any action or inaction of a Seller, and such failure is not remedied on or before the earlier of the thirtieth (30th) day after (i) any officer of the General Partner becomes aware of such failure or (ii) a Seller has given written notice of such failure to Buyer;

(c) any representation and warranty made in Section 6.2 shall prove to have been incorrect in any material respect when made, and (i) such default or breach shall continue unremedied for a period of thirty (30) days after the earlier of (x) any officer of the General Partner becomes aware of such default or (y) a Seller has given written notice of such default to Buyer, and (ii) a Seller reasonably determines that the continuation of such default or breach may materially and adversely affect Buyer's ability to satisfy its obligations hereunder;

(d) Buyer and Sellers fail to agree upon a revised Marketing and Administrative Fee as provided in Article III;

(e) Buyer (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment or insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within thirty (30) days of the institution or presentation thereof, (v) has a resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger); (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official

for it, or for all or substantially all its assets; (vii) has a secured party take possession of all or substantially all of its assets or has an execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession or any such process is not dismissed, discharged, stayed or restrained in each case within thirty (30) days thereafter; (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i) to (vii) (inclusive); or (ix) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

8.2 Seller Specified Events. Each of the following shall constitute a Seller Specified Event for all purposes of this Agreement:

(a) A Seller shall fail to deliver Crude Oil production subject to this Agreement and such failure is not remedied by such Seller on or before the fifteenth (15th) Business Day after notice from Buyer of such failure is received by the Seller;

(b) Any representation and warranty made in Section 6.1 shall prove to have been incorrect in any material respect when made, and (i) such default or breach shall continue unremedied for a period of thirty (30) days after the earlier of (x) any officer of a Seller becomes aware of such default or (y) Buyer has given written notice of such default to a Seller, and (ii) Buyer reasonably determines that the continuation of such default or breach may materially adversely affect Seller's ability to satisfy its obligations hereunder;

(c) A Seller (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment or insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within thirty (30) days of the institution or presentation thereof, (v) has a resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger); (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (vii) has a secured party take possession of all or substantially all of its assets or has an execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) days thereafter; (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, had an analogous effect to any of the events specified

in clauses (i) to (vii) (inclusive); or (ix) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;

(d) Sellers and Buyer fail to agree upon a revised Marketing and Administrative Fee as provided in Article III.

8.3 Early Termination. If any Specified Event shall have occurred and be continuing, then the Non-defaulting Party may by notice to the Defaulting Party designate a date (which date shall not be earlier than 60 days after receipt of such notice) on which this Agreement shall terminate as between the Non-defaulting Party and the Defaulting Party, and this Agreement shall terminate as between the Non-defaulting Party and the Defaulting Party on such designated date whether or not such Specified Event is then continuing; provided that the provisions of Section 8.4 shall survive such termination.

8.4 Specified Damages. The Defaulting Party shall pay all damages and expenses incurred by the Non-defaulting Party as a result of the termination of this Agreement under Section 8.3 arising out of or in connection with any collection, bankruptcy, insolvency, or other enforcement proceedings resulting from the occurrence of the Specified Event giving rise to such termination. Payment of such damages and expenses shall be the Defaulting Party's only liability, and the Non-defaulting Party's sole remedy and exclusive claim, as a result of the Specified Event and the resulting termination of this Agreement under Section 8.3 as between the Non-defaulting Party and the Defaulting Party.

## ARTICLE IX
## FORCE MAJEURE

9.1 Excuse for Nonperformance. Subject to the other provisions of this Agreement, the obligations of a Party under this Agreement (including the obligation of Sellers to deliver Crude Oil), except the obligation to pay money to the other Party, may be suspended for a reasonable period as a result of an event of Force Majeure, to the extent that nonperformance is caused by Force Majeure, and the affected Party shall be relieved of liability for failing to perform from the inception of such event and during the continuance thereof and the time of any such suspension of obligations shall be added to the term of this Agreement.

9.2 Definition. An event of "Force Majeure" means war, riots, insurrections, fire, explosions, sabotage, strikes, and other labor or industrial disturbances, acts of God or the elements, Governmental Requirements, disruption or breakdown of production or transportation facilities, delays of pipeline carrier in receiving and delivering crude oil tendered, or any other cause, whether similar or not, reasonably beyond the control of the affected Party.

9.3 Notice and Cure. A Party affected by Force Majeure shall, as a condition to invoking Force Majeure as an excuse for nonperformance under this Agreement, promptly give notice of the

occurrence of Force Majeure to the other Party, with reasonably detailed information about the event of Force Majeure and the effect it has had, and is anticipated to have, on the performance of the invoking Party, and shall confirm such notice of Force Majeure and its consequences in writing no later than two (2) Business Days after the occurrence of such event of Force Majeure. The invoking Party shall exercise due diligence in good faith to remedy the Force Majeure and resume full performance under this Agreement as soon as reasonably practicable.

## ARTICLE X
## GENERAL PROVISIONS

10.1 No Survival of Representations and Warranties. Notwithstanding anything to the contrary herein, all representations and warranties provided by Sellers and Buyer in Article VI shall not survive the termination of this Agreement.

10.2 Headings. The headings, captions, and arrangements contained in this Agreement have been inserted for convenience only and shall not be deemed in any manner to modify, explain, enlarge, or restrict any of the provisions hereof.

10.3 Rights and Remedies Cumulative. Except as provided in Section 8.4, the rights and remedies of each of the Parties under this Agreement shall be cumulative and non-exclusive of any other rights or remedies which each Party may have under any other agreement or instrument, by operation of law, or otherwise.

10.4 Entire Agreement; Supersedure. This Agreement constitutes the entire agreement of the parties relating to the matters contained herein, superseding all prior contracts or agreements, whether oral or written, relating to the matters contained herein.

10.5 Severability. If any provision of this Agreement or the application thereof to any Person or circumstance shall be held invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

10.6 Choice of Law; Submission to Jurisdiction. This Agreement shall be subject to and governed by the laws of the State of Texas, excluding any conflicts-of-law rule or principle that might refer the construction or interpretation of this Agreement to the laws of another state. Each party hereby submits to the jurisdiction of the state and federal courts in the State of Texas and to venue in Houston, Harris County, Texas.

10.7 Binding Agreement. This Agreement is entered into for the benefit of the Parties and their permitted successors and assigns. It shall be binding upon and shall inure to the benefit of such Parties and their successors and assigns.

10.8 No Agency. Except as otherwise provided in this Agreement, nothing herein shall serve to create any agency, employment, master and servant relationship, partnership, or joint venture between Sellers and Buyer, their Affiliates, or any officer, director, employee or agent thereof.

10.9 Notice. All notices or requests or consents provided for or permitted to be given pursuant to this Agreement must be in writing and must be given by depositing same in the United States mail, addressed to the Person to be notified, postpaid, and registered or certified with return receipt requested or by delivering such notice in person or by telecopier or telegram to such party. Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by telegram or telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices to be sent to a party pursuant to this Agreement shall be sent to or made at the address set forth below, or at such other address as such party may stipulate to the other parties in the manner provided in this Section 10.9.

| If to Buyer: | If to Sellers: |
|---|---|
| Plains Marketing, L.P. | Plains Resources Inc. |
| 500 Dallas, Suite 700 | 500 Dallas, Suite 700 |
| Houston, Texas 77002 | Houston, Texas 77002 |
| Attention: President of Plains All American Inc. | Attention: President |

10.10 Effect of Waiver or Consent. No waiver or consent, express or implied, by any party to or of any breach or default by any Person in the performance by such Person of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such Person of the same or any other obligations of such Person hereunder. Failure on the part of a party to complain of any act of any Person or to declare any Person in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder until the applicable statute of limitations period has run.

10.11 Assignment. No party shall have the right to assign its rights or obligations under this Agreement without the consent of the other parties hereto.

10.12 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all signatory parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

10.13 Amendment or Modification. This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto. Each such instrument shall be reduced to writing and shall be designated on its face an "Amendment" or an "Addendum" to this Agreement.

10.14 Further Assurances. In connection with this Agreement and all transactions

contemplated by this Agreement, each signatory party hereto agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and all such transactions.

10.15 Withholding or Granting of Consent. Each party may, with respect to any consent or approval that it is entitled to grant pursuant to this Agreement, grant or withhold such consent or approval in its sole and uncontrolled discretion, with or without cause, and subject to such conditions as it shall deem appropriate.

10.16 U.S. Currency. All sums and amounts payable to or to be payable pursuant to the provisions of this Agreement shall be payable in coin or currency of the United States of America that, at the time of payment, is legal tender for the payment of public and private debts in the United States of America.

10.17 Laws and Regulations. Notwithstanding any provision of this Agreement to the contrary, no party hereto shall be required to take any act, or fail to take any act, under this Agreement if the effect thereof would be to cause such party to be in violation of any applicable law, statute, rule or regulation.

10.18 Construction of Agreement. In construing this Agreement:

(a) no consideration shall be given to the fact or presumption that one Party had a greater or lesser hand in drafting this Agreement;

(b) examples shall not be construed to limit, expressly or by implication, the matter they illustrate;

(c) the word "includes" and its derivatives means "includes, but is not limited to" and corresponding derivative expressions;

(d) a defined term has its defined meaning throughout this Agreement, regardless of whether it appears before or after the place where it is defined;

(e) the plural shall be deemed to include the singular, and vice versa;

(f) each gender shall be deemed to include the other genders;

(g) each reference to an article, section, or subsection refers to an article, section, or subsection of this Agreement unless expressly otherwise provided; and

(h) all references to a party shall include all successors and permitted assigns of such party.

[The next page is the signature page]

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

BUYER:

PLAINS MARKETING, L.P.
By: Plains All American Inc.,
its General Partner

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President

SELLERS:

PLAINS RESOURCES INC.

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President

PLAINS ILLINOIS INC.

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President

STOCKER RESOURCES, L.P.
By: Stocker Resources, Inc., its General Partner

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President

CALUMET FLORIDA INC.

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President

EXHIBIT 10.8

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# OMNIBUS AGREEMENT

among

PLAINS RESOURCES INC.
PLAINS ALL AMERICAN PIPELINE, L.P.
PLAINS MARKETING, L.P.
ALL AMERICAN PIPELINE, L.P.

and

PLAINS ALL AMERICAN INC.

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# OMNIBUS AGREEMENT

THIS OMNIBUS AGREEMENT is entered into on, and effective as of, the Closing Date among Plains Resources Inc., a Delaware corporation ("Plains Resources"), Plains All American Pipeline, L.P., a Delaware limited partnership (the "MLP"), Plains All American Inc., a Delaware corporation ("PAAI"), Plains Marketing, L.P., a Delaware limited partnership ("Operating OLP"), and All American Pipeline, L.P., a Delaware limited partnership ("All American OLP" and, together with Operating OLP, the "OLPs").

R E C I T A L S:

1. Plains Resources, the MLP, the OLPs and PAAI, in its capacity as the general partner of the MLP and the OLPs, desire by their execution of this Agreement to evidence their understanding, as more fully set forth in Article II of this Agreement, with respect to (a) those business opportunities that Plains Resources will not avail itself of during the Applicable Period unless each of the MLP and the OLPs has declined to engage in such business opportunity for its own account and (b) the procedures whereby such business opportunities are to be offered to the MLP and the OLPs and accepted or declined.

2. Plains Resources, PAAI, the MLP and the OLPs desire by their execution of this Agreement to evidence their understanding, as more fully set forth in Article III of this Agreement, with respect to certain indemnification obligations of Plains Resources and PAAI in favor of the MLP and the OLPs.

In consideration of the premises and the covenants, conditions, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

## ARTICLE I
## DEFINITIONS

1.1 DEFINITIONS. (a) Capitalized terms used herein but not defined shall have the meanings given them in the MLP Agreement.

(b) As used in this Agreement, the following terms shall have the respective meanings set forth below:

"Affiliate" shall have the meaning attributed to such term in the MLP Agreement.

"Agreement" shall mean this Omnibus Agreement, as it may be amended, modified, or supplemented from time to time.

"Applicable Period" shall mean the period commencing on the Closing Date and terminating on the date on which PAAI (or any Affiliate of Plains Resources) ceases to be the general partner of the MLP and the OLPs.

"Change of Control" shall have the meaning attributed to such term in Section 2.4.

"Closing Date" shall mean the date of the closing of the initial public offering of common units representing limited partner interests in the MLP.

"Conflicts Committee" shall have the meaning attributed to such term in the MLP Agreement.

"Conveyance and Contribution Agreement" shall have the meaning attributed to such term in the MLP Agreement.

"Environmental Laws" shall mean any federal, state or local law, rule, regulation, or enforceable order, as in effect as of the date of this Agreement, that regulates or imposes liability with respect to the health, environment, ecology, or work place.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"General Partner" shall mean PAAI and its successors as general partner of the MLP and the OLPs, unless the context otherwise requires.

"Hazardous Materials" shall mean those materials in any way regulated by any Environmental Law.

"Losses" shall have the meaning attributed to such term in Section 2.3.

"Marketing Agreement" shall mean that Crude Oil Marketing Agreement dated as of the date hereof among Plains Resources, Plains Illinois Inc., Stocker Resources, L.P., Calumet Florida, Inc. and Operating OLP.

"MLP Agreement" shall mean the Amended and Restated Agreement of Limited Partnership of the MLP, dated as of the Closing Date, as such agreement is in effect on the Closing Date, to which reference is hereby made for all purposes of this Agreement. No amendment or modification to the MLP Agreement subsequent to the Closing Date shall be given effect for the purposes of this Agreement unless consented to by each of the parties to this Agreement.

"NonAffiliate Purchaser" shall have the meaning attributed to such term in Section 2.3.

"Offer" shall have the meaning attributed to such term in Section 2.3.

"Partnership Entities" shall mean the General Partner, the MLP, the OLPs and any Affiliate controlled by the General Partner, the MLP or the OLPs.

"Partnership Group" shall mean the MLP, the OLPs and any subsidiary of any such entities.

"Person" shall mean an individual, corporation, partnership, joint venture, trust, limited liability company, unincorporated organization or any other entity.

"Plains Entities" shall mean Plains Resources and any of its Affiliates, other than the Partnership Entities.

"Plains Facility" shall mean any storage or terminalling facility or gathering line or system constituting part of the Plains Real Property.

"Plains Leased Property" shall mean all of the real and personal properties leased by Plains Resources or the Plains Midstream Subsidiaries, including rights-of-way, which leases were conveyed or assigned to the OLPs by the Conveyance and Contribution Agreement.

"Plains Midstream Subsidiaries" shall mean Plains Marketing & Transportation Inc., a Delaware corporation, Plains Terminal & Transfer Corporation, a Delaware corporation, PLX Crude Lines Inc., a Delaware corporation, and PLX Ingleside Inc., a Delaware corporation, each a wholly-owned subsidiary of Plains Resources prior to their merger into Plains Resources as of the date hereof.

"Plains Real Property" shall mean all of the real properties, including the land, improvements and buildings located thereon, owned in fee simple by Plains Resources or the Plains Midstream Subsidiaries, which properties were conveyed to the OLPs by the Conveyance and Contribution Agreement.

"Restricted Business" shall have the meaning attributed to such term in Section 2.1.

"Second Offer" shall have the meaning attributed to such term in Section 2.3.

"Voting Stock" means securities of any class of Plains Resources entitling the holders thereof to vote on a regular basis in the election of members of the board of directors of Plains Resources.

"Wingfoot" shall have the meaning attributed to such term in Section 3.1.

"Wingfoot Agreement" shall have the meaning attributed to such term in Section 3.1.

ARTICLE II
BUSINESS OPPORTUNITIES

2.1 RESTRICTED BUSINESSES. During the Applicable Period, each of the Plains Entities shall be prohibited from engaging in or acquiring any business engaged in the following activities (a "Restricted Business"): (a) crude oil storage, terminalling and gathering activities in any state in the United States, except for Alaska and Hawaii, for any Person other than a Plains Entity or Partnership Entity, (b) crude oil marketing activities, and (c) transportation of crude oil by pipeline in any state in the United States, except for Alaska and Hawaii, for any Person other than a Plains Entity. A Restricted Business shall not include any activities required to be performed by a Plains Entity as the operator pursuant to any operating agreement entered into by such Plains Entity with respect to oil and gas properties owned jointly with other Persons.

2.2 PERMITTED EXCEPTIONS. Notwithstanding any provision of Section 2.1 to the contrary, a Plains Entity may engage in a Restricted Business under the following circumstances:

(a) The Restricted Business was engaged in by the Plains Entity on the date of this Agreement.

(b) The Restricted Business is conducted pursuant to and in accordance with the terms of the Marketing Agreement or any other arrangement entered into with the MLP or either of the OLPs with the concurrence of the Conflicts Committee.

(c) The value of the assets acquired in a transaction that comprise a Restricted Business does not exceed $10 million, as determined by the Board of Directors of Plains Resources.

(d) (i) The value of the assets acquired in a transaction that comprise a Restricted Business exceed $10 million, as determined by the Board of Directors of Plains Resources and (ii) the General Partner (with the approval of the Conflicts Committee) has elected not to cause a member of the Partnership Group to pursue such opportunity in accordance with the procedures set forth in Section 2.3.

2.3 PROCEDURES. In the event that a Plains Entity acquires a Restricted Business comprised of assets valued in excess of $10 million, as determined by the Board of Directors of Plains Resources, then not later than 30 days after the consummation of the acquisition by such Plains Entity of the Restricted Business, such Plains Entity shall notify the General Partner of such purchase and offer the Partnership the opportunity to purchase such Restricted Business. As soon as practicable, but in any event, within 30 days after receipt of such notification, the General Partner shall notify the Plains Entity that either (i) the General Partner has elected, with the approval of the Conflicts Committee, not to cause a member of the Partnership Group to purchase such Restricted Business, in which event the Plains Entity shall be free to continue to engage in such Restricted Business, or

(ii) the General Partner has elected to cause a member of the Partnership Group to purchase such Restricted Business, in which event the following procedures shall be followed:

(a) The Plains Entity shall submit a good faith offer to the General Partner to sell the Restricted Business (the "Offer") to any member of the Partnership Group on the terms and for the consideration stated in the Offer.

(b) The Plains Entity and the General Partner shall negotiate in good faith, for 60 days after receipt of such Offer by the General Partner, the terms on which the Restricted Business will be sold to a member of the Partnership Group. The Plains Entity shall provide all information concerning the business, operations and finances of such Restricted Business as may be reasonably requested by the General Partner.

(i) If the Plains Entity and the General Partner agree on such terms within 60 days after receipt by the General Partner of the Offer, a member of the Partnership Group shall purchase the Restricted Business on such terms as soon as commercially practicable after such agreement has been reached.

(ii) If the Plains Entity and the General Partner are unable to agree on the terms of a sale during such 60-day period, the Plains Entity shall attempt to sell the Restricted Business to a Person that is not an Affiliate of the Plains Entity (a "NonAffiliate Purchaser") within nine months of the termination of such 60-day period. Any such sale to a NonAffiliate Purchaser must be for a purchase price, as determined by the Board of Directors of Plains Resources, not less than 95% of the purchase price last offered by a member of the Partnership Group.

(c) If, after the expiration of such nine-month period, the Plains Entity has not sold the Restricted Business to a NonAffiliate Purchaser, it shall submit another Offer (the "Second Offer") to the General Partner within seven days after the expiration of such nine-month period. The Plains Entity shall provide all information concerning the business, operations and finances of such Restricted Business as may be reasonably requested by the General Partner.

(i) If the General Partner, with the concurrence of the Conflicts Committee, elects not to cause a member of the Partnership Group to pursue the Second Offer, the Plains Entity shall be free to continue to engage in such Restricted Business.

(ii) If the General Partner shall elect to cause a member of the Partnership Group to purchase such Restricted Business, then the General Partner and the Plains Entity shall negotiate the terms of such purchase for 60 days. If the Plains Entity and the General Partner agree on such terms within 60 days after receipt by the General Partner of the Second Offer, a member of the Partnership Group shall purchase the Restricted Business on such terms as soon as commercially practicable after such agreement has been reached.

(iii) If during such 60-day period, no agreement has been reached between the Plains Entity and the General Partner or a member of the Partnership, the Plains Entity and the General Partner will engage an independent investment banking firm with a national reputation to determine the value of the Restricted Business. Such investment banking firm will determine the value of the Restricted Business within 30 days and furnish the Plains Entity and the General Partner its opinion of such value. The Plains Entity will pay the fees and expenses of such investment banking firm. Upon receipt of such opinion, the General Partner will have the option, subject to the approval of the Conflicts Committee, to (A) cause a member of the Partnership Group to purchase the Restricted Business for an amount equal to the value determined by such investment banking firm or (B) decline to purchase such Restricted Business, in which event the Plains Entity will be free to continue to engage in such Restricted Business.

2.4 TERMINATION. The provisions of this Article II may be terminated by Plains Resources upon a "Change of Control" of Plains Resources. A Change of Control of Plains Resources shall be deemed to have occurred upon the occurrence of one or more of the following events: (i) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Plains Entities to any Person and its Affiliates unless immediately following such sale, lease, exchange or other transfer such assets are owned, directly or indirectly, by the Plains Entities; (ii) the consolidation or merger of Plains Resources with or into another Person pursuant to a transaction in which the outstanding Voting Stock of Plains Resources is changed into or exchanged for cash, securities or other property, other than any such transaction where (a) the outstanding Voting Stock of Plains Resources is changed into or exchanged for Voting Stock of the surviving corporation or its parent and (b) the holders of the Voting Stock of Plains Resources immediately prior to such transaction own, directly or indirectly, not less than a majority of the Voting Stock of the surviving corporation or its parent immediately after such transaction; and (iii) a "person" or "group" (within the meaning of Sections 13(d) or 14(d)(2) of the Exchange Act) being or becoming the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of more than 50% of all Voting Stock of Plains Resources, then outstanding, except in a merger or consolidation which would not constitute a Change of Control under clause (ii) above.

2.5 SCOPE OF RESTRICTED BUSINESS PROHIBITION. Except as provided in this Article II and the Partnership Agreement, each Plains Entity shall be free to engage in any business activity whatsoever, including those that may be in direct competition with any Partnership Entity.

2.6 ENFORCEMENT. The Plains Entities agree and acknowledge that the Partnership Group does not have an adequate remedy at law for the breach by the Plains Entities of the covenants and agreements set forth in this Article II, and that any breach by the Plains Entities of the covenants and agreements set forth in Article II would result in irreparable injury to the Partnership Group. The Plains Entities further agree and acknowledge that any member of the Partnership Group may, in addition to the other remedies which may be available to the Partnership Group, file a suit in equity to enjoin the Plains Entities from such breach, and consent to the issuance of injunctive relief hereunder.

## ARTICLE III
## INDEMNIFICATION

3.1 WINGFOOT INDEMNIFICATION. PAAI shall indemnify, defend and hold harmless the MLP and the OLPs from and against Losses (as hereinafter defined) to the extent that PAAI is entitled to and receives indemnification from Wingfoot Ventures Seven, Inc., a Delaware corporation ("Wingfoot"), pursuant to Article VIII of the Stock Purchase Agreement, dated as of March 15, 1998, among Plains Resources, PAAI and Wingfoot, as amended and in effect from time to time (the "Wingfoot Agreement"). "Losses" shall have the meaning set forth in the Wingfoot Agreement.

3.2 PLAINS RESOURCES INDEMNIFICATION. Plains Resources shall indemnify, defend and hold harmless the General Partner, the MLP and the OLPs from and against Losses that are caused by, arise out of or are attributable to:

(a) Any enforcement proceeding under any federal, state or local Environmental Law to the extent arising out of any action or omission to act by Plains Resources or any of the Plains Midstream Subsidiaries prior to the date of this Agreement with respect to any Plains Real Property, Plains Leased Property, or Plains Facility, whether such proceeding arises before or after the date of this Agreement.

(b) Any disposal, release, spill or leakage of Hazardous Materials to the soil or surface or ground water to the extent that it has occurred prior to the date of this Agreement (i) on any Plains Real Property during the period owned by Plains Resources or any of the Plains Midstream Subsidiaries and (ii) on any Plains Leased Property during the period Plains Resources or any of the Plains Midstream Subsidiaries has been in possession of such Plains Leased Property.

(c) Any release, spill, leakage or migration of Hazardous Materials onto, under or upon the property of any Person (other than property owned, leased or used by Plains Resources or any of the Plains Midstream Subsidiaries) to the extent that it has occurred prior to the date of this Agreement as a result of the operations of Plains Resources or any of the Plains Midstream Subsidiaries.

(d) Hazardous Materials to the extent that they are demonstrated to have been present on any Plains Real Property or Plains Leased Property on the date of this Agreement.

(e) Hazardous Materials to the extent transported prior to the date of this Agreement by Plains Resources or any of the Plains Midstream Subsidiaries to any waste treatment, storage, disposal, reclaiming, or recycling site other than (i) any site located on any Plains Real Property or any Plains Leased Property, (ii) any site located on any property owned, leased or used by any Partnership Entity, or (iii) any site used (whether before or after the date of this Agreement) by any Partnership Entity, or (iv) any site used by Plains Resources or any of the Plains Midstream Subsidiaries after the date of this Agreement.

3.3 LIMITATIONS REGARDING INDEMNIFICATION. Plains Resources shall have no indemnification obligation under Section 3.2 for claims made after the third anniversary of the date of this Agreement. The aggregate liability of Plains Resources in respect of all Losses under Section 3.2 shall not exceed $3 million (including up to $500,000 of reserves included in the MLP's working capital upon closing of the MLP's initial public offering).

3.4 INDEMNIFICATION PROCEDURES.

(a) The Partnership Entities agree that within a reasonable period of time after they become aware of facts giving rise to a claim for indemnification pursuant to Section 3.2, they will provide notice thereof in writing to Plains Resources specifying the nature of and specific basis for such claim.

(b) Plains Resources shall have the right to control all aspects of the defense of (and any counterclaims with respect to) any claims brought against the Partnership Entities that are covered by the indemnification set forth in Section 3.2, including, without limitation, the selection of counsel, determination of whether to appeal any decision of any court and the settling of any such matter or any issues relating thereto; provided, however, that no such settlement shall be entered into without the consent of the Partnership Entities unless it includes a full release of the Partnership Entities from such matter or issues, as the case may be.

(c) The Partnership Entities agree, at their own cost and expense, to cooperate fully with Plains Resources with respect to all aspects of the defense of any claims covered by the indemnification set forth in Section 3.2, including, without limitation, the prompt furnishing to Plains of any correspondence or other notice relating thereto that the General Partner or the Partnership Entities may receive, permitting the names of the General Partner and the Partnership Entities to be utilized in connection with such defense, the making available to Plains Resources of any files, records or other information of the General Partner or the Partnership Entities that Plains Resources considers relevant to such defense and the making available to Plains Resources of any employees of the Partnership Entities or the General Partner; provided, however, that in connection therewith Plains Resources agrees to use reasonable efforts to minimize the impact thereof on the operations of such Partnership Entities. In no event shall the obligation of the Partnership Entities to cooperate with Plains Resources as set forth in the immediately preceding sentence be construed as imposing upon the Partnership Entities an obligation to hire and pay for counsel in connection with the defense of any claims covered by the indemnification set forth in this Article III; provided, however, that the Partnership Entities may, at their own option, cost and expense, hire and pay for counsel in connection with any such defense. Plains Resources agrees to keep any such counsel hired by the Partnership Entities reasonably informed as to the status of any such defense, but Plains Resources shall have the right to retain sole control over such defense.

(d) In determining the amount of any loss, liability or expense for which any of the Partnership Entities are entitled to indemnification under this Agreement, the gross amount thereof will be reduced by any insurance proceeds realized or to be realized by the Partnership Entities, and

such correlative insurance benefit shall be net of any insurance premium that becomes due as a result of such claim.

## ARTICLE IV
## MISCELLANEOUS

4.1 CHOICE OF LAW; SUBMISSION TO JURISDICTION. This Agreement shall be subject to and governed by the laws of the State of Texas, excluding any conflicts-of-law rule or principle that might refer the construction or interpretation of this Agreement to the laws of another state. Each party hereby submits to the jurisdiction of the state and federal courts in the State of Texas and to venue in Houston, Harris County, Texas.

4.2 NOTICE. All notices or requests or consents provided for or permitted to be given pursuant to this Agreement must be in writing and must be given by depositing same in the United States mail, addressed to the Person to be notified, postpaid, and registered or certified with return receipt requested or by delivering such notice in person or by telecopier or telegram to such party. Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by telegram or telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices to be sent to a party pursuant to this Agreement shall be sent to or made at the address set forth below such party's signature to this Agreement, or at such other address as such party may stipulate to the other parties in the manner provided in this Section 4.2.

4.3 ENTIRE AGREEMENT; SUPERSEDURE. This Agreement constitutes the entire agreement of the parties relating to the matters contained herein, superseding all prior contracts or agreements, whether oral or written, relating to the matters contained herein.

4.4 EFFECT OF WAIVER OR CONSENT. No waiver or consent, express or implied, by any party to or of any breach or default by any Person in the performance by such Person of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such Person of the same or any other obligations of such Person hereunder. Failure on the part of a party to complain of any act of any Person or to declare any Person in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder until the applicable statute of limitations period has run.

4.5 AMENDMENT OR MODIFICATION. This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto; provided, however, that the MLP and the OLPs may not, without the prior approval of the Conflicts Committee, agree to any amendment or modification of this Agreement that, in the reasonable discretion of the General Partner, will adversely affect the holders of Common Units. Each such instrument shall be reduced to writing and shall be designated on its face an "Amendment" or an "Addendum" to this Agreement.

4.6 ASSIGNMENT. No party shall have the right to assign its rights or obligations under this Agreement without the consent of the other parties hereto.

4.7 COUNTERPARTS. This Agreement may be executed in any number of counterparts with the same effect as if all signatory parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

4.8 SEVERABILITY. If any provision of this Agreement or the application thereof to any Person or circumstance shall be held invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

4.9 GENDER, PARTS, ARTICLES AND SECTIONS. Whenever the context requires, the gender of all words used in this Agreement shall include the masculine, feminine and neuter, and the number of all words shall include the singular and plural. All references to Article numbers and Section numbers refer to Parts, Articles and Sections of this Agreement.

4.10 FURTHER ASSURANCES. In connection with this Agreement and all transactions contemplated by this Agreement, each signatory party hereto agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and all such transactions.

4.11 WITHHOLDING OR GRANTING OF CONSENT. Each party may, with respect to any consent or approval that it is entitled to grant pursuant to this Agreement, grant or withhold such consent or approval in its sole and uncontrolled discretion, with or without cause, and subject to such conditions as it shall deem appropriate.

4.12 U.S. CURRENCY. All sums and amounts payable to or to be payable pursuant to the provisions of this Agreement shall be payable in coin or currency of the United States of America that, at the time of payment, is legal tender for the payment of public and private debts in the United States of America.

4.13 LAWS AND REGULATIONS. Notwithstanding any provision of this Agreement to the contrary, no party hereto shall be required to take any act, or fail to take any act, under this Agreement if the effect thereof would be to cause such party to be in violation of any applicable law, statute, rule or regulation.

4.14 NEGOTIATION OF RIGHTS OF LIMITED PARTNERS, ASSIGNEES, AND THIRD PARTIES. The provisions of this Agreement are enforceable solely by the parties to this Agreement, and no Limited Partner, Assignee or other Person shall have the right, separate and apart from the MLP or the OLP, to enforce any provision of this Agreement or to compel any party to this Agreement to comply with the terms of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on, and effective as of, the Closing Date.

PLAINS RESOURCES INC.

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President

Address for Notice:

500 Dallas, Suite 700
Houston, Texas 77002
Telecopy Number: (713) 654-1523

PLAINS ALL AMERICAN PIPELINE, L.P.

By: PLAINS ALL AMERICAN INC., its sole general partner

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President

Address for Notice:

500 Dallas, Suite 700
Houston, Texas 77002
Telecopy Number: (713) 652-2730

PLAINS MARKETING, L.P.

By: PLAINS ALL AMERICAN INC., its sole general partner

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President

Address for Notice:

500 Dallas, Suite 700
Houston, Texas 77002
Telecopy Number: (713) 652-2730

ALL AMERICAN PIPELINE, L.P.

By: PLAINS ALL AMERICAN INC., its sole general partner

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President

Address for Notice:

500 Dallas, Suite 700
Houston, Texas 77002
Telecopy Number: (713) 652-2730

PLAINS ALL AMERICAN INC.

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President

Address for Notice:

500 Dallas, Suite 700
Houston, Texas 77002
Telecopy Number: (713) 652-2730

EXHIBIT 10.13

# FIRST AMENDMENT TO CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT

THIS FIRST AMENDMENT TO CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT (this "Agreement"), dated as of December 15, 1998, is entered into by and among PLAINS RESOURCES INC., a Delaware corporation ("Plains Resources"), PLAINS ALL AMERICAN INC., a Delaware corporation ("PAAI"), PLAINS ALL AMERICAN PIPELINE, L.P., a Delaware limited partnership (the "Partnership"), PLAINS MARKETING, L.P., a Delaware limited partnership ("Plains Marketing"), ALL AMERICAN PIPELINE, L.P., a Texas limited partnership ("All American L.P."), and PAAI LLC, a Delaware limited liability company ("PAAI LLC").

WHEREAS, the parties to this Agreement desire to make certain amendments to the terms of the Contribution, Conveyance and Assumption Agreement (the "Contribution Agreement"), dated as of November 13, 1998, in order to correctly state certain amounts incorrectly recited therein;

NOW THEREFORE, in consideration of their mutual undertakings and agreements hereunder and under the Contribution Agreement, the parties to this Agreement agree to amend the Contribution Agreement as follows:

1. The amount of cash distributed by the Partnership to PAAI as a reimbursement for certain capital expenditures as set forth in Section 2.5 of the Contribution Agreement is hereby amended to be $177,589,500. The amount of the cash contributed by the Partnership to Plains Marketing as set forth in Section 2.5(i) of the Contribution Agreement is hereby amended to be $67,100,000.

2. The cash payment made by Plains Marketing to Plains Resources for the sale of the Plain Assets as set forth in Section 2.6(i) of the Contribution Agreement is hereby amended to be $64,100,000.

3. Except as expressly amended herein, the parties to this Agreement confirm all of the terms of the Contribution Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the date first above written.

PLAINS RESOURCES INC., a Delaware corporation

By: /s/ Michael R. Patterson
---
Michael R. Patterson, Senior Vice President

PLAINS MARKETING, L.P., a Delaware limited partnership

By: Plains All American Inc., a Delaware corporation, as general partner

By: /s/ Michael R. Patterson
---
Michael R. Patterson, Senior Vice President

PLAINS ALL AMERICAN PIPELINE, L.P., a Delaware limited partnership

By: Plains All American Inc., a Delaware corporation, as general partner

By: /s/ Michael R. Patterson
---
Michael R. Patterson, Senior Vice President

ALL AMERICAN PIPELINE, L.P., a Texas limited partnership

By: Plains All American Inc., a Delaware corporation, as general partner

By: /s/ Michael R. Patterson
---
Michael R. Patterson, Senior Vice President

PLAINS ALL AMERICAN INC., a Delaware corporation

By: /s/ Michael R. Patterson
---
Michael R. Patterson, Senior Vice President

PAAI LLC, a Delaware limited liability company

By: Plains All American Inc., a Delaware corporation, its sole member

By: /s/ Michael R. Patterson
---
Michael R. Patterson, Senior Vice President

EXHIBIT 10.14

[PIPELINE]

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated as of the 18th day of March, 1999, by and among ALL AMERICAN PIPELINE, L.P. ("All American" or "Borrower"), PLAINS MARKETING, L.P. ("Marketing"), PLAINS ALL AMERICAN PIPELINE, L.P. ("Plains MLP"), ING (U.S.) CAPITAL LLC, successor in interest to ING (U.S.) CAPITAL CORPORATION, as Administrative Agent (in such capacity, "Administrative Agent"), BANCBOSTON ROBERTSON STEPHENS INC., as documentation agent (in such capacity, "Documentation Agent") and the Lenders a party hereto.

W I T N E S S E T H:

WHEREAS, Borrower, Marketing, Plains MLP, Administrative Agent, Syndication Agent, Documentation Agent and Lenders entered into that certain Credit Agreement dated as of November 17, 1998 (as amended, restated, or supplemented to the date hereof, the "Original Agreement") for the purposes and consideration therein expressed, pursuant to which Lenders became obligated to make and made loans to Borrower as therein provided; and

WHEREAS, Borrower, Marketing, Plains MLP, Administrative Agent, Syndication Agent, Documentation Agent and the Lenders a party hereto 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 Credit Agreement.

"Amendment Documents" means this Amendment.

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

ARTICLE II. -- Amendments

(S) 2.1. Definitions. The definition of "Permitted Investments" set forth in Section 1.1 of the Original Agreement is hereby amended by replacing "and (d)" with ", (d)" and adding a new clause (e) at the end thereof, to read as follows:

and (e) Investments directly or indirectly by Restricted Persons in Unrestricted Subsidiaries in an aggregate amount not to exceed, at any one time outstanding, the sum of (i) $25,000,000, plus (ii) the lesser of $40,000,000 or the amount, if any, of Investments of cash in Restricted Persons by General Partner or by PAAI LLC (less any amount of such Investment returned) at the time in question, provided such Investment of cash was made during the period from March 1, 1999 through December 31, 1999.

The definition of "Restricted Person" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

"Restricted Person" means any of Plains MLP and each Subsidiary of Plains MLP, including but not limited to Borrower, Marketing and each Subsidiary of Borrower and/or Marketing, but excluding Unrestricted Subsidiaries.

The definition of "Subsidiary" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled or owned more than fifty percent by such Person; provided, however, that no Unrestricted Subsidiary shall be deemed a "Subsidiary" of Borrower or Plains MLP for purposes of any Loan Document except as provided in Section 7.16.

The following definition of "Unrestricted Subsidiary" is hereby added to Section 1.1 of the Original Agreement immediately following the definition of "Type":

"Unrestricted Subsidiary" shall have the meaning given it in Section 7.16.

(S) 2.2. Use of Proceeds. Clause (iii) of the first sentence of Section 2.4 of the Original Agreement is hereby amended in its entirety to read as follows:

(iii) all Revolver Loans not designated as Working Capital Loans pursuant to Section 2.2(c) to finance capital expenditures of any Restricted Person, to pay reimbursement obligations of Letters of Credit, to provide working capital for operations and for other general business purposes, including acquisitions, but not to pay distributions to partners of Restricted Persons; provided, Borrower may use up to $25,000,000 of the proceeds of Revolver Loans to make Investments in to Marketing, provided Marketing contemporaneously therewith uses the full amount of such Investments to make "Permitted Investments" as described in clause (e)(i) of the definition of such term.

(S) 2.3. Agreements to Deliver Security Documents. Section 6.14 of the Original Agreement is hereby amended by adding to such section the following sentence:

"In no event shall any Restricted Person be required to grant a Lien in favor of Administrative Agent for the benefit of Lenders encumbering such Restricted Person's ownership interest in any Unrestricted Subsidiary."

(S) 2.4. Unrestricted Subsidiaries. Article VII of the Original Agreement is hereby amended by adding a new Section 7.16 at the end thereof, to read as follows:

Section 7.16 Unrestricted Subsidiaries. Marketing may form one direct Subsidiary (such Subsidiary, and each of its Subsidiaries, each an "Unrestricted Subsidiary"), which Unrestricted Subsidiaries shall be subject to the following:

(a) Subject to subsection (d) below, no Unrestricted Subsidiary shall be deemed to be a "Restricted Person" or a "Subsidiary" of Marketing or Plains MLP for purposes of this Agreement or any other Loan Document, and no Unrestricted Subsidiary shall be subject to or included within the scope of any provision herein or in any other Loan Document, including without limitation any representation, warranty, covenant or Event of Default herein or in any other Loan Document, except as set forth in this Section 7.16.

(b) No Restricted Person shall guarantee or otherwise become liable in respect of any Liability or other obligation of, grant any Lien on any of its property to secure any Liability or other obligation of, make any Investment in (except as described in clause (e) of the definition of Permitted Investments), or provide any other form of credit support to, any Unrestricted Subsidiary, and no Restricted Person shall enter into (i) any management contract or agreement with any Unrestricted Subsidiary, except upon the prior written consent of Majority Lenders, not to be unreasonably withheld, or (ii) any other contract or agreement with any Unrestricted Subsidiary, except in the course of ordinary business on terms no less favorable to such Restricted Person, as applicable, than could be obtained in a comparable arm's length transaction with a non-Affiliate of such Restricted Person.

(c) No Unrestricted Subsidiary shall enter into any contract or agreement to acquire, or acquire any property, except upon the prior approval of Majority Lenders with respect to (i) existing or potential environmental or litigation liabilities and (ii) satisfaction as to any governmental approval as required which in any event or in the aggregate could cause a Material Adverse Change.

(d) If any Unrestricted Subsidiary shall fail to consummate one or more acquisitions of property as of December 31, 1999 with a fair market value equal to or greater than the amount of Investments made in such Unrestricted Subsidiaries by General Partner, PAAI LLC, or Restricted Persons pursuant to clause (e) of the definition of Permitted Investments as of December

31, 1999, then on and after December 31, 1999 each Unrestricted Subsidiary shall be deemed to be a "Subsidiary" of Marketing for purposes of this Agreement and shall be subject to the terms and conditions hereof.

(e) Borrower shall at all times maintain the separate existence of each Unrestricted Subsidiary.

ARTICLE III. -- Conditions of Effectiveness

(S) 3.1. Effective Date. This Amendment shall become effective as of the date first above written when and only when Administrative Agent shall have received, at Administrative Agent's office, a counterpart of this Amendment executed and delivered by Borrower, Marketing, Plains MLP, Administrative Agent, Syndication Agent, Documentation Agent and Majority Lenders.

ARTICLE IV. -- Representations and Warranties

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

(a) The representations and warranties contained in Article V of the Original Agreement, are true and correct at and as of the time of the effectiveness hereof, subject to the amendment of certain of the Schedules to the Credit Agreement as attached hereto and 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 the other Amendment Documents to the extent a party thereto, and 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 corporate action necessary to authorize the execution and delivery of this Amendment and the other Amendment Documents, to the extent a party thereto, and to authorize the performance of their respective obligations thereunder.

(c) The execution and delivery by each Restricted Person of this Amendment and the other Amendment Documents, to the extent a party thereto, the performance by each Restricted Person of their 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 law, statute, rule or regulation or of the certificate or articles of incorporation and bylaws 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, charge or encumbrance upon any assets or properties of any Restricted Person, except in favor of Administrative Agent for the benefit of Lenders. Except for those which have been duly obtained, no consent, approval, authorization or order of any court or governmental authority or third party is required in connection with the execution and delivery by any Restricted Person of this Amendment or any other

Amendment Document, to the extent a party thereto, or to consummate the transactions contemplated hereby and thereby.

(d) When this Amendment and the other Amendment Documents have been duly executed and delivered, each of the Loan Documents, as amended by this Amendment and the other Amendment Documents, 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 and to general principles of equity).

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, as they may be amended or affected by this Amendment and/or the other Amendment Documents, are hereby ratified and confirmed in all respects. 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 or therein, 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 Notes are Obligations and is secured indebtedness under, and is 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.

(S) 5.3. Survival of Agreements. All representations, warranties, covenants and agreements of the Restricted Persons herein and in the other Amendment Documents shall survive the execution and delivery of this Amendment and the other Amendment Documents and the performance hereof and thereof, 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, under the other Amendment Documents 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) 5.4. Loan Documents. This Amendment and each of the other Amendment Documents is a Loan Document, and all provisions in the Credit Agreement pertaining to Loan Documents apply hereto and thereto.

(S) 5.5. GOVERNING LAW. THIS AMENDMENT AND THE OTHER AMENDMENT DOCUMENTS 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) 5.6. Counterparts. This Amendment and each of the other Amendment Documents 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 or Amendment Document, as the case may be.

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

ALL AMERICAN PIPELINE, L.P.

By: PLAINS ALL AMERICAN INC.,
its general partner

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President and
General Counsel

PLAINS MARKETING, L.P.

By: PLAINS ALL AMERICAN INC.,
its general partner

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President and
General Counsel

PLAINS ALL AMERICAN PIPELINE, L.P.

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President and
General Counsel

ING (U.S.) CAPITAL LLC,
Administrative Agent and a Lender

By: /s/ Peter Y. Clinton
---
Name: Peter Y. Clinton
Title: Senior Vice President

ING BARING FURMAN SELZ LLC,
Syndication Agent

By:
---
Name:
Title:

BANKBOSTON, N.A., LC Issuer and Lender

By: /s/ Terrence Ronan
---
Terence Ronan, Director

BANCBOSTON ROBERTSON STEPHENS INC., Documentation Agent

By: /c/ Richard J. Makin
---
Richard J. Makin, Managing Director

FIRST UNION NATIONAL BANK, Lender

By: /s/ Robert R. Wetteroff
---
Name: Robert R. Wetteroff
Title: Senior Vice President

DEN NORSKE BANK ASA, Lender

By: /s/ J. Morten Kreutz
---
Name: J. Morten Kreutz
Title: Vice President

By: /s/ William V. Moyer
---
Name: William V. Moyer
Title: Senior Vice President

MEESPIERSON CAPITAL CORP., Lender

By: /s/ Deirdre M. Sanborn
---
Name: Deirdre M. Sanborn
Title: Assistant Vice President

By: /s/ D. Thomas Abbott
---
Name: D. Thomas Abbott
Title: Chairman

BANK OF SCOTLAND, Lender

By: /s/ Annie Chin Tat
---
Name: Annie Chin Tat
Title: Senior Vice President

CREDIT AGRICOLE INDOSUEZ, Lender

By: /s/ David Bouhl
---
Name: David Bouhl
Title: First Vice President, Managing Director

By: /s/ Katherine L. Abbott
---
Name: Katherine L. Abbott
Title: First Vice President

UNION BANK OF CALIFORNIA, N.A., Lender

By: /s/ Dustin Gaspari
---
Name: Dustin Gaspari
Title: Assistant Vice President

By: /s/ Carl Stutzman
---
Name: Carl Stutzman
Title: Senior Vice President and Manager

HIBERNIA NATIONAL BANK, Lender

By: /s/ Tammy Angelety
---
Name: Tammy Angelety
Title: Vice President

EXHIBIT 10.15

[MARKETING]

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated as of the 18th day of March, 1999, by and among PLAINS MARKETING, L.P. ("Borrower"), ALL AMERICAN PIPELINE, L.P.("All American"), PLAINS ALL AMERICAN PIPELINE, L.P. ("Plains MLP"), BANKBOSTON, N.A., as Administrative Agent (in such capacity, "Administrative Agent"), BANCBOSTON ROBERTSON STEPHENS INC., as syndication agent (in such capacity, "Syndication Agent"), ING BARING FURMAN SELZ LLC, as documentation agent (in such capacity, "Documentation Agent") and the Lenders a party hereto.

W I T N E S S E T H:

WHEREAS, Borrower, All American, Plains MLP, Administrative Agent, Syndication Agent, Documentation Agent and Lenders entered into that certain Amended and Restated Credit Agreement dated as of November 17, 1998 (as amended, restated, or supplemented to the date hereof, the "Original Agreement") for the purposes and consideration therein expressed, pursuant to which Lenders became obligated to make and made loans to Borrower as therein provided; and

WHEREAS, Borrower, All American, Plains MLP, Administrative Agent, Syndication Agent, Documentation Agent and the Lenders a party hereto 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 Credit Agreement.

"Amendment Documents" means this Amendment.

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

ARTICLE II. -- Amendments

(S) 2.1. Definitions. The definition of "Permitted Investments" set forth in Section 1.1 of the Original Agreement is hereby amended by replacing "and (d)" with ", (d)" and adding a new clause (e) at the end thereof, to read as follows:

and (e) Investments directly or indirectly by Restricted Persons in Unrestricted Subsidiaries in an aggregate amount not to exceed, at any one time outstanding, the sum of (i) $25,000,000, plus (ii) the lesser of $40,000,000 or the amount, if any, of Investments of cash in Restricted Persons by General Partner or by PAAI LLC (less any amount of such Investment returned) at the time in question, provided such Investment of cash was made during the period from March 1, 1999 through December 31, 1999.

The definition of "Restricted Person" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

"Restricted Person" means any of Plains MLP and each Subsidiary of Plains MLP, including but not limited to Borrower, All American and each Subsidiary of Borrower and/or All American, but excluding Unrestricted Subsidiaries.

The definition of "Subsidiary" set forth in Section 1.1 of the Original Agreement is hereby amended in its entirety to read as follows:

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled or owned more than fifty percent by such Person; provided, however, that no Unrestricted Subsidiary shall be deemed a "Subsidiary" of Borrower or Plains MLP for purposes of any Loan Document except as provided in Section 7.17.

The following definition of "Unrestricted Subsidiary" is hereby added to Section 1.1 of the Original Agreement immediately following the definition of "Type":

"Unrestricted Subsidiary" shall have the meaning given it in Section 7.17.

(S) 2.2. Agreements to Deliver Security Documents. Section 6.14 of the Original Agreement is hereby amended by adding to such section the following sentence:

"In no event shall any Restricted Person be required to grant a Lien in favor of Administrative Agent for the benefit of Lenders encumbering such Restricted Person's ownership interest in any Unrestricted Subsidiary."

(S) 2.3. Unrestricted Subsidiaries. Article VII of the Original Agreement is hereby amended by adding a new Section 7.17 at the end thereof, to read as follows:

Section 7.17 Unrestricted Subsidiaries. Borrower may form one direct Subsidiary (such Subsidiary, and each of its Subsidiaries, each an "Unrestricted Subsidiary"), which Unrestricted Subsidiaries shall be subject to the following:

(a) Subject to subsection (d) below, no Unrestricted Subsidiary shall be deemed to be a "Restricted Person" or a "Subsidiary" of Borrower or Plains MLP for purposes of this Agreement or any other Loan Document, and no Unrestricted Subsidiary shall be subject to or included within the scope of any provision herein or in any other Loan Document, including without limitation any representation, warranty, covenant or Event of Default herein or in any other Loan Document, except as set forth in this Section 7.17.

(b) No Restricted Person shall guarantee or otherwise become liable in respect of any Liability or other obligation of, grant any Lien on any of its property to secure any Liability or other obligation of, make any Investment in (except as described in clause (e) of the definition of Permitted Investments), or provide any other form of credit support to, any Unrestricted Subsidiary, and no Restricted Person shall enter into (i) any management contract or agreement with any Unrestricted Subsidiary, except upon the prior written consent of Majority Lenders, not to be unreasonably withheld, or (ii) any other contract or agreement with any Unrestricted Subsidiary, except in the course of ordinary business on terms no less favorable to such Restricted Person, as applicable, than could be obtained in a comparable arm's length transaction with a non-Affiliate of such Restricted Person

(c) No Unrestricted Subsidiary shall enter into any contract or agreement to acquire, or acquire any property, except upon the prior approval of Majority Lenders with respect to (i) existing or potential environmental or litigation liabilities and (ii) satisfaction as to any governmental approval as required which in any event or in the aggregate could cause a Material Adverse Change.

(d) If any Unrestricted Subsidiary shall fail to consummate one or more acquisitions of property as of December 31, 1999 with a fair market value equal to or greater than the amount of Investments made in such Unrestricted Subsidiaries by General Partner, PAAI LLC, or Restricted Persons pursuant to clause (e) of the definition of Permitted Investments as of December 31, 1999, then on and after December 31, 1999 each Unrestricted Subsidiary shall be deemed to be a "Subsidiary" of Borrower for purposes of this Agreement and shall be subject to the terms and conditions hereof.

(e) Borrower shall at all times maintain the separate existence of each Unrestricted Subsidiary.

ARTICLE III. -- Conditions of Effectiveness

(S) 3.1. Effective Date. This Amendment shall become effective as of the date first above written when and only when Administrative Agent shall have received, at Administrative Agent's office, a counterpart of this Amendment executed and delivered by Borrower, All American,

Plains MLP, Administrative Agent, Syndication Agent, Documentation Agent and Majority Lenders.

ARTICLE IV. -- Representations and Warranties

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

(a) The representations and warranties contained in Article V of the Original Agreement, are true and correct at and as of the time of the effectiveness hereof, subject to the amendment of certain of the Schedules to the Credit Agreement as attached hereto and 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 the other Amendment Documents to the extent a party thereto, and 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 corporate action necessary to authorize the execution and delivery of this Amendment and the other Amendment Documents, to the extent a party thereto, and to authorize the performance of their respective obligations thereunder.

(c) The execution and delivery by each Restricted Person of this Amendment and the other Amendment Documents, to the extent a party thereto, the performance by each Restricted Person of their 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 law, statute, rule or regulation or of the certificate or articles of incorporation and bylaws 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, charge or encumbrance upon any assets or properties of any Restricted Person, except in favor of Administrative Agent for the benefit of Lenders. Except for those which have been duly obtained, no consent, approval, authorization or order of any court or governmental authority or third party is required in connection with the execution and delivery by any Restricted Person of this Amendment or any other Amendment Document, to the extent a party thereto, or to consummate the transactions contemplated hereby and thereby.

(d) When this Amendment and the other Amendment Documents have been duly executed and delivered, each of the Loan Documents, as amended by this Amendment and the other Amendment Documents, 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 and to general principles of equity).

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, as they may be amended or affected by this Amendment and/or the other Amendment Documents, are hereby ratified and confirmed in all respects. 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 or therein, 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 Notes are Obligations and is secured indebtedness under, and is 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.

(S) 5.3. Survival of Agreements. All representations, warranties, covenants and agreements of the Restricted Persons herein and in the other Amendment Documents shall survive the execution and delivery of this Amendment and the other Amendment Documents and the performance hereof and thereof, 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, under the other Amendment Documents 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) 5.4. Loan Documents. This Amendment and each of the other Amendment Documents is a Loan Document, and all provisions in the Credit Agreement pertaining to Loan Documents apply hereto and thereto.

(S) 5.5. GOVERNING LAW. THIS AMENDMENT AND THE OTHER AMENDMENT DOCUMENTS 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) 5.6. Counterparts. This Amendment and each of the other Amendment Documents 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 or Amendment Document, as the case may be.

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

PLAINS MARKETING, L.P.

By: PLAINS ALL AMERICAN INC.,
its general partner

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President and General Counsel

PLAINS ALL AMERICAN PIPELINE, L.P.

By: PLAINS ALL AMERICAN INC.,
its general partner

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President and General Counsel

ALL AMERICAN PIPELINE, L.P.

By: PLAINS ALL AMERICAN INC.,
its general partner

By: /s/ Michael R. Patterson
---
Name: Michael R. Patterson
Title: Senior Vice President and General Counsel

BANKBOSTON, N.A.,
Administrative Agent, LC Issuer and Lender

By: /s/ Terrence Ronan
---
Terrence Ronan, Director

BANCBOSTON ROBERTSON STEPHENS INC.,
Syndication Agent

By: /s/ Richard J. Makin
---
Richard J. Makin, Managing Director

ING BARING FURMAN SELZ LLC,
Documentation Agent

By:
---
Name:
Title:

ING (U.S.) CAPITAL LLC, Lender

By: /s/ Peter Y. Clinton
---
Name: Peter Y. Clinton
Title: Senior Vice President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, Lender

By: /s/ Irene C. Rummel
---
Name: Irene C. Rummel
Title: Vice President

BANK OF SCOTLAND, Lender

By: /s/ Annie Chin Tat
---
Name: Annie Chin Tat
Title: Senior Vice President

COMERICA BANK-TEXAS, Lender

By: /s/ Daniel G. Steele
---
Name: Daniel G. Steele
Title: Senior Vice President

DEN NORSKE BANK ASA, Lender

By: /s/ J. Morten Kreutz
---
Name: J. Morten Kreutz
Title: Vice President

By: /s/ William V. Moyer
---
Name: William V. Moyer
Title: Senior Vice President

FIRST UNION NATIONAL BANK, Lender

By: /s/ Robert R. Wetteroff
---
Name: Robert R. Wetteroff
Title: Senior Vice President

HIBERNIA NATIONAL BANK, Lender

By: /s/ Tammy Angelety
---
Name: Tammy Angelety
Title: Assistant Vice President

MEESPIERSON CAPITAL CORP., Lender

By: /s/ Deirdre M. Sanborn
---
Name: Deirdre M. Sanborn
Title: Assistant Vice President

By: /s/ D. Thomas Abbott
---
Name: D. Thomas Abbott
Title: Chairman

U.S. BANK, NATIONAL ASSOCIATION, Lender

By: /s/ Charles S. Searle
---
Name: Charles S. Searle
Title: Senior Vice President

UNION BANK OF CALIFORNIA, N.A., Lender

By: /s/ Dustin Gaspari
---
Name: Dustin Gaspari
Title: Assistant Vice President

By: /s/ Carl Stutzman
---
Name: Carl Stutzman
Title: Senior Vice President and Manager

WELLS FARGO BANK (TEXAS),
NATIONAL ASSOCIATION, Lender

By: /s/ Ann M. Rhoads
---
Name: Ann M. Rhoads
Title: Vice President

EXHIBIT 10.16

# AGREEMENT FOR PURCHASE AND SALE OF MEMBERSHIP INTEREST IN SCURLOCK PERMIAN LLC

BETWEEN

MARATHON ASHLAND PETROLEUM LLC

AND

PLAINS MARKETING, L.P.

MARCH 17, 1999

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AGREEMENT FOR PURCHASE AND SALE
OF MEMBERSHIP INTEREST IN
SCURLOCK PERMIAN LLC

THIS AGREEMENT FOR PURCHASE AND SALE 0F MEMBERSHIP INTEREST ("Agreement") in Scurlock Permian LLC ("SP") has been executed this 17th day of March, 1999, by Marathon Ashland Petroleum LLC ("MAP"), a Delaware limited liability company, and Plains Marketing, L.P., a Delaware limited partnership ("Plains").

RECITALS

1. SP is a Delaware limited liability company with a single membership interest which is owned by MAP. Scurlock Permian Pipe Line LLC is a Delaware limited liability company and is a wholly owned subsidiary of SP. La Grange Oil Terminal Company is a Texas general partnership which is owned 50% by SP.

2. MAP desires to sell, and Plains desires to acquire, all of the membership interest in SP pursuant to this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises, agreements and mutual covenants herein contained, MAP and Plains agree as follows:

ARTICLE I DEFINITIONS

Unless otherwise specifically stated in the text of this Agreement, the following terms shall have the following meanings:

1.1 "Accrued Taxes" shall mean all amounts that have been accrued or are payable for Taxes in accordance with GAAP.

1.2 "Adjustment Statement" shall mean the statement described in Section 2.4.

1.3 "Affiliate" shall mean, as to the Person specified, any other Person controlling, controlled by or under common control with such specified Person. The concept of control, controlling or controlled as used in the aforesaid context means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of another, whether through the ownership of voting securities, by

contract or otherwise. Solely for purposes of Sections 6.6, and 7.3(m), Ashland Inc. and its Affiliates shall be deemed Affiliates of MAP.

1.4 "Annual Financial Statements" shall mean the financial statements of SP described in Section 3.2.

1.5 "Arbitrator" shall mean a mutually agreed, national public accounting firm not employed by either party or any of their Affiliates.

1.6 "Assets" shall mean (a) all of the assets and properties of the SP Group, tangible and intangible, real, personal and mixed, excluding (i) the assets described in Section 2.5 and (ii) such other assets and properties, if any, which are disposed of as permitted or required under this Agreement, and (b) all assets and properties acquired by the SP Group from and after the date of this Agreement through the Closing Date as permitted or required under this Agreement. Without limiting the generality of the foregoing, the Assets include the Major Pipelines and Terminals.

1.7 "Closing" shall mean the consummation of the transactions contemplated herein in accordance with Article X hereof.

1.8 "Closing Date" shall mean the date for Closing set forth in Section 10.1.

1.9 "Confidentiality Agreement" shall mean that certain Confidentiality Agreement between MAP and Plains All American Inc. dated February 4, 1999.

1.10 "Corrective Action" shall mean any remedial, removal, response, construction, closure, disposal, or other corrective action.

1.11 "Current Assets" shall be determined in accordance with GAAP and shall include SP Group's accounts for current assets as shown on Exhibit 1.11, which for crude oil shall include only Inventory Above Minimum.

1.12 "Current Liabilities" shall be determined in accordance with GAAP and shall include SP Group's accounts for current liabilities shown on Exhibit 1.12, and shall include accruals for vacation earned but not used, for vacation to be taken after the Effective Time.

1.13 "Effective Time" shall mean 7:00 am CST on April 1, 1999.

1.14 "Effective Time Working Capital Statement" shall mean a statement setting forth the Current Assets and Current Liabilities of SP Group as of the Effective Time in the form of Exhibit 1.14.

1.15 "Environmental Laws" shall mean any and all laws, statutes, ordinances, rules, regulations, orders, or determinations of any Government Authority, heretofore or currently in effect in any and all jurisdictions in which the SP Group is conducting or at any time has conducted business, or where any of its assets are located, or where any Hazardous Materials or hazardous substances generated by or disposed of by the SP Group are located, pertaining to (a) the control of any potential pollutant including, without limitation, liquid hydrocarbons, petroleum or petroleum products, or the protection of the air, water or land; (b) the generation, handling, treatment, remediation, storage, disposal or transportation of solid, gaseous or liquid waste; or (c) exposure to hazardous, toxic or other substances alleged to be harmful.

1.16 "Environmental Liabilities" shall mean any and all liabilities, responsibilities, claims, suits, losses, costs (including remediation, removal, response, abatement, clean-up, investigative or monitoring costs and any other related costs and expenses), other causes of action recognized now or at any later time, damages, settlements, expenses, charges, assessments, liens, penalties, fines, pre-judgment and post-judgment interest, attorney, consultant, and expert fees incurred or imposed (a) pursuant to any agreement, order, notice or directive embodied in Environmental Laws or relating to environmental matters, injunction, judgment or similar documents (including settlements) relating to environmental matters or (b) pursuant to any claim by a Government Authority or other Person for damage to natural resources, remediation, or similar costs or expenses incurred by such Government Authority or Person pursuant to common law or statute.

1.17 "GAAP" shall mean generally accepted accounting principles used in the United States of America.

1.18 "Government Authority" shall mean (i) the United States of America, (ii) any state county, municipality or other governmental subdivision within the United States of America, and (iii) any court or any governmental department, commission, board, bureau, agency or other instrumentality of the United States of America or of any state, county, municipality, or other governmental subdivision within the United States of America.

1.19 "Hazardous Materials" shall mean any explosives, radioactive materials, asbestos material, urea formaldehyde, hydrocarbon contaminants, underground tanks, pollutants, contaminants, hazardous, corrosive or toxic substances, special waste or waste of any kind, including compounds known as

chlorobiophenyls and any material or substance the storage, manufacture, disposal, treatment, generation, use, transport, mediation or release into the environment of which is prohibited, controlled, regulated or licensed under Environmental Laws, including, but not limited to, (a) all "hazardous substances" as that term is defined in Section 101 (14) of the Comprehensive Environmental Response, Compensation and Liability Act, as amended, and (b) petroleum and petroleum products.

1.20 "Interim Period" shall mean the period from the Effective Time to the Closing Date.

1.21 "Inventory Above Minimum" shall mean liquid hydrocarbon inventory owned by the SP Group; provided that Inventory Above Minimum does not include the minimum operating requirements for tank bottoms and line fill in the SP Group pipelines and tanks, and in third party pipeline systems. Such minimum operating requirement is agreed, solely for the purposes of this Agreement, to be 1,000,000 barrels. Inventory Above Minimum for barrels which are sold in April, 1999 as part of SP's contango inventory strategy, shall be valued at the sales price for such barrels. Inventory Above Minimum for all other barrels shall be valued at the market price. The market price shall be defined as Scurlock Permian's WTI average posting over the four day period from March 29, 1999 through April 1, 1999, plus the average of the daily high and low quotes for WTI P-Plus in Platt's Crude Oil Market Wire "America's Crude Oil Assessments" for the same time period, less $0.50 per barrel. The amount of Inventory Above Minimum shall be measured as of the Effective Time and shall be reflected in Exhibit 1.11, and shall be adjusted for the ratio of measured BS&W in the total liquid hydrocarbon inventory to the total liquid hydrocarbon inventory.

1.22 "License" shall mean a permit, license or other authorization issued by a Government Authority allowing or permitting the operation of assets of the SP Group or the conducting of all or part of its business.

1.23 "MAP" shall mean Marathon Ashland Petroleum LLC, a Delaware limited liability company.

1.24 "Major Pipelines and Terminals" shall mean the pipe, tanks, docks, pumps, motors, engines, valves, meters, fittings, appurtenances and other equipment comprising the pipeline systems, terminals and other facilities described on Exhibit 1.24.

1.25 "Material Adverse Effect" shall mean a material adverse effect or effects, either individually or in the aggregate, on (a) the business, financial condition, results of operation or assets of the SP Group taken as a whole or (b) the validity or enforceability of this Agreement.

1.25 "Materiality" (and the meaning of such terms as "material" or "materially") in connection with MAP, Plains, and the SP Group shall have the meanings specifically assigned to those terms for specific provisions in this Agreement. In those cases in which no meaning is specifically assigned, the terms

"material" or "materially" shall have the meaning determined in the context of the financial condition, business, properties and assets of the SP Group considered as a whole or as to MAP or Plains as the case may be.

1.26 "Membership Interest" shall mean all of the limited liability company membership interest in SP.

1.27 "Net Working Capital" shall mean Current Assets less Current Liabilities.

1.28 "Permitted Encumbrances" shall mean (a) liens for current taxes, assessments, governmental charges or levies not yet due; (b) workers' or unemployment compensation liens arising in the ordinary course of business; (c) mechanic's, materialman's, supplier's, vendor's, or similar liens arising in the ordinary course of business for obligations that are not delinquent; (d) security interests, pledges, liens or other charges or encumbrances as may have arisen in the ordinary course of business, none of which individually or in the aggregate are material to the ownership, use, or operation of the Assets; (e) any state of facts which an accurate on-the-ground survey would show which individually and in the aggregate does not materially detract from the value of or materially interfere with the use and operation of the Assets; (f) any liens, easements, rights of way, restrictions, rights, leases and other encumbrances affecting title, whether recorded or not, which do not materially detract from the value of or materially interfere with the use and operation of the Assets; and (g) legal highways, zoning and building laws, ordinances and regulations.

1.29 "Person" shall mean any Government Authority or any individual, firm, partnership, corporation, limited liability company, joint venture, trust, unincorporated organization or other entity or organization.

1.30 "Plains" shall mean Plains Marketing, L.P., a Delaware limited partnership.

1.31 "Prior Period Adjustments" shall mean any sums paid or received by the SP Group for transactions, events, liabilities or income, other than the receipt of Current Assets or the payment of Current Liabilities in the ordinary course of business and included in the Effective Time Working Capital Statement, attributable to periods prior to the Effective Time.

1.32 "Purchase Price" shall have the meaning set forth in Section 2.2.

1.33 "Promissory Note" shall have the meaning set forth in Section 2.3(d).

1.34 "Return" or "Returns" shall mean all returns, declarations, reports, claims for refund or information returns or statements relating to Taxes, including any schedule or attachment thereto, and

including any amendment thereof filed or to be filed with any Tax Authority in connection with the determination, assessment or collection of Taxes.

1.35 "Rights of Way" shall mean the rights of way, permits, licenses, easements and other authorizations and rights in real property comprising the land rights under which the SP Group operates the Major Pipelines and Terminals and the agreements creating such rights, but does not mean the land rights associated with those segments of the Major Pipelines and Terminals designated as inactive on Exhibit 1.24.

1.36 "SP" shall mean Scurlock Permian LLC, a Delaware limited liability company.

1.37 "SP Group" shall mean SP, Scurlock Permian Pipe Line LLC and La Grange Oil Terminal Company.

1.38 "Sub-sublease Agreements" shall mean the sub-sublease agreements between SP Group and MAP referred to in Section 10.3(f).

1.39 "TAP" shall mean the MAP Termination Allowance Plan.

1.40 "Tax or Taxes" shall mean all federal, state, and local income, profits, franchise, gross receipts, payroll, sales, employment, employee withholding, unemployment insurance, workers' compensation, use, property, real estate, excise value added, estimated, stamp, alternative or add-on minimum, environmental tax, withholding, occupation, severance and any other taxes, duties or assessments with respect to activities or property of the SP Group, together with all interest, penalties and additions imposed with respect to such amounts, but excluding any such amounts imposed directly on MAP or the owners of MAP as the result of Treasury Regulation (S)301.7701-3 or similar state and local tax provisions.

1.41 "Tax Authority" and "Taxing Authority" shall mean any domestic, federal, national, state, county or municipal or other local government, any subdivision, agency, commission or authority thereof, or any quasi-governmental body exercising any taxing authority or any other authority exercising tax regulatory authority.

1.42 "Transition Agreement" shall mean the agreement by and between MAP, and Plains All American Inc., substantially in the form of Exhibit 1.42.

1.43 "Unadjusted Purchase Price" shall mean $135,000,000.

1.44 "Units" shall mean 175,000 common units of Plains All American Pipeline, L.P.

## ARTICLE II SALE AND PURCHASE OF MEMBERSHIP INTEREST

2.1 Sale and Purchase of Membership Interests. At the Closing, subject to all of the conditions precedent stated in Articles VIII and IX being satisfied or waived, the sale and purchase of the Membership Interest shall occur and become effective in accordance with the provisions of this Agreement.

2.2 Purchase Price. At the Closing, Plains shall (a) pay the Unadjusted Purchase Price, as adjusted pursuant to Section 2.3; and (b) either transfer the Units to MAP, or pay additional consideration in the amount of $3,000,000 (the Unadjusted Purchase Price and such additional consideration or the Units, at Plains' option, together shall mean the "Purchase Price"). The Purchase Price shall be payable as follows:

(x) a wire transfer of immediately available funds (federal) to MAP at such account as MAP shall designate in writing not less than five (5) business days prior to the Closing Date, in the amount of the Unadjusted Purchase Price, as adjusted pursuant to Section 2.3; and

(y) a simultaneous wire transfer of the the additional consideration, or an assignment of the Units, in accordance with Plains' election under Section 2.2(b).

2.3 Closing Adjustments. The Unadjusted Purchase Price shall be adjusted at Closing by each of the following:

(a) If the Net Working Capital, as evidenced by the Effective Time Working Capital Statement, is less than zero, the Unadjusted Purchase Price shall be decreased by the amount by which the Net Working Capital is less than zero. If the Net Working Capital as evidenced by the Effective Time Working Capital Statement is greater than zero, the Unadjusted Purchase Price shall be increased by the amount by which the Net Working Capital is greater than zero.

(b) If the net amount of the Prior Period Adjustments received or paid during the Interim Period is a positive number, the Unadjusted Purchase Price shall be increased by such amount. If the net amount of the Prior Period Adjustments is a negative number, the Unadjusted Purchase Price shall be reduced by such amount.

(c) If, during the Interim Period, the SP Group shall terminate any employee(s) without cause pursuant to the request of Plains, the salary, or hourly wage, plus payroll burden and taxes for such employee(s) through the effective time of the termination will be part of the ordinary operating expenses for the SP Group. The Unadjusted Purchase Price shall only be reduced by the amount of any TAP benefits paid to such employee(s).

(d) If, during the Interim Period, the SP Group has a need to borrow funds to meet its daily obligations for payment of current liabilities in the ordinary course of business, then MAP will advance to SP such funds. Such loaned amounts will be evidenced by a Promissory Note in the form attached as Exhibit 2.3(d). On the Closing Date, the outstanding principal amount of each advance and its accrued interest under the Promissory Note, if any, shall be due and payable in full as an addition to the Unadjusted Purchase Price; such upward addition to be offset, however, by the amount of available cash or borrowed funds, including interest accrued thereon, utilized to satisfy MAP's obligations not otherwise provided for in this Agreement, or to satisfy liabilities of SP which are or would have become on the Closing Date the indemnification obligations of MAP.

(e) If any of the assets described in and to be excluded from this transaction under Section 2.5 are owned by a member of the SP Group on or after the Effective Time, the Unadjusted Purchase Price shall be increased by the amount that such assets result in revenues to the SP Group and shall be decreased by the amount that such assets result in costs and expenses to the SP Group.

(f) The Unadjusted Purchase Price shall be increased by an amount equal to the federal, and state partnership taxes incurred by or with respect to MAP, and decreased by an amount equal to any such tax benefit received by or with respect to MAP, attributable to the income, gain, loss, deduction and credit with respect to the activities of SP and Scurlock Permian Pipe Line LLC during the Interim Period included in the MAP federal partnership tax return and its state tax returns for those states that follow the federal rules. Such income taxes shall be deemed to equal 39% of the net amount of income, gain, loss and deduction for the Interim Period included in the MAP federal partnership tax return. For the purpose of this section, the Unadjusted Purchase Price shall be increased by $400,000 to reflect the estimated income taxes for the Interim Period. Such amount shall be adjusted at the time the net amount of income, gain, loss, and deduction for the Interim Period to be included in the MAP federal income tax return is determined, but in no event later than ninety (90) days after the Closing Date.

(g) The Unadjusted Purchase Price shall be decreased by any amount expended to meet the obligations of MAP under this Agreement. To the extent that sums are expended that would be subject to the $25,000 threshold or the $25,000 deductible contained in Section 12.6, such threshold and deductible shall not apply.

(h) No adjustment made under this Section shall be duplicated.

2.4 Net Working Capital Adjustment. Within sixty (60) days following the Closing Date, Plains may elect to prepare and deliver to MAP a statement ("Adjustment Statement") detailing, by item, any instances in which Plains believes that the Effective Time Working Capital Statement was not prepared in accordance with the definitions of Current Assets and Current Liabilities set forth in this Agreement, and the proposed resultant adjustments to Net Working Capital. Plains shall make available to MAP all information reasonably required to verify whether proposed adjustments detailed on the Adjustment Statement are correct. Within thirty (30) calendar days following the receipt of the Adjustment Statement, MAP may elect to dispute the Adjustment Statement by giving written notice to Plains detailing each item disputed by MAP and setting forth the reasons for such dispute. If MAP shall not have given a timely dispute notice to Plains disagreeing with the Adjustment Statement, it shall be deemed to have agreed with the Adjustment Statement. If MAP shall give a timely dispute notice, MAP and Plains shall work in good faith to resolve any disputed items. If they shall not so agree within thirty (30) calendar days following the date the dispute notice is received, then either MAP or Plains may cause the matter to be referred to the Arbitrator, by giving written notice to the other party and to the Arbitrator. The fees and expenses of the Arbitrator shall be borne 50% by Plains and 50% by MAP. The Arbitrator shall, within ninety (90) calendar days following the date such matter is referred to it, determine whether any adjustment proposed on the Adjustment Statement that is the subject of disagreement among the parties should be made; provided, however, that any adjustments shall be in accordance with the definitions contained in this Agreement. Such determination by the Arbitrator shall be final and binding on the parties for the purposes of computing any payment to be made under this Section 2.4, and may be enforced by appropriate judicial or other proceedings. Such payments, in either case, shall be made within fifteen (15) calendar days following the final determination (whether by agreement of the parties or determination by the Arbitrator). If Plains elects not to furnish MAP an Adjustment Statement within sixty (60) calendar days following the Closing Date, then Plains shall have no further right to seek payment for adjustments to Net Working Capital.

2.5 Excluded Assets. The following will not be assets owned by the SP Group on the Closing Date:

(a) The SP corporate aircraft;
(b) The common stock of Marathon Ashland Petroleum Canada, Ltd.; and
(c) Any liquid hydrocarbons in SP Group's custody and owned by third party shippers which liquid hydrocarbons will remain in the custody of the SP Group.

In the event that any of the foregoing assets are owned by the SP Group on the date of this Agreement, MAP shall cause title to such assets to be transferred from the SP Group prior to the Closing, in accordance with applicable law.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF MAP

MAP represents and warrants to Plains that:

3.1 Due Organization and Qualification. SP is a limited liability company duly organized and validly existing under Delaware law and has all requisite power to carry on its business as now being conducted and to own and operate the assets now owned and being operated. SP is qualified to do business in every other jurisdiction in which its failure to so qualify would have or constitute a Material Adverse Effect, or would materially and adversely affect the ability of SP to perform the transactions contemplated by this Agreement. Scurlock Permian Pipe Line LLC is a limited liability company duly organized and validly existing under Delaware law and has all requisite power to carry on its business as now being conducted and to own and operate the assets now owned and being operated by it. Scurlock Permian Pipe Line LLC is qualified to do business in every other jurisdiction in which its failure to so qualify would have a Material Adverse Effect. La Grange Oil Terminal Company is a Texas general partnership duly organized and validly existing under Texas law and has all requisite power to carry on its business as now being conducted and to own and operate the assets now owned and being operated by it, and has no assets and conducts no business in any state other than Texas.

3.2 Financial Statements. Exhibit 3.2 contains the Annual Financial Statements which have been furnished to Plains for calendar years ending in 1996, 1997 and 1998 for the SP Group. Each of such Annual Financial Statements consists of a balance sheet at year end and the related statement of income as of that certain date and accompanying notes, if any. These are unaudited reports representing the financial condition of the SP Group and the results of its operations for the periods indicated. The financial condition of the SP Group and the results of its operations represented in the audited financial statements to be provided by MAP to Plains under Section 7.5 will not vary materially from the financial condition and results of operations represented in the Annual Financial Statements set forth in Exhibit 3.2, except with respect to noncash writedowns, normal and customary adjustments required to account for the SP Group as an unaffiliated entity as a result of the consummation of the transactions contemplated by this Agreement, and the change from a fiscal year to a calendar year for accounting purposes. Footnotes contained in such audited financials shall not contain any disclosure of material contingent or other liabilities or conditions, and that were not fully disclosed to Plains in writing prior to the execution of this Agreement.

3.3 No Material Adverse Change. Except as set forth in Section 2.5, and except for matters approved by Plains in accordance with this Agreement, and except for the execution and delivery of this

Agreement, since December 31, 1998, SP has (a) had no change in its condition, financial or otherwise, operations, business, assets or liabilities, other than changes in the ordinary course of business, none of which has had a Material Adverse Effect; (b) suffered no damage, destruction or loss of physical property that has had a Material Adverse Effect; (c) suffered no substantial loss or waived, released or compromised any substantial right; (d) not made or permitted any material amendment or termination of any material contract, agreement or license to which it is a party other than in the ordinary course of business and none of which has had a Material Adverse Effect; (e) not made any change in its accounting methods or practices with respect to its condition, operations, business, properties, assets or liabilities, except to the extent required to account for the SP Group as an unaffiliated entity as a result of the consummation of the transactions contemplated by this Agreement, and (f) not entered into any material transaction not in the ordinary course of business.

3.4 Membership Interest. (a) The Membership Interest constitutes the only issued and outstanding Membership Interest in SP.

(b) There are no options, warrants, contracts or commitments for the issuance or sale by SP of, or any securities of SP convertible into or exchangeable for, any additional Membership Interest.

(c) MAP has and, at Closing, will have good and merchantable title to the Membership Interest free and clear of any liens, encumbrances, restrictions (other than those set forth in SP's Second Amended and First Restated Limited Liability Company Agreement dated effective February 4, 1998) and preferential purchase rights.

3.5 Liabilities. Except to the extent reflected in the financial statements referred to in the first sentence of Section 3.2, or in Sections 3.6, 3.7, 3.8, or in Exhibit 3.5, SP has incurred no liabilities of any nature, whether accrued, absolute, contingent or otherwise, which would have or would constitute a Material Adverse Effect.

3.6 Environmental Conditions and Liabilities. (a) Exhibit 3.6(a) describes all known material Environmental Liabilities of the SP Group. Except as set forth in Exhibits 3.6(a) and 3.8, none of the SP Group is the subject of an enforcement proceeding under any Environmental Law. Except as listed in Exhibits 3.6(a) and 3.8, and to the best of the knowledge of MAP or the SP Group: (i) the SP Group has made all required disclosures under the applicable Environmental Laws; and (ii) except for such files, documents, and records which cannot be made available to Plains without waiving any attorney client privilege pertaining thereto, MAP and the SP Group have made available to Plains all material files, documents and records in their possession or in the possession of its consultants related to the environmental condition of the Assets.

(b) Exhibit 3.6(b) describes SP Group locations, issues or events which have been identified by parties other than MAP or SP as presenting circumstances potentially warranting further investigation of environmental conditions. Some of the locations described on Exhibit 3.6(b) are no longer owned by SP. Except as set forth in this Section 3.6(b), neither MAP nor the SP Group makes any warranty or representation with respect to Environmental Liabilities of the SP Group arising from or relating to the locations, issues or events listed on Exhibit 3.6(b); provided, however, that to the extent that the environmental conditions specified in Exhibit 3.6(b) exist, MAP shall defend and indemnify the Buyer Indemnified Parties against any and all Environmental Liabilities pursuant to Section 12.3 and claims related to locations, issues, and events listed on Exhibit 3.6(b) are deemed asserted under Section 12.7.

3.7 Taxes. Any and all Returns required to be filed for any period on or before the date of this Agreement have been or will be duly prepared and timely filed by the SP Group and all Taxes shown as due and payable on such Returns have been timely paid or are included in Accrued Taxes.

Effective January 1, 1998, for federal partnership tax purposes, and for state income tax purposes in those states which follow the federal rules, SP and Scurlock Permian Pipe Line LLC are disregarded as entities separate from MAP pursuant to Treasury Regulation (S)301.7701-3.

SP is the successor to Scurlock Permian Corporation, a Kentucky corporation, which was a wholly owned subsidiary of Ashland Inc. Scurlock Permian Corporation was merged into SP immediately after the close of business on December 31, 1997. On January 1, 1998, Ashland Inc. transferred its interest in SP to MAP. Scurlock Permian Pipe Line LLC is the successor to Scurlock Permian Pipe Line Corporation, a Kentucky corporation, which was a wholly owned subsidiary of Scurlock Permian Corporation. Scurlock Permian Pipe Line Corporation was merged into Scurlock Permian Pipe Line LLC immediately after the close of business on December 31, 1997. For periods prior to January 1, 1998, both Scurlock Permian Corporation and Scurlock Permian Pipe Line Corporation were included in the federal income tax return for the Ashland Inc. consolidated group.

3.8 Litigation. Except as set forth in the documentation described in Section 3.5, in Exhibits 3.6(a), 3.6(b) and 3.8, there are no actions, suits, proceedings, outstanding judgments, or, to the knowledge of MAP and the SP Group, investigations against the SP Group involving any Person of any kind now pending or threatened. Except as set forth in Exhibit 3.8, to the best of the knowledge of MAP and the SP Group, neither the SP Group, nor any of its respective properties or assets, is subject to any judicial or administrative judgment, order, decree or restraint. Except to the extent covered in Section 12.11, none of

the litigation set out in Exhibits 3.6(a) and 3.8 seeks injunctive relief or will have a material effect on the operation or practices of the SP Group.

3.9 Equipment, Inventory, and Other Personal Property. (a) Exhibit 3.9(a) decribes all the items of equipment, inventory, and other personal property owned by the SP Group that had an original cost to the SP Group equal to or in excess of $10,000, and all of the motor vehicles owned by the SP Group. Such items together with the Major Pipelines and Terminals as are currently used in the SP Group's business are in serviceable and working condition for their intended use.

(b) The vehicles listed on Exhibit 3.9(b) are leased or subleased by MAP and constitute all of the vehicles to be sub-subleased to SP pursuant to the Sub-sublease Agreements or otherwise transferred to SP. Such vehicles are in serviceable and working condition for their intended use. The subleases, as amended, and set out in Exhibit 10.3(f), are all of the subleases, are valid and in effect in accordance with their terms, and shall survive this Agreement and shall remain in full force and effect in accordance with its terms.

(c) The applications, system documentation and source code for the crude oil systems and any other proprietary source codes and related documents used by the SP Group, and the hardware, and necessary rights to use the software, comprising the SP Group's SCADA system, will be owned or leased by SP Group at Closing.

(d) The Major Pipelines and Terminals are in serviceable and working condition for their intended use.

3.10 Real Property. (a) Exhibit 3.10(a) sets forth all lands owned in fee by the SP Group, with the legal descriptions or recordation information as maintained in the SP Group's databases. The SP Group has and, at Closing, will have good and marketable record title in fee to all lands listed on Exhibit 3.10(a), free and clear of any and all mortgages, liens and encumbrances created by any Person. This Section does not apply to leased property or rights of way for pipelines owned by the SP Group, as to the title of which Sections 3.10(b) and (c) below provides the sole and exclusive representation and warranty by MAP under this Agreement.

(b) All material lease agreements for the portions of the Major Pipelines and Terminals that are leased by the SP Group are listed on Exhibit 3.10(b) and are in full force and effect in all material respects and constitute the legal, valid and binding obligation of the parties thereto, enforceable against the

parties in accordance with their respective terms, subject to Permitted Encumbrances. The Major Pipelines and Terminals are within leasehold boundaries and there are no outstanding requests to relocate or remove any part thereof. The lessee under such agreements has no notice that it is in default under any material term or condition thereof.

(c) The SP Group has and, at Closing will have, good and defensible title to the Rights of Way, subject only to Permitted Encumbrances, and excluding Rights of Way underlying pipelines that are inactive or abandoned on the Closing Date. The pipeline systems included within the Major Pipelines and Terminals are located within the Rights of Way, except with respect to those instances in which the failure of such systems to lie within the Rights of Way would not have or constitute a Material Adverse Effect. The Rights of Way constitute continuous land rights along the pipeline systems included within the Major Pipelines and Terminals, except with respect to gaps which would not have or constitute a Material Adverse Effect and there are no outstanding demands to remove or relocate pipelines, tanks or related facilities.

3.11 Scurlock Permian Pipe Line LLC; La Grange Oil Terminal Company. SP owns and, at Closing will have, good and merchantable title to 100% of the sole membership interest in Scurlock Permian Pipe Line LLC, and 50% of the entire partnership interests in La Grange Oil Terminal Company, free and clear of any encumbrance, security agreement, restriction, preferential right, lien or charge of any kind or character; except that the partnership interest in La Grange Oil Terminal Company is subject to the terms, conditions and restrictions of that certain Partnership Agreement dated June 17, 1992 between Scurlock Permian Corporation and Union Pacific Fuels, Inc. Copies of the limited liability company agreements of SP and Scurlock Permian Pipe Line LLC, and a copy of the La Grange Oil Terminal Company partnership agreement have been provided to Plains. There are no amendments of these agreements. Each such agreement is the valid and binding legal obligation of MAP, SP, Scurlock Permian Pipe Line LLC, or La Grange Oil Terminal Company, as the case may be, enforceable against MAP, SP, Scurlock Permian Pipe Line LLC or La Grange Oil Terminal Company in accordance with the respective terms of each agreement.

3.12 Licenses. The SP Group holds those Licenses that are reasonably necessary for the purposes of conducting the SP Group's business. Except as set forth in Exhibit 3.12, the SP Group has not received any notice by any Government Authority of any intent not to renew any such License, nor any notice of violation of any License existing, nor is any License not in full force and effect, which would have or constitute a Material Adverse Effect.

3.13 Patents, Trademarks and Copyrights. The SP Group does not own any patents, or applications therefor. Exhibit 3.13 contains a listing of all trademarks owned by the SP Group and such are duly registered or for which an application for registration has been made.

3.14 Bank Accounts, Safe Deposit Boxes and Banking Arrangements. Exhibit 3.14 describes all bank accounts maintained by the SP Group and all commodity brokers with whom a member of the SP Group maintains an account. Exhibit 3.14 also states the location of any safe deposit boxes maintained by the SP Group.

3.15 Contracts. (a) Except with respect to real property interests which are governed exclusively by Section 3.10, and except with respect to those agreements described in Section 9.5, Exhibit 3.15(a) lists all material contracts, agreements, leases, licenses, or commitments to which any member of the SP Group is a party. Neither any member of the SP Group nor any contracting party is in material default under any contract, agreement, lease license, or commitment listed on Exhibit 3.15(a). For the purposes of this Section, a "material" contract means, with respect to crude oil transactions, any agreement for the purchase, sale, trade, or exchange of at least 5,000 barrels per day, or any agreement having a term of 90 days or more for the purchase, sale, trade or exchange of greater than 1,000 barrels per day but less than 5,000 barrels per day; otherwise, "material" contract means (a) any agreement having a term of 90 days or more and providing for the receipt by any member of the SP Group of revenues in excess of $250,000 or requiring future expenditures or payments by any member of the SP Group in excess of $250,000 or (b) any agreement between any member of the SP Group and any Affiliate of MAP other than another member of the SP Group.

(b) Except as described in Exhibit 3.15(b), as of March 12, 1999, there are no contracts for futures trading positions, over-the-counter options, fixed term nonhedge sales, lease hedge sales, or grade trade positions marked to market, on or after the Effective Time to which a member of the SP Group is a party. Except as set out in Exhibit 3.15(b), no member of the SP Group is not a party as of March 12, 1999 to any swap or other derivative contract or agreement.

(c) Except as set out in Exhibit 3.15(c), no member of the SP Group is subject to any contractual obligations that would restrict its right to engage in any type of business or compete in any geographic area.

3.16 Performance of Agreement. (a) Neither the execution and delivery of this Agreement by MAP nor the consummation of the transactions and the performance by MAP of the terms and conditions contemplated hereby will result in the breach of any term or provision of, or constitute a default or result in the acceleration of any obligation under, the limited liability company agreement or partnership agreement, as applicable, of any member of the SP Group or any instrument, decree, order, stipulation or consent to which any member of the SP Group is a party or by which it is bound or will result in the termination of or

the right to terminate any instrument, decree, order, stipulation, or consent to which any member of the SP Group is bound.

(b) MAP has all necessary power and authority to enter into and carry out the transactions contemplated by this Agreement.

(c) MAP's execution, delivery and performance of this Agreement have been duly and validly authorized and approved by all necessary company action on the part of MAP.

(d) Except for the laws governing bankruptcy and similar protections, this Agreement is the valid and binding agreement of MAP, enforceable against MAP in accordance with its terms.

3.17 Compliance with Laws. Except as stated in Sections 3.5, and in Exhibits 3.6(a) and 3.8, the SP Group is in substantial compliance with all federal, state, local and foreign statutes, laws, ordinances, regulations, rules, judgments, orders or decrees, including but not limited to Environmental Laws, applicable to it and its assets, businesses and operations.

3.18 Common Carrier Obligations. The SP Group is in substantial compliance with all federal and state laws, rules and regulations governing tariff rates, rules and regulations, and transportation practices of common carrier pipelines including, but not limited to, the regulations of the Federal Energy Regulatory Commission, and of the Texas Railroad Commission and counterpart regulatory agencies of other states in which the Major Pipelines and Terminals are located.

3.19 Consents. Except as set forth in Exhibit 3.19, neither the execution and delivery of, nor performance under this Agreement on the part of MAP is prohibited by or requires any prior notice or payment to any Person or consent, approval or authorization by any Person under (a) any agreement, license, lease or right of way agreement related to the SP Group's business to which MAP or any member of the SP Group is a party, or by which MAP or any member of the SP Group is bound, or (b) applicable law and with respect to which the failure to make such payment, give such notice, or obtain such consent, approval or authorization would have a Material Adverse Effect.

3.20 No Bankruptcy. There are no bankruptcy, reorganization or arrangement proceedings against, being contemplated by, or, to the knowledge of MAP and the SP Group, threatened against MAP or any member of the SP Group or any of their Affiliates.

3.21 Agent's Fees. No agent, broker, investment banker, or other Person acting on behalf of MAP

or under its authority is or will be entitled to any broker's or finder's fee or any other commission or similar fee directly or indirectly from Plains in connection with any of the transactions contemplated hereby.

3.22 Third Party Inventory. The quality and quantity of liquid hydrocarbons that the SP Group holds in custody for third parties conform in all material respects to shipper linefill and inventory accounts of the SP Group.

3.23 Year 2000 Compliance. The SP Group has provided Plains with its Year 2000 Compliance Plans and Budget, and to the best of the knowledge of MAP and the SP Group, the SP Group has disclosed to Plains all material Year 2000 compliance issues, and is continuing to implement such Plans.

3.24 River Crossings. The SP Group's pipelines underlying the Mississippi River are inactive and purged of crude oil.

3.25 DOT Pipelines. To the best of MAP and the SP Group's knowledge and based upon current SP Group operations, the East Texas line and the Nettleton to-Tyler line are the only pipelines owned by the SP Group that will, under regulations in effect on the date of this Agreement, have to be hydrostatically tested prior to December 31, 1999 in order to meet U.S. Department of Transportation requirements.

3.26 Capital Leases. No member of the SP Group is a party to a capital lease or similar arrangement.

3.27 General Provisions Regarding Representations and Warranties. Excepting only portions of the foregoing representations and warranties which speak only to a condition as of a specific date, each of the foregoing representations and warranties shall be true in all material respects on the Closing Date. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES OF MAP EXPRESSLY SET FORTH HEREIN, MAP DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREBY.

PLAINS WILL ACQUIRE THE MEMBERSHIP INTEREST WITHOUT ANY REPRESENTATIONS, WARRANTIES, EXPRESS OR IMPLIED, AS TO THE MERCHANTABILITY, CONDITION OR FITNESS OF THE ASSETS FOR A PARTICULAR PURPOSE OR THEIR COMPLIANCE WITH GOVERNMENTAL REQUIREMENTS OTHER THAN THOSE REPRESENTATIONS OR WARRANTIES SPECIFICALLY SET FORTH IN THIS AGREEMENT. PLAINS HAS MADE ITS OWN INVESTIGATION AND DETERMINATION REGARDING THE ASSETS AND THEIR NATURE AND CONDITION AND THE PURCHASE THEREOF AND HAS NOT RELIED ON ANY REPRESENTATIONS, STATEMENTS OR WARRANTIES OF MAP, ITS AGENTS OR EMPLOYEES WITH RESPECT TO THE ASSETS, EXCEPT AS SPECIFICALLY SET FORTH

HEREIN. PLAINS ACKNOWLEDGES THAT NO SUCH REPRESENTATIONS, STATEMENTS OR WARRANTIES HAVE BEEN MADE, EXCEPT AS SPECIFICALLY SET FORTH HEREIN.

## ARTICLE IV REPRESENTATIONS AND WARRANTIES OF PLAINS

Plains represents and warrants to MAP that:

4.1 Due Organization and Qualification. Plains is a limited partnership duly organized and validly existing under Delaware law and has all requisite power to carry on its business as now being conducted. Plains is qualified to do business in each other jurisdiction in which its failure to so qualify would materially and adversely affect Plains or its financial condition or business or ability to perform the transactions contemplated by this Agreement.

4.2 Performance of Agreement. (a) The execution and delivery of this Agreement by Plains will not result in the breach of any term or provision of, or constitute a default under, the Second Amended and Restated Agreement of Limited Partnership of Plains or any contract, agreement, decree, order, stipulation, or consent to which Plains is a party or by which it is bound.

(b) Plains has all necessary power and authority to enter into and carry out the transactions contemplated by this Agreement including, without limitation, the approval or vote, if required, of its limited partnership unit holders to enter into this Agreement or perform the transactions contemplated hereunder.

(c) Plains' execution, delivery and performance of this Agreement have been duly and validly authorized and approved by all necessary partnership action on the part of Plains and each affiliate of Plains whose authorization and approval is required.

(d) Excepting for the laws governing bankruptcy and similar protections, this Agreement is the valid and binding Agreement of Plains, enforceable against Plains in accordance with its terms.

4.3 Agents' Fees. No agent, broker, investment banker or other Person acting on behalf of Plains or under its authority is or will be entitled to any broker's or finder's fee or any other commission or similar fee directly or indirectly from MAP in connection with any of the transactions contemplated hereby.

4.4 Financial Ability. Plains has, and on the Closing Date will have, the financial ability to perform its obligations under this Agreement.

4.5 No Bankruptcy. There are no bankruptcy, reorganization, or arrangement proceedings against, being contemplated by or, to the knowledge of Plains, threatened against Plains or any of its Affiliates.

4.6 Units. Should Plains elect to deliver Units pursuant to Section 2.2, Plains, at Closing, will have good and merchantable title to the Units, free and clear of any liens, encumbrances, restrictions and preferential purchase rights other than those set forth in Plains' Second Amended and Restated Partnership Agreement dated November 17, 1998, and no sale by MAP or distributions to MAP for one year.

4.7 General Provisions Regarding Representations and Warranties. Excepting only portions of the foregoing representations and warranties which speak only to a condition as of a specific date, each of the foregoing representations is continuing and shall be true with the same force and effect as if made on the Closing Date. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES OF PLAINS EXPRESSLY SET FORTH HEREIN, PLAINS DOES NOT MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREBY.

## ARTICLE V EMPLOYEE MATTERS

5.1 Benefit Plans and Employment Practices. (a) Unless otherwise specifically provided in this Agreement, coverage under any employee benefit plan sponsored by MAP as that term is defined under Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA") or employment policy sponsored by MAP shall cease for all SP employees effective at Closing, except for those transferred to MAP. Except for the Frozen Permian Plans described in Section 5.4, SP is not the sponsor of any employee benefit Plan as that term is defined under Section 3(3) of ERISA.

(b) Effective as of the Closing Date, Plains shall offer SP employees its benefit plans based on the terms and conditions of such plans and SP employees will be covered by Plains' employment practices. For each SP employee who is employed immediately after Closing, Plains will recognize each such employee's prior service for eligibility and vesting purposes only under its qualified and welfare plans and employment practices with the exception of its vacation plan or policy. Plains will cause SP to observe the existing MAP Vacation Plan for the balance of 1999 for employees employed by SP immediately after Closing.

(c) Prior to Closing, MAP shall be responsible for any required continuation of coverage notification under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and Sections 601 through 608 of ERISA ("COBRA") to any of SP's employees who have a qualifying COBRA event. Prior to Closing MAP shall be responsible for issuing any required Certificates of Creditable Coverage under the Health

Insurance Portability and Accountability Act of 1996 ("HIPAA") to SP's employees. MAP's responsibility under COBRA and HIPAA shall cease at Closing.

(d) Subsequent to Closing, Plains agrees to provide MAP reasonable access to all employment records required by MAP for legal or tax purposes.

5.2 Severance Arrangements. (a) Employees terminated by SP Group prior to Closing shall be paid severance from the TAP to the extent they meet that benefit plan's eligibility requirements.

(b) At least ten (10) business days prior to the Closing Date, Plains will designate which individuals it does not wish to have as employees for any purpose following the Closing. MAP will cause those individuals to be terminated by SP Group prior to Closing.

(c) At least ten (10) business days prior to the Closing Date, Plains will designate which SP employees, and MAP ITS employees assigned to SP, Plains wishes to have as Loaned Employees. "Loaned Employees" for purposes of this Section shall have the meaning set forth in the Transition Agreement. The terms of such loan will be governed by the Transition Agreement. MAP will cause the Loaned Employees to be reassigned from SP to become employees of MAP prior to Closing. From and after the date of this Agreement until ten days prior to Closing, Plains may extend an offer of employment to any MAP ITS employee assigned to the SP Group. Such offer of employment and acceptance thereof by a MAP ITS employee shall be contingent upon the Closing of the transaction contemplated herein. No employee who accepts an offer of assignment with Plains prior to Closing will suffer any loss of compensation, benefit, or position as a result of a contingent acceptance of employment with Plains. If for any reason, the transactions contemplated by this Agreement does not close, all MAP ITS employees that made a contingent acceptance of an offer of employment will retain their position as MAP employees at will and will retain all benefits and current level of compensation. Plains may designate any employee who has declined employment with the SP Group as a Loaned Employee under Section 5.2(c). During the period from the date of this Agreement through the Closing Date, (i) MAP will not make a pre-emptive specific relocation or reassignment offer to a MAP ITS employees without the prior written consent of Plains; (ii) only after Plains makes a formal employment offer will MAP advise a MAP ITS employee of whether the possibility of continued employment exists after the end of the term of the Transition Agreement, it being understood that such discussions may include the general nature of the MAP ITS employee's anticipated future assignment and location and will include normal pay treatment for relocations, and that MAP's relocation package may be discussed where appropriate; and (iii) MAP ITS employees who have not accepted Plains employment offers may bid on positions normally listed on MAP's company-wide job posting system; provided, however, that no MAP ITS employee will be specifically solicited for these positions; provided, further, that once a MAP ITS employee

has requested consideration for a posted position, the MAP ITS employee may be given the same consideration as MAP's other employees. Upon notice to MAP of a MAP ITS employee's contingent acceptance of an offer, MAP shall not solicit, offer employment to, or otherwise attempt the retain the employment of such employee.

(d) Plains may designate SP employees as "Transitional Employees" by written notice to MAP. Transitional Employees terminated without cause by SP Group or its successor for up to twelve (12) months after Closing shall be paid severance, to the extent they meet eligibility requirements, from a plan either sponsored by Plains or one of its subsidiaries (including SP). However, for any individual paid severance pursuant to this Section 5.2(d), Plains or its subsidiaries shall be reimbursed by MAP for an amount equal to what the employee would have received under the TAP had they remained eligible for a benefit under TAP. As part of any severance payment, Plains shall obtain a release from any employees terminated pursuant to this section which releases MAP and that is substantially similar to the release used by the TAP, a copy of which is attached hereto as Exhibit 5.2(d).

(e) The total of the employees terminated by SP under Sections 5.2(b), (c) other than Loaned Employees providing IT services to SP, and (d) for which MAP shall be obligated to reimburse Plains shall not exceed seventy-five (75). Plains agrees not to terminate or cause termination of more than seventy-five (75) SP employees until after the ninety-first (91st) day following the Closing Date.

5.3 Worker Adjustment Retraining Notification Act. (a) Prior to the Closing Date MAP shall have the sole responsibility and liability for making any and all necessary employee notifications under the Worker Adjustment Retraining Notification Act ("WARN") and comparable state laws. This includes any employees which Plains anticipates terminating within sixty (60) days after Closing, provided that Plains provides the names of the employees it anticipates terminating to MAP at least seventy (70) days prior to the anticipated termination of employment date.

(b) After the Closing Date, Plains will have sole responsibility and liability for making any and all necessary employee notifications under WARN and comparable state laws except for those employees whose names were provided to MAP pursuant to Section 5.3(a). MAP shall provide to Plains, not less than ten (10) business days prior to Closing and updated at Closing, a list of SP employees, full and part-time, who have terminated their employment with SP in the ninety (90) day period prior to Closing.

5.4 Assumption of Permian Corporation Retirement and Savings Plans Prior to Closing SP shall assume from MAP, as the new plan sponsor and administrator, the responsibilities of the operation and administration of the Frozen Permian Corporation Retirement Plan and the Frozen Permian Corporation

Savings Plan (the "Permian Plans"). In connection with such assumption, MAP represents and warrants that the Permian Plans are tax qualified under Internal Revenue Code (S) 401(a), all contributions have been made as required by the Permian Plans, and are and have been operating in substantial compliance with all applicable requirements of the Code and ERISA through the date on which SP assumes the duties of plan sponsor and administrator thereof. MAP agrees, from and after the Closing Date, to indemnify, defend, protect and hold harmless the Buyer Indemnified Parties (as defined in Article XII) from and against, any and all claims, actions, causes of action, arbitrations, proceedings, losses, damages, liabilities, judgments, and expenses (including, without limitation, reasonable attorneys' fees and court costs) incurred by the Buyer Indemnified Parties as a result of any breach of the representations and warranties made by or on behalf of MAP in this Section or in Section 12.16. Any claim for indemnification under this provision shall not be subject to any limitation under Article XII but shall be subject to the procedures for asserting indemnity claims set forth in Section 12.7.

5.5 Workers Compensation. MAP shall maintain workers compensation coverage for SP Group employees until the date of Closing. Plains shall be responsible for providing workers compensation coverage after Closing.

5.6 Representations and Warranties Regarding Employees and Employee Benefit Plans.

(a) At no time has SP been required to contribute to any "multi-employer pension plan" as defined in (S) 3(37) of ERISA or incurred any withdrawal liability with the meaning of (S) 4201 of ERISA.

(b) No employees are represented by any union or subject to any collective bargaining agreement. SP has not suffered any work stoppage, nor, to MAP or SP's knowledge is any work stoppage threatened at any SP location. To MAP and SP's knowledge, no union organizing or election activities involving any nonunion employees of SP are in progress or threatened.

(c) Except as provided in Exhibit 5.6(c) SP has not entered into any contract or promise of employment with any person which cannot be terminated at or prior to the Closing without cost to Plains, or which applies to any time period after Closing. Except as set forth on Exhibit 3.8, no employee has filed any complaint which is currently pending with any regulatory or administrative body, asserted any claim or demand, or filed any suit relating to the employment relationship with SP which is currently pending. MAP shall reimburse Plains for any retention payment or other similar bonus or payment made by or on behalf of Plains to SP employees that exists at Closing but are due and payable on or after Closing under the provisions of the contracts listed in Exhibit 5.6 (c).

(d) The transactions contemplated by this Agreement will not accelerate the time of payment or vesting, or increase the amount of regular compensation due any director, officer, or employee (or former director, officer, or employee, including any beneficiary) of the SP Group.

(e) Prior to Closing, the SP Group shall not amend or adopt or agree to adopt any benefit plan or employment practice without the consent of Plains.

(f) If, during the Interim Period, SP pays its employees pursuant to SP Group's "Success Through People" incentive program, MAP shall reimburse SP in the amount of such payment.

(g) Effective no later than Closing, SP shall terminate its participation in all employee benefit plans sponsored by MAP or its Affiliates in which the SP Group participates.

5.7 No Third Party Beneficiaries. Nothing expressed or implied in this Agreement is intended to confer upon or deny any employee any rights or remedies including, but not limited to, any rights of employment for any specified period of time.

5.8 Obligations of Plains All American Inc. For purposes of Article V, references to the responsibilities, obligations and undertakings of an employer shall be deemed to apply to Plains All American, Inc. Plains shall cause Plains All American Inc. to perform all such responsibilities, obligations and undertakings.

## ARTICLE VI TAX MATTERS

6.1 SP Disregarded as Separate Entity for Income Tax Purposes. For federal income tax purposes, and for state income tax purposes in those states which follow the federal rules, SP and Scurlock Permian Pipe Line LLC are disregarded as entities separate from MAP pursuant to Treasury Regulation (S)301.7701-3.

6.2 Allocation of Taxable Income to Periods Before and After Effective Time. MAP shall include in its federal partnership tax return, and in its state tax returns for those states that follow the federal rules, income, gain, loss, deduction and credit with respect to (i) activities of SP and Scurlock Permian Pipe Line LLC prior to the Closing Date, and (ii) the net amount of any Prior Period Adjustments treated as an adjustment to the Unadjusted Purchase Price pursuant to Section 2.3(b). Plains shall include the income, gain, loss, deduction and credit with respect to activities of SP and Scurlock Permian Pipe Line LLC on and after the Closing Date, less any amounts attributable to Prior Period Adjustments included by MAP, in either (i) its own federal income tax return, and in its own state income tax returns for those states that follow the federal rules or (ii) in federal and state income tax returns filed by an affiliate or affiliates of Plains, including

SP and Scurlock Permian Pipe Line LLC. MAP shall pay any penalties and interest assessed, and Plains shall hold MAP harmless from and reimburse MAP for income tax due and unpaid, resulting from Plains' reporting of SP's income, gains, losses and deductions, and credits for the Interim Period.

6.3 Sale of SP Treated as Asset Sale for Income Tax Purposes. The sale of the Membership Interest shall be treated for federal income tax purposes, and for state income tax purposes in those states that follow the federal rules, as a sale of the underlying assets of SP and Scurlock Permian Pipe Line LLC in exchange for the Purchase Price and the assumption of the liabilities of SP and Scurlock Permian Pipe Line LLC at the Closing Date. MAP and Plains agree to timely file Internal Revenue Service Form 8594, "Asset Acquisition Statement." The aggregate fair market value and the allocation of sales price shown on the Form 8594 shall be determined and agreed to by MAP and Plains in reasonable, good faith negotiations.

6.4 Internal Revenue Code 1031 Exchanges. MAP and Plains acknowledge and agree that MAP may engage in a deferred exchange of like-kind property utilizing a qualified intermediary pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended. Notwithstanding any provision herein to the contrary, in the event MAP elects to engage in a deferred like-kind exchange, Plains agrees to consent to the assignment of MAP's rights under this Agreement to a qualified intermediary in order to facilitate the deferred like-kind exchange. MAP and Plains agree to execute any and all documents necessary to consummate the purposes of this section; provided, however, any costs incurred by Plains including legal fees and all incidental and related expenses shall be reimbursed by MAP.

6.5 Transfer Taxes. All transfer, documentary, sales, use, registration and other such similar Taxes (including all applicable real estate transfer taxes) and related fees (including any penalties, interest and additions to Tax, if any) incurred in connection with this agreement and the transactions contemplated hereby shall be paid by Plains, and MAP and Plains shall cooperate in timely making all Returns as may be required to comply with the provisions of such Tax laws.

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

6.6 Cooperation and Preservation of Books and Records. MAP and Plains shall provide such assistance to each other (and their Affiliates) as the other party may reasonably request in connection with the preparation of any Return required to be filed in respect of the SP group, any audit or other examination

by any Tax Authority, any judicial or administrative proceeding relating to liability for Taxes, or any claim for refund in respect of such Taxes, and MAP and Plains will retain, and upon request provide, any records or information which may be relevant to such Return, audit, examination, proceeding or claim. Such assistance shall include (i) making employees or counsel available at and for reasonable times to provide additional information and explanation of any material to be provided hereunder and (ii) furnishing access to, and permitting the copying of any records, returns, schedules, documents, work papers or other relevant materials which might reasonably be expected to be of use in connection with such Return, audit, examination, proceeding or claim.

MAP and Plains recognize that they (or an Affiliate) may need access, from time to time, after the Closing Date, to certain accounting and Tax records and information held by the other party or the SP Group; therefore, MAP and Plains agree (i) to use their best efforts to properly retain and maintain such records until such time as the parties agree that such retention and maintenance is no longer necessary and (ii) to allow the requesting party and its respective agents and other representatives (and agents or other representatives of any of their respective affiliates), at times and dates mutually acceptable to the parties, to inspect, review, and make copies of such records as the requesting party may deem necessary or appropriate from time to time, such activities to be conducted during normal business hours and at the requesting party's expense.

## ARTICLE VII OBLIGATIONS OF PARTIES PRIOR TO CLOSING

7.1 General. From and after the date of this Agreement, up to and including the Closing Date, neither party will take any action which would cause any of its representations and warranties herein not to be true and correct in all material respects as of the Closing Date except by written authorization of the other party. Each party shall use reasonable best efforts to carry out and comply with the provisions of this Agreement, to satisfy the conditions applicable to such party and to consummate the sale and purchase in accordance with this Agreement. Plains and MAP agree to file their Hart-Scott-Rodino Act Pre-Merger Notifications prior to or within three (3) business days after the execution of this Agreement.

7.2 Access to Records and Properties of SP Group. Subject to requirements of confidentiality imposed by contract or by law, MAP will cause the SP Group to make available to Plains and its accountants, counsel and other representatives access for copying and inspecting, during normal business hours and such other reasonable times to which the parties may agree, to the properties, books and records of the SP Group and allow the SP Group's officers and representatives to be available to Plains for consultation. In exercising the right of access, Plains may conduct environmental tests and sampling, the scope of which shall require the consent of MAP, which consent shall not be unreasonably withheld, and such other testing and inspection

of the SP Group Assets as it shall reasonably deem necessary; provided, always, that Plains will give such advance notice of such activities as will give MAP's desired representatives sufficient time to be present for witnessing; and provided, further, that Plains in exercising rights under this Section will not unreasonably interfere with the conduct of the business or make disclosure of this Agreement or its terms except as provided for under the Confidentiality Agreement or as required by law or applicable stock exchange rules.

7.3 Conduct of Business of the SP Group Until the Closing. During the period from the date of execution of this Agreement to the Closing Date, unless Plains consents in writing to contrary action, MAP will cause the SP Group to:

(a) Not cause or receive any distributions, cash or otherwise, in respect of, nor issue or sell, or purchase or otherwise reacquire, the Membership Interest or SP's interests in the other members of the SP Group, or grant or commit to grant any options, warrants, or other rights to subscribe for, or purchase, or otherwise acquire, any shares of the Membership Interest or SP's interests in the other members of the SP Group, or issue or commit to issue any securities convertible into or exchangeable for shares of the Membership Interest or SP's interests in the other members of the SP Group;

(b) Not change or amend its limited liability company agreement or the limited liability company agreement or partnership agreement (as the case may be) of the other members of the SP Group;

(c) Maintain its books, records and accounts in accordance with GAAP and in the usual and regular manner consistent with current practice, except to the extent required to account for the SP Group as an unaffiliated entity pursuant to this Agreement.

(d) Not borrow or agree to borrow any money or guarantee, or agree to guarantee the obligations of others, except the SP Group may borrow from MAP and cause the issuance of guarantees and letters of credit in the ordinary course of business.

(e) Not make, without prior written consent of Plains, any material contracts or amend any existing material contracts. For purposes of this Section, the term "material" shall have the meaning ascribed to that term in Section 3.15.

(f) Not create, assume or permit to exist any mortgage, pledge or other lien or encumbrance on any of its assets except for Permitted Encumbrances.

(g) Not sell, assign, lease or otherwise dispose of, without prior notice to Plains, any of the

Assets having an original cost to the SP Group in excess of $50,000 other than in connection with the replacement of obsolete or worn-out items or pursuant to Section 2.5.

(h) Continue to diligently pursue implementation of its current "Year 2000" compliance program, a complete copy of which has been furnished to Plains.

(i) Except as otherwise expressly provided herein, operate its business and maintain its assets in the ordinary course consistent with prudent operation and accepted industry standards. Except for capital expenditures committed, not to exceed $500,000, by the SP Group on the date of this Agreement, the SP Group shall not make, and shall have no obligation to make, any capital expenditure without the prior written consent of Plains.

(j) Not solicit or accept any other bids for the purchase and sale of the Membership Interest or SP's interests in the other members of the SP Group.

(k) Take all necessary company and other action and use reasonable best efforts to obtain such third party consents, approvals and amendments of agreements, if any, as may be necessary for it to carry out the transactions contemplated in this Agreement.

(l) Update Exhibit 3.10 (a) prior to Closing to the extent that inaccuracies are found in the legal descriptions or recordation information, and update the Right-of-Way and lease records to the extent required to satisfy the record requirements of any mortgagee of Plains. Any third party costs to satisfy mortgagee requirements shall be at Plains' expense.

(m) obtain conveyances from its Affiliates to SP or Scurlock Permian Pipe Line LLC, as appropriate, any permits, rights of way and leases in the name of such Affiliates, including rights of way or leases in the Homochitto National Forest.

(n) cause SP to draw upon the Promissory Note to cover its cash needs during the Interim Period in lieu of outside credit facilities.

Should Plains not object to any issue for which Plains receives written notice under this Section, within three (3) business days after such notice is received by Plains, Plains shall be deemed to have approved such issue.

7.4 Obligations of Plains Until the Closing. During the period from the date of this Agreement to the Closing, Plains will:

(a) Take all necessary partnership and other action and use reasonable best efforts to obtain such third party consents, approvals and amendments of agreements, if any, as may be necessary for it to carry out the transactions contemplated in this Agreement; and

(b) Treat, and cause its employees, agents and representatives to treat, all information obtained regarding the SP Group, which is not otherwise lawfully known to or already in the public domain, as proprietary and confidential, and to observe strictly the terms of any confidentiality agreements to which the SP Group is a party or is bound, provided copies of such agreements have first been provided to Plains.

7.5 Obligations of MAP Regarding Financial Statements. MAP, at its cost, shall furnish Plains with an Effective Time Working Capital Statement no later than May 1, 1999. MAP, at its cost, shall furnish to Plains, no later than May 1, 1999, annual SP income statements, balance sheets and cash flow statements, including accompanying footnotes, sufficient for preparation of Plains' Form 8K report, for calendar years 1996, 1997 and 1998 audited by PricewaterhouseCoopers. MAP shall provide to Plains unaudited SP Group financial statements for the first quarter ended March 31, 1999 no later than May 1, 1999.

7.6 Casualty Loss or Condemnation. Except as otherwise provided in this Agreement, from and after the Effective Time through the Closing Date, MAP shall bear the risk of loss due to damage or destruction of the Assets by fire or other casualty, except that the risk of the first $100,000 per occurrence of any such loss shall be borne by Plains. Except as set forth on Exhibit 3.8, neither MAP nor any member of the SP Group has received any notice, and neither has any knowledge of, any proceedings for the taking, by eminent domain or condemnation, of all or any portion of any of the Assets.

7.7 Surety Bonds and Guarantees. (a) Exhibit 7.7(a) lists all of the surety bonds issued on behalf of the SP Group as may be required by a Government Authority. To the extent permitted by their terms, MAP will cause those bonds to be cancelled at or immediately prior to Closing. Plains agrees to replace those bonds that are not cancelable at will, no later than thirty (30) days following the Closing.

(b) Exhibit 7.7(b) lists all of the guarantees issued on behalf of any member of the SP Group by MAP or Ashland, Inc. for the benefit of various SP crude oil trading partners. MAP will cause these guarantees to be terminated on the first to occur of (i) the date of termination stated therein; or (ii) such other date on or after the Closing Date to which the respective guaranty beneficiaries may agree. Plains agrees thereafter to provide credit support, if any, required by third parties.

(c) Election to Deliver Units. If Plains elects to deliver Units pursuant to Section 2.2, Plains and MAP shall agree to such additional representations and warranties and shall execute such additional instruments and agreements as are customary and reasonably necessary to effect the transfer of Units pursuant to this Agreement.

## ARTICLE VIII CONDITIONS PRECEDENT TO OBLIGATIONS OF MAP

The obligations of MAP hereunder are subject to satisfaction of the conditions set out in this Article VIII at or before the Closing Date.

8.1 Absence of Litigation. Excluding actions or proceedings initiated by MAP or any of its Affiliates, no action or proceeding shall have been instituted or threatened before any Government Authority to enjoin, restrain or prohibit, or to obtain substantial damages from MAP in respect of, this Agreement or the consummation of the transactions contemplated hereby.

8.2 Performance and Obligations of Plains. (a) All of the terms and conditions of this Agreement to be complied with and performed by Plains at or before the Closing Date shall have been complied with and performed in all material respects, and the representations and warranties made by Plains in this Agreement shall be correct in all material respects with the same force and effect as though such representations and warranties had been made at and as of the Closing Date.

(b) MAP shall have received from Plains an officer's certificate in a form reasonably satisfactory to MAP to the effect that to such officer's knowledge, the conditions set forth in Section 8.2(a) have been satisfied.

(c) MAP shall have received from Plains a written opinion of counsel, dated as of the Closing Date, covering the matters set forth in Section 4.1, 4.2 and, if applicable, 7.8, which opinion shall be in a form reasonably satisfactory to MAP.

8.3 HSR Approval. All necessary governmental approvals shall have been obtained.

8.4 Waiver. At the Closing, MAP may waive in writing the failure of Plains to satisfy any of the foregoing conditions precedent.

ARTICLE IX CONDITIONS PRECEDENT TO OBLIGATIONS OF PLAINS

The obligations of Plains hereunder are subject to satisfaction of the conditions set out in this Article IX at or before Closing Date.

9.1 Absence of Litigation. Excluding actions or proceedings initiated by Plains or any of its Affiliates, no action or proceeding shall have been instituted or threatened before any Government Authority to enjoin, restrain or prohibit, or to obtain substantial damages from Plains in respect of, this Agreement or the consummation of the transactions contemplated hereby.

9.2 Performance and Obligations of MAP. (a) All of the terms and conditions of this Agreement to be complied with and performed by MAP at or before the Closing Date shall have been complied with and performed in all material respects, and the representations and warranties made by MAP in this Agreement shall be correct in all material respects with the same force and effect as though such representations and warranties had been made as of the Closing Date.

(b) Plains shall have received from MAP an officer's certificate in a form reasonably satisfactory to Plains to the effect that to such officer's knowledge, the conditions set forth in Section 9.2(a) have been satisfied.

(c) Plains shall have received from MAP a written opinion of counsel, dated as of the Closing Date, covering the matters set forth in Sections 3.1 and 3.16 (a), (b), and (c), which opinion shall be in a form reasonably satisfactory to Plains.

9.3 Tender of Resignations. Each MAP-appointed member representative and officer of the SP Group shall have tendered in writing his or her resignation as such effective upon Closing and copies of such written resignations shall have been furnished to Plains.

9.4 HSR Approval. All necessary governmental approvals shall have been obtained.

9.5 Marathon Ashland Pipe Line LLC Transactions. Agreements evidencing the following transactions between SP Group and Marathon Ashland Pipe Line LLC ("MAPL"), or SP, MAP and MAPL, as the case may be, shall be mutually approved and shall have been fully executed by all necessary parties by the Effective Time:

(a) First Amendment to Lease Agreement (Venice, Louisiana Terminal), to include a three (3) year term provided MAPL is the operator - SP and MAP
(b) Conveyance (Indiana and Illinois truck unloading facilities) - MAPL to SP
(c) Conveyance (Indiana and Kentucky truck unloading facilities) - MAP to SP
(d) Operating Agreements (truck unloading facilities described in (b) and (c)) - SP and MAP
(e) Lease Agreements (Slick Creek, Wyoming; Smith Mill, Kentucky; Stoy, Illinois; Martinsville, Illinois; Sandoval, Illinois; Noble, Illinois; Enfield, Illinois; Bridgeport, Illinois; Owensboro, Kentucky; Oregon Basin, Wyoming truck unloading facilities) - MAP, MAPL, and SP.

9.6 Illinois Basin Gathering Assets. (a) On or before the Closing Date, the crude oil gathering systems, including all pipe, pumps, valves, fittings, appurtenances and other personal property comprising such systems, described in Exhibit 9.6(a); all land rights necessary to the ownership or operation of such gathering systems; all contracts material to the operation of such pipelines including, but not limited, all necessary contract rights for the operation of such gathering systems through the SP Group's SCADA system; shall have been transferred by MAPL to a member of the SP Group as may be designated by Plains, and all material approvals of Government Authorities required to be obtained before Closing as a result of such transfer shall have been obtained.

(b) MAP hereby represents and warrants that as to the Basin Assets:

1. The financial performance of such assets conforms in all material respects to the Exhibit 9.6(b) and that there are no material changes in the financial condition, of the business conducted through the Basin Assets.

2. There are no environmental conditions or liabilities that would have a Material Adverse Effect with respect to the Basin Assets.

3. There is no litigation, proceedings, enforcement actions or other legal proceedings pending or to the knowledge of MAP, threatened, relating to the assets or business conducted through the Basin Assets that would have a Material Adverse Effect.

4. The equipment, inventory, pumps, meters, motors, tanks, pipe, and all other facilities, personal property and vehicles currently used to operate the Basin Assets are in working order and serviceable condition for their intended use.

5. Title to the real property, rights of way, leases, easements and licenses contained in the

active portion of Basin Assets is good and defensible, in full force and effect. The active portion of the Basin Assets are located within the right of way, leases or real property boundaries, all rights of way are contiguous and there are no outstanding requests to relocate or remove any part of the action portion of the Basin Assets.

6. All licenses, permits, contracts and other authorizations and incidental rights reasonably necessary to the current operation of the Basin Assets are valid, enforceable in accordance with their terms and conditions and are transferable.

7. The Basin Assets have been operated in substantial compliance with all laws, statutes, rules and regulations, including without limitation all Environmental Laws, laws and regulations concerning common carrier obligations and responsibilities.

8. Other than approvals that may be required by the Illinois Commerce Commission, there are no third party consents required to transfer the Basin Assets to a member of the SP Group.

(c) MAP hereby covenant that as to the Basin Assets, MAP shall:

1. Cause all real property, leases, licenses and other interests in real property upon which the Basin Assets are located to be conveyed to such member of the SP Group as may be designated by Plains, with full warranty of title or right, free and clear of any liens or encumbrances, except Permitted Encumbrances in a form approved by Plains.

2. Cause all equipment, parts, inventory, vehicles and personal property to be conveyed with warranty of title, warranty of serviceability and working order for its intended condition, free and clear of all liens and encumbrances, except for Permitted Encumbrances.

3. Cause the transfer of such member of the SP Group as may be designated by Plains, of all the Licenses and contracts, after first obtaining all material consents and approvals.

4. Cause all the transfer of the Basin Assets to be in compliance with all laws, rules and regulations and contractual commitments.

5. Cause a shipper's balance to be issued at closing to Plains reflecting the quantity and quality of crude oil held for the account of each shipper.

(d) Plains shall have received an officer's certificate from MAP, in a form reasonably satisfactory to Plains, to the effect that to such officer's knowledge, the representations and warranties made by MAP in Section 9.6(b) above is true in all material respects. Such representations and warranties shall be correct in all material respects with the same force and effect as though such representations and warranties had been made as of the Closing Date.

(e) MAP shall cause MAPL to enter into an operating agreement in a mutually agreeable form with a member of the SP Group under which MAPL shall operate the assets described in Exhibit 9.6(a) for a period of six months from and after Closing, providing such services as are necessary to facilitate transition to operations by Plains.

(f) In the event that the parties are required to obtain the approval of the Illinois Commerce Commission in order to consummate the transactions contemplated under this Section, and such approval has not been obtained on or before the Closing Date then title to the Assets shall be retained by MAPL subject to the following. MAPL shall continue to operate the Basin Assets under the Operating Agreement, but the economic results from operations pending such approval shall be for the account of Plains; it being understood that neither party shall have the right to terminate this Agreement under Article 11 as a result of the failure to obtain necessary Illinois Commerce Commission approvals on or before Closing. The Basin Assets shall be conveyed to the member of the SP Group so designated by Plains, as provided above, within ten (10) business days following the date on which MAPL obtains such approval; provided, however, if such approval is not received within ten (10) years following the Closing Date then the Basin Assets shall not be conveyed by MAPL to such member of the SP Group and shall cease to be subject to this Agreement.

9.7 Waiver. At the Closing, Plains may waive in writing any of the foregoing conditions precedent.

## ARTICLE X CLOSING

10.1 Place of Closing and Closing Date. The Closing shall take place at the offices of Marathon Oil Company, 5555 San Felipe, Houston, Texas, subject to the satisfaction of the conditions precedent stated in Articles VIII and IX on the later to occur of (a) May 18, 1999, or such other date as may be mutually agreed, or (b), if such approvals have not been obtained by such date provided in clause (a) above, the 10th calendar day following the date upon which all material governmental approvals have been obtained; it being understood and agreed that if Closing is delayed beyond June 18, 1999 due to the inability of a party to secure a material approval of any Government Authority having jurisdiction over the parties or the Assets of, but not limited to the approval of the Federal Trade Commission in connection with its antitrust review

of the subject transaction, then MAP shall be entitled to interest on the Purchase Price at a rate equal to the London Inter Bank Offered Rate as published in the June 15, 1999 edition of the Wall Street Journal, plus 1% for the period from June 18, 1999 through the date on which Closing occurs which shall be payable if and when Closing occurs.

10.2 Closing Deliveries by Plains. At the Closing, Plains shall deliver to MAP the following:

(a) the Purchase Price in accordance with Article II which, should Plains elect to transfer the Units pursuant to Section 2.2, shall include, if applicable, an assignment instrument executed by an authorized officer of Plains evidencing Plains' transfer to MAP of and warranting title to the Units as set forth in this Agreement, in a form reasonably satisfactory to MAP and Plains ;

(b) the certificate executed by an authorized officer of Plains, and the opinion of counsel, described in Sections 8.2(b) and (c);

(c) a certificate executed by the Secretary (or Assistant Secretary), of Plains or its general partner dated as of the Closing Date, evidencing that Plains has authorized the execution of this Agreement and the performance of the transaction hereunder, and presenting the incumbency and representative signatures of the officers executing this Agreement on behalf of Plains or its general partner;

(d) a certificate of good standing for Plains issued by the Secretary of State of Delaware and dated as of a date no more than ten (10) days prior to the Closing Date; and

(e) the Transition Agreement executed by an authorized officer of Plains.

10.3 Closing Deliveries by MAP. At the Closing, MAP shall deliver to Plains the following:

(a) An assignment instrument executed by an authorized officer of MAP evidencing MAP's transfer to Plains of and warranting title to the Membership Interest as set forth in this Agreement substantially in the form attached as Exhibit 10.3(a);

(b) A certificate of good standing for SP and Scurlock Permian Pipe Line LLC issued by the Delaware Secretary of State, and from the counterpart agency of each other state in which SP and Scurlock Permian Pipe Line LLC are qualified to do business, and dated as of a date as close to the Closing Date as is possible through reasonable efforts;

(c) The certificates executed by an authorized officer of MAP described in Sections 9.2(b) and 9.6(b), and the opinion of counsel described in Section 9.2 (c);

(d) A certificate executed by the Secretary (or Assistant Secretary), of MAP dated as of the Closing Date, providing the resolutions authorizing the sale under this Agreement adopted by the Board of Managers of MAP and the continued effectiveness of such resolutions, and presenting the incumbency and representative signatures of the officers executing this Agreement on behalf of MAP;

(e) Each of the resignations in accordance with the provisions of Section 9.3;

(f) The Sub-sublease Agreements executed by an authorized officer of MAP whereby MAP will sublease to SP the vehicles described in Section 3.9(b) substantially in the forms attached as Exhibit 10.3(f); and

(g) The Transition Agreement executed by an authorized officer of MAP.

(h) A schedule of third party shipper volumes by location and grade as of the Effective Time.

## ARTICLE XI TERMINATION

11.1 Termination. This Agreement may be terminated:

(a) At any time prior to the Closing Date with the mutual written consent of MAP and Plains; or

(b) By MAP, if any condition provided in Article VIII shall not have been satisfied, complied with or performed in any material respect on the Closing Date, and MAP shall not have waived in writing such non-satisfaction, noncompliance or nonperformance on or before the Closing Date, provided the failure of such condition did not result from the failure of MAP to perform any of its obligations that is required to be performed under this Agreement on or prior to Closing; or

(c) By Plains, if any condition provided in Article IX shall not have been satisfied, complied with or performed in any material respect on the Closing Date and Plains shall not have waived in writing such non-satisfaction, noncompliance or nonperformance on or before the Closing Date, provided the failure of such condition did not result from the failure of Plains to perform any of its obligations that is required to be performed under this Agreement on or prior to Closing.

(d) By either MAP or Plains, if the other shall have failed to perform any obligation that it is required to perform under this Agreement on or prior to the Closing Date.

(e) By either MAP or Plains, if Closing is delayed beyond June 30, 1999, pursuant to Section 10.1(b).

11.2 Consequences of Termination.

(a) Except with respect to a party's termination under Section 11.1(d), no party will be otherwise liable for damages to the other party as a result of termination pursuant to this Article XI. In the event of termination of this Agreement, each party shall return to the provider all documents and papers furnished in the course of the negotiation or carrying out of this Agreement and each party shall treat as proprietary and confidential any and all information obtained from any other party in accordance with the Confidentiality Agreement.

(b) A party terminating this Agreement pursuant to Section11.1(d) shall be entitled to liquidated damages from the defaulting party in the amount of $7,500,000, which amount the parties agree represents a reasonable estimate of the amount by which the terminating party will actually be damaged by such default, in view of the difficulty of arriving at a meaningful formula or measure of actual damages and the uncertainty thereof. The provisions of this Section 11.2(b) shall survive termination of this Agreement pursuant to Section 11.1(d).

## ARTICLE XII OBLIGATIONS OF PARTIES AFTER CLOSING

12.1 Taxes. (a) MAP will cause all Returns due on or before the Closing Date to be filed and all Taxes due on or before the Closing Date to be paid. In addition, MAP will cause the Returns due after the Closing Date listed in Exhibit 12.1 to be properly and timely filed, but the Taxes due on such Returns shall be the responsibility of Plains except to the extent attributable to a period ending on or before the Closing Date.

(b) Except as provided otherwise in Section 6.5 or this Section12.1, Plains will timely pay all Taxes due after the Closing Date and will cause all Returns due after the Closing Date to be prepared and filed on a timely and proper basis. MAP shall pay to Plains within fifteen days after the date on which Taxes are paid with respect to such Returns an amount equal to the portion of such Taxes attributable to periods

ending on or before the Closing Date. For purposes of this Section 12.1, such Taxes for a period including the Closing Date shall be allocated to the period prior to the Closing Date in the following manner: (i) if the Tax is measured on or by net income, sales, receipts, expenditures, expenses, compensation, purchases or a similar base, based on the amount of Tax determined as if the books were closed and the taxable period ended on the Closing Date; and (ii) in all other cases, a pro-rata portion of such Tax based on a ratio of the number of days in the taxable period ending on the Closing Date to the number of days in the taxable period. Any credits relating to a taxable period that begins before and ends after the Closing Date shall be taken into account as though the relevant taxable period ended on the day before the Closing Date.

(c) Plains shall defend, indemnify, and hold MAP harmless from and against any and all claims, demands, liabilities, costs, judgements, expenses and reasonable attorneys' fees and court costs, damages (together with any interest, penalties or additional amounts) and losses of whatsoever nature as a result of a Tax due after the Closing Date not being timely paid, or a Return due after the Closing Date not being properly prepared or timely filed. To the extent permitted by law, MAP, from and after the Closing Date, shall defend, indemnify and hold Plains harmless from any and all unpaid Taxes, if any, attributable to periods ending on or before the Closing Date, as the result of any liability not expressly assumed by Plains pursuant to this Section 12.1.

(d) MAP's liability and/or indemnity for unpaid Taxes under this Section 12.1 shall be reduced by the amount of such unpaid Tax included in Accrued Taxes at the Effective Time.

(e) To the extent Plains or SP receive any refund of Taxes with respect to any period ending on or before the Closing Date, such refund shall be promptly paid to MAP except to the extent such refund has been included in Net Working Capital at the Effective Time.

12.2 Indemnification. (a) Except with respect to Environmental Liabilities for which indemnification under this Agreement is governed by Section 12.3 below, Plains covenants and agrees, from and after the Closing Date, to defend, protect, indemnify and hold harmless MAP, its owners, Marathon Oil Company and Ashland Inc., and USX Corporation, and their respective officers, directors, employees, partnerships, and Affiliates (the "Seller Indemnified Parties"), from and against any and all penalties, claims, demands, fines, assessments, damages, dimunitions in value, liabilities, suits, costs, judgments, settlements, expenses (including, without limitation, court costs and reasonable attorneys', expert and consultant fees), and losses of whatsoever kind or nature, resulting from (i) breach of any representation or warranty of Plains set forth in this Agreement; or (ii) any act or omission attributable to the SP Group's business or the ownership or operation of the SP Group or the Assets occurring from and after the Closing Date.

(b) Except with respect to Environmental Liabilities for which indemnification under this Agreement is governed by Section 12.3 below, MAP covenants and agrees, from and after the Closing Date, to defend, protect, indemnify and hold harmless Plains Resources, Inc., Plains, the SP Group and their respective partners, officers, directors, employees, partnerships, Affiliates, successors and assigns (the "Buyer Indemnified Parties"), from and against any and all penalties, claims, demands, fines, assessments, damages, dimunitions in value, liabilities, suits, costs, judgments, settlements, expenses (including, without limitation, court costs and reasonable attorneys', expert and consultant fees), and losses of whatsoever kind or nature, resulting from (i) breach of any representation or warranty of MAP set forth in this Agreement; (ii) any act or omission attributable to the SP Group's business or the ownership or operation of SP or the Assets occurring prior to the Closing Date (including without limitation, the matters described in Exhibit 3.8); (iii) the disposition of the assets described in Section 2.5; or (iv) royalty suspense account claims for royalties or interest not reflected on SP's balance sheet as of the Effective Time, as to which the $25,000 threshold contained in Section 12.6 will not in any case apply.

12.3 Environmental Indemnification. (a) Plains covenants and agrees, from and after the Closing Date, to defend, protect, indemnify and hold harmless the Seller Indemnified Parties from and against any and all Environmental Liabilities arising from any act or omission attributable to the SP Group's business or the ownership or operation of SP or the Assets occurring from and after the Closing Date.

(b) MAP covenants and agrees, from and after the Closing Date, to defend, protect, indemnify and hold harmless the Buyer Indemnified Parties from and against any and all Environmental Liabilities (i) arising from any act or omission attributable to the business of the SP Group or the ownership or operation of SP or the Assets occurring prior to the Closing Date (including, without limitation, the matters described in Exhibits 3.6 (a) and 3.6 (b), and (ii) other than the matters described in Exhibits 3.6 (a) and 3.6 (b), for which no claim need be asserted, that are asserted by any of the Buyer Indemnified Parties against MAP on or before May 15, 2003. It is understood and agreed that MAP's obligations under this subparagraph (b) (other than with respect to those matters described in Exhibits 3.6 (a) and (b)), do not extend to or cover any Environmental Liabilities relating to SP or the Assets that are not asserted by a Buyer Indemnified Party against MAP within the time specified above.

(c) MAP shall have (i) the right of access to the Assets in connection with, and (ii) the right to conduct the defense of any claims pursuant to Section 12.7, and to respond to and conduct the remediation of any Environmental Liabilities for which MAP assumes an obligation of indemnity under this Agreement. Such rights of MAP shall survive Closing and shall be subject to the following terms and conditions:

(A) Prior to commencing any Corrective Actions or related activities on or with respect to

the Assets, MAP shall propose to Plains a plan for such work ("Plan"). Prior to the implementation of any Plan or Plans, MAP shall provide Plains with a comprehensive schedule showing in reasonable detail the Corrective Action to be taken by MAP to comply with such Plans and a budget showing the estimated timing and estimated amount of expenditures required to implement the Plans. At the request of Plains from time to time, MAP shall meet and consult with Plains fully with respect to each such Plan, schedule and budget. Once each calendar quarter (commencing with the first full calendar quarter after commencement of such Corrective Action), MAP shall provide Plains with a report showing in reasonable detail the current status of all Corrective Actions undertaken by MAP since commencement of such Corrective Actions, including expenditures to date. To the extent that similar quarterly reports are filed by MAP with Government Authorities, provision of copies of such reports to Plains shall satisfy this requirement. MAP shall be required to obtain Plains' prior written approval (which shall not be unreasonably withheld or delayed) for each Plan and the budget and schedule therefor prior to proceeding with any Plan or filing any Plan with any applicable Government Authorities (except that, in the event of an emergency posing an imminent threat of harm to the safety of persons or property, MAP may take such immediate action as may be necessary under the circumstances to protect the safety of persons or property, without obtaining the prior approval of Plains, provided that MAP shall notify Plains in writing of such action as soon thereafter as practicable). Plains shall be deemed to have approved such Plan, budget and schedule unless Plains shall have objected thereto by notice to MAP within thirty (30) days following Plains' receipt thereof setting forth in reasonable detail the basis for Plains' objections. If Plains objects to such proposed Plan and MAP and Plains do not reach agreement on such objections, then MAP shall provide Plains with an alternative Plan as soon as reasonably practicable in light of the circumstances following MAP's receipt of a request therefor from Plains. Upon request from Plains from time to time, MAP shall provide Plains with copies of invoices and such other supporting data regarding the amounts of expenditures referred to in reports provided by MAP to Plains under this Section.

(B) MAP shall conduct all Corrective Actions and related activities on or with respect to the Assets in accordance with all applicable laws, rules and regulations of Government Authorities having jurisdiction and in such manner as shall not unreasonably interfere with the operation of the Assets and the SP Group's business. Promptly upon completion of such activities, MAP shall notify Plains in writing of such completion.

(C) MAP shall defend, protect, indemnify and hold harmless the Buyer Indemnified Parties from and against any and all penalties, claims, demands, fines, assessments, damages, diminution in value, liabilities, suits, costs, judgments, settlements, expenses (including, without limitation, court costs and reasonable attorneys', expert and consultant fees) and losses of whatsoever kind or nature, for personal injury or property damage that are incurred by or asserted against any Buyer Indemnified Party by any third Person to the extent same are caused by the acts or omissions of MAP or MAP's agents, employees or consultants

in conducting or performing any Corrective Actions or related activities on or with respect to the Assets. For purposes of this Agreement, MAP's' obligations with respect to any such third-party claim shall be subject to the terms and provisions of Section 12.7.

(D) If, within thirty (30) days after MAP's receipt of the Buyer Indemnified Party's notice of an Environmental Liability for which the Buyer Indemnified Party believes MAP is obligated to indemnify the Buyer Indemnified Parties under Section 12.3(b), MAP does not notify Plains that MAP elects to respond to and conduct the remediation of such Environmental Liability in accordance with the provisions of this Section 12.3(c), or gives such notice of election and thereafter fails to respond to and conduct the remediation of such Environmental Liability diligently and in good faith, then MAP's right to respond to and conduct such remediation shall terminate and the Buyer Indemnified Parties shall have the sole right to proceed with such activities but shall not thereby waive any right to indemnity therefor pursuant to this Agreement.

(E) Such rights of MAP under this Section 12.3(c) shall in no event preclude the Buyer Indemnified Parties at any time or times from conducting such immediate Corrective Actions or related activities that, in case of any emergency posing an imminent threat of harm to the safety of persons or property, may be necessary under the circumstances to protect the safety of persons or property.

(F) Survival of Representations and Warranties and Covenants. (a) The representations and warranties of MAP and Plains hereunder and in the Exhibits hereto, the Sub-sublease Agreements and any certificate furnished in connection with this Agreement shall survive the Closing only until the date which is three (3) years after the Closing Date, notwithstanding any investigation at any time made by or on behalf of MAP or Plains, as the case may be; provided that the representations of MAP under Sections 3.1, 3.4, 3.7, 3.10(a), 3.11, and 3.16(b), (c) and (d), and the representations of Plains under Sections 4.1, 4.2, and, if applicable, 7.8, shall survive the Closing for ninety (90) days following the expiration of the relevant statute of limitations (including all periods of extension, whether automatic or progressive. Any claim with respect to any breach of representations and warranties described in this Section must be made within the time periods specified herein and, if timely asserted, the representations and warranties that are the subject thereof shall survive until such claims are fully and finally resolved in accordance with the provisions of this Agreement.

(b) The obligations of the parties under Articles V, VI and VII shall survive Closing and not terminate.

12.5 Survival of Indemnification Obligations. The indemnification obligations of MAP under Section 12.3(b) shall survive the Closing only with respect to indemnification claims that are asserted by a Buyer Indemnified Party against MAP on or before May 15, 2003, except that the indemnification obligations of

MAP under Section 12.3(b) with respect to matters described in Exhibits 3.6(a) and 3.6(b) shall survive the Closing and not terminate. The indemnity obligations of MAP under Section 12.2(b), and the indemnification obligations of Plains under Section 12.2(a) and 12.3(a) shall survive the Closing and not terminate. Indemnification provisions contained in other Sections of this Agreement shall survive the Closing to the extent provided in those Sections.

12.6 Indemnification Bucket. (a) Notwithstanding any term or provision of this Agreement to the contrary, except with respect to the matters described in Exhibits 3.5, 3.6(a), 3.6(b), 3.8, and 5.6(c) and Section 5.4 (for which Plains shall be entitled fully to rights of indemnification under Sections 12.2(b) and 12.3(b), as applicable), the Buyer Indemnified Parties shall not be entitled to rights of indemnification under Section 12.2(b) and 12.3(b) until the aggregate of all claims covered thereunder exceeds $1,000,000; it being understood that the following claims shall not be included in the aggregation: (i) under Section 12.2(b), the litigation and claims listed on Exhibit 3.8 (for which Plains shall be entitled fully to rights of indemnification under Sections 12.2(b)), and the first $25,000 of any other individual claim (for which there shall be no rights of indemnification); and (ii) under Section 12.3(b), individual claims of less than $25,000 (for which there shall be no rights of indemnification), and the Environmental Liabilities listed on Exhibits 3.6(a) and (b) (for which Plains shall be entitled fully to rights of indemnification). For purposes of the preceding sentence, all losses arising from the same event, condition, or set of circumstances at a single facility shall be considered an individual loss. For purposes of the first sentence of this Section 12.6, in determining whether there has occurred a breach of a representation or warranty of MAP contained in or made pursuant to Article III, (a) the provisions of Article III that are qualified by materiality (including, without limitation, a Material Adverse Effect) shall be read and interpreted as if such qualification was not included therein and (b) the provisions of Article III that are qualified by knowledge shall be read and interpreted as if such qualification was not included therein.

12.7 Procedures for Asserting Indemnity Claims. (a) A party seeking to assert a claim for indemnity under this Agreement with respect to any claim, suit, action or proceeding (the "Indemnified Party"), shall give prompt and timely notice to the other party (the "Indemnifying Party") of such assertion or commencement, as soon as is practicable following the receipt, by the manager responsible for the operation of the facility involved in such claim, of oral or written notice of the claim or action. Such notice shall describe in reasonable detail the nature of the claim or action, an estimate of the amount of damages attributable to the claim, and the basis for the Indemnified Party's request for indemnification under this Agreement. Thereafter, the Indemnified Party shall deliver to the Indemnifying Party copies of all notices and documents (including court papers) received by the Indemnified Party relating to the claim. Failure by the Indemnified Party to provide such notice to the Indemnifying Party promptly shall not affect the right of the Indemnified Party to indemnification hereunder except to the extent the Indemnifying Party is prejudiced thereby.

(b) The Indemnifying Party shall promptly assume the defense of any such claim, suit, action or proceeding; provided, however, that (i) the Indemnifying Party shall cooperate and communicate with the Indemnified Party as to significant developments in the matters being defended or handled, shall seek the advice and opinions of the Indemnified Party, and shall give due regard to such advice and opinions as to aspects of the matters being handled or defended which relate to settlements thereof or are reasonably expected to require the expenditure of substantial sums of money; (ii) the Indemnified Party shall at all times have the right, at its option and expense, to participate fully in the defense of any such claim, suit, action, or proceeding; (iii) the Indemnifying Party shall not settle any claim involving relief other than monetary relief that may affect the Indemnified Party without the prior written consent of the Indemnified Party; and (iv) if, within thirty (30) days after the receipt of the Indemnified Party's notice of a claim of indemnity hereunder, the Indemnifying Party does not notify the Indemnified Party that it elects, at the Indemnifying Party's cost and expense, to undertake the defense thereof and assume full responsibility for all losses, liabilities and other amounts with respect thereto, or gives such notice and thereafter fails to contest such claim diligently and in good faith, the Indemnified Party shall have the right to contest, settle or compromise the claim but shall not thereby waive any right to indemnity therefor pursuant to this Agreement.

(c) The parties shall cooperate in defending any such claim, suit, action or proceeding and each party shall have reasonable access to the books and records, and personnel in the possession or control of the other party which are pertinent to the defense. Any party shall have the right to join another in any action, claim or proceeding brought by a third party, as to which any right of indemnity created by this Agreement would or might apply, for the purpose of enforcing its right of indemnity granted hereunder.

(d) In furtherance of the foregoing procedures, as soon as a party becomes aware of circumstances that reasonably could be expected to lead to an Environmental Liability for which the other party owes and indemnification obligation hereunder, the party shall:

(i) define the nature and extent of the Environmental Liability in writing, including copies of all reports to Government Authorities filed as of this date, using a degree of detail reasonably necessary to inform the Indemnifying Party of the nature and scope of, and the justification for, any claim based on the Environmental Liability; and

(ii) to the extent that the assessment involves discussions or meetings with Government Authorities, the party seeking indemnification shall use reasonable best efforts to provide the other party with timely notice of and opportunity to participate in all such discussions or meetings.

12.8 EXPRESS NEGLIGENCE. TO THE EXTENT PERMITTED BY LAW, THE INDEMNIFICATION PROVIDED HEREUNDER SHALL APPLY NOTWITHSTANDING SUCH MATTER FOR WHICH INDEMNIFICATION IS TO BE PROVIDED MAY RESULT FROM THE SOLE OR CONTRIBUTORY NEGLIGENCE OR GROSS NEGLIGENCE OR VIOLATION OF LAW BY A PARTY TO BE INDEMNIFIED, AND FOR LIABILITIES BASED ON THEORIES OF STRICT LIABILITY, AND SHALL BE APPLICABLE WHETHER OR NOT NEGLIGENCE OF SUCH PARTY IS ALLEGED OR PROVEN, IT BEING THE INTENTION OF THE PARTIES TO INDEMNIFY EACH OTHER FROM AND AGAINST THEIR SOLE AND CONTRIBUTORY NEGLIGENCE AND GROSS NEGLIGENCE AS WELL AS LIABILITIES BASED ON THEORIES OF STRICT LIABILITY TO THE EXTENT PROVIDED IN THIS AGREEMENT.

12.9 Prior Period Adjustments. After Closing, both MAP and Plains shall have the continuing obligation to remit to the other any Prior Period Adjustments to which the other is entitled.

12.10 Accounts Receivable. (a) MAP will compile lists of accounts receivable and accounts payable of the SP Group as of the Effective Time. Plains shall have a claim against MAP for the undiscounted balance of any and all such accounts receivable that, as of the one hundred eightieth (180th) day after the Effective Time, have not been collected. MAP shall have a claim against Plains for the undiscounted balance of any and all such accounts payable that, as of the one hundred eightieth (180th) day after the Effective Time, have not been paid.

(b) Plains shall cause SP to determine the amounts of claims due and owing under this Section and, on or before the two hundred tenth (210th) day following the Effective Time, and to advise Plains and MAP of the net overdue receivables or payables balance, as the case may be. Provided that the party owing the net balance shall have had a reasonable opportunity to verify the result reported by SP, such party shall remit the full amount thereof within thirty days (30) days following receipt of advices from SP.

(c) Plains shall cause SP to (i) pay and collect its accounts in the ordinary course of business during the one hundred eighty day period following the Effective Time; and (ii) remit to MAP the full amount of receivables listed under Section 12.10(a) above that are collected, in whole or in part, after the payment under 12.10(b) is made, until the amount paid by MAP under Section 12.10(b), if any, has been repaid in full. MAP shall pay SP for any such accounts payable that SP subsequently is required to pay.

12.11 Damages. NOTWITHSTANDING ANYTHING CONTAINED TO THE CONTRARY IN ANY OTHER PROVISION OF THIS AGREEMENT, MAP AND PLAINS AGREE THAT, EXCEPT FOR THE LIQUIDATED DAMAGES SPECIFICALLY PROVIDED FOR IN SECTION 11.2 (b), THE RECOVERY BY

EITHER PARTY HERETO OF ANY DAMAGES SUFFERED OR INCURRED BY IT AS A RESULT OF ANY BREACH BY THE OTHER PARTY OF ANY OF ITS REPRESENTATIONS, WARRANTIES OR OBLIGATIONS UNDER THIS AGREEMENT SHALL BE LIMITED TO THE ACTUAL DAMAGES SUFFERED OR INCURRED BY THE NON-BREACHING PARTY AS A RESULT OF THE BREACH BY THE BREACHING PARTY OF ITS REPRESENTATIONS, WARRANTIES OR OBLIGATIONS HEREUNDER AND IN NO EVENT SHALL THE BREACHING PARTY BE LIABLE TO THE NON-BREACHING PARTY FOR ANY INDIRECT, CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES SUFFERED OR INCURRED BY THE NON-BREACHING PARTY AS A RESULT OF THE BREACH BY THE BREACHING PARTY OR ANY OF ITS REPRESENTATIONS, WARRANTIES OR OBLIGATIONS HEREUNDER. For purposes of the foregoing, actual damages may, however, include indirect, consequential, special, exemplary or punitive damages to the extent (i) the injuries or losses resulting in or giving rise to such damages are incurred or suffered by a Person which is not a Seller Indemnified Party, a Buyer Indemnified Party or an Affiliate of any of the foregoing and (ii) such damages are recovered against an Indemnified Party by a Person which is not a Seller Indemnified Party, a Buyer Indemnified Party or an affiliate of any of the foregoing.

12.11 People v. Amerada Hess. MAP shall obtain the written consent and approval of Plains to any terms of settlement in the People v. Amerada Hess royalty litigation which limit or establish crude oil pricing formulas or methods, practices, or procedures that impact the conduct of the SP Group's business or operations from and after the Closing Date. Plains shall not unreasonably withhold its consent and approval to any such settlement.

12.12 Noncompetition. For a period of one year from and after the Closing Date, and provided that Plains' crude oil prices remain competitive, MAP agrees and covenants not to acquire, and shall cause its Affiliates not to acquire, first purchase rights to crude oil produced under leases for which any member of the SP Group holds first purchase rights on the date of this Agreement.

12.13 Texas University Lands. In the event that dismantling and removal of the SP Group's abandoned pipelines from lands owned by the Texas University system lands is required after Closing, Plains shall have the obligation to satisfy the requirement.

12.14 SPCC PLANS. Plains will undertake to prepare Spill Prevention Control and Countermeasures Plans for crude oil stations for which such plans are not in place on the Closing Date, at its own cost and expense; provided, however, that in no event shall Plains assume any responsibility for the failure to have such Plans in place prior to the Closing Date.

12.15 Unit Restrictions. The Units shall be subject to the restrictions that MAP shall not be entitled to receive any distributions in respect thereof for a period of one year from and after the Closing Date; and further, that MAP shall not sell, assign, transfer, convey or dispose of the Units for a period of one year from and after the Closing Date. The limited partnership unit certificates representing the Units may reflect such restrictions.

12.16 Permian Plans. After Closing, MAP shall provide all required notices to Plan Participants and shall provide Plains with an updated list of all Plan Participants, their current mailing addresses and beneficiary designations.

12.17 Nettleton to Tyler Pipeline. After Closing, the Nettleton to Tyler pipeline system is scheduled for hydrostatic testing. The budget for such test is presently $800,000. MAP agrees that in the event that the costs of such test exceed $800,000, MAP will reimburse Plains for up to $200,000 of such additional cost, upon receipt from Plains of verification of such excess expenditures. Plains shall conduct the hydrostatic test in accordance with accepted pipeline industry practices and standards and shall use reasonable best efforts in keeping MAP informed of the costs and progress of the test.

## ARTICLE XIII MISCELLANEOUS

13.1 Binding Agreement. All the provisions, covenants, representations, warranties and conditions of this Agreement shall be binding upon, and inure to the benefit of and be enforceable by, the parties hereto and their respective legal representatives, successors and assigns. Neither party hereto may assign its rights under this Agreement without the prior written consent of all other parties, except that Plains shall have the right to assign its rights under this Agreement to any of its Affiliates of which Plains Marketing, L.P. is a limited partner and Plains All American Inc. is the general partner, provided that, in such event, such Affiliate shall expressly assume in writing the obligations of Plains under this Agreement.

13.2 Notices. All notices, requests, waivers and other communications required or permitted to be given pursuant to this Agreement, including changing of the designated recipients of such notices, shall be in writing and shall be deemed to have been duly given upon receipt by first-class mail, documented overnight delivery service or by telecopier:

If to MAP, to:
Marathon Ashland Petroleum LLC
539 S. Main St.
Findlay, OH 45840
Attention: Senior Vice President, Business Development
Telecopier: (419) 421-3509

With copies to: Marathon Ashland Petroleum LLC
539 South Main Street
Findlay, Ohio 45840
Attention: Group Counsel, Marketing & Commercial Services

If to Plains, to:

Plains All American Inc.
500 Dallas, Suite 700
Houston, TX 77002
Attention: President
Telecopier: (713) 652-2730

With copies to:

Plains All American Inc.
500 Dallas, Suite 700
Houston, TX 77002
Attention: General Counsel
Telecopier: (713) 652-2730

13.3 Entire Agreement. This Agreement is the entire agreement, and supersedes all prior agreements and understandings, written and oral, among the parties hereto or between any thereof with respect to the subject matter hereof.

13.4 Waivers. The failure of any party at any time to require performance of any provision hereof shall not affect its right later to require such performance. No waiver in any one or more instances shall (except as otherwise stated therein) be deemed to be a further or continuing waiver of any such condition or breach in other instances or a waiver of any condition or breach of any other term, covenant, representation or warranty.

13.5 Time Period Calculation. Except as otherwise expressly provided herein, all time periods hereunder shall be calculated on the basis of calendar days.

13.6 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

13.7 Headings. The headings preceding the text of articles and sections of this Agreement are for convenience only and not part of this Agreement.

13.8 Applicable Law. This Agreement is governed by and shall be construed and enforced in accordance with the internal laws of Texas.

13.9 Construction of Agreement. This Agreement constitutes a negotiated agreement among the parties and the fact that one party or the other shall have drafted a particular provision or provisions shall not be material in the construction of any provision. All Exhibits referred to in the Agreement are attached to and made a part of the Agreement.

13.10 Publicity. None of the parties hereto will, without the written consent of the other party, make any disclosure with respect to this Agreement to the news media, except to the extent disclosures may be required by any applicable securities laws or stock exchange rules.

13.11 No Third Party Beneficiaries. Except as specified in the indemnification provisions of Article 12, which are also intended to benefit and to be enforceable by any of the Seller Indemnified Parties or Buyer Indemnified Parties, as the case may be, nothing in this Agreement, whether express or implied, is intended to confer any right or remedy under or by reason of this Agreement on any Person other than the parties, their respective successors and assigns.

13.12 Severability. If any term or other provision of this Agreement is held invalid, illegal or incapable of being enforced under any rule of law, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in a materially adverse manner with respect to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

13.13 Further Assurances. Subject to the terms and conditions set forth in this Agreement, and in addition to other provisions in this Agreement, from time to time subsequent to the Closing Date, each party at the request of the other party shall use reasonable efforts to promptly execute and deliver such additional documents and take such other actions including centralization of SP's records and SP facilities, as may be reasonably required to carry out the intent of this Agreement and the transactions contemplated by it.

13.14 Expenses. Except as otherwise expressly provided in this Agreement, all costs and expenses

incurred by each party hereto in connection with all things required to be done by it hereunder, including attorneys' fees, accountants' fees and other expenses, shall be borne by the party incurring same.

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

Marathon Ashland Petroleum LLC

By: /s/ G. R. Heminger
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G.R. Heminger
Title: Senior Vice President, Business Development

Plains Marketing, L.P.
By: Plains All American, Inc., its General Partner

By: /s/ Harry N. Pefanis
---
Harry N. Pefanis
Title: President

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM PLAINS ALL AMERICAN PIPELINE, L.P. CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1998, AND CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD FROM NOVEMBER 23, 1998 TO DECEMBER 31, 1998.

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378,835
799
610,208
157,520
175,000
0
0
277,643
0
610,208
176,445
176,457
168,946
170,138
0
0
1,371
4,177
0
4,177
0
0
0
4,177
.14
.14

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM PLAINS ALL AMERICAN PIPELINE, L.P. CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1998, AND, (PREDECESSOR), CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD FROM JANUARY 1, 1998 TO NOVEMBER 22, 1998.

| | |
|---|---|
| 11-MOS | |
| DEC-31-1998 | |
| JAN-01-1998 | |
| NOV-22-1998 | |
| | 5,503 |
| | 0 |
| | 119,514 |
| | 0 |
| | 37,711 |
| | 166,851 |
| | 378,835 |
| | 799 |
| | 610,208 |
| | 157,520 |
| | 175,000 |
| | 0 |
| | 0 |
| | 277,643 |
| | 0 |
| | 610,208 |
| | 953,244 |
| | 953,816 |
| | 922,263 |
| | 926,442 |
| | 0 |
| | 0 |
| | 11,260 |
| | 11,588 |
| | 4,563 |
| | 7,025 |
| | 0 |
| | 0 |
| | 0 |
| | 7,025 |
| | .40 |
| | .40 |