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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2003

OR

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

Commission file number: 1-14569

PLAINS ALL AMERICAN PIPELINE, L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

333 Clay Street, Suite 1600
Houston, Texas 77002
(Address of principal executive offices)
(Zip Code)

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

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

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No o

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. o

The aggregate value of the Common Units held by non-affiliates of the registrant (treating all executive officers and directors of the registrant and holders of 10% or more of the Common Units outstanding, for this purpose, as if they may be affiliates of the registrant) was approximately $1.1 billion on June 30, 2003, based on $31.48 per unit, the closing price of the Common Units as reported on the New York Stock Exchange on such date.

At February 17, 2004, there were outstanding 57,162,638 Common Units and 1,307,190 Class B Common Units.

DOCUMENTS INCORPORATED BY REFERENCE: None

2003 FORM 10-K ANNUAL REPORT

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FORWARD-LOOKING STATEMENTS

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

- abrupt or severe production declines or production interruptions in outer continental shelf production located offshore California and transported on our pipeline system;
- declines in volumes shipped on the Basin Pipeline and our other pipelines by third party shippers;
- the availability of adequate third-party production volumes for transportation and marketing in the areas in which we operate;
- demand for various grades of crude oil and resulting changes in pricing conditions or transmission throughput requirements;
- fluctuations in refinery capacity in areas supplied by our transmission lines;
- the effects of competition;
- the success of our risk management activities;
- the impact of crude oil price fluctuations;
- the availability of, and ability to consummate, acquisition or combination opportunities;
- successful integration and future performance of acquired assets;
- continued creditworthiness of, and performance by, counterparties;
- successful third-party drilling efforts in areas in which we operate pipelines or gather crude oil;
- our levels of indebtedness and our ability to receive credit on satisfactory terms;
- shortages or cost increases of power supplies, materials or labor;
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weather interference with business operations or project construction;

- the impact of current and future laws and governmental regulations;
- the currency exchange rate of the Canadian dollar;
- environmental liabilities that are not covered by an indemnity, insurance or existing reserves;
- fluctuations in the debt and equity markets including the price of our units at the time of vesting under our Long-Term Incentive Plan; and
- general economic, market or business conditions.

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

PART I

Items 1 and 2. *Business and Properties*

General

We are a publicly traded Delaware limited partnership (the "Partnership"), formed in 1998 and engaged in interstate and intrastate crude oil transportation, and crude oil gathering, marketing, terminalling and storage, as well as the marketing and storage of liquefied petroleum gas and other petroleum products, primarily in Texas, California, Oklahoma, Louisiana and the Canadian Provinces of Alberta and Saskatchewan. Our operations can be categorized into two primary business activities:

- *Crude Oil Pipeline Transportation Operations.* We own and operate approximately 7,000 miles of gathering and mainline crude oil pipelines located throughout the United States and Canada. Our activities from pipeline operations generally consist of transporting crude oil for a fee, third party leases of pipeline capacity, barrel exchanges and buy/sell arrangements.
- *Gathering, Marketing, Terminalling and Storage Operations.* We own and operate approximately 24.0 million barrels of above-ground crude oil terminalling and storage facilities, including tankage associated with our pipeline systems. These facilities include a crude oil terminalling and storage facility at Cushing, Oklahoma. Cushing, which we refer to in this report as the Cushing Interchange, is one of the largest crude oil market hubs in the United States and the designated delivery point for NYMEX crude oil futures contracts. We utilize our storage tanks to counter-cyclically balance our gathering and marketing operations and to execute various hedging strategies to stabilize profits and reduce the negative impact of crude oil market volatility. See "—Crude Oil Volatility; Counter-Cyclical Balance; Risk Management." Our terminalling and storage operations also generate revenue at the Cushing Interchange and our other locations through a combination of storage and throughput charges to third parties. Our gathering and marketing operations include:
    - the purchase of crude oil at the wellhead and the bulk purchase of crude oil at pipeline and terminal facilities;
    - the transportation of crude oil on trucks, barges and pipelines;
    - the subsequent resale or exchange of crude oil at various points along the crude oil distribution chain; and
    - the purchase of liquified petroleum gas and other petroleum products (collectively "LPG") from producers, refiners and other marketers, and the sale of LPG to wholesalers, retailers and industrial end users.

Business Strategy

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

We intend to execute our business strategy by:

- increasing and optimizing throughput on our existing pipeline and gathering assets and realizing cost efficiencies through operational improvements;
- utilizing and expanding our Cushing Terminal and our other assets to service the needs of refiners and to profit from merchant activities that take advantage of crude oil pricing and quality differentials;

- selectively pursuing strategic and accretive acquisitions of crude oil transportation assets, including pipelines, gathering systems, terminalling and storage facilities and other assets that complement our existing asset base and distribution capabilities; and
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optimizing and expanding our Canadian operations and our presence in the Gulf Coast and Gulf of Mexico to take advantage of anticipated increases in the volume and qualities of crude oil produced in these areas.

To a lesser degree, we also engage in a similar business strategy with respect to the wholesale marketing and storage of LPG, which we began as a result of an acquisition in mid 2001. Since that time, the portion of our Gathering, Marketing, Terminalling and Storage Operations segment margin associated with those activities has increased from $6.1 million in 2001 to $15.1 million in 2002 and $17.9 million in 2003. The segment margin for 2001 reflects results from July 1 through December 31.

Financial Strategy

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

- an average long-term debt-to-total capitalization ratio of approximately 60% or less;
- an average long-term debt-to-EBITDA ratio of approximately 3.5x or less (EBITDA is earnings before interest, taxes, depreciation and amortization); and
- an average EBITDA-to-interest coverage ratio of approximately 3.3x or better.

As of December 31, 2003, we were within our targeted credit profile. In order for us to maintain our targeted credit profile and achieve growth through acquisitions, we intend to fund acquisitions using approximately equal proportions of equity and debt. In certain cases, acquisitions will initially be financed using debt since it is difficult to predict the actual timing of accessing the market to raise equity. Accordingly, from time to time we may be temporarily outside the parameters of our targeted credit profile.

In December 2003, Moody's Investors Service raised our senior unsecured rating to Ba1, affirmed our senior implied credit rating of Ba1 and placed us on review for a possible ratings upgrade. In November 2003, Standard & Poor's raised our senior unsecured rating to BBB- (the same rating as our senior implied rating) from BB+. You should note that a credit rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time.

Competitive Strengths

We believe that the following competitive strengths position us to successfully execute our principal business strategy:

- ***Our pipeline assets are strategically located and have additional capacity.*** Our primary crude oil pipeline transportation and gathering assets are located in well-established oil producing regions and are connected, directly or indirectly, with our terminalling and storage assets that service major North American refinery and distribution markets where we have strong business relationships. These assets are strategically positioned to maximize the value of our crude oil by transporting it to major trading locations and premium markets. Certain of our pipeline networks currently possess additional capacity that can accommodate increased demand without significant additional capital investment.

- ***Our Cushing Terminal is strategically located, operationally flexible and readily expandable.*** Our Cushing Terminal interconnects with the Cushing Interchange's major inbound and outbound pipelines, providing access to both foreign and domestic crude oil. Our Cushing Terminal is the most modern large-scale terminalling and storage facility at the Cushing Interchange, incorporating (i) operational enhancements designed to safely and efficiently terminal, store, blend and segregate large volumes and multiple varieties of crude oil and (ii) extensive environmental safeguards. Since completing the initial construction of the Cushing Terminal in 1994, we have completed three expansion phases of approximately 1.1 million barrels each, thus expanding the facility to its current capacity of 5.3 million barrels. In January 2004, we announced the commencement of our Phase IV expansion project, which will increase capacity by an incremental 1.1 million barrels, or approximately 20% of current capacity. We believe that the facility can be further expanded to meet additional demand should market conditions warrant. In addition, we own approximately 18.7 million barrels of above-ground crude oil terminalling and storage assets elsewhere in the United States and Canada that complement our Cushing Terminal and enable us to serve the needs of our customers.
- ***We possess specialized crude oil market knowledge.*** We believe our business relationships with participants in all phases of the crude oil distribution chain, from crude oil producers to refiners, as well as our own industry expertise, provide us with an extensive understanding of the North American physical crude oil markets.
- ***The combination of our business activities provide a counter-cyclical balance.*** We believe the manner in which we integrate the activities of our gathering and marketing operations with our terminalling and storage operations provides a counter-cyclical balance to our business, irrespective of the structure of the crude oil market. In combination with our pipeline transportation operations, we believe these activities have a stabilizing effect on our cash flow from operations.
- ***We have the financial flexibility to continue to pursue expansion and acquisition opportunities.*** We believe we have significant resources to finance strategic expansion and acquisition opportunities, including our ability to issue additional partnership units, borrow under our credit facilities and issue additional notes in the long-term debt capital markets. We have committed senior unsecured facilities totaling $750 million. These credit facilities are available for working capital purposes and to fund capital expenditures, including acquisitions. At December 31, 2003, we had approximately $596.8 million of unused capacity under these credit facilities. We also have a $200 million uncommitted facility to finance the purchase of hedged crude oil inventory. The uncommitted facility is secured by the purchased inventory and related receivables. At December 31, 2003, we had unused capacity of approximately $100 million under the hedged inventory facility. Our usage is subject to covenant compliance. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."
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We have an experienced management team whose interests are aligned with those of our stakeholders. Our executive management team has an average of more than 20 years industry experience, with an average of over 15 years with us or our predecessors and affiliates. Members of our senior management team own a 4% interest in our general partner, approximately 400,000 common units and, through phantom unit grants and options, own contingent equity incentives that vest primarily upon achievement of specified performance objectives. A significant portion of the awards under our Long-Term Incentive Plan ("LTIP") have vested or will vest in the first half of 2004.

Organizational History

We were formed in September 1998 to acquire and operate the midstream crude oil business and assets of Plains Resources Inc. and its wholly-owned subsidiaries ("Plains Resources") as a separate, publicly traded master limited partnership. We completed our initial public offering in November 1998. As a result of subsequent equity offerings and the purchase in 2001 by senior management and a group of financial investors of majority control of our general partner and a portion of the limited partner units held by Plains Resources, Plains Resources' overall effective ownership in us was reduced to approximately 22% as of February 17, 2004. See Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Unitholders' Matters."

As a result of the 2001 transaction, our 2% general partner interest is held by Plains AAP, L.P., a Delaware limited partnership. Plains All American GP LLC, a Delaware limited liability company, is Plains AAP, L.P.'s general partner. Unless the context otherwise requires, we use the term "general partner" to refer to both Plains AAP, L.P. and Plains All American GP LLC. Plains AAP, L.P. and Plains All American GP LLC are essentially held by 7 owners with the largest interest, 44%, held by Plains Resources. We use the phrase "former general partner" to refer to the subsidiary of Plains Resources that formerly held the general partner interest.

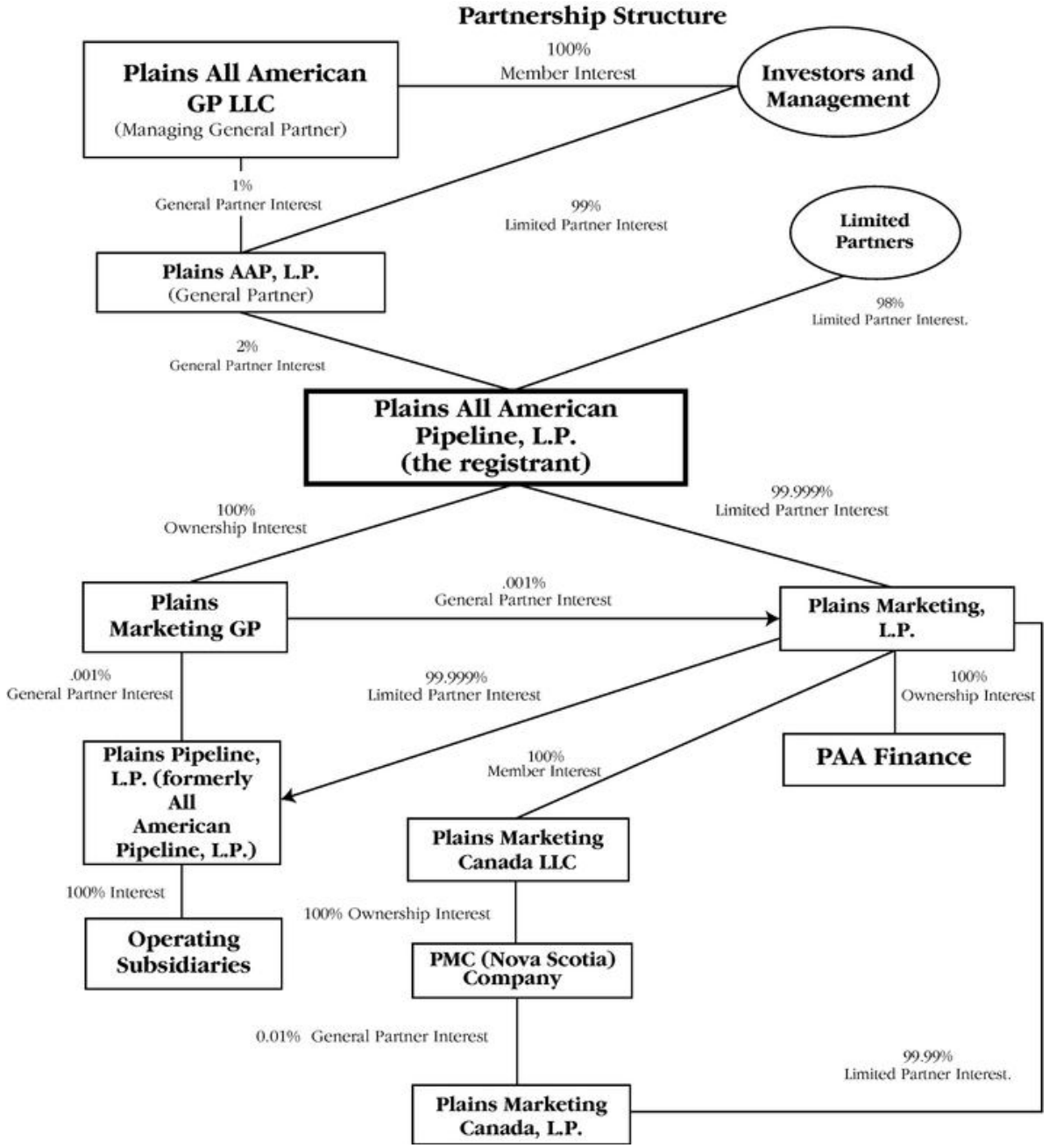
Partnership Structure and Management

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. We own our interests in our subsidiaries through two operating partnerships, Plains Marketing, L.P. and Plains Pipeline, L.P. Our Canadian operations are conducted through Plains Marketing Canada, L.P. We currently have fewer than 20 subsidiaries, although we may form new subsidiaries from time to time in connection with acquisitions.

Plains All American GP LLC manages our operations and activities and employs our officers and personnel, who devote 100% of their efforts to the management of the Partnership. Our general partner does not receive a management fee or other compensation in connection with its management of our business, but it is reimbursed for all direct and indirect expenses incurred on our behalf. Canadian personnel are employed by Plains Marketing Canada L.P.'s general partner, PMC (Nova Scotia) Company.

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

The chart below depicts the current organization and ownership of the Partnership, the operating partnerships and the subsidiaries.



Acquisitions and Dispositions

An integral component of our business strategy and growth objective is to acquire assets and operations that are strategic and complementary to our existing operations. We have established a target to complete, on average, $200 million to $300 million in acquisitions per year, subject to availability of attractive assets on acceptable terms. Since 1998, we have completed numerous acquisitions for an aggregate purchase price of approximately $1.3 billion. In addition, from time to time we have sold assets that are no longer considered essential to our operations.

During 2003, we completed ten acquisitions for aggregate consideration of approximately $159.5 million. In addition, in December 2003, we signed a definitive agreement with Shell Pipeline Company to acquire entities owning pipeline and terminal assets for $158 million. Following is a brief description of this pending acquisition, acquisitions completed in 2003 that exceeded $15 million and major acquisitions and dispositions that have occurred since our initial public offering in November 1998.

Pending Acquisition of Capline and Capwood Pipeline System

On December 16, 2003, we entered into a definitive agreement to acquire all of Shell Pipeline Company LP's ("SPLC") interests in two entities. The principal assets of the entities are: (i) an approximate 22% undivided joint interest in the Capline Pipe Line System, and (ii) an approximate 76% undivided joint interest in the Capwood Pipeline System. The Capline Pipeline System is a 667-mile, 40-inch mainline crude oil pipeline originating in St. James, Louisiana, and terminating in Patoka, Illinois. The Capline system is operated by Shell Pipeline Company, LP and is one of the primary transportation routes for crude oil shipped into the Midwestern U.S., accessing over 2.7 million barrels of refining capacity in PADD II, including refineries owned by ConocoPhillips, ExxonMobil, BP, MarathonAshland, CITGO and Premcor. Capline has direct connections to a significant amount of sweet and light sour crude production in the Gulf of Mexico. In addition, with its two active docks capable of handling 600,000-barrel tankers as well as access to LOOP, the Louisiana Offshore Oil Port, the Capline System is a key transporter of sweet and light sour foreign crude to PADD II. With a total system operating capacity of 1.14 million barrels per day, approximately 248,000 barrels per day are subject to the interest being acquired. During 2003, throughput on the interest in the Capline System we are acquiring averaged approximately 125,000 barrels per day.

The Capwood Pipeline System is a 57-mile, 20-inch mainline crude oil pipeline originating in Patoka, Illinois, and terminating in Wood River, Illinois. The Capwood system has an operating capacity of 277,000 barrels per day of crude oil. Of that capacity, approximately 211,000 barrels per day are subject to the

interest we are acquiring. The Capwood System has the ability to deliver crude at Wood River to several other PADD II refineries and pipelines, including those owned by Koch and ConocoPhillips. Movements on the Capwood system are driven by the volumes shipped on Capline as well as Canadian crude that can be delivered to Patoka via the Mustang Pipeline. After closing, we anticipate that we will assume the operatorship of the Capwood system from SPLC. During 2003, throughput on the interest being acquired averaged approximately 107,000 barrels per day.

This acquisition is expected to close during the first quarter of 2004. While we believe it is reasonable to expect the acquisition to close in the first quarter of 2004, we can provide no assurance as to when or whether the acquisition will close.

South Saskatchewan Pipeline System

In November 2003, we completed the acquisition of the South Saskatchewan Pipeline System from South Saskatchewan Pipe Line Company. The South Saskatchewan Pipeline System originates approximately 75 miles southwest of Swift Current, Saskatchewan, and traverses north and east until it reaches its terminus at Regina, Saskatchewan. The system consists of a 158-mile, 16-inch mainline and

203 miles of gathering lines ranging in diameter from three to twelve inches. In 2002, the system transported approximately 52,000 barrels of crude oil per day. During the period of 2003 that we owned the system, it transported approximately 52,000 barrels of crude oil per day. At Regina, the system can deliver crude oil to the Enbridge Pipeline System, as well as to local markets, and through the Enbridge connection crude can be delivered into our Wascana Pipeline System. Total purchase price for these assets was approximately $48 million, including transaction costs.

ArkLaTex Pipeline System

In October 2003, we completed the acquisition of the ArkLaTex Pipeline System from Link Energy (formerly EOTT Energy). The ArkLaTex Pipeline System consists of 240 miles of active crude oil gathering and mainline pipelines and connects to our Red River Pipeline System near Sabine, Texas. Also included in the transaction were 470,000 barrels of active crude oil storage capacity, the assignment of certain of Link Energy's crude oil supply contracts and crude oil linefill and working inventory comprising approximately 108,000 barrels. The total purchase price for these assets of approximately $21.3 million included approximately $14.0 million of cash paid to Link Energy for the pipeline system, approximately $2.9 million of cash paid to Link Energy to purchase crude oil linefill and working inventory, approximately $3.6 million for estimated near-term capital costs and transaction costs and approximately $0.8 million associated with the satisfaction of outstanding claims for accounts receivable and inventory balances.

Iraan to Midland Pipeline System

In June 2003, the Partnership acquired the Iraan to Midland Pipeline System from a unit of Marathon Ashland Petroleum LLC ("MAP") for aggregate consideration of approximately $17.6 million. The Iraan to Midland Pipeline System is a 16-inch, 95-mile mainline crude oil pipeline that originates in Iraan, Texas and terminates in Midland, Texas. At Midland, the system has the ability to deliver crude oil to our Basin Pipeline System and to the Mesa Pipeline System. In 2002, the Iraan to Midland Pipeline System transported approximately 21,000 barrels per day of crude oil. The results of operations and assets of the Iraan to Midland Pipeline System have been included in our consolidated financial statements and our pipeline operations since June 30, 2003. The aggregate purchase price included $13.6 million in cash, approximately $3.6 million associated with the satisfaction of outstanding claims for accounts receivable and inventory balances, and approximately $0.4 million of estimated transaction costs.

South Louisiana Assets

In June 2003, we completed the acquisition of a package of terminalling and gathering assets from El Paso Corporation for approximately $13.4 million, including transaction costs. These assets are located in southern Louisiana and include various interests in five pipelines and gathering systems and two terminal facilities. These assets complement our existing activities in south Louisiana and we believe will help leverage our exposure to the growing volume of crude oil and condensate production from the Gulf of Mexico. The results of operations and assets from this acquisition have been included in our consolidated financial statements and in our pipeline operations segment since June 1, 2003. The assets acquired in this acquisition include a $33^{1}/_{3}\%$ interest in Atchafalaya Pipeline, L.L.C. In December 2003, we acquired the remaining $66^{2}/_{3}\%$ interests in 2 separate transactions totaling $4.4 million.

Iatan Gathering System

In March 2003, we completed the acquisition of a West Texas crude oil gathering system from Navajo Refining Company, L.P. for approximately $24.3 million, including transaction costs. The assets are located in the Permian Basin in West Texas and consist of approximately 315 miles of active crude

oil gathering lines. The results of operations and assets from this acquisition have been included in our consolidated financial statements and in our pipeline operations segment since March 1, 2003.

Red River Pipeline System

In February 2003, we completed the acquisition of a 347-mile crude oil pipeline from BP Pipelines (North America) Inc. for approximately $19.4 million, including transaction costs. The system originates at Sabine in East Texas and terminates near Cushing, Oklahoma. Subsequent to the acquisition, we connected the pipeline system to our Cushing Terminal. The system also includes approximately 645,000 barrels of crude oil storage capacity. The results of operations and assets from this acquisition have been included in our consolidated financial statements and in our pipeline operations segment since February 1, 2003. This pipeline complements our existing assets in East Texas.

Shell West Texas Assets

On August 1, 2002, we acquired interests in approximately 2,000 miles of gathering and mainline crude oil pipelines and approximately 8.9 million barrels (net to our interest) of above-ground crude oil terminalling and storage assets in West Texas from Shell Pipeline Company LP and Equilon Enterprises LLC (the "Shell acquisition"). The primary assets included in the transaction are interests in the Basin Pipeline System ("Basin System"), the Permian Basin Gathering System ("Permian Basin System") and the Rancho Pipeline System ("Rancho System"). The total purchase price of $324.4 million consisted of (i) $304.0 million

in cash, which was borrowed under our revolving credit facility, (ii) approximately $9.1 million related to the settlement of pre-existing accounts receivable and inventory balances and (iii) approximately $11.3 million of estimated transaction and closing costs.

The acquired assets are primarily fee-based mainline crude oil pipeline transportation assets that gather crude oil in the Permian Basin and transport that crude oil to major market locations in the Mid-Continent and Gulf Coast regions. The acquired assets complement our existing asset infrastructure in West Texas and represent a transportation link to Cushing, Oklahoma, where we provide storage and terminalling services. In addition, we believe that the Basin system is poised to benefit from potential shut-downs of refineries and other pipelines due to the shifting market dynamics in the West Texas area. As was contemplated at the time of the acquisition, the Rancho system was taken out of service in March 2003, pursuant to the terms of its operating agreement. See "—Shutdown and Partial Sale of Rancho Pipeline System."

Canadian Expansion

In early 2000, we articulated to the financial community our intent to establish a strong Canadian operation that complements our operations in the United States. In 2001, after evaluating the marketplace and analyzing potential opportunities, we consummated the two transactions detailed below in 2001. The combination of these assets, an established fee-based pipeline transportation business and a rapidly-growing, entrepreneurial gathering and marketing business, allowed us to optimize both businesses and establish what we believe to be a solid foundation for future growth in Canada.

CANPET Energy Group, Inc. In July 2001, we purchased substantially all of the assets of CANPET Energy Group Inc., a Calgary-based Canadian crude oil and LPG marketing company, for approximately $24.6 million plus $25.0 million for additional inventory owned by CANPET. In December 2003 we recorded an additional $24.3 million related to a portion of the purchase price that had previously been deferred subject to various performance standards of the business acquired. See Note 7 "Partners' Capital and Distributions" in the "Notes to the Consolidated Financial Statements." The principal assets acquired included a crude oil handling facility, a 130,000-barrel tank facility, LPG facilities, existing business relationships and operating inventory.

Murphy Oil Company Ltd. Midstream Operations In May 2001, we completed the acquisition of substantially all of the Canadian crude oil pipeline, gathering, storage and terminalling assets of Murphy Oil Company Ltd. for approximately $161.0 million in cash, including financing and transaction costs. The purchase price included $6.5 million for excess inventory in the systems. The principal assets acquired include (i) approximately 560 miles of crude oil and condensate mainlines (including dual lines on which condensate is shipped for blending purposes and blended crude is shipped in the opposite direction) and associated gathering and lateral lines, (ii) approximately 1.1 million barrels of crude oil storage and terminalling capacity located primarily in Kerrobert, Saskatchewan, (iii) approximately 254,000 barrels of pipeline linefill and tank inventories, and (iv) 121 trailers used primarily for crude oil transportation.

West Texas Gathering System

In July 1999, we completed the acquisition of the West Texas Gathering System from Chevron Pipe Line Company for approximately $36.0 million, including transaction costs. The assets acquired include approximately 420 miles of crude oil mainlines, approximately 295 miles of associated gathering and lateral lines, and approximately 2.9 million barrels of tankage located along the system.

Scurlock Permian

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

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

Ongoing Acquisition Activities

Consistent with our business strategy, we are continuously engaged in discussions with potential sellers regarding the possible purchase by us of midstream crude oil assets. Such acquisition efforts involve participation by us in processes that have been made public, involve a number of potential buyers and are commonly referred to as "auction" processes, as well as situations where we believe we are the only party or one of a very limited number of potential buyers in negotiations with the potential seller. These acquisition efforts often involve assets which, if acquired, would have a material effect on our financial condition and results of operations.

We are currently involved in advanced discussions with a potential seller regarding the purchase by us of crude oil pipeline, terminalling, storage and gathering and marketing assets for an aggregate purchase price, including assumed liabilities and obligations, ranging from $300 million to $400 million. Such transaction is subject to confirmatory due diligence, negotiation of a mutually acceptable definitive purchase and sale agreement, regulatory approval and approval of both our board of directors and that of the seller.

In connection with our acquisition activities, we routinely incur third party costs, which are capitalized and deferred pending final outcome of the transaction. Deferred costs associated with successful transactions are capitalized as part of the transaction, while deferred costs associated with

unsuccessful transactions are expensed at the time of such final determination. We had a total of approximately $0.4 million in deferred costs at December 31, 2003. We estimate that our deferred acquisition costs will increase in the first quarter of 2004 by approximately $0.7 million. We can give no assurance that our

current or future acquisition efforts will be successful or that any such acquisition will be completed on terms considered favorable to us.

Shutdown and Partial Sale of Rancho Pipeline System

We acquired the Rancho Pipeline System in conjunction with the Shell acquisition. The Rancho Pipeline System Agreement dated November 1, 1951, pursuant to which the system was constructed and operated, terminated in March 2003. Upon termination, the agreement required the owners to take the pipeline system, in which we owned an approximate 50% interest, out of service. Accordingly, we notified our shippers and did not accept nominations for movements after February 28, 2003. This shutdown was contemplated at the time of the acquisition and was accounted for under purchase accounting in accordance with SFAS No. 141 "Business Combinations." The pipeline was shut down on March 1, 2003 and a purge of the crude oil linefill was completed in April 2003. In June 2003, we completed transactions whereby we transferred all of our ownership interest in approximately 240 miles of the total 458 miles of the pipeline in exchange for $4.0 million and approximately 500,000 barrels of crude oil tankage in West Texas. The remaining portion will either be sold or salvaged. No gain or loss has been recorded on the shutdown of the Rancho System or these transactions.

All American Pipeline Linefill Sale and Asset Disposition

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

We had suspended shipments of crude oil on this segment of the pipeline in November 1999. At that time, we owned approximately 5.2 million barrels of crude oil in the segment of the pipeline. We sold this crude oil from November 1999 to February 2000 for net proceeds of approximately $100.0 million, which were used for working capital purposes. We recognized an aggregate gain of approximately $44.6 million, of which approximately $28.1 million was recognized in 2000 in connection with the sale of the linefill.

Description of Segments and Associated Assets

Our business activities are conducted through two primary segments, Pipeline Operations and Gathering, Marketing, Terminalling and Storage Operations. Our operations are conducted in approximately 40 states in the United States and five provinces in Canada. The majority of our operations are conducted in Texas, Oklahoma, California, Louisiana and in the Canadian provinces of Alberta and Saskatchewan.

Following is a description of the activities and assets for each of our business segments:

Pipeline Operations

We own and operate approximately 7,000 miles of gathering and mainline crude oil pipelines located throughout the United States and Canada. Our activities from pipeline operations generally consist of transporting crude oil for a fee, third party leases of pipeline capacity, barrel exchanges and buy/sell arrangements.

Substantially all of our pipeline systems are controlled or monitored from one of two central control rooms with computer systems designed to continuously monitor real-time operational data, including measurement of crude oil quantities injected into and delivered through the pipelines, product flow rates, and pressure and temperature variations. The systems are designed to enhance leak detection capabilities, sound automatic alarms in the event of operational conditions outside of pre-established parameters and provide for remote-controlled shut-down of pump stations on the pipeline systems. Pump stations, storage facilities and meter measurement points along the pipeline systems are linked by telephone, satellite, radio or a combination thereof to provide communications for remote monitoring and in some instances control, which reduces our requirement for full-time site personnel at most of these locations.

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

Following is a description of our major pipeline assets in the United States and Canada, grouped by geographic location:

Southwest U.S.

Basin Pipeline System. We acquired an approximate 87% undivided joint interest in the Basin System in the Shell acquisition. The Basin System is a 514-mile mainline, telescoping crude oil system with a capacity ranging from approximately 144,000 barrels per day to 394,000 barrels per day depending on the segment. System throughput (as measured by system deliveries) was approximately 263,000 barrels per day (net to our interest) during 2003. The Basin System consists of three primary movements of crude oil: (i) barrels are shipped from Jal, New Mexico to the West Texas markets of Wink and Midland, where they are exchanged and/or further shipped to refining centers; (ii) barrels are shipped to the Mid-Continent region on the Midland to Wichita Falls segment and the Wichita Falls to Cushing segment; and (iii) foreign and Gulf of Mexico barrels are delivered into Basin at Wichita Falls and delivered to a connecting carrier or shipped to Cushing for further distribution to Mid-Continent or Midwest refineries. The size of the pipe ranges from 20 to 24 inches in diameter. The Basin system also includes approximately 5.8 million barrels (5.0 million barrels, net to our interest) of crude oil storage capacity located along the system. TEPPCO Partners, L.P. owns the remaining approximately 13% interest in the system. In February 2004, we announced plans to expand a 345-mile section of the system. The section to be expanded extends from Colorado City, Texas to our Cushing Terminal. Upon the completion of this estimated $1.1 million expansion, the capacity of this section will increase approximately 15%, from 350,000 barrels per day to approximately 400,000 barrels per day. The Basin system is subject to tariff rates regulated by the Federal Energy Regulatory Commission (the "FERC"). See "—Regulation—Transportation Regulation."

West Texas Gathering System. The West Texas Gathering System is a common carrier crude oil pipeline system located in the heart of the Permian Basin producing area, and includes approximately 420 miles of crude oil mainlines and approximately 295 miles of associated gathering and lateral lines. The West Texas Gathering System has the capability to transport approximately 190,000 barrels per day. Total system volumes were approximately 87,000 barrels per day

in 2003. Chevron USA has agreed to transport its equity crude oil production from fields connected to the West Texas Gathering System on the system through July 2011 (representing approximately 18,000 barrels per day, or 21% of the total

system volumes during 2003). The system also includes approximately 2.9 million barrels of crude oil storage capacity, located primarily in Monahans, Midland, Wink and Crane, Texas.

Permian Basin Gathering System. The Permian Basin System, acquired in the Shell acquisition, includes several gathering systems and trunk lines with connecting injection stations and storage facilities. In total, the system consists of 927 miles of pipe and primarily transports crude oil from wells in the Permian Basin to the Basin System. The Permian Basin System gathered approximately 48,000 barrels per day in 2003. The Permian Basin System includes approximately 3.2 million barrels of crude oil storage capacity.

Spraberry Pipeline System. The Spraberry Pipeline System, acquired in the Scurlock acquisition, gathers crude oil from the Spraberry Trend of West Texas and transports it to Midland, Texas, where it interconnects with the West Texas Gathering System and other pipelines. The Spraberry Pipeline System consists of approximately 920 miles of pipe of varying diameter, and has a throughput capacity of approximately 50,000 barrels of crude oil per day. The Spraberry Trend is one of the largest producing areas in West Texas, and we are one of the largest gatherers in the Spraberry Trend. For the year ended December 31, 2003, the Spraberry Pipeline System gathered approximately 38,000 barrels per day of crude oil. The Spraberry Pipeline System also includes approximately 364,000 barrels of tank capacity located along the pipeline.

Dollarhide Pipeline System. The Dollarhide Pipeline System, acquired from Unocal Pipeline Company in October 2001, is a common carrier pipeline system that is located in West Texas. In 2003, the Dollarhide Pipeline System delivered approximately 6,000 barrels of crude oil per day into the West Texas Gathering System. The system also includes approximately 55,000 barrels of crude oil storage capacity along the system and in Midland.

Mesa Pipeline System. The Mesa Pipeline System, in which we acquired an 8.8% undivided interest from Unocal Corporation in May 2003, is located in the Permian Basin in West Texas, originating at Midland and terminating at Colorado City, and serves to complement our Basin Pipeline System. We have access to a net capacity of approximately 28,000 barrels of crude oil per day on the system. This system is operated by an affiliate of ChevronTexaco.

Iraan to Midland Pipeline System. The Iraan to Midland Pipeline System, acquired from a unit of Marathon Ashland Petroleum LLC in June 2003, is a 16-inch, 95-mile mainline crude oil pipeline that originates in Iraan, Texas and terminates in Midland, Texas. At Midland, the system has the ability to deliver crude oil to our Basin Pipeline System and to the Mesa Pipeline System. In the last six months of 2003, deliveries averaged approximately 30,000 barrels per day

Iatan Gathering System. The Iatan gathering system, acquired from Navajo Refining Company, L.P. in March 2003, is located in the Permian Basin in West Texas and consists of approximately 315 miles of active crude oil gathering lines. During the last ten months of 2003, volumes on this system averaged 23,000 barrels per day.

Western U.S.

All American Pipeline System. The segment of the All American Pipeline that we retained following the sale of the line segment to El Paso is a common carrier crude oil pipeline system that transports crude oil produced from certain outer continental shelf, or OCS, fields offshore California to locations in California. See "—Acquisitions and Dispositions—All American Pipeline Linefill Sale and Asset Disposition." This segment is subject to tariff rates regulated by the FERC.

We own and operate the segment of the system that extends approximately 10 miles along the California coast from Las Flores to Gaviota (24-inch diameter pipe) and continues from Gaviota approximately 130 miles to our station in Emidio, California (30-inch diameter pipe). Between Gaviota

and our Emidio Station, the All American Pipeline interconnects with our San Joaquin Valley, or SJV, Gathering System as well as various third party intrastate pipelines, including the Unocap Pipeline System, the Shell Pipeline Company, L.P. and the Pacific Pipeline.

The All American Pipeline currently transports OCS crude oil received at the onshore facilities of the Santa Ynez field at Las Flores and the onshore facilities of the Point Arguello field located at Gaviota. ExxonMobil, which owns all of the Santa Ynez production, and Plains Exploration and Production Company ("PXP") and other producers, which together own approximately 75% of the Point Arguello production, have entered into transportation agreements committing to transport all of their production from these fields on the All American Pipeline. These agreements, which expire in August 2007, provide for a minimum tariff with annual escalations based on specific composite indices. The producers from the Point Arguello field who do not have contracts with us have no other means of transporting their production and, therefore, ship their volumes on the All American Pipeline at the posted tariffs. Volumes attributable to PXP are purchased and sold to a third party under our marketing agreement with PXP before such volumes enter the All American Pipeline. See Item 13. "Certain Relationships and Related Transactions—Transactions with Related Parties—General." The third party pays the same tariff as required in the transportation agreements. At December 31, 2003, the tariffs averaged $1.71 per barrel. Effective January 1, 2004, based on the contractual escalator, the average tariff increased to $1.81 per barrel. The agreements do not require these owners to transport a minimum volume. A significant portion of our segment margin is derived from pipeline transportation margins associated with these two fields. For the year ended December 31, 2003, approximately $29 million, or 13%, of our aggregate segment margin was attributable to the Santa Ynez field and approximately $8 million, or 4% was attributable to the Point Arguello field.

The relative contribution to our segment margin from these fields has decreased from approximately 23% in 1999 to 17% in 2003, as the Partnership has grown and diversified through acquisitions and organic expansions and as a result of declines in volumes produced and transported from these fields, offset somewhat by an increase in pipeline tariffs. Over the last several years, transportation volumes received from the Santa Ynez and Point Arguello fields have declined from 92,000 and 60,000 average daily barrels, respectively, in 1995 to 46,000 and 13,000 average daily barrels, respectively, for the year ended December 31, 2003. We expect that there will continue to be natural production declines from each of these fields as the underlying reservoirs are depleted. A 5,000 barrel per day decline in volumes shipped from these fields would result in a decrease in annual pipeline tariff revenues of approximately $3.3 million, based on a tariff of $1.81 per barrel.

In October 2003, PXP announced that it had received all of the necessary permits to develop a portion of the Rocky Point structure that is accessible from the Point Arguello platforms and it appears that they will commence drilling activities in the second quarter of 2004. Such drilling activities, if successful, are not expected to have a significant impact on pipeline shipments on our All American Pipeline system in 2004. If successful, such incremental drilling activity could lead to increased volumes on our All American Pipeline System in future periods. However, we can give no assurance that our volumes transported would increase as a result of this drilling activity.

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

	Year Ended December 31,				
	2003	2002	2001	2000	1999
	(barrels in thousands)				
Average daily volumes received from:					
Port Arguello (at Gaviota)	13	16	18	18	20
Santa Ynez (at Las Flores)	46	50	51	56	59
Total	59	66	69	74	79

SJV Gathering System. The SJV Gathering System is connected to most of the major fields in the San Joaquin Valley. 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 also includes approximately 600,000 barrels of tank capacity, which can be used to facilitate movements along the system as well as to support our other activities.

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

	Year Ended December 31,				
	2003	2002	2001	2000	1999
	(barrels in thousands)				
Total average daily volumes	78	73	61	60	84

Butte Pipeline System. We own an approximate 22% equity interest in Butte Pipe Line Company, which in turn owns the Butte Pipeline System, a 373-mile mainline system that runs from Baker, Montana to Guernsey, Wyoming. The Butte Pipeline System is connected to the Poplar Pipeline System, which in turn is connected to the Wascana Pipeline System, which is located in our Canadian Region and is wholly owned by us. The total system volumes for the Butte Pipeline System during 2003 were approximately 71,000 barrels of crude oil per day (approximately 16,000 barrels per day, net to our 22% interest). The operator of the system is Bridger Pipeline.

U.S. Gulf Coast

Sabine Pass Pipeline System. The Sabine Pass Pipeline System, acquired in the Scurlock acquisition, is a common carrier crude oil pipeline system. The Sabine Pass Pipeline System primarily gathers crude oil from onshore facilities of offshore production near Johnson's Bayou, Louisiana, and delivers it to tankage and barge loading facilities in Sabine Pass, Texas. The Sabine Pass Pipeline System consists of approximately 35 miles of pipe ranging from 4 to 10 inches in diameter and has a throughput capacity of approximately 26,000 barrels of crude oil per day. In 2003, the system transported approximately 15,000 barrels of crude oil per day. The Sabine Pass Pipeline System also includes 245,000 barrels of tank capacity located along the pipeline.

Ferriday Pipeline System. The Ferriday Pipeline System, acquired in the Scurlock acquisition, is a common carrier crude oil pipeline system located in eastern Louisiana and western Mississippi. The Ferriday Pipeline System consists of approximately 570 miles of pipe ranging from 2 inches to 12 inches in diameter. In 2003, the Ferriday Pipeline System delivered approximately 7,000 barrels of crude oil per day to third party pipelines that supplied refiners in the Midwest. The Ferriday Pipeline System also includes approximately 332,000 barrels of tank capacity located along the pipeline.

La Gloria Pipeline System. The La Gloria Pipeline System, acquired in the Scurlock acquisition, is a proprietary crude oil pipeline system that in 2003 transported approximately 24,000 barrels of crude oil per day to Crown Central's refinery in Longview, Texas. Crown Central's deliveries are subject to a throughput and deficiency agreement, which extends through 2004.

Red River Pipeline System. The Red River Pipeline System, acquired in 2003, is a 347-mile crude oil pipeline system that originates at Sabine in East Texas, and terminates near Cushing, Oklahoma. The Red River system has a capacity of up to 22,000 barrels of crude oil per day, depending upon the type of crude oil being transported. During 2003, the system transported approximately 8,000 barrels of crude oil per day. The system also includes approximately 645,000 barrels of crude oil storage capacity. In 2003, we completed a connection of the pipeline system to our Cushing Terminal.

ArkLaTex Pipeline System. The ArkLaTex Pipeline System, acquired from Link Energy (formerly EOTT Energy) in September 2003, consists of 240 miles of active crude oil gathering and mainline pipelines and connects to our Red River Pipeline System near Sabine, Texas. Also included in the transaction were 470,000 barrels of active crude oil storage capacity. During the fourth quarter of 2003, volumes transported averaged 13,000 barrels per day.

Atchafalaya Pipeline System. The Atchafalaya Pipeline System, which we own 100% through three separate transactions in 2003, originates near Garden City, Louisiana and traverses east to its terminus near Gibson, Louisiana. The system consists of 28 miles of active 8-inch crude oil and condensate pipelines. In the last half of 2003, the system transported approximately 12,000 barrels per day of crude oil and condensate.

Eugene Island Flowline System. We own from 38%-56% (depending upon the segment and throughput level) of the Eugene Island Flowline System ("EIFS"). EIFS is a 57-mile offshore gathering pipeline located in the Eugene Island federal lease block area of the Gulf of Mexico. The system delivers crude oil gathered offshore to the Burns Terminal and to the Burns dock barge loading facility in south Louisiana. The total system volumes for the EIFS during the last half of 2003 were approximately 16,000 barrels per day (8,200 barrels per day, net to our interest) of crude oil.

Central U.S.

Illinois Basin Pipeline System. The Illinois Basin Pipeline System, acquired with the Scurlock acquisition, consists of common carrier pipeline and gathering systems and truck injection facilities in southern Illinois. The Illinois Basin Pipeline System consists of approximately 80 miles of pipe of varying diameter and in 2003 delivered approximately 2,900 barrels of crude oil per day to third party pipelines that supply refiners in the Midwest. For the year ended December 31, 2003, approximately 2,500 barrels of crude oil per day of the supply on this system came from fields operated by PXP.

Canada

Manito Pipeline System. The Manito Pipeline System, acquired in the Murphy acquisition, is a provincially regulated system located in Saskatchewan, Canada. The Manito Pipeline System is a 101-mile crude oil pipeline and a parallel 101-mile condensate pipeline that connects our North Saskatchewan Pipeline System and multiple gathering lines to the Enbridge system at Kerrobert. The Manito Pipeline System volumes were approximately 68,000 barrels of crude oil and condensate per day in 2003.

Milk River Pipeline System. The Milk River Pipeline System, acquired in the Murphy acquisition, is a National Energy Board ("NEB") regulated system located in Alberta, Canada. The Milk River Pipeline System consists of three parallel 11-mile crude oil pipelines that connect the Bow River Pipeline in Alberta to the Cenex Pipeline at the United States border. The Milk River Pipeline System transported approximately 104,000 barrels of crude oil per day in 2003.

North Saskatchewan Pipeline System. The North Saskatchewan Pipeline System, acquired in the Murphy acquisition, is a provincially regulated system located in Saskatchewan, Canada. We operate the North Saskatchewan Pipeline System, which is a 34-mile crude oil pipeline and a parallel 34-mile condensate pipeline that connects to our Manito Pipeline at Dulwich. In 2003, the North Saskatchewan Pipeline System delivered approximately 6,000 barrels of crude oil and condensate per day into the Manito Pipeline. Our ownership interest in the North Saskatchewan Pipeline System is approximately 36%.

Cactus Lake/Bodo Pipeline System. The Cactus Lake/Bodo Pipeline System, acquired in the Murphy acquisition, is located in Alberta and Saskatchewan, Canada. The Bodo portion of the system is NEB-regulated, and the remainder is provincially regulated. We operate the Cactus Lake/Bodo Pipeline System, which is a 55-mile crude oil pipeline and a parallel 55-mile condensate pipeline that connects to our storage and terminalling facility at Kerrobert. In 2003, the Cactus Lake/Bodo Pipeline System transported approximately 26,000 barrels per day (approximately 3,000 barrels per day, net to our interest) of crude oil and condensate. Our ownership interest in the Cactus Lake segment is 13.125% and our ownership interest in the Bodo Pipeline is 76.25%. We also own various interests in the lateral lines in these systems.

Wascana Pipeline System. The Wascana Pipeline System, acquired in the Murphy acquisition, is an NEB-regulated system located in Saskatchewan, Canada. The Wascana Pipeline System is a 107-mile crude oil pipeline that connects to the Bridger Pipeline system at the United States border near Raymond, Montana. In 2003, the Wascana Pipeline System transported approximately 9,000 barrels of crude oil per day.

Wapella Pipeline System. The Wapella Pipeline System is a 79 mile, NEB-regulated system located in southeastern Saskatchewan and southwestern Manitoba. In 2003, the Wapella Pipeline System delivered approximately 10,000 barrels of crude oil per day to the Enbridge Pipeline at Cromer, Manitoba. The system also includes approximately 18,500 barrels of crude oil storage capacity.

South Saskatchewan Pipeline System. The South Saskatchewan Pipeline System, which was acquired in November 2003, originates approximately 75 miles southwest of Swift Current, Saskatchewan, and traverses north and east until it reaches its terminus at Regina. The system consists of a 158-mile, 16-inch mainline and 203 miles of gathering lines ranging in diameter from three to twelve inches. During the period of 2003 that we owned the system, it transported approximately 52,000 barrels of crude oil per day. At Regina, the system can deliver crude oil to the Enbridge Pipeline System and to local markets. In addition, the system can indirectly deliver crude oil into our Wascana Pipeline System.

Gathering, Marketing, Terminalling and Storage Operations

The combination of our gathering and marketing operations and our terminalling and storage operations provides a counter-cyclical balance that has a stabilizing effect on our operations and cash flow. The strategic use of our terminalling and storage assets in conjunction with our gathering and marketing operations provides us with the flexibility to optimize margins irrespective of whether a strong or weak market exists. Following is a description of our activities with respect to this segment.

Gathering and Marketing Operations

Crude Oil. The majority of our gathering and marketing activities are in the geographic locations previously discussed. These activities include:

- purchasing crude oil from producers at the wellhead and in bulk from aggregators at major pipeline interconnects and trading locations;
- transporting this crude oil on our own proprietary gathering assets and our common carrier pipelines or, when necessary or cost effective, assets owned and operated by third parties;

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

- marketing crude oil to refiners or other resellers.

We purchase crude oil from many independent producers and believe that we have established broad-based relationships with crude oil producers in our areas of operations. Gathering and marketing activities involve relatively large volumes of transactions with lower margins compared to pipeline and terminalling and storage operations.

The following table shows the average daily volume of our lease gathering and bulk purchases for the past five years:

	Year Ended December 31,				
	2003	2002	2001	2000	1999
	(barrels in thousands)				
Lease gathering	437	410	348	262	265
Bulk purchases[(1)]	90	68	46	28	138
Total volumes	527	478	394	290	403

(1) Prior period volume amounts have been adjusted for consistency of comparison between years.

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

Since 1998, we have had a marketing arrangement with Plains Resources, under which we have been the exclusive marketer and purchaser for all of Plains Resources' equity crude oil production (including its subsidiaries that conduct exploration and production activities). In connection with the separation of Plains Resources and one of its subsidiaries discussed below, Plains Resources divested the bulk of its producing properties. As a result, we do not anticipate the marketing arrangement with Plains Resources to be material to our operating results in the future.

In December 2002, Plains Resources completed a spin-off to its stockholders of PXP. We currently have a marketing agreement with PXP for the majority of its equity crude oil production and that of its subsidiaries. The marketing agreement provides that we will purchase PXP's equity crude oil production for resale at market prices, for which we charge a fee of $0.20 per barrel. This fee will be adjusted every three years based upon then existing market conditions. We are currently negotiating an

amendment to the terms of the marketing agreement with PXP. See Item 13. "Certain Relationships and Related Transactions—Transactions with Related Parties —General."

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

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

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

Crude Oil Exchanges. We pursue exchange opportunities to enhance margins throughout the gathering and marketing process. When opportunities arise to increase our margin or to acquire a grade of crude oil that more closely matches our physical delivery requirement or the preferences of our refinery customers,

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

Producer Services. Crude oil purchasers who buy from producers compete on the basis of competitive prices and highly responsive services. Through our team of crude oil purchasing representatives, we maintain ongoing relationships with producers in the United States and Canada. We believe that our ability to offer high-quality field and administrative services to producers is a key factor

in our ability to maintain volumes of purchased crude oil and to obtain new volumes. Field services include efficient gathering capabilities, availability of trucks, willingness to construct gathering pipelines where economically justified, timely pickup of crude oil from tank batteries at the lease or production point, accurate measurement of crude oil volumes received, avoidance of spills and effective management of pipeline deliveries. Accounting and other administrative services include securing division orders (statements from interest owners affirming the division of ownership in crude oil purchased by us), providing statements of the crude oil purchased each month, disbursing production proceeds to interest owners, and calculation and payment of ad valorem and production taxes on behalf of interest owners. In order to compete effectively, we must maintain records of title and division order interests in an accurate and timely manner for purposes of making prompt and correct payment of crude oil production proceeds, together with the correct payment of all severance and production taxes associated with such proceeds.

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

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

We purchase LPG from numerous producers and have established long-term, broad-based relationships with LPG producers in our areas of operation. We purchase LPG directly from gas plants, major pipeline terminals and storage locations. Marketing activities for LPG typically consist of smaller volumes and generally higher margin per barrel transactions relative to crude oil.

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

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

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

We sell LPG primarily to industrial end users and retailers, and limited volumes to other marketers. Propane is sold to small independent retailers who then transport the product via bobtail truck to residential consumers for home heating and to some light industrial users such as forklift operators. Butane is used by refiners for gasoline blending and as a diluent for the movement of

conventional heavy oil production. Butane demand for use as heavy oil diluent has increased as supplies of Canadian condensate have declined.

We establish a margin for propane by transporting it in bulk, via various transportation modes, to our controlled terminals where we deliver the propane to our retailer customers for subsequent delivery to their individual heating customers. We also create margin by selling propane for future physical delivery to third party users, such as retailers and industrial users. Through these transactions, we seek to maintain a position that is substantially balanced between propane purchases and sales and future delivery obligations. From time to time, we enter into various types of sale and exchange transactions including floating price collar arrangements, financial swaps and crude oil and LPG-related futures contracts as hedging devices. Except for pre-defined inventory positions, our policy is generally to purchase only LPG for which we have a market, and to structure our sales contracts so that LPG spot price fluctuations do not materially affect the segment margin we receive. Margin is created on the butane purchased by delivering large volumes during the short refinery blending season through the use of our extensive leased railcar fleet and the use of our own storage facilities and third party storage facilities. We also create margin on butane by capturing the difference in price between condensate and butane when butane is used to replace condensate as a diluent for the movement of Canadian heavy oil production. While we seek to maintain a position that is substantially balanced within our LPG activities, as a result of production, transportation and delivery variances as well as logistical issues associated with inclement weather conditions, from time to time we experience net unbalanced positions for short periods of time. In connection with managing these positions and maintaining a constant presence in the marketplace, both necessary for our core business, our policies provide that

any net imbalance may not exceed 250,000 barrels. These activities are monitored independently by our risk management function and must take place within predefined limits and authorizations.

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

Credit. Our merchant activities involve the purchase of crude oil for resale and require significant extensions of credit by our suppliers of crude oil. In order to assure our ability to perform our obligations under crude oil purchase agreements, various credit arrangements are negotiated with our crude oil suppliers. These arrangements include open lines of credit directly with us, and standby letters of credit issued under our senior unsecured revolving credit facility.

When we market crude oil, we must determine the amount, if any, of the line of credit to be extended to any given customer. We manage our exposure to credit risk through credit analysis, credit approvals, credit limits and monitoring procedures. If we determine that a customer should receive a credit line, we must then decide on the amount of credit that should be extended. Because our typical sales transactions can involve tens of thousands of barrels of crude oil, the risk of nonpayment and nonperformance by customers is a major consideration in our business. We believe our sales are made to creditworthy entities or entities with adequate credit support. Generally, sales of crude oil are settled within 30 days of the month of delivery, and pipeline, transportation and terminalling services also settle within 30 days from invoice for the provision of services.

We also have credit risk with respect to our sales of LPG; however, because our sales are typically in relatively small amounts to individual customers, we do not believe that we have material concentration of credit risk. Typically, we enter into annual contracts to sell LPG on a forward basis, as

well as sell LPG on a current basis to local distributors and retailers. In certain cases our customers prepay for their purchases, in amounts ranging from $0.05 per gallon to 100% of their contracted amounts. Generally, sales of LPG are settled within 30 days of the date of invoice.

Terminalling and Storage Operations

We own approximately 24.0 million barrels of terminalling and storage assets, including tankage associated with our pipeline and gathering systems. Our storage and terminalling operations increase our margins in our business of purchasing and selling crude oil and also generate revenue through a combination of storage and throughput charges to third parties. Storage fees are generated when we lease tank capacity to third parties. Terminalling fees, also referred to as throughput fees, are generated when we receive crude oil from one connecting pipeline and redeliver crude oil to another connecting carrier in volumes that allow the refinery to receive its crude oil on a ratable basis throughout a delivery period. Both terminalling and storage fees are generally earned from:

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

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

Our most significant terminalling and storage asset is our Cushing Terminal located at the Cushing Interchange. The Cushing Interchange is one of the largest wet-barrel trading hubs 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 the NYMEX delivery point and a cash market hub, the Cushing Interchange serves as a primary source of refinery feedstock for the Midwest refiners and plays an integral role in establishing and maintaining markets for many varieties of foreign and domestic crude oil. Our Cushing Terminal was constructed in 1993 to capitalize on the crude oil supply and demand imbalance in the Midwest. The Cushing Terminal is also used to support and enhance the margins associated with our merchant activities relating to our lease gathering and bulk purchasing activities. See "—Gathering and Marketing Operations—Bulk Purchases." In 1999, we completed our 1.1 million barrel Phase I expansion project, which increased the facility's total storage capacity to 3.1 million barrels. On July 1, 2002, we placed in service approximately 1.1 million barrels of tank capacity associated with our Phase II expansion of the Cushing Terminal, raising the facility's total storage capacity to approximately 4.2 million barrels. In January 2003, we placed in service our 1.1 million barrel Phase III expansion. The expansion increased the capacity of the Cushing Terminal to a total of approximately 5.3 million barrels. The Cushing Terminal now consists of fourteen 100,000-barrel tanks, four 150,000-barrel tanks and twelve 270,000-barrel tanks, all of which are used to store and terminal crude oil. In January 2004, we announced the commencement of our Phase IV expansion project, which will increase capacity by an incremental 1.1 million barrels, or approximately 20%. We believe that the facility can be further expanded to meet additional demand should market conditions warrant. The Cushing Terminal also includes a pipeline manifold and pumping system that has an estimated throughput capacity of approximately 800,000 barrels per day. The Cushing Terminal is connected to the major pipelines and other terminals in the Cushing Interchange through pipelines that range in size from 10 inches to 30 inches in diameter.

The Cushing Terminal is 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, we incorporated certain attributes into the design of the Cushing Terminal including:

- multiple, smaller tanks to facilitate simultaneous handling of multiple crude varieties in accordance with normal pipeline batch sizes;
- dual header systems connecting most tanks to the main manifold system to facilitate efficient switching between crude grades with minimal contamination;
- bottom drawn sumps that enable each tank to be efficiently drained down to minimal remaining volumes to minimize crude oil contamination and maintain crude oil integrity during changes of service;
- mixer(s) on each tank to facilitate blending crude oil grades to refinery specifications; and
- a manifold and pump system that allows for receipts and deliveries with connecting carriers at their maximum operating capacity.

As a result of incorporating these attributes into the design of the Cushing Terminal, we believe we are favorably positioned to serve the needs of Midwest refiners to handle an increase in the number of varieties of crude oil transported through the Cushing Interchange. The pipeline manifold and pumping system of our Cushing Terminal is designed to support more than 10 million barrels of tank capacity and we have sufficient land holdings in and around the Cushing Interchange on which to construct additional tankage. Our tankage in Cushing ranges in age from less than a year old to approximately 11 years old and the average age is approximately 5.7 years old. In contrast, we estimate that of the approximately 21 million barrels of remaining tanks in Cushing owned by third parties, the average age is approximately 50 years and of that, approximately 9 million barrels has an average age of over 70 years. We believe that provides us with a competitive advantage over our competitors. In addition, we believe that we are well positioned to accommodate construction of replacement tankage that may be required as a result of the imposition of stricter regulatory standards and related attrition among our competitors' tanks in connection with the requirements of API 653. See "—Regulation—Pipeline and Storage Regulation."

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

The following table sets forth throughput volumes for our terminalling and storage operations and quantity of tankage leased to third parties for our Cushing Terminal for the past five years.

	Year Ended December 31,				
	2003	2002	2001	2000	1999
	(barrels in thousands)				
Throughput volumes (average daily volumes)	208	110	94	59	72
Storage leased to third parties (average monthly volumes)[(1)]	1,165	1,067	2,136	1,437	1,743

(1) The level of tankage at Cushing that we allocate for our arbitrage activities (and therefore is not available for lease to third parties) varies throughout crude oil price cycles.

We also own an LPG storage facility located in Alto, Michigan, which is approximately 20 miles southeast of Grand Rapids. The Alto facility was acquired from Ohio-Northwest Development Inc. in 2003 and is capable of storing over 38 million gallons of LPG. We believe the facility will further support the expansion of our LPG business in Canada and the northern tier of the U.S. as we combine the facility's existing fee-based storage business with our wholesale propane marketing expertise. In addition, there may be opportunities to expand this facility as LPG markets continue to develop in the region.

Crude Oil Volatility; Counter-Cyclical Balance; Risk Management

Crude oil prices have historically been very volatile and cyclical, with NYMEX benchmark prices ranging from as high as $40.00 per barrel to as low as $10.00 per barrel over the last 14 years. Segment margin from terminalling and storage activities is dependent on the crude oil throughput volume, capacity leased to third parties, capacity that we use for our own activities, and the level of other fees generated at our terminalling and storage facilities. Segment margin from our gathering and marketing activities is dependent on our ability to sell crude oil at a price in excess of our aggregate cost. Although margins may be affected during transitional periods, these operations are not directly affected by the absolute level of crude oil prices, but are affected by overall levels of supply and demand for crude oil and relative fluctuations in market-related indices.

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

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

The periods between a backwardated market and a contango market are referred to as transition periods. Depending on the overall duration of these transition periods, how we have allocated our assets to particular strategies and the time length of our crude oil purchase and sale contracts and storage lease

agreements, these transition periods may have either an adverse or beneficial affect on our aggregate segment margin. A prolonged transition from a backwardated market to a contango market, or vice versa (essentially a market that is neither in pronounced backwardation nor contango), represents the most difficult environment for our gathering, marketing, terminalling and storage activities. When the market is in contango, we will use our tankage to improve our gathering margins

by storing crude oil we have purchased for delivery in future months that are selling at a higher price. In a backwardated market, we use and lease less storage capacity but increased marketing margins provide an offset to this reduced cash flow. We believe that the combination of our terminalling and storage activities and gathering and marketing activities provides a counter-cyclical balance that has a stabilizing effect on our operations and cash flow. References to counter-cyclical balance elsewhere in this report are referring to this relationship between our terminalling and storage activities and our gathering and marketing activities in transitioning crude oil markets.

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

Our policy is to purchase only crude oil for which we have a market, and to structure our sales contracts so that crude oil price fluctuations do not materially affect the segment margin we receive. Except for the controlled trading program discussed below, we do not acquire and hold crude oil futures contracts or other derivative products for the purpose of speculating on crude oil price changes that might expose us to indeterminable losses.

While we seek to maintain a position that is substantially balanced within our crude oil lease purchase and LPG activities, we may experience net unbalanced positions for short periods of time as a result of production, transportation and delivery variances as well as logistical issues associated with inclement weather conditions. In connection with managing these positions and maintaining a constant presence in the marketplace, both necessary for our core business, we engage in a controlled trading program for up to an aggregate of 500,000 barrels of crude oil and an aggregate of 250,000 barrels of LPG. This controlled trading activity is monitored independently by our risk management function and must take place within predefined limits and authorizations.

In order to hedge margins involving our physical assets and manage risks associated with our crude oil purchase and sale obligations, we use derivative instruments, including regulated futures and options transactions, as well as over-the-counter instruments. In analyzing our risk management activities, we draw a distinction between enterprise-level risks and trading-related risks. Enterprise-level risks are those that underlie our core businesses and may be managed based on whether there is value in doing so. Conversely, trading-related risks (the risks involved in trading in the hopes of generating an increased return) are not inherent in the core business; rather, those risks arise as a result of engaging in the trading activity. We have a Risk Management Committee that approves all new risk management strategies through a formal process. With the partial exception of the controlled trading program, our approved strategies are intended to mitigate enterprise-level risks that are inherent in our core businesses of crude oil gathering and marketing and storage.

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

Geographic Data; Financial Information about Segments

See Note 15 "Operating Segments" in the "Notes to the Consolidated Financial Statements."

Customers

See Note 9 "Major Customers and Concentration of Credit Risk" in the "Notes to the Consolidated Financial Statements."

Competition

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

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

Regulation

Our operations are subject to extensive regulations. We estimate that we are subject to regulatory oversight by over 70 federal, state, provincial and local departments and agencies, many of which are authorized by statute to issue and have issued laws and regulations binding on the oil pipeline industry, related businesses and individual participants. The failure to comply with such rules and regulations can result in substantial penalties. The regulatory burden on our operations increases our cost of doing business and, consequently, affects our profitability. However, except for certain exemptions that apply to smaller

companies, we do not believe that we are affected in a significantly different manner by these laws and regulations than are our competitors. Due to the myriad of complex federal, state, provincial and local regulations that may affect us, directly or indirectly, you should not rely on the following discussion of certain laws and regulations as an exhaustive review of all regulatory considerations affecting our operations.

Pipeline and Storage Regulation

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

Pipeline safety issues are currently receiving significant attention in various political and administrative arenas at both the state and federal levels. For example, recent federal rule changes require pipeline operators to: (1) develop and maintain a written qualification program for individuals performing covered tasks on pipeline facilities, and (2) establish pipeline integrity management programs. In particular, during 2000, the DOT adopted new regulations requiring operators of interstate pipelines to develop and follow an integrity management program that provides for continual assessment of the integrity of all pipeline segments that could affect so-called "high consequence areas," including high population areas, areas that are sources of drinking water, ecological resource

areas that are unusually sensitive to environmental damage from a pipeline release, and commercially navigable waterways. Segments of our pipelines are located in high consequence areas. The DOT rule requires us to evaluate pipeline conditions by means of periodic internal inspection, pressure testing, or other equally effective assessment means, and to correct identified anomalies. If, as a result of our evaluation process, we determine that there is a need to provide further protection to high consequence areas, then we will be required to implement additional spill prevention, mitigation and risk control measures for our pipelines, including enhanced damage prevention programs, corrosion control program improvements, leak detection system enhancements, installation of emergency flow restricting devices, and emergency preparedness improvements. The DOT rule also requires us to evaluate and, as necessary, improve our management and analysis processes for integrating available integrity-related data relating to our pipeline segments and to remediate potential problems found as a result of the required assessment and evaluation process. Costs associated with this program were approximately $1.0 million in 2003. Based on currently available information, we estimate that the costs to implement and carryout this program will be approximately $1.8 million in 2004. The relative increase in program cost for 2004 is primarily attributable to pipeline segments acquired in 2003, that are subject to the new regulation and which were scheduled for assessment in 2004. These costs are recurring in nature and thus will also impact future periods. Although we believe that our pipeline operations are in substantial compliance with currently applicable regulatory requirements, we cannot predict the potential costs associated with additional regulations imposed in the future. We will continue to refine our estimates as information from initial assessments is collected.

The DOT is currently considering expanding the scope of its pipeline regulation to include certain gathering pipeline systems that are not currently subject to regulation. This expanded scope would likely include the establishment of additional pipeline integrity management programs for these newly regulated pipelines. The DOT is in the initial stages of evaluating this initiative and we do not currently know what, if any, impact this will have on our operating expenses. However, we cannot assure you that future costs related to the potential programs will not be material.

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

The DOT has adopted API 653 as the standard for the inspection, repair, alteration and reconstruction of existing crude oil storage tanks subject to DOT jurisdiction (approximately 63% of our 24.0 million barrels). API 653 requires regularly scheduled inspection and repair of tanks remaining in service. Full compliance is required by 2009. We have commenced our compliance activities and, based on currently available information, we estimate that we will spend an approximate average of $3 million per year through 2009 (approximately $2 million in 2004) in connection with API 653 compliance activities. Such amounts incorporate the costs associated with the assets acquired in 2003. We will continue to refine our estimates as information from initial assessments is collected.

Asset acquisitions are an integral part of our business strategy. As we acquire additional assets, we may be required to incur additional costs in order to ensure that the acquired assets comply with these standards. The timing of such additional costs is uncertain and could vary materially from our current projections.

Since the terrorist attacks of September 11, 2001, the United States Government has issued numerous warnings that energy assets (including our nation's pipeline infrastructure) may be future targets of terrorist organizations. These developments expose our operations and assets to increased risks. We have instituted security measures and procedures in conformity with DOT guidance. We will institute, as appropriate, additional security measures or procedures indicated by the DOT or the

Transportation Safety Administration (an agency of the Department of Homeland Security, which has assumed responsibility from the DOT). We cannot assure you that these or any other security measures would protect our facilities from a concentrated attack. Any future terrorist attacks on our facilities, those of our customers and, in some cases, those of our competitors, could have a material adverse effect on our business, whether insured or not. See "—Operational Hazards and Insurance."

Transportation Regulation

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

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

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

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

In a proceeding involving Lakehead Pipe Line Company, Limited Partnership (Opinion Nos. 397 and 397-A), the 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 because noncorporate partners, unlike corporate partners, do not pay a corporate income tax. Additionally, on January 13, 1999, the FERC issued Opinion No. 435 in a proceeding involving SFPP, L.P., which, among other things, affirmed Opinion No. 397's determination that there should not be a corporate income tax allowance built into a petroleum pipeline's rates to reflect income attributable to

noncorporate partners. Petitions for review of Opinion No. 435 and subsequent FERC opinions in that case are pending before the D.C. Circuit Court of Appeals.

In another FERC proceeding involving SFPP, L.P., certain shippers are challenging grandfathered rates on the basis of changed circumstances since the passage of the Energy Policy Act. The ultimate disposition of this challenge may define "substantial change" in such a way as to make grandfathered rates more vulnerable to challenge than has historically been the case. We are uncertain what effect, if any, an unfavorable determination in the FERC proceeding might have on our grandfathered tariffs.

Our Pipelines. The FERC generally has not investigated rates on its own initiative when those rates have not been the subject of a protest or complaint by a shipper. Substantially all of our segment margins on transportation are produced by rates that are either grandfathered or set by agreement of the parties.

Trucking Regulation

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

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

Cross-Border Regulation

As a result of our Canadian acquisitions and cross-border activities, we are subject to regulatory matters including export licenses, tariffs, Canadian and U.S. customs and tax issues and toxic substance certifications. Regulations include the Short Supply Controls of the Export Administration Act, the North American Free Trade Agreement and the Toxic Substances Control Act. Violations of these license, tariff and tax reporting requirements could result in the imposition of significant administrative, civil and criminal penalties. Furthermore, the failure to comply with U.S., Canadian, state and local tax requirements could lead to the imposition of additional taxes, interest and penalties. See Item 3. "Legal Proceedings."

Environmental, Health and Safety Regulation

General

Numerous federal, state and local laws and regulations governing the discharge of materials into the environment, or otherwise relating to the protection of the environment, affect our operations and costs. In particular, our activities in connection with storage and transportation of crude oil and other liquid hydrocarbons and our use of facilities for treating, processing or otherwise handling hydrocarbons and wastes are subject to stringent environmental laws and regulations. As with the industry generally, compliance with existing and anticipated laws and regulations increases our overall cost of business, including our capital costs to construct, maintain and upgrade equipment and facilities. Although these regulations affect our capital expenditures and earnings, we believe that they do not affect our competitive position because our competitors that comply with such laws and regulations are similarly

affected. Environmental laws and regulations have historically been subject to change, and we are unable to predict the ongoing cost to us of complying with these laws and regulations or the future impact of such laws and regulations on our operations. Violation of environmental laws and regulations and any

associated permits can result in the imposition of significant administrative, civil and criminal penalties, injunctions and construction bans or delays. A discharge of petroleum hydrocarbons or hazardous substances into the environment could, to the extent such event is not insured, subject us to substantial expense, including both the cost to comply with applicable laws and regulations and claims made by neighboring landowners and other third parties for personal injury and property damage.

Water

The Oil Pollution Act, as amended ("OPA"), was enacted in 1990 and amends provisions of the Federal Water Pollution Control Act of 1972, as amended ("FWPCA"), and other statutes as they pertain to prevention and response to oil spills. The OPA subjects owners of facilities to strict, joint and potentially unlimited liability for containment and removal costs, natural resource damages, and certain other consequences of an oil spill, where such spill is into navigable waters, along shorelines or in the exclusive economic zone of the U.S. The OPA establishes a liability limit of $350 million for onshore facilities; however, a party cannot take advantage of this liability limit if the spill is caused by gross negligence or willful misconduct or resulted from a violation of a federal safety, construction, or operating regulation. If a party fails to report a spill or cooperate in the cleanup, the liability limits likewise do not apply. In the event of an oil spill into navigable waters, substantial liabilities could be imposed upon us. States in which we operate have also enacted similar laws. Regulations have been or are currently being developed under OPA and state laws that may also impose additional regulatory burdens on our operations. We believe that we are in substantial compliance with applicable OPA requirements.

The FWPCA imposes restrictions and strict controls regarding the discharge of pollutants into navigable waters. Permits must be obtained to discharge pollutants into state and federal waters. The FWPCA imposes substantial potential liability for the costs of removal, remediation and damages. Although we can give no assurances, we believe that compliance with existing permits and compliance with foreseeable new permit requirements will not have a material adverse effect on our financial condition or results of operations.

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

Air Emissions

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

Amendments to the Federal Clean Air Act enacted in 1990 (the "1990 Federal Clean Air Act Amendments") as well as recent or soon to be adopted changes to state implementation plans for controlling air emissions in regional non-attainment areas require or will require most industrial operations in the U.S. to incur capital expenditures in order to meet air emission control standards developed by the U.S. Environmental Protection Agency (the "EPA") and state environmental agencies. The 1990 Federal Clean Air Act Amendments also imposed an operating permit requirement for major sources of air emissions ("Title V permits"), which applies to some of our facilities. We will be required to incur certain capital expenditures in the next several years for air pollution control equipment in connection with obtaining or maintaining permits and approvals addressing air emission related issues. Although we can give no assurances, we believe on-going compliance with the 1990

Federal Clean Air Act Amendments will not have a material adverse effect on our financial condition or results of operations.

Solid Waste

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

Hazardous Substances

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

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

OSHA

We are subject to the requirements of OSHA, and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that certain information be maintained about hazardous materials used or produced in

operations and that this information be provided to employees, state and local government authorities and citizens. We believe that our operations are in substantial compliance with OSHA requirements, including general industry standards, record keeping requirements and monitoring of occupational exposure to regulated substances. OSHA has also been given jurisdiction over enforcement of legislation designed to protect employees who provide evidence in fraud cases from retaliation by their employer.

Endangered Species Act

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

Hazardous Materials Transportation Requirements

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

Environmental Remediation

In connection with our 1999 acquisition of Scurlock Permian LLC from Marathon Ashland Petroleum, or "MAP," we were indemnified by MAP for any environmental liabilities attributable to Scurlock's business or properties which occurred prior to the date of the closing of the acquisition. This indemnity applied to claims associated with sites that were not listed in the acquisition agreement and which exceeded $25,000 individually and $1.0 million in the aggregate. For the indemnity to apply, we were required to assert any claims as to unlisted sites on or before May 15, 2003. In conjunction with the expiration of this indemnity, we reached a settlement agreement with respect to MAP's remaining indemnity obligations. Under the terms of this agreement, MAP will continue to remain obligated for liabilities associated with the sites listed in the acquisition agreement, including two Superfund sites at which it is alleged that Scurlock Permian deposited waste oils. In addition, MAP paid us $4.6 million cash as satisfaction of its obligations with respect to unlisted sites.

In connection with our acquisition of Murphy Oil Company Ltd.'s midstream operations in Canada, we identified a limited number of environmental deficiencies during due diligence. Under the terms of our acquisition agreement, Murphy, at its sole cost and expense, agreed to remediate (to the minimum standards required by applicable environmental law) the identified environmental deficiencies. For environmental deficiencies that were not identified at the time of acquisition, but which occurred prior to closing, and were identified to Murphy prior to January 31, 2002, we have agreed to be responsible up to an aggregate amount of $300,000. Thereafter, Murphy Oil Company Ltd., agreed to remain solely responsible for the costs to remediate that exceed $20,000 for each environmental deficiency for a total of not more than ten environmental deficiencies as chosen by us. Except for the environmental deficiencies identified at the time of acquisition, Murphy's maximum liability for environmental deficiencies identified post-acquisition cannot exceed $2.25 million. We have identified potential remediation costs for these assets, and have included such costs in the total environmental reserve described below.

In connection with our acquisition of the West Texas Gathering System, we agreed to be responsible for pre-acquisition environmental liabilities up to an aggregate amount of $1.0 million, while Chevron Pipe Line Company agreed to remain solely responsible for liabilities discovered prior to July 2002 that exceed this $1.0 million threshold. Based on investigations of these assets, we have identified several sites that exceed or will exceed the threshold limitations for the indemnity, and we have notified Chevron of their responsibility to indemnify us for these costs. Our portion of the potential remediation costs have been included in the total environmental reserve described below.

In connection with the Shell Acquisition in 2002, Shell purchased an environmental insurance policy covering known and unknown environmental matters associated with operations prior to closing. We are a named beneficiary under the policy, which has a $100,000 deductible per site, an aggregate coverage limit of $70 million, and expires in 2012. Shell has recently made a claim against the policy; however, we do not believe that the claim will substantially reduce our coverage under the policy.

Allocation of environmental liability is an issue negotiated in connection with each of our acquisition transactions. In each case, we make an assessment of potential environmental exposure based on available information. Based on that assessment and relevant economic and risk factors, we determine whether to negotiate an indemnity, what the terms of any indemnity should be (for example, minimum thresholds or caps on exposure) and whether to obtain insurance, if available. The acquisitions we completed in 2003 include a variety of provisions dealing with the allocation of responsibility for environmental costs that range from no or limited indemnities from the sellers to indemnification from sellers with defined limitations on their maximum exposure. We have not obtained insurance for any of the conditions related to our 2003 acquisitions. We believe our exposure with respect to the acquired properties is reasonable in light of all the information available to us, but can give no assurance in that regard. To the extent our assessment involves projected costs that are neither indemnified nor insured, we include such costs in our environmental reserve.

Other assets we have acquired or will acquire in the future may have environmental remediation liabilities for which we are not indemnified. We have in the past experienced and in the future will likely experience releases of crude oil into the environment from our pipeline and storage operations, or discover releases that were previously unidentified. Although we maintain an extensive inspection program designed to prevent and, as applicable, to detect and address such releases promptly, damages and liabilities incurred due to any future environmental releases from our assets may substantially affect our business.

Our total environmental reserve, which includes our estimated remediation costs for all of the assets described above, approximated $6.6 million at December 31, 2003. We believe this environmental reserve is adequate, and in conjunction with our indemnification arrangements described above should prevent remediation costs from having a material adverse effect on our financial condition, results of operations or cash flows. However, no assurance can be given that any costs incurred in excess of this reserve or outside of the indemnifications would not have a material adverse effect on our financial condition, results of operations or cash flows.

Operational Hazards and Insurance

Pipelines, terminals or other facilities may experience damage as a result of an accident or natural disaster. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. Since the Partnership and its predecessors commenced midstream crude oil activities in the early 1990s, we have maintained insurance of various types and varying levels of coverage that we consider adequate under the circumstances to cover our operations and properties. The insurance policies are subject to deductibles and retention levels that we consider reasonable and not excessive. However, such insurance does not cover every potential risk associated with operating pipelines, terminals and other

facilities, including the potential loss of significant revenues. Consistent with insurance coverage generally available to the industry, our insurance policies provide limited coverage for losses or liabilities relating to pollution, with broader coverage for sudden and accidental occurrences. Over the last several years, our operations have expanded significantly, with total assets increasing approximately 250% since the end of 1998. At the same time that the scale and scope of our business activities have expanded, the breadth and depth of the available insurance markets have contracted. Notwithstanding what we believe is a favorable claims history, the overall cost of such insurance as well as the deductibles and overall retention levels that we maintain have increased. Certain aspects of these conditions were exacerbated by the events of September 11, 2001, and their overall effect on the insurance industry have adversely impacted the availability and cost of certain coverages. Due to these events, insurers have excluded acts of terrorism and sabotage from our insurance policies and on certain of our key assets, we have elected to purchase a separate insurance policy for acts of terrorism and sabotage.

This overall trend of contraction in the breadth and depth of available coverage and increases in costs, deductibles and retention levels was reinforced in connection with the renewal of our insurance program in June 2003. Absent a material favorable change in available insurance markets, this trend of rising insurance-related costs is expected to continue as we continue to grow and expand. As a result, it is anticipated that we will elect to self-insure more activities against certain of these operating hazards.

Since the terrorist attacks, the United States Government has issued numerous warnings that energy assets (including our nation's pipeline infrastructure) may be future targets of terrorist organizations. These developments expose our operations and assets to increased risks. We have instituted security measures and procedures in conformity with DOT guidance. We will institute, as appropriate, additional security measures or procedures indicated by the DOT or the Transportation Safety Administration. We cannot assure you that these or any other security measures would protect our facilities from a concentrated attack. Any future terrorist attacks on our facilities, those of our customers and, in some cases, those of our competitors, could have a material adverse effect on our business, whether insured or not.

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

Title to Properties and Rights-of-Way

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

Substantially all of our 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 that have not been subordinated to the right-of-way grants. In some cases, not all of the apparent record owners have joined in the right-of-way grants, but in substantially all such cases, signatures of the owners of majority interests have been obtained. We have obtained permits from public authorities

to cross over or under, or to lay facilities in or along water courses, county roads, municipal streets and state highways, and in some instances, such permits are revocable at the election of the grantor. We have also obtained permits from railroad companies to cross over or under lands or rights-of-way, many of which are also revocable at the grantor's election. In some cases, property for pipeline purposes was purchased in fee. All of the pump stations are located on property owned in fee or property under long-term leases. In certain states and under certain circumstances, we have the right of eminent domain to acquire rights-of-way and lands necessary for our common carrier pipelines.

Some of the leases, easements, rights-of-way, permits and licenses transferred to us, upon our formation in 1998 and in connection with acquisitions we have made since that time, required the consent of the grantor to transfer such rights, which in certain instances is a governmental entity. We believe that we have obtained such third party consents, permits and authorizations as are sufficient for the transfer to us of the assets necessary for us to operate our business in all material respects as described in this report. With respect to any consents, permits or authorizations that have not yet been obtained, we believe that 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 our business.

Employees

To carry out our operations, our general partner or its affiliates employed approximately 1,300 employees at December 31, 2003. None of the employees of our general partner were represented by labor unions, and our general partner considers its employee relations to be good.

Summary of Tax Considerations

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

Partnership Status; Cash Distributions

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

Partnership Allocations

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

exceed the cash actually distributed to the unitholder by us. At any time incentive distributions are made to the general partner, gross income will be allocated to the recipient to the extent of those distributions.

Basis of Common Units

A unitholder's initial tax basis for a common unit is generally the amount paid for the common unit. A unitholder's basis is generally increased by the unitholder's share of our income and decreased, but not below zero, by the unitholder's share of our losses and distributions.

Limitations on Deductibility of Partnership Losses

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

Section 754 Election

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

Disposition of Common Units

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

Foreign, State, Local and Other Tax Considerations

In addition to federal income taxes, unitholders will likely be subject to other taxes, such as foreign, state and local income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which a unitholder resides or in which we do business or own property. We own property and conduct business in Canada as well as in most states in the United States. A unitholder may be required to file Canadian federal income tax returns and to pay Canadian federal and provincial income taxes, as well as to file state income tax returns and to pay taxes in various states. A unitholder may be subject to penalties for failure to comply with such requirements. In certain states, tax losses may not produce a tax benefit in the year incurred (if, for example, we have no income from sources within that state) and also may not be available to offset income in subsequent taxable years. Some states may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a unitholder who is not a resident of the state. Withholding, the amount of which may be more or less than a particular unitholder's income tax liability owed to the state, may not relieve the nonresident unitholder from the obligation to file an income tax return. Amounts withheld may be treated as if distributed to unitholders for purposes of determining the amounts distributed by us.

It is the responsibility of each prospective unitholder to investigate the legal and tax consequences, under the laws of pertinent states and localities, including the Canadian provinces and Canada, of the

unitholder's investment in us. Further, it is the responsibility of each unitholder to file all U.S. federal, Canadian, state, provincial and local tax returns that may be required of the unitholder.

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

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

Tax Shelter Registration

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

Unauthorized Trading Loss

In November 1999, we discovered that a former employee had engaged in unauthorized trading activity that resulted in significant losses and litigation and had a temporary, but material adverse impact on the partnership's liquidity and our relationship with our customers. A full investigation into the unauthorized trading activities by outside legal counsel and independent accountants and consultants determined that the vast majority of the losses occurred in 1999, but also extended into 1998 and required restatements of our financial statements for the applicable periods. Including litigation settlement costs, the aggregate losses associated with this event totaled approximately $181 million. All of the cases have been settled and paid. Additionally, based on recommendations from experts involved in the investigation, we made significant enhancements to our systems, policies and procedures and developed and adopted a written policy document and manual of procedures designed to enhance our processes and procedures and improve our ability to detect any activity that might occur at an early stage. We can give no assurance that the above steps will serve to detect and prevent all violations of our trading policy; however, we believe that such steps substantially reduce the possibility of a recurrence of unauthorized trading activities, and that any unauthorized trading that does occur would be detected at an early stage.

Available Information

We make available free of charge on our website (www.paalp.com) our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file the material with, or furnish it to, the Securities and Exchange Commission. We also have on our website our Code of Ethics for Senior Financial Officers. Any waiver of such Code will also be posted on our website. You can also access Section 16 reports through our website.

Item 3. ***Legal Proceedings***

Export License Matter. In our gathering and marketing activities, we import and export crude oil from and to Canada. Exports of crude oil are subject to the short supply controls of the Export Administration Regulations ("EAR") and must be licensed by the Bureau of Industry and Security (the "BIS") of the U.S. Department of Commerce. We have determined that we may have exceeded the quantity of crude oil exports authorized by previous licenses. Export of crude oil in excess of the authorized amounts is a violation of the EAR. On October 18, 2002, we submitted to the BIS an initial notification of voluntary disclosure. The BIS subsequently informed us that we could continue to export while previous exports were under review. We applied for and have received a new license allowing for exports of volumes more than adequately reflecting our anticipated needs. On October 2, 2003, we submitted additional information to the BIS. At this time, we have received no indication whether the BIS intends to charge us with a violation of the EAR or, if so, what penalties would be assessed. As a result, we cannot estimate the ultimate impact of this matter.

Alfons Sperber v. Plains Resources Inc., et. al. On December 18, 2003, a putative class action lawsuit was filed in the Delaware Chancery Court, New Castle County, entitled *Alfons Sperber v. Plains Resources Inc., et al.* This suit, brought on behalf of a putative class of Plains All American Pipeline, L.P. common unit holders, asserts breach of fiduciary duty and breach of contract claims against the Partnership, Plains AAP, L.P., and Plains All American GP LLC and its directors, as well as breach of fiduciary duty claims against Plains Resources Inc. and its directors. The complaint seeks to enjoin or rescind a proposed acquisition of all of the outstanding stock of Plains Resources Inc., as well as declaratory relief, an accounting, disgorgement and the imposition of a constructive trust, and an award of damages, fees, expenses and costs, among other things. The Partnership intends to vigorously defend this lawsuit.

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

Item 4. ***Submission of Matters to a Vote of Security Holders***

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

PART II

Item 5. ***Market For the Registrant's Common Units and Related Unitholder Matters***

The common units, excluding the Class B common units, are listed and traded on the New York Stock Exchange under the symbol "PAA". On February 17, 2004, the closing market price for the common units was $32.12 per unit and there were approximately 30,000 record holders and beneficial owners (held in street name). As of February 17, 2004, there were 57,162,638 common units outstanding and 1,307,190 Class B common units outstanding. The number of common units outstanding on this date includes the 10,029,619 common units that converted from Subordinated Units in November 2003 and February 2004.

The following table sets forth high and low sales prices for the common units and the cash distributions paid per common unit for the periods indicated:

	Common Unit Price Range		Cash Distributions[1]
	High	Low	
2002			
1st Quarter	$ 26.79	$ 23.60	$ 0.5250
2nd Quarter	27.30	24.60	0.5375
3rd Quarter	26.38	19.54	0.5375
4th Quarter	24.44	22.04	0.5375
2003			
1st Quarter	$ 26.90	$ 24.20	$ 0.5500
2nd Quarter	31.48	24.65	0.5500
3rd Quarter	32.49	29.10	0.5500
4th Quarter	32.82	29.76	0.5625

(1) Cash distributions are paid in the following calendar quarter.

The Class B common units are pari passu with common units with respect to quarterly distributions, and are convertible into common units upon approval of a majority of the common unitholders. The Class B unitholders may request that we call a meeting of common unitholders to consider approval of the conversion of Class B units into common units. If the approval of a conversion by the common unitholders is not obtained within 120 days of a request, each Class B unitholder will be entitled to receive distributions, on a per unit basis, equal to 110% of the amount of distributions paid on a common unit, with such distribution right increasing to 115% if such approval is not secured within 90 days after the end of the 120-day period. Except for the vote to approve the conversion, the Class B units have the same voting rights as the common units. As of February 17, 2004, there was one Class B unitholder.

Cash Distribution Policy

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

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

In addition to distributions on its 2% general partner interest, our general partner is entitled to receive incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement. Under the quarterly incentive distribution provisions, our general partner is entitled, without duplication, to 15% of amounts we distribute in excess of $0.450 per unit, 25% of the amounts we distribute in excess of $0.495 per unit and 50% of amounts we distribute in excess of $0.675 per unit. We paid $4.4 million to the general partner in incentive distributions in 2003. Our most recent quarterly distribution was $0.5625 per unit. See Item 13. "Certain Relationships and Related Transactions—Our General Partner."

Under the terms of the agreements governing our debt, we are prohibited from declaring or paying any distribution to unitholders if a default or event of default (as defined in such agreements) exists. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Facilities and Long-term Debt."

See Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Unitholders' Matters" for equity compensation plan information.

Item 6. ***Selected Financial and Operating Data***

The historical financial information below for Plains All American Pipeline, L.P. was derived from our audited consolidated financial statements as of December 31, 2003, 2002, 2001, 2000 and 1999 and for the years ended December 31, 2003, 2002, 2001, 2000 and 1999. The selected financial data should be read in conjunction with the consolidated 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,				
	2003	2002	2001	2000	1999

	(in millions except per unit data)				
Statement of operations data:					
Revenues	$ 12,589.8	$ 8,384.2	$ 6,868.2	$ 6,641.2	$ 10,910.4
Cost of sales and operations (excluding LTIP charge)	12,366.6	8,209.9	6,720.9	6,506.5	10,800.1
Unauthorized trading losses and related expenses	—	—	—	7.0	166.4
Inventory valuation adjustment	—	—	5.0	—	—
LTIP charge—operations[1]	5.7	—	—	—	—
General and administrative expenses (excluding LTIP charge)	50.0	45.7	46.6	40.8	23.2
LTIP charge—general and administrative[1]	23.1	—	—	—	—
Depreciation and amortization	46.8	34.0	24.3	24.5	17.3
Restructuring expense	—	—	—	—	1.4
Total costs and expenses	12,492.3	8,289.6	6,796.8	6,578.8	11,008.4
Gain on sale of assets	0.6	—	1.0	48.2	16.4
Operating income	98.2	94.6	72.4	110.6	(81.6)
Interest expense	(35.2)	(29.1)	(29.1)	(28.7)	(21.1)
Interest income and other, net[2]	(3.6)	(0.2)	0.4	(4.4)	0.9
Income (loss) from continuing operations before cumulative effect of accounting change	$ 59.4	$ 65.3	$ 43.7	$ 77.5	$ (101.8)
Basic net income (loss) per limited partner unit before cumulative effect of accounting change	$ 1.01	$ 1.34	$ 1.12	$ 2.64	$ (3.16)
Diluted net income (loss) per limited partner unit before cumulative effect of accounting change	$ 1.00	$ 1.34	$ 1.12	$ 2.64	$ (3.16)
Basic weighted average number of limited partner units outstanding	52.7	45.5	37.5	34.4	31.6
Diluted weighted average number of limited partner units outstanding	53.4	45.5	37.5	34.4	31.6

Table continued on following page.

	Year Ended December 31,				
	2003	2002	2001	2000	1999
	(in millions except per unit data)				
Balance sheet data (at end of period):					
Working capital surplus (deficit)	$ (68.9)	$ (34.3)	$ 52.9	$ 47.1	$ 101.5
Total assets	2,095.6	1,666.6	1,261.2	885.8	1,223.0
Total long-term debt[3][4]	519.0	509.7	354.7	320.0	424.1
Total debt[4]	646.2	609.0	456.2	321.3	482.8
Partners' capital	746.7	511.6	402.8	214.0	193.0

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Other data (in millions):					
Maintenance capital expenditures	$ 7.6	$ 6.0	$ 3.4	$ 1.8	$ 1.7
Net cash provided by (used in) operating activities	68.5	173.9	(30.0)	(33.5)	(71.2)
Net cash provided by (used in) investing activities	(225.3)	(363.8)	(249.5)	211.0	(186.1)
Net cash provided by (used in) financing activities	157.2	189.5	279.5	(227.8)	305.6
Operating Data:					
Volumes (thousands of barrels per day, unless otherwise noted)[5][6]:					
Pipeline segment:					
Tariff activities					
All American	59	65	69	74	103
Basin	263	93	N/A	N/A	N/A
Other domestic	299	219	144	130	61
Canada	203	187	132	N/A	N/A
Pipeline margin activities	78	73	61	60	54

Total	902	637	406	264	218
Gathering, marketing, terminalling and storage segment:					
Lease gathering	437	410	348	262	265
Bulk purchases	90	68	46	28	138
Total	527	478	394	290	403
Cushing Terminal throughput	208	110	94	59	72
Cushing Terminal storage leased to third parties (thousands of barrels per month)	1,165	1,067	2,136	1,437	1,743

(1) Compensation expense related to our Long Term Incentive Plan ("LTIP"), see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Vesting of Restricted Units under Long-Term Incentive Plan."

(2) The 2000 period includes $15.1 million related to a loss on early extinguishment of debt previously classified as an extraordinary item. Effective with the issuance of Statement of Financial Accounting Standards ("SFAS") 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" in April 2002, such items should now be shown as impacting income from continuing operations.

(3) Includes current maturities of long-term debt of $9.0 million, $3.0 million, and $50.7 million at December 31, 2002, 2001 and 1999, respectively, classified as long-term because of our ability and intent to refinance these amounts under our long-term revolving credit facilities.

(4) The 1999 amount includes a $114.0 million note payable to our former general partner.

Table continued on following page.

(5) Prior period volume amounts have been adjusted for consistency of comparison between years.

(6) Volume associated with acquisition represent weighted average daily amounts for the number of days we actually owned the assets over the total days in the period.

Items Impacting Comparability of Financial Results

In our internal evaluation of financial and operating results, we consider the effects of certain items that we believe impact the comparability of such results between reporting periods. In the table below, we have included a detailed listing of such items and we believe that this presentation, when considered in conjunction with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations", provides additional information useful to a thorough analysis of our results of operations and financial condition.

	Year Ended December 31,				
	2003	2002	2001	2000	1999
	(in millions)				
Noncash SFAS 133 adjustment	$ 0.4	$ 0.3	$ 0.2	$ —	$ —
LTIP charge	(28.8)	—	—	—	—
Loss on refinancing of debt	(3.3)	—	—	(15.1)	(1.5)
Write-off of deferred acquisition-related costs	—	(1.0)	—	—	—
Noncash reserve for potential environmental obligations	—	(1.2)	—	—	—
Noncash mark-to-market inventory charge	—	—	(5.0)	—	—
Noncash compensation expense	—	—	(5.7)	(3.1)	(1.0)
Noncash reserve for doubtful accounts	—	—	(3.0)	(5.0)	—
Gain on sales of assets	—	—	1.0	48.2	16.4
Noncash cumulative effect of accounting change	—	—	0.5	—	—
Unauthorized trading losses and related expenses	—	—	—	(7.0)	(166.4)
Gain on interest rate swap	—	—	—	9.7	—
Restructuring charge	—	—	—	—	(1.4)
Total of items impacting comparability	$ (31.7)	$ (1.9)	$ (12.0)	$ 27.7	$ (153.9)

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

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

Overview

Plains All American Pipeline, L.P. is a Delaware limited partnership (the "Partnership") formed in September of 1998. See Items 1 and 2. "Business and Properties—Organizational History." Our operations are conducted directly and indirectly through our operating subsidiaries, Plains Marketing, L.P., Plains Pipeline, L.P. and Plains Marketing Canada, L.P. We are engaged in interstate and intrastate crude oil transportation, and crude oil gathering, marketing, terminalling and storage, as well as the marketing and storage of liquefied petroleum gas and other petroleum products. We refer to liquified petroleum gas and other petroleum products collectively as "LPG." We own an extensive network in the United States and Canada of pipeline transportation, terminalling, storage and gathering assets in key oil producing basins and at major market hubs.

In order to better understand the financial statements discussed herein, it is important to understand the basic nature of our two operating segments as well as the magnitude of the impact of our acquisition program from inception. Our operations are conducted primarily in Texas, Oklahoma, California, Louisiana and the Canadian provinces of Alberta and Saskatchewan and consist of two operating segments: (i) Pipeline Operations and (ii) Gathering, Marketing, Terminalling and Storage Operations ("G, M, T & S"). Our revenues from pipeline operations generally derive from the transportation of crude oil for a fee and leases of pipeline capacity to third parties, as well as from barrel exchanges and buy/sell arrangements. Our revenues from gathering and marketing activities reflect the sale of gathered and bulk-purchased crude oil and LPG plus the sale of additional barrels through buy/sell arrangements entered into to enhance the margins of the gathered and bulk-purchased volumes. We discuss the fundamental drivers of each of these operating segments in greater detail below under "—Analysis of Operating Segments." The significant impact of our acquisition program on our reported financial results is discussed under "—Acquisitions" immediately below.

Acquisitions

We completed a number of acquisitions in 2003, 2002 and 2001 that have impacted the results of operations and liquidity discussed herein. The following acquisitions were accounted for, and the purchase price was allocated, in accordance with the purchase method of accounting. We adopted SFAS No. 141, "Business Combinations" in 2001 and followed the provisions of that statement for all business combinations initiated after June 30, 2001. Our ongoing acquisition activity is discussed further in "Liquidity and Capital Resources" below.

2003 Acquisitions

During 2003, we completed ten acquisitions for aggregate consideration of approximately $159.5 million. The aggregate consideration includes cash paid, estimated transaction costs, assumed liabilities and estimated near-term capital costs. The acquisitions were initially financed with borrowings under our credit facilities, which were subsequently repaid with a portion of the proceeds from our equity issuances and the issuance of senior notes. See "—Liquidity and Capital Resources." The businesses acquired during 2003 impacted our results of operations subsequent to the effective date of each acquisition as indicated below. These acquisitions included mainline crude oil pipelines, crude oil gathering lines, terminal and storage facilities, and an underground LPG storage facility. With the exception of $0.5 million that was allocated to goodwill and other intangible assets and $4.7 million

associated with crude oil linefill and working inventory, the remaining aggregate purchase price was allocated to property and equipment. The following table details our 2003 acquisitions (in millions):

Acquisition	Effective Date	Acquisition Price	Operating Segment
Red River Pipeline System	02/01/03	$ 19.4	Pipeline
Iatan Gathering System	03/01/03	24.3	Pipeline
Mesa Pipeline Facility	05/05/03	2.9	Pipeline
South Louisiana Assets[1]	06/01/03	13.4	Pipeline/G,M,T,&S
Alto Storage Facility	06/01/03	8.5	G,M,T&S
Iraan to Midland Pipeline System	06/30/03	17.6	Pipeline
ArkLaTex Pipeline System	10/01/03	21.3	Pipeline
South Saskatchewan Pipeline System	11/01/03	47.7	Pipeline
Atchafalaya Pipeline System[2]	12/01/03	4.4	Pipeline
Total 2003 Acquisitions		$ 159.5	

(1) Includes a 33.3% interest in Atchafalaya Pipeline L.L.C.

(2) Includes two acquisitions each for 33.3% interests in Atchafalaya Pipeline L.L.C.

2002 Acquisitions

Shell West Texas Assets. On August 1, 2002, we acquired interests in approximately 2,000 miles of gathering and mainline crude oil pipelines and approximately 8.9 million barrels (net to our interest) of above-ground crude oil terminalling and storage assets in West Texas from Shell Pipeline Company LP and Equilon Enterprises LLC (the "Shell acquisition") for approximately $324 million. The primary assets included in the transaction are interests in the Basin Pipeline System, the Permian Basin Gathering System and the Rancho Pipeline System. The entire purchase price was allocated to property and equipment.

The acquired assets are primarily fee-based mainline crude oil pipeline transportation assets that gather crude oil in the Permian Basin and transport the crude oil to major market locations in the Mid-Continent and Gulf Coast regions. The Permian Basin has long been one of the most stable crude oil producing regions in the United States, dating back to the 1930s. The acquired assets complement our existing asset infrastructure in West Texas and represent a

transportation link to Cushing, Oklahoma, where we provide storage and terminalling services. In addition, we believe that the Basin Pipeline System is poised to benefit from potential shut-downs of refineries and other pipelines due to the shifting market dynamics in the West Texas area. The Rancho Pipeline System was taken out of service in March 2003, pursuant to the operating agreement. See Items 1 and 2. "Business and Properties—Acquisitions and Dispositions—Shutdown and Partial Sale of Rancho Pipeline System."

For more information on this transaction, as well as historical financial information on the businesses acquired and pro forma financial information reflecting the acquisition of the businesses, please refer to our Form 8-K dated August 9, 2002, which was filed with the Securities and Exchange Commission.

Other 2002 Acquisitions. During February and March of 2002, we completed two other acquisitions for aggregate consideration totaling $15.9 million, with effective dates of February 1, 2002 and March 31, 2002, respectively. These acquisitions include an equity interest in a crude oil pipeline company and crude oil gathering and marketing assets.

2001 Acquisitions

CANPET Energy Group. In July 2001, we acquired the assets of CANPET Energy Group Inc., a Calgary-based Canadian crude oil and LPG marketing company (the "CANPET acquisition"), for approximately $24.6 million plus excess inventory at the closing date of approximately $25.0 million. A portion of the purchase price, payable in common units or cash, at our option, was deferred subject to various performance standards being met. As of December 31, 2003, we determined that it was beyond a reasonable doubt that the performance standards were met and we recorded additional consideration of $24.3 million, (see Note 7 —"Partners' Capital and Distributions" in the "Notes to the Consolidated Financial Statements"), resulting in aggregate consideration of approximately $73.9 million. The deferred consideration was recorded as goodwill.

At the time of the acquisition, CANPET's activities consisted of gathering approximately 75,000 barrels per day of crude oil and marketing an average of approximately 26,000 barrels per day of natural gas liquids or LPGs. The principal assets acquired include a crude oil handling facility, a 130,000-barrel tank facility, LPG facilities, existing business relationships and operating inventory. The acquired assets are part of our strategy to establish a Canadian operation that complements our operations in the United States. The purchase price, as adjusted post-closing, was allocated as follows (in millions):

Inventory	$	28.1
Goodwill		35.4
Intangible assets (contracts)		1.0
Pipeline linefill		4.3
Crude oil gathering, terminalling and other assets		5.1
Total	$	73.9

Murphy Oil Company Ltd. Midstream Operations. In May 2001, we completed the acquisition of substantially all of the Canadian crude oil pipeline, gathering, storage and terminalling assets of Murphy Oil Company Ltd. for approximately $158.4 million in cash after post-closing adjustments, including financing and transaction costs (the "Murphy acquisition"). Initial financing for the acquisition was provided through borrowings under our credit facilities. The purchase price included $6.5 million for excess inventory in the pipeline systems. The principal assets acquired include approximately 560 miles of crude oil and condensate mainlines (including dual lines on which condensate is shipped for blending purposes and blended crude is shipped in the opposite direction) and associated gathering and lateral lines, approximately 1.1 million barrels of crude oil storage and terminalling capacity located primarily in Kerrobert, Saskatchewan, approximately 254,000 barrels of pipeline linefill and tank inventories, and 121 trailers used primarily for crude oil transportation. The acquired assets are part of our strategy to establish a Canadian operation that complements our operations in the United States.

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

The purchase price, as adjusted post-closing, was allocated as follows (in millions):

Crude oil pipeline, gathering and terminal assets	$	148.0
Pipeline linefill		7.6
Net working capital items		2.0
Other property and equipment		0.5
Other assets, including debt issue costs		0.3
Total	$	158.4

Other 2001 Acquisitions. In December 2001, we consummated the acquisition of the Wapella Pipeline System from private investors for approximately $12.0 million, including transaction costs. The entire purchase price was allocated to property and equipment. The system further expands our market in Canada.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the financial

statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Although we believe these estimates are reasonable, actual results could differ from these estimates. The critical accounting policies that we have identified are discussed below.

Depreciation, Amortization and Impairment of Long-Lived Assets

We calculate our depreciation and amortization based on estimated useful lives and salvage values of our assets. When assets are put into service, we make estimates with respect to useful lives that we believe are reasonable. However, subsequent events could cause us to change our estimates, thus impacting the future calculation of depreciation and amortization.

Additionally, we assess our long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Such indicators include changes in our business plans, a change in the extent or manner in which a long-lived asset is being used or in its physical condition, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. If the carrying value of an asset exceeds the future undiscounted cash flows expected from the asset, an impairment charge would be recorded for the excess of the carrying value of the asset over its fair value. Determination as to whether and how much an asset is impaired would necessarily involve numerous management estimates. Any impairment reviews and calculations would be based on assumptions that are consistent with our business plans and long-term investment decisions.

Allowance for Doubtful Trade Accounts Receivable

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

the reserve adequate, however, there is no assurance that actual amounts will not vary significantly from estimated amounts.

Purchase and Sales Accruals

We routinely make accruals for both purchases and sales due to the timing of compiling billing information, receiving third party information and reconciling our records with those of third parties. In situations where we are required to make mark-to-market estimates pursuant to SFAS 133, the estimates of gains or losses at a particular period end do not reflect the end results of particular transactions, and will most likely not reflect the actual gain or loss at the conclusion of a transaction. We reflect estimates for these items based on our internal records and information from third parties. A portion of the estimates we use are based on internal models or models of third parties because they are not quoted on a national market. Additionally, values may vary among different models and may not be reflective of the price at which they can be settled due to the lack of a liquid market. Less than 1% of total revenues are based on estimates derived from these models. We believe our estimates for these items are reasonable, but there is no assurance that actual amounts will not vary significantly from estimated amounts.

Liability and Contingency Accruals

We accrue reserves for contingent liabilities including, but not limited to, environmental remediation, insurance claims and potential legal claims. Accruals are made when our assessment indicates that it is probable that a liability has occurred and the amount of liability can be reasonably estimated. Our estimates are based on all known facts at the time and our assessment of the ultimate outcome. These estimates will be increased or decreased as additional information is obtained or resolution is achieved. We also make accruals for potential payments under our Long-Term Incentive Plan ("LTIP") when we determine that vesting of the units is probable. The aggregate amount of the actual charge to expense will be determined by the unit price on the date vesting occurs (or, in some cases, the average unit price for a range of dates) multiplied by the number of units, plus our share of associated employment taxes. We believe our estimates for these items are reasonable, but there is no assurance that actual amounts will not vary significantly from estimated amounts.

Determination of Fair Value of Assets and Liabilities Acquired and Identification of Associated Goodwill and Intangible Assets

In conjunction with each acquisition, we must allocate the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition. We also estimate the amount of transaction costs that will be incurred in connection with each acquisition. As additional information becomes available, we may adjust the original estimates within a short time period subsequent to the acquisition. In addition, in conjunction with the adoption of SFAS 141, we are required to recognize intangible assets separately from goodwill. Goodwill and intangible assets with indefinite lives are not amortized but instead are periodically assessed for impairment. The impairment testing entails estimating future net cash flows relating to the asset, based on management's estimate of market conditions including pricing, demand, competition, operating costs and other factors. Intangible assets with finite lives are amortized over the estimated useful life determined by management. Determining the fair value of assets and liabilities acquired, as well as intangible assets that relate to such items as relationships, contracts, and industry expertise involves professional judgment and is ultimately based on acquisition models and management's assessment of the value of the assets acquired. We believe our estimates for these items are reasonable, but there is no assurance that actual amounts will not vary significantly from estimated amounts.

In June 2001, the FASB issued SFAS No. 143 "Asset Retirement Obligations." SFAS 143 establishes accounting requirements for retirement obligations associated with tangible long-lived assets,

including (1) the time of the liability recognition, (2) initial measurement of the liability, (3) allocation of asset retirement cost to expense, (4) subsequent measurement of the liability and (5) financial statement disclosures. SFAS 143 requires that the cost for asset retirement should be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. Effective January 1, 2003, we adopted SFAS 143, as required. Determination of the amounts to be recognized upon adoption is based upon numerous estimates and assumptions, including future retirement costs,

future inflation rates and the credit-adjusted risk-free interest rate. The majority of our assets, primarily related to our pipeline operations segment, have obligations to perform remediation and, in some instances, removal activities when the asset is abandoned. However, the fair value of the asset retirement obligations cannot be reasonably estimated, as the settlement dates are indeterminate. We will record such asset retirement obligations in the period in which we can reasonably determine the settlement dates.

Results of Operations

Summary of Three Years Ended December 31, 2003

Our operations consist of two operating segments: (1) our Pipeline Operations, through which we engage in interstate and intrastate crude oil pipeline transportation and certain related margin activities; and (2) our Gathering, Marketing, Terminalling and Storage Operations, through which we engage in purchases and resales of crude oil and LPG at various points along the distribution chain and the operation of certain terminalling and storage assets.

For the year ended December 31, 2003, we reported consolidated net income of $59.4 million on total revenues of $12.6 billion compared to net income for the same period in 2002 and 2001 of $65.3 million and $44.2 million on total revenues of $8.4 billion and $6.9 billion, respectively. Included in the results of operations for 2003, 2002 and 2001 are certain items that impact the comparability between periods, which are discussed further below. Excluding these items, our operating results reflect year over year growth in both our Pipeline Operations segment and our Gathering, Marketing, Terminalling and Storage Operations segment. The growth reflects the impact on our operations of the acquisition and integration of the businesses discussed above, as well as, the successful completion of various capital expansion projects.

Items Impacting Comparability

During the first quarter of 2003, new Securities and Exchange Commission regulations regarding the use of non-GAAP financial measures became effective. As a result of our efforts to comply with these new regulations, we have made certain changes to the content and presentation of information in Management's Discussion and Analysis of Financial Condition and Results of Operations. Internally, we consider in our analysis of operating results the impact of items that we believe impact comparability between periods; however, to comply with the new regulations, we have omitted certain adjustments and reconciliations related to these items that have been presented in the past. We have also changed the format of certain tables presented in the discussion of our results of operations. In addition, certain reclassifications have been made to the prior period presentations to conform to current period presentation. Where appropriate, we have noted that reported results include the effects of items we consider to impact comparability between periods. Overall, we believe the discussion and presentation provides an accurate and thorough analysis of our results of operations and financial condition. Additionally, we maintain on our website (www.paalp.com) a reconciliation of all non-GAAP financial information in our earnings releases and other communications with security holders to the most comparable GAAP measures. To access the information, investors should click on the "Investor Relations" header at the top of our home page and then click on the "Non-GAAP Reconciliation" section on the Investor Relations page.

The following is a summary of items that we believe impact comparability between periods and that we consider separately when we evaluate our results for performance against expectations, public guidance and trend analysis. Following that summary is a more detailed discussion of the results of operations of each segment. The items discussed below are included in net income in the period indicated and impact the comparability between periods as shown:

	Year Ended December 31,		
	2003	2002	2001
	(in millions)		
Items Impacting Comparability			
Noncash SFAS 133 adjustment	$ 0.4	$ 0.3	$ 0.2
LTIP charge	(28.8)	—	—
Loss on refinancing of debt	(3.3)	—	—
Write-off of deferred acquisition-related costs	—	(1.0)	—
Noncash reserve for potential environmental obligations	—	(1.2)	—
Noncash mark-to-market inventory charge	—	—	(5.0)
Noncash compensation expense	—	—	(5.7)
Noncash reserve for doubtful accounts	—	—	(3.0)
Gain on sales of assets	—	—	1.0
Noncash cumulative effect of accounting change	—	—	0.5
Total of items impacting comparability	$ (31.7)	$ (1.9)	$ (12.0)

The following is a discussion of each of the items that impacted our results of operations. Further discussion of each of the items impacting comparability for the three years ended December 31, 2003, is included in the applicable portion of the results of operations discussion.

- *Noncash Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" Adjustment*—SFAS 133 requires that changes in derivative instruments' fair value be recognized currently in earnings unless specific hedge accounting criteria are met, in which case, changes in fair value are deferred to Other Comprehensive Income, or "OCI," and reclassified into earnings when the underlying transaction affects earnings. Accordingly, changes in fair value are included in the current period for (i) derivatives characterized as fair value hedges, (ii) derivatives that do not qualify for hedge accounting and (iii) the portion of cash flow hedges that is not highly effective in offsetting changes in cash flows of hedged items. The majority of instruments we are required to mark-to-market at the end of each quarterly period pursuant to SFAS 133 nonetheless serve as economic hedges that offset future physical positions not reflected in current results. Therefore, we believe mark-to-market adjustments to net income required under SFAS 133 do not provide a complete depiction of the economic substance of the transaction, as it only represents the derivative side of these transactions and does not take into account the offsetting physical position. In addition, the impact will vary from quarter to quarter based on market prices at the end of the quarter, which are impossible

for us to control or forecast, and the SFAS 133 adjustments will reverse in future periods. Accordingly, when we evaluate our results internally for performance against expectations, public guidance and trend analysis, we exclude the non-cash, mark-to-market impact of SFAS 133. We present the impact of the SFAS 133 adjustments because we believe such amounts affect the comparison of the fundamental operating results for the periods presented. We reported SFAS 133 gains of $0.4 million, $0.3 million and $0.2 million, for the three years ending December 31, 2003, respectively. Such annual amounts vary by only approximately $0.1 million per year between consecutive periods (2001 compared to 2002 and 2002 compared to 2003). However, in the eight quarterly comparisons within those three years (four quarters of 2001 compared to four quarters of 2002,

then four quarters of 2002 compared to four quarters of 2003), variances were $0.9 million or higher in seven of the eight comparable quarterly periods and ranged as high as $3.8 million. (e.g., the first quarter of 2001 compared to 2002 and the first quarter of 2002 compared to 2003). Management believes such quarterly variances underscore the importance of highlighting the impact of these mark-to-market adjustments.

- *Long-Term Incentive Plan charge*—Under generally accepted accounting principles, we are required to recognize an expense when vesting of LTIP units becomes probable as determined by management at the end of the period. Our results of operations include a charge of $28.8 million in the year ended December 31, 2003. See "—Outlook—LTIP vesting" and Note 11—"Long-Term Incentive Plans" in the "Notes to the Consolidated Financial Statements."

- *Loss on refinancing of debt*—During the fourth quarter of 2003 we completed the refinancing of our bank credit facilities with new senior unsecured credit facilities totaling $750 million and a $200 million uncommitted facility for the purchase of hedged crude oil (See "—Other Income and Expenses—Other"). In addition, during the third quarter of 2003 we made a $34 million prepayment on our Senior secured term B loan in anticipation of the refinancing. The completion of these transactions resulted in a non-cash charge of approximately $3.3 million associated with the write-off of unamortized debt issue costs.

- *Additional 2002 Items Impacting Comparability*—Our 2002 results of operations also include charges of $1.0 million related to the write-off of deferred acquisition-related costs (See "—Other Income and Expenses—Unallocated G&A Expenses") and a noncash charge of $1.2 million associated with the establishment of a reserve for environmental obligations (See "—Pipeline Operations—Segment Margin").

- *Additional 2001 Items Impacting Comparability*—Our 2001 results of operations also include (i) a $5.0 million noncash writedown of operating crude oil inventory in the fourth quarter of 2001 (See Note 2 "Summary of Significant Accounting Policies" in the "Notes to Consolidated Financial Statements"), (ii) a $5.7 million noncash charge related to incentive compensation (See "—Other Expenses—Unallocated G&A Expenses"), (iii) a $3.0 million reserve for receivables, (iv) a $1.0 million gain on sale of assets and (v) a $0.5 noncash gain as a cumulative effect of accounting change resulting from the adoption of SFAS 133.

Analysis of Operating Segments

We evaluate segment performance based on (i) segment margin (revenues less purchases and operating expenses), (ii) segment profit (segment margin less General and Administrative ("G&A") expenses) and (iii) maintenance capital. Maintenance capital consists of capital expenditures required either to maintain the existing operating capacity of partially or fully depreciated assets or to extend their useful lives. Capital expenditures made to expand our existing capacity, whether through construction or acquisition, are not considered maintenance capital expenditures. Repair and maintenance expenditures associated with existing assets that do not extend the useful life or expand the operating capacity are charged to expense as incurred. The following table reflects our results of operations for each segment:

	Pipeline Operations	Gathering, Marketing, Terminalling & Storage Operations
	(in millions)	
Year Ended December 31, 2003[1]		
Revenues	$ 658.6	$ 11,985.6
Purchases	487.1	11,799.8
Operating expenses (excluding LTIP charge)	60.9	73.3
LTIP charge—operations	1.4	4.3
Segment margin	109.2	108.2
General and administrative expenses (excluding LTIP charge)[2]	18.3	31.6
LTIP charge—general and administrative	9.6	13.5
Segment profit	$ 81.3	$ 63.1
Noncash SFAS 133 impact[3]	$ —	$ 0.4
Maintenance capital	$ 6.4	$ 1.2
Year Ended December 31, 2002[1]		
Revenues	$ 486.2	$ 7,921.8

Purchases	362.2	7,765.1
Operating expenses	40.1	66.3
Segment margin	83.9	90.4
General and administrative expenses[2]	13.2	31.5
Segment profit	$ 70.7	$ 58.9
Noncash SFAS 133 impact[3]	$ —	$ 0.3
Maintenance capital	$ 3.4	$ 2.6

Table continued on following page.

Year Ended December 31, 2001[1]		
Revenues	$ 357.4	$ 6,528.3
Purchases	266.7	6,383.6
Operating expenses	19.4	73.7
Segment margin	71.3	71.0
General and administrative expenses[2]	12.4	28.5
Segment profit	$ 58.9	$ 42.5
Noncash SFAS 133 impact[3]	$ —	$ 0.2
Maintenance capital	$ 0.5	$ 2.9

(1) Revenues and purchases include intersegment amounts.

(2) G&A expenses reflect direct costs attributable to each segment and an allocation of other expenses to the segments based on the business activities that existed at that time. The proportional allocations by segment require judgement by management and will continue to be based on the business activities that exist during each period.

(3) Amounts related to SFAS 133 are included in revenues and impact segment margin and segment profit.

Pipeline Operations

As of December 31, 2003, we owned and operated approximately 7,000 miles of gathering and mainline crude oil pipelines located throughout the United States and Canada. Our activities from pipeline operations generally consist of transporting volumes of crude oil for a fee and third-party leases of pipeline capacity (collectively referred to as "tariff activities"), as well as barrel exchanges and buy/sell arrangements (collectively referred to as "pipeline margin activities"). In connection with certain of our merchant activities conducted under our gathering and marketing business, we are also shippers on certain of our own pipelines. These transactions are conducted at published tariff rates and eliminated in consolidation. Tariffs and other fees on our pipeline systems vary by receipt point and delivery point. The segment margin generated by our tariff and other fee-related activities depends on the volumes transported on the pipeline and the level of the tariff and other fees charged as well as the fixed and variable costs of operating the pipeline. Segment margin from our pipeline capacity leases, barrel exchanges and buy/sell arrangements generally reflect a negotiated amount.

The following table sets forth our operating results from our Pipeline Operations segment for the periods indicated:

	Year ended December 31,		
	2003	**2002**	**2001**
Operating Results[1] (in millions)			
Revenues			
Tariff activities	$ 153.3	$ 103.7	$ 69.4
Pipeline margin activities	505.3	382.5	288.0
Total pipeline operations revenues	658.6	486.2	357.4
Costs and Expenses			
Pipeline margin activities purchases	487.1	362.2	266.7
Operating expenses (excluding LTIP charge)	60.9	40.1	19.4

LTIP charge — operations	1.4	—	—
Segment margin	109.2	83.9	71.3
General and administrative expenses (excluding LTIP charge)[2]	18.3	13.2	12.4
LTIP charge — general and administrative	9.6	—	—
Segment profit	$ 81.3	$ 70.7	$ 58.9
Maintenance capital	$ 6.4	$ 3.4	$ 0.5
Average Daily Volumes (thousands of barrels per day)[3][4]			
Tariff activities			
All American	59	65	69
Basin	263	93	—
Other domestic	299	219	144
Canada	203	187	132
Total tariff activities	824	564	345
Pipeline margin activities	78	73	61
Total	902	637	406

(1) Revenues and purchases include intersegment amounts.

(2) G&A expenses reflect direct costs attributable to each segment and an allocation of other expenses to the segments based on the business activities that existed at that time. The proportional allocations by segment require judgment by management and will continue to be based on the business activities that exist during each period.

(3) Volumes associated with acquisitions represent weighted average daily amounts for the number of days we actually owned the assets over the total days in the period.

(4) Prior period volumes have been adjusted for consistency of comparison between years.

Total average daily volumes transported were approximately 902,000 barrels per day for the year ended December 31, 2003, compared to 637,000 barrels per day and 406,000 barrels per day for the years ended December 31, 2002 and 2001, respectively. As discussed above, we have completed a number of acquisitions during 2003 and 2002 that have impacted the results of operations herein. The

following table reflects our total average daily volumes from our tariff activities by year of acquisition for comparison purposes:

	Year Ended December 31,		
	2003	2002	2001
	(thousands of barrels per day)		
Tariff activities[1][2]			
2003 acquisitions	82	—	—
2002 acquisitions	344	171	—
2001 acquisitions	200	193	134
All other pipeline systems	198	200	211
Total tariff activities average daily volumes	824	564	345

(1) Volumes associated with acquisitions represent weighted average daily amounts for the number of days we actually owned the assets over the total days in the period.

(2) Prior period volumes have been adjusted for consistency of comparison between years.

The increase in average daily volumes from our tariff activities to 824,000 barrels per day in 2003 from 564,000 barrels per day and 345,000 barrels per day in 2002 and 2001, respectively, resulted primarily from our acquisition activities discussed above. The following discussion explains year-to-year variances based on the comparison of volumes in the table above.

2003 Acquisitions—Approximately 82,000 barrels per day of the increase in 2003 volumes over 2002 volumes is related to systems acquired during 2003.

2002 Acquisitions—An additional 173,000 barrels per day of the increase in 2003 resulted from the inclusion of assets acquired in 2002 for the entire year in 2003 as compared to only a portion of 2002. The assets acquired in the Shell acquisition accounted for 171,000 barrels per day of this increase as increased barrels per day on the Basin Pipeline System and the Permian Basin Gathering System coupled with the impact of including a full year results in 2003 as compared to only five months in 2002 more than offset the decrease in barrels per day resulting from the shut-down of the Rancho Pipeline System (See Items 1 and 2. "Business and Properties—Acquisitions and Dispositions—Shutdown and Partial Sale of Rancho Pipeline System").

2001 Acquisitions—In addition, volumes on pipeline systems acquired in 2001 increased by approximately 7,000 barrels per day in the 2003 period as Canadian volumes benefited from the completion of capital expansion projects that allowed for additional volumes on certain pipelines. Barrels per day on these systems increased in the 2002 period as compared to the 2001 period primarily due to the inclusion of the Murphy acquisition for a full year in 2002 compared to only a portion of the year in 2001.

All other pipeline systems—Volumes on all other pipeline systems decreased approximately 2,000 barrels per day primarily because of a 6,000 barrel per day decrease in our All American tariff volumes and various other decreases totaling 4,000 barrels per day on several of our pipeline systems. The decrease in All American tariff volumes is attributable to a decline in California outer continental shelf ("OCS") production. Partially offsetting these decreases was an 8,000 barrel per day increase in our West Texas Gathering System volumes. Our West Texas Gathering System has benefited from the shutdown of the Rancho pipeline and also from temporary refinery problems that have diverted crude oil barrels from other systems. Volumes on all other pipeline systems decreased by approximately 11,000 barrels per day in 2002 as compared to 2001, primarily because of an approximate 4,000 barrel

per day decrease in our All American tariff volumes and a 4,000 barrel per day decrease in our West Texas Gathering System volumes.

Revenues

Total revenues from our pipeline operations were approximately $658.6 million for the year ended December 31, 2003, compared to $486.2 million and $357.4 million for the years ended December 31, 2002 and 2001, respectively. The increase in revenues was primarily related to our pipeline margin activities, which increased by approximately $122.8 million in 2003. This increase was related to higher average crude oil prices coupled with increased volumes on our buy/sell arrangements on our San Joaquin Valley gathering system in 2003. However, this business is a margin business and although revenues and cost of sales are impacted by the absolute level of crude oil prices, there is a limited impact on segment margin. The increase in 2002 over 2001 also was primarily related to our pipeline margin activities on our San Joaquin Valley gathering system. Increased volumes and higher average prices on our buy/sell arrangements were the primary drivers of the increase.

Revenues from our tariff activities increased approximately 48% or $49.6 million in 2003 as compared to 2002. The following table reflects revenues from our tariff activities by year of acquisition for comparison purposes:

	Year Ended December 31,		
	2003	2002	2001
	(in millions)		
Tariff activities revenues[1]			
2003 acquisitions	$ 14.8	$ —	$ —
2002 acquisitions	54.2	23.1	—
2001 acquisitions	28.0	21.6	9.9
All other pipeline systems	56.3	59.0	59.5
Total tariff activities	$ 153.3	$ 103.7	$ 69.4

(1) Revenues include intersegment amounts.

The increase in revenues from our tariff activities to $153.3 million in 2003 from $103.7 million and $69.4 million in 2002 and 2001, respectively, resulted predominantly from our acquisition activities discussed above. The following discussion explains year-to-year variances based on the comparison of revenues in the table above.

2003 Acquisitions—Approximately $14.8 million of the increase in 2003 revenues over 2002 revenues is related to systems acquired during 2003.

2002 Acquisitions—An additional $31.1 million of the increase in 2003 revenues from our tariff activities resulted from the inclusion of assets acquired in 2002 for the entire year in 2003 as compared to only a portion of 2002. This increase was entirely related to the assets acquired in the Shell acquisition as increased revenues on the Basin Pipeline System and the Permian Basin Gathering System coupled with the impact of including a full year results in 2003 as compared to only five months in 2002 more than offset the decrease in revenues resulting from the shut-down of the Rancho Pipeline System (See Items 1 and 2. "Business and Properties—Acquisitions and Dispositions—Shutdown and Partial Sale of Rancho Pipeline System").

2001 Acquisitions—In addition, revenues from 2001 acquisitions increased approximately $6.4 million in 2003 as compared to 2002. This increase predominately resulted from increased Canadian revenues of $6.5 million in the 2003 period primarily due to expanded capacity, higher tariffs and a $3.4 million favorable exchange rate impact. The favorable exchange rate impact has resulted

from a decrease in the Canadian dollar to U.S. dollar exchange rate to an average rate of 1.40 to 1 for the year ended December 31, 2003, from an average rate of 1.57 to 1 for the year ended December 31, 2002. Revenues from these systems increased to $21.6 million in 2002 from $9.9 million in 2001 primarily because of the inclusion of the Murphy acquisition for a full year in 2002 and increases in the tariff of certain pipeline systems acquired in the Murphy acquisition.

All other pipeline systems—Revenues from all other pipeline systems were relatively flat for all of the comparable periods as the decrease in volumes attributable to OCS production on our All American system (on which we receive the highest per barrel tariffs among our pipeline operations) was offset in each period by other increases, including increases in the tariffs for OCS volumes transported.

Segment Margin

Our pipeline operations segment margin increased 30% to approximately $109.2 million for the year ended December 31, 2003, from $83.9 million for the year ended December 31, 2002. Pipeline segment margin was approximately $71.3 million in 2001. The primary reasons for the increase in segment margin are discussed above and are also impacted by an increase in operating expenses to $62.3 million in 2003 from $40.1 million and $19.4 million in 2002 and 2001, respectively. The 2003 increase in expenses includes $1.4 million related to the accrual made for the probable vesting of unit grants under our LTIP and approximately $1.0 million related to a pipeline spill in Mississippi. The remaining increase is predominately related to our continued growth, primarily from acquisitions, coupled with higher utility costs. In addition, segment margin includes a $2.2 million favorable impact resulting from the decrease in the average Canadian dollar to U.S. dollar exchange rate for the 2003 period as compared to the 2002 period.

The increase in operating expenses in 2002 as compared to 2001 was primarily related to the acquisition of businesses in 2002 and late 2001 and the inclusion of the results of the Murphy acquisition for all of 2002 compared to only a portion of 2001. Our operating expense for the 2002 period also includes a $1.2 million noncash charge associated with the establishment of a liability for potential cleanup of environmental conditions associated with our 1999 acquisitions, based on additional information. This amount is approximately equal to the threshold amounts we must incur before the sellers' indemnities take effect. In many cases, the actual cash expenditure may not occur for ten years or more.

Segment Profit

G&A expenses were approximately $27.9 million in 2003, compared to approximately $13.2 million and $12.4 million in 2002 and 2001, respectively. The increase in 2003 is primarily a result of a $9.6 million accrual related to the probable vesting of unit grants under our LTIP. Additionally, the percentage of indirect costs allocated to the pipeline operations segment has increased in 2003 as our pipeline operations have grown. Including the impact of the items discussed above, segment profit was approximately $81.3 million for the year ended December 31, 2003, an increase of 15% as compared to the $70.7 million reported for the year ended December 31, 2002. Segment profit includes a $2.0 million favorable impact resulting from the decrease in the average Canadian-dollar to U.S.-dollar exchange rate for the 2003 period as compared to the 2002 period. The increase in G&A expenses in 2002 as compared to 2001 was partially due to increased costs from the assets acquired in the Murphy acquisition related to the inclusion of these assets for all of 2002 compared to only a portion of 2001.

Maintenance Capital

For the periods ended December 31, 2003, 2002 and 2001, maintenance capital expenditures were approximately $6.4 million, $3.4 million and $0.5 million, respectively for our pipeline operations

segment. The increases between the years are related to our continued growth, primarily through acquisitions.

Gathering, Marketing, Terminalling and Storage Operations

Our revenues from gathering and marketing activities reflect the sale of gathered and bulk-purchased crude oil and LPG plus the sale of additional barrels exchanged through buy/sell arrangements entered into to enhance the margins of the gathered and bulk-purchased volumes. Segment margin from our gathering and marketing activities is dependent on our ability to sell crude oil and LPG at a price in excess of our aggregate cost. These operations are margin businesses and are not directly affected by the absolute level of prices, but are affected by overall levels of supply and demand for crude oil and LPG and fluctuations in market-related indices. Accordingly, an increase or decrease in revenues is not necessarily an indication of segment performance.

We own and operate approximately 24.0 million barrels of above-ground crude oil terminalling and storage facilities, including a crude oil terminalling and storage facility at Cushing, Oklahoma. Cushing, which we refer to as the Cushing Interchange, is one of the largest crude oil market hubs in the United States and the designated delivery point for New York Mercantile Exchange, or NYMEX, crude oil futures contracts. Terminals are facilities where crude oil is transferred to or from storage or a transportation system, such as a pipeline, to another transportation system, such as trucks or another pipeline. The operation of these facilities is called "terminalling." Approximately 11.0 million barrels of our 24.0 million barrels of tankage is used primarily in our Gathering, Marketing, Terminalling and Storage Operations and the balance is used in our Pipeline Operations segment. On a stand alone basis, segment margin from terminalling and storage activities is dependent on the throughput of volumes, the volume of crude oil stored and the level of fees generated from our terminalling and storage services. Our terminalling and storage activities are integrated with our gathering and marketing activities and the level of tankage that we allocate for our arbitrage activities (and therefore not available for lease to third parties) varies throughout crude oil price cycles. This integration enables us to use our storage tanks in an effort to counter-cyclically balance and hedge our gathering and marketing activities.

As a result of completing our Phase II and III expansions at our Cushing facility, total Cushing tankage dedicated to our Gathering, Marketing, Terminalling and Storage Operations was approximately 1.5 million barrels greater in 2003 relative to 2002. A portion of such tankage was employed in hedging activities related to our gathering and marketing activities in 2003 and the latter portion of 2002.

During 2003, market conditions were extremely volatile as a confluence of several events caused the NYMEX benchmark price of crude oil to fluctuate widely with prices ranging from as high as $39.99 per barrel to as low as $25.04 per barrel. For much of the first eight months of 2003, the crude oil market was in steep backwardation. Although the crude oil market was characterized by high absolute prices in the fourth quarter, the average backwardation for the quarter was in line with a normal crude oil market. These market conditions and volatility, in conjunction with our hedging strategies, enhanced the returns of our gathering and marketing activities. This was partially offset by the negative impact that the August 2003 blackout had on our fourth quarter margins. In contrast, market conditions during 2002 were less favorable as the crude oil market alternated between periods of weak contango and strong backwardation. In 2001, the market alternated between weak contango and weak backwardation.

The following table sets forth our operating results from our Gathering, Marketing, Terminalling and Storage Operations segment for the periods indicated:

	December 31,		
	2003	2002	2001
Operating Results[1] (in millions)			
Revenues	$ 11,985.6	$ 7,921.8	$ 6,528.3
Purchases and related costs	11,799.8	7,765.1	6,383.6
Operating expenses (excluding LTIP charge)	73.3	66.3	73.7
LTIP charge—operations	4.3	—	—
Segment margin	108.2	90.4	71.0
General and administrative expenses (excluding LTIP charge)[2]	31.6	31.5	28.5
LTIP charge—general and administrative	13.5	—	—
Segment profit	$ 63.1	$ 58.9	$ 42.5
Noncash SFAS 133 impact[3]	$ 0.4	$ 0.3	$ 0.2
Maintenance capital	$ 1.2	$ 2.6	$ 2.9
Average Daily Volumes (thousands of barrels per day except as otherwise noted)[4] [5]			
Crude oil lease gathering	437	410	348
Crude oil bulk purchases	90	68	46
Total	527	478	394
Cushing Terminal throughput	208	110	94
Cushing terminal storage leased to third parties, monthly average volumes	1,165	1,067	2,136

(1) Revenue and purchases include intersegment amounts.

(2) G&A expenses reflect direct costs attributable to each segment and an allocation of other expenses to the segments based on the business activities that existed at that time. The proportional allocations by segment require judgment by management and will continue to be based on the business activities that exist during each period.

(3) Amounts related to SFAS 133 are included in revenues and impact segment margin and segment profit.

(4) Volumes associated with acquisitions represent weighted averaged daily amounts for the number of days we actually owned the assets over the total days in the period.

(5) Prior period volumes have been adjusted for consistency of comparison between years.

The following factors contributed to our growth in segment margin during 2003 as compared to 2002:

- the overall counter-cyclical balance of our assets and the flexibility embedded in our business strategy;
- increased tankage available to our gathering and marketing business;
- increased lease gathering volumes;
- the backwardated market structure and volatile market conditions;
- increased sales and higher margins in our LPG activities for the first quarter because of cold weather throughout the U.S. and Canada; and
- appreciation of Canadian currency (the Canadian dollar to U.S. dollar exchange rate appreciated to an average of 1.40 to 1 for the year ended December 31, 2003, from an average of 1.57 to 1 for the year ended December 31, 2002).

As discussed above, 2002 market conditions were characterized by periods of weak contango and strong backwardation. Although these conditions are generally disadvantageous for our gathering and marketing activities, the 2001 market conditions were even less favorable. These market conditions and increased crude oil lease gathering volumes contributed to the growth in our segment margin in 2002 as compared to 2001. The increased volumes resulted

predominantly from the inclusion of the assets acquired in the CANPET acquisition for the entire year in 2002 as compared to only a portion of 2001. The increase in segment margin was also impacted by decreased operating expenses in the 2002 period as compared to the 2001 period as discussed further below.

The increase in earnings we realized from the factors discussed above was also impacted by the items listed in the table below:

	Year Ended December 31,		
	2003	2002	2001
	(in millions)		
Items Impacting Comparability of Segment Margin			
LTIP accrual	$ (4.3)	$ —	$ —
SFAS 133 impact	0.4	0.3	0.2
Writedown of crude oil operating inventory	—	—	(5.0)
Reserve for doubtful accounts	—	—	(2.0)
Total of items impacting comparability of Segment Margin	$ (3.9)	$ 0.3	$ (6.8)

Operating expenses included in segment margin increased to approximately $77.6 million in the year ended December 31, 2003 compared to $66.3 million and $73.7 million for the years ended December 31, 2002 and 2001, respectively. The increase in 2003 includes the $4.3 million LTIP accrual presented above. The remaining increase was partially related to our continued growth, primarily from acquisitions, coupled with increased regulatory compliance activities and higher fuel costs. The decrease in operating expenses in 2002 as compared to 2001 was primarily related to the inclusion in 2001 of a $5.0 million noncash writedown of operating crude oil inventory and a $2.0 million noncash reserve for doubtful accounts. The items discussed above were partially offset by the approximately $3.5 million net favorable impact on segment margin from the decrease in the Canadian dollar to U.S. dollar exchange rate in the 2003 period as compared to the 2002 period.

G&A expenses include the costs directly associated with the segments, as well as a portion of corporate overhead costs considered allocable. See "—Other Income and Expenses—Unallocated G&A Expense." G&A expense increased to $45.1 million in 2003 compared to $31.5 million and

$28.5 million for 2002 and 2001, respectively. Included in the 2003 amount is $13.5 million related to the accrual for the probable vesting of unit grants under our LTIP. The percentage of indirect costs allocated to the Gathering, Marketing, Terminalling and Storage Operations segment has decreased from period to period as our pipeline operations have grown, partially offsetting the impact of the overall increase in G&A resulting from our continued growth. Segment profit of $63.1 million for 2003 includes $3.9 million related to the items impacting comparability listed above as well as an additional $13.5 million of expense related to the probable vesting of unit grants under our LTIP accrual included in G&A expenses. G&A expenses increased in 2002 from 2001 primarily because of increased costs of $5.6 million from the assets acquired in the CANPET acquisition due to the inclusion of those assets for all of 2002 compared to only a portion of 2001. This increase was offset by decreased G&A of $2.6 million from our domestic operations. This decrease was partially related to a reduction in accounting and consulting costs in 2002 from those that had been incurred in 2001. Partially offsetting these items is the approximately $2.4 million favorable impact on segment profit from the decrease in the Canadian dollar to U.S. dollar exchange rate.

For the year ended December 31, 2003, we gathered from producers, using our assets or third-party assets, approximately 437,000 barrels of crude oil per day, compared to 410,000 barrels per day and 348,000 barrels per day for the years ended December 31, 2002 and 2001, respectively. In addition, we purchased in bulk, primarily at major trading locations, approximately 90,000 barrels of crude oil per day in the 2003 period and approximately 68,000 barrels per day and 46,000 barrels per day in the 2002 and 2001 periods, respectively. Storage leased to third parties at our Cushing facility averaged 1.2 million barrels per month in 2003 compared to an average of 1.1 million barrels per month and 2.1 million barrels per month in 2002 and 2001, respectively. Cushing Terminal throughput volumes averaged approximately 208,000 barrels per day for the year ended December 31, 2003, compared to 110,000 barrels per day and 94,000 barrels per day for the years ended December 31, 2002 and 2001, respectively.

Revenues from our gathering, marketing, terminalling and storage operations were approximately $12.0 billion, $7.9 billion and $6.5 billion for the years ended December 31, 2003, 2002 and 2001, respectively. Revenues and purchases for 2003 were impacted by higher average prices and higher crude oil lease gathering volumes in the 2003 period as compared to the 2002 period. The average NYMEX price for crude oil was $31.08 per barrel and $26.10 per barrel for 2003 and 2002, respectively. Revenues and purchases were predominantly impacted by higher crude oil lease gathering volumes in 2002 as compared to 2001, as the average NYMEX price for crude oil in 2001 was $25.98.

Maintenance capital

For the periods ended December 31, 2003, 2002 and 2001, maintenance capital expenditures were approximately $1.2 million, $2.6 million and $2.9 million, respectively for our gathering, marketing, terminalling and storage operations segment. The decrease in 2003 as compared to 2002 and 2001 is primarily because of a reduction in costs associated with information systems and the replacement of a portion of our fleet.

Other Income and Expenses

Unallocated G&A Expenses

Total G&A expenses were $73.0 million, $45.7 million and $46.6 million for the years ended December 31, 2003, 2002 and 2001, respectively. We have included in the above segment discussion the G&A expenses for each of these years that were attributable to our segments either directly or by allocation. During 2002, we were unsuccessful in our pursuit of several sizable acquisition opportunities determined by auction and one negotiated transaction that had advanced

nearly to the execution stage when it was abruptly terminated by the seller. As a result, our 2002 results reflect a $1.0 million charge to G&A expenses associated with the third-party costs of these unsuccessful transactions.

During 2001, we incurred charges of $5.7 million that were not attributable to a segment, related to incentive compensation paid to certain officers and key employees of Plains Resources and its affiliates. In 1998 (in connection with our IPO) and 2000, Plains Resources granted certain officers and key employees of the former general partner the right to earn ownership in a portion of our common units owned by it. These rights provided for vesting over a three-year period, subject to distributions being paid on the common and subordinated units. In connection with the general partner transition in 2001, these rights, as well as grants to directors under our LTIP, vested. This resulted in a charge to our 2001 income of approximately $6.1 million, of which Plains Resources funded approximately 94%. Approximately $5.7 million of the charge was noncash and was not allocated to a segment.

Depreciation and Amortization

Depreciation and amortization expense was $46.8 million for the year ended December 31, 2003, compared to $34.1 million and $24.3 million for the years ended December 31, 2002 and 2001, respectively. The increase in 2003 relates primarily to the inclusion of the assets from the Shell acquisition for the entire year as compared to a portion of 2002. Additionally, several acquisitions were completed during the year along with various capital projects. Amortization of debt issue costs was $3.8 million in 2003, and was essentially unchanged from $3.7 million in 2002.

The increase in 2002 over 2001 consists of approximately $4.1 million related to the inclusion of assets from the Shell acquisition and approximately $3.5 million related to the inclusion of the assets from the Murphy and CANPET acquisitions for all of 2002 compared to only a portion of 2001. The remainder of the increase is related to increased debt issue costs related to the amendment of our credit facilities during 2002 and late 2001, the sale of senior notes in September 2002 and the completion of various capital projects.

Interest Expense

Interest expense was $35.2 million for the year ended December 31, 2003, compared to $29.1 million for both of the years ended December 31, 2002 and 2001, respectively. The increase in 2003 compared to 2002 was primarily related to an increase in the average debt balance during the 2003 period to approximately $525.5 million from approximately $444.6 million in the 2002 period, which resulted in additional interest expense of approximately $5.0 million. The higher average debt balance was primarily due to the portion of the Shell acquisition that was not financed with equity. This debt was outstanding for all of 2003 versus only a portion of 2002. Also, increased commitment and other fees coupled with lower capitalized interest resulted in approximately $2.2 million of the increase in the 2003 period. Our weighted average interest rate decreased slightly during 2003 to 6.0% versus 6.2% in 2002, which decreased our interest expense by approximately $1.1 million. Although the change in our weighted average interest rate was nominal, the change was the net result of various factors that included an increase in the amount of fixed rate, long-term debt, long-term interest rate hedges and declining short-term interest rates. In mid-September 2002, we issued $200 million of ten-year bonds bearing a fixed interest rate of 7.75%. In the fourth quarter of 2002 and the first quarter of 2003, we

entered into hedging arrangements to lock in interest rates on approximately $50 million of its floating rate debt. In addition, the average three-month LIBOR rate declined from approximately 1.8% during 2002 to approximately 1.2% during 2003. The net impact of these factors, increased commitment fees and changes in average debt balances decreased the average interest rate by 0.2%.

Interest expense was relatively flat in the 2002 period as compared to 2001 due to the impact of higher debt levels and commitment fees offset by lower average interest rates and the capitalization of interest. The overall increased average debt balance in 2002 is due to the portion of the Shell acquisition in August 2002 which was not financed with the issuance of equity. During the third quarter of 2001, we issued a $200 million senior secured term B loan, the proceeds of which were used to reduce borrowings under our revolver. As such, our commitment fees on our revolver increased as they are based on unused availability. The lower interest rates in 2002 are due to a decrease in LIBOR and prime rates in the current year. In addition, approximately $0.8 million of interest expense was capitalized during 2002, in conjunction with expansion construction on our Cushing terminal compared to approximately $0.2 million in the 2001 period.

Other

During the fourth quarter of 2003 we completed the refinancing of our bank credit facilities with new senior unsecured credit facilities totaling $750 million and a $200 million uncommitted facility for the purchase of hedged crude oil (See "—Liquidity and Capital Resources—Credit Facilities and Long-term Debt"). In addition, during the third quarter of 2003 we made a $34 million prepayment on our Senior secured term B loan in anticipation of the refinancing. The completion of these transactions resulted in a non-cash charge of approximately $3.3 million associated with the write-off of unamortized debt issue costs.

Outlook

Crude Oil and LPG Inventory. We value our crude oil and LPG inventory at the lower of cost or market, with cost determined using an average cost method. At December 31, 2003 we had approximately 3.7 million barrels of inventory classified as unhedged operating inventory at a weighted average cost of $25.41 per barrel. The lower of cost or market method requires a write down of inventory to the market price at the end of a period in which our weighted average cost exceeds the market price. This method does not allow a write up of the inventory if the market price subsequently increases. We did not have an adjustment in this period. However, future fluctuations in crude oil prices could result in a period end lower of cost or market adjustment.

Ongoing Acquisition Activities. Consistent with our business strategy, we are continuously engaged in discussions with potential sellers regarding the possible purchase by us of midstream crude oil assets. Such acquisition efforts involve participation by us in processes that have been made public, involve a number of potential buyers and are commonly referred to as "auction" processes, as well as situations where we believe we are the only party or one of a very limited number of potential buyers in negotiations with the potential seller. These acquisition efforts often involve assets which, if acquired, would have a material effect on our financial condition and results of operations.

We are currently involved in advanced discussions with a potential seller regarding the purchase by us of crude oil pipeline, terminalling, storage and gathering and marketing assets for an aggregate purchase price, including assumed liabilities and obligations, ranging from $300 million to $400 million. Such transaction is subject to confirmatory due diligence, negotiation of a mutually acceptable definitive purchase and sale agreement, regulatory approval and approval of both our board of directors and that of the seller.

In connection with our acquisition activities, we routinely incur third party costs, which are capitalized and deferred pending final outcome of the transaction. Deferred costs associated with

successful transactions are capitalized as part of the transaction, while deferred costs associated with unsuccessful transactions are expensed at the time of such final determination. We had a total of approximately $0.4 million in deferred costs at December 31, 2003. We estimate that our deferred acquisition costs will increase in the first quarter of 2004 by approximately $0.7 million. We can give no assurance that our current or future acquisition efforts will be successful or that any such acquisition will be completed on terms considered favorable to us.

On December 16, 2003, we entered into a definitive agreement to acquire all of Shell Pipeline Company LP's ("SPLC") interests in two entities. The principal assets of the entities are: (i) an approximate 22% undivided joint interest in the Capline Pipe Line System, and (ii) an approximate 76% undivided joint interest in the Capwood Pipeline System. The Capline Pipeline System is a 667-mile, 40-inch mainline crude oil pipeline originating in St. James, Louisiana, and terminating in Patoka, Illinois. The Capwood Pipeline System is a 57-mile, 20-inch mainline crude oil pipeline originating in Patoka, Illinois, and terminating in Wood River, Illinois.

During 2003, average daily volumes on SPLC's interest in the Capline system were 125,000 barrels, a decrease from an average of 166,000 barrels per day in 2002 and 213,000 barrels per day in 2001. Effective December 1, 2003, SPLC modified its tariff structure in an effort to increase volume shipments on its space. On a month-to-month basis, average daily volumes on this system are subject to significant volatility. Our acquisition analysis assumed that the average daily volumes on the pipelines would be between 110,000 and 125,000 barrels per day, although it is possible that the volumes will decline below those levels.

The total purchase price for the transaction is approximately $158 million (approximately $142 million, net of the deposit paid). We have sufficient immediate availability under our revolving credit facilities to consummate this transaction. Consistent with our financial growth strategy of funding our acquisition growth with a balance of equity and debt, in December 2003, we issued approximately 2.8 million common units in anticipation of the consummation of this acquisition. See "—Liquidity and Capital Resources—Liquidity."

This acquisition is expected to close during the first quarter of 2004. While we believe it is reasonable to expect the acquisition to close in the first quarter of 2004, we can provide no assurance as to when or whether the acquisition will close.

Basin Expansion. In February 2004, we announced plans to expand a 345-mile section of the system. The section to be expanded extends from Colorado City, Texas to our Cushing Terminal. Upon the completion of this estimated $1.1 million expansion, the capacity of this section will increase approximately 15%, from 350,000 barrels per day to approximately 400,000 barrels per day.

OCS Production. In October 2003 Plains Exploration and Production announced that they had received all of the necessary permits to develop a portion of the Rocky Point structure that is accessible from the Point Arguello platforms and it appears that they will commence drilling activities in the second quarter of 2004. Such drilling activities, if successful, are not expected to have a significant impact on pipeline shipments on our All American Pipeline system in 2004. If successful, such incremental drilling activity could lead to increased volumes on our All American Pipeline System in future periods. However, we can give no assurances that our volumes transported would increase as a result of this drilling activity.

Conversion of Subordinated Units and LTIP vesting. In November of 2003, 25% of our outstanding subordinated units converted on a one-for-one basis into common units. During February 2004, the remaining subordinated units converted. As a result, distribution rights are now pari passu among all limited partner units. Further, as a result of these conversions, approximately 326,000 phantom units granted under our LTIP vested in February 2004, and we anticipate that another approximately 473,000 phantom units will vest in May 2004, subject to the satisfaction of service period requirements. We have

accrued the majority of the estimated expense associated with the vesting of these units, however, we expect to incur an additional $1.9 million in the first quarter of 2004 and $0.6 million in the second quarter of 2004 primarily related to amortization of service period requirements. We expect to satisfy the May vesting of phantom units by paying cash for the settlement of approximately 201,000 phantom units in lieu of delivering common units and issuing approximately 181,000 common units (after netting for taxes) to satisfy the remainder of the vesting. See Item 11. "Executive Compensation—Long-Term Incentive Plan."

FERC Quarterly Reporting. On February 11, 2004 the FERC issued the final rules on quarterly reporting with, among other things, the addition of the FERC Form No. 6-Q Quarterly Financial Reporting of Oil Pipeline Companies. Our first filing will be due on July 23, 2004. The rules as finalized differ from the original proposal, and we are still analyzing the potential costs associated with compliance. It does not appear at this point that such costs will have a material effect on our financial condition or results of operations, but will add incrementally to our overall regulatory compliance costs.

Sarbanes-Oxley Act and New SEC Rules. Several regulatory and legislative initiatives were introduced in 2002 and 2003 in response to developments during 2001 and 2002 regarding accounting issues at large public companies, resulting disruptions in the capital markets and ensuing calls for action to prevent repetition of those events. Implementation of reforms in connection with these initiatives have added and will add to the costs of doing business for all publicly-traded entities, including the Partnership. These costs will have an adverse impact on future income and cash flow.

Longer Term Outlook. The partnership's longer-term outlook, spanning a period of five or more years, is influenced by many factors affecting the North American crude oil sector. Some of the more significant trends and factors include:

1. Continued overall depletion of U.S. crude oil production.

2. The continuing convergence of worldwide crude oil supply and demand lines.

3. Aggressive practices in the U.S. to maintain working crude oil inventory levels below historical levels.

4. Industry compliance with the Department of Transportation's adoption of the American Petroleum Institute's standard 653 for testing and maintenance of storage tanks, which will require significant investments to maintain existing crude oil inventory capacity or, alternatively, will result in a reduction of existing inventory capacity by 2009.

5. The introduction of increased crude oil production from North American supplies (primarily Canadian oil sands and deepwater Gulf of Mexico sources) that will, of economic necessity, compete for U.S markets currently being supplied by non-North American foreign crude imports.

We believe the collective impact of these trends, factors and developments, many of which are beyond our control, will result in an increasingly volatile crude oil market that is subject to more frequent short-term swings in market prices and shifts in market structure. In an environment of reduced inventories and tight supply and demand balances, even relatively minor supply disruptions can cause significant price swings. Conversely, despite a relatively balanced market on a global basis, competition within a given region of the U.S. could cause downward pricing pressure and significantly impact regional crude oil price differentials among crude oil grades and locations. Although we believe our business strategy is designed to manage these trends, factors and potential developments and that we are strategically positioned to benefit from certain of these developments, there can be no assurance that we will not be negatively affected.

Liquidity and Capital Resources

Liquidity

Cash generated from operations and our credit facilities are our primary sources of liquidity. At December 31, 2003, we had a working capital deficit of approximately $68.9 million and approximately $596.8 million of availability under our committed revolving credit facilities and approximately $100 million of availability under the hedged inventory facility. We completed several transactions in the fourth quarter of 2003 that increased our borrowing capacity and enhanced our liquidity position as of December 31, 2003. In November 2003, we refinanced our senior secured credit facilities with new senior unsecured credit facilities totaling $750 million and a $200 million uncommitted, senior secured facility for the purchase of hedged crude oil. We also completed the sale of $250 million of 5.625% senior notes in December of 2003, the proceeds of which were used to pay down outstanding balances on our revolving credit facilities. See "—Credit Facilities and Long-Term Debt." In addition, in anticipation of a potential pending acquisition, during December 2003, we completed a public offering of 2,840,800 common units priced at $31.94 per unit. Net proceeds from the offering, including our general partner's proportionate capital contribution and expenses associated with the offering, were approximately $88.4 million and were used to pay down outstanding balances on our revolving credit facilities.

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

Cash Flows

Cash flows for the years ended December 31, 2003, 2002 and 2001 were as follows:

	Year Ended December 31,		
	2003	2002	2001
	(in millions)		
Cash provided by (used in):			
Operating activities	$ 68.5	$ 173.9	$ (30.0)
Investing activities	(225.3)	(363.8)	(249.5)
Financing activities	157.2	189.5	279.5

Operating Activities. Cash generated by our operations (calculated as net income plus: (i) depreciation and amortization, (ii) the noncash portion of the LTIP charge and (iii) the noncash loss on the refinancing of debt) was approximately $137.6 million for 2003. Approximately $46.8 million of this cash was used for linefill requirements, $6.2 million was used for payments of terminated interest rate swaps and approximately $16.1 million (net) was used for accounts receivable, accounts payable, inventory and other purposes, resulting in approximately $68.5 million of net cash provided by operating activities for 2003.

Approximately $21.1 million of the increase in 2002 as compared to 2001 is due to an increase in net income, predominantly related to our acquisitions completed in April and July 2001 and August 2002. The remainder of the increase is due to changes in working capital items related to the following: (i) the collection of approximately $9.1 million of amounts that had been outstanding primarily since 1999 and 2000; (ii) the collection of prepayments due to the increase in credit risk associated with certain counter-parties; and (iii) the sale of hedged crude oil inventory purchased in 2001 and 2002 and the related changes in accounts receivable and accounts payable. In addition to the hedged inventory transactions having a positive effect on cash provided by operating activities for the year ended December 31, 2002, similar transactions had a negative effect on the year ended December 31, 2001 as the inventory was being purchased and stored, thus resulting in an even larger variance when comparing the two periods.

Investing Activities. Net cash used in investing activities in 2003, 2002 and 2001 consisted predominantly of cash paid for acquisitions. Net cash used in 2003 was $225.3 million and was comprised of (i) an aggregate $152.6 million paid primarily for ten acquisitions completed during 2003, (ii) a $15.8 million deposit paid on the potential pending acquisition from Shell Pipeline Company; see "Acquisitions", (iii) proceeds of approximately $8.5 million from sales of assets, and (iv) $65.4 million paid for additions to property and equipment, including $19.2 million related to the construction of crude oil gathering and transmission lines in West Texas. Net cash used in 2002 was $363.8 million and was comprised of (i) an aggregate $324.6 million paid for three acquisitions completed during 2002; see "Acquisitions", and (ii) $40.6 million paid for additions to property and equipment, primarily related to our Cushing expansion and

the construction of the Marshall terminal in Canada. Net cash used in 2001 was $249.5 million and was comprised of (i) an aggregate $229.2 million paid for three acquisitions completed during 2001; see "Acquisitions", and (ii) $21.1 million paid for additions to property and equipment.

Financing Activities. Cash provided by financing activities in 2003 consisted primarily of $499.7 million of net proceeds from the issuance of common units and senior unsecured notes, used primarily to fund capital projects and acquisitions and pay down outstanding balances on our revolving credit facilities and senior term loans. Net repayments of our short-term and long-term revolving credit facilities and related senior term loans were $215.4 million. In addition, $121.8 million of distributions were paid to our unitholders and general partner. Cash provided by financing activities in 2002 consisted of approximately $344.6 million of net proceeds from the issuance of common units and senior unsecured notes, used primarily to fund capital projects and acquisitions and pay down outstanding balances on the revolving credit facility. Net repayments of our short-term and long-term revolving credit facilities during 2002 were $49.9 million. In addition, $99.8 million of distributions were paid to our unitholders and general partner during the year ended December 31, 2002.

Cash provided by financing activities in 2001 consisted primarily of net short-term and long-term borrowings of $134.3 million, proceeds from the issuance of common units of $227.5 million, and the payment of $75.9 million in distributions to our unitholders and general partner.

Universal Shelf

We have filed with the Securities and Exchange Commission a universal shelf registration statement that, subject to effectiveness at the time of use, allows us to issue from time to time up to an aggregate of $700 million of debt or equity securities. At December 31, 2003, we have approximately $165 million of remaining availability under this registration statement.

Credit Facilities and Long-term Debt

During December 2003, we completed the sale of $250 million of 5.625% senior notes due December 2013. The notes were issued by us and a 100% owned finance subsidiary (neither of which

have independent assets or operations) at a discount of $0.7 million, resulting in an effective interest rate of 5.66%. Interest payments are due on June 15 and December 15 of each year. The notes are fully and unconditionally guaranteed, jointly and severally, by all of our existing 100% owned subsidiaries, except for subsidiaries that are minor.

During November 2003, we refinanced our bank credit facilities with new senior unsecured credit facilities totaling $750 million and a $200 million uncommitted facility for the purpose of financing hedged crude oil. The $750 million of new facilities consist of:

- a four-year, $425 million U.S. revolving credit facility;
- a 364-day, $170 million Canadian revolving credit facility with a five-year term-out option;
- a four-year, $30 million Canadian working capital revolving credit facility; and
- a 364-day, $125 million revolving credit facility.

All of the facilities with the exception of the $200 million hedged inventory facility are unsecured. The $200 million hedged inventory facility is an uncommitted working capital facility, which will be used to finance the purchase of hedged crude oil inventory for storage when market conditions warrant. Borrowings under the hedged inventory facility will be secured by the inventory purchased under the facility and the associated accounts receivable, and will be repaid with the proceeds from the sale of such inventory.

Our credit facilities, the indenture governing the 5.625% senior notes and the indenture governing the 7.75% senior notes contain cross default provisions. Our credit facilities prohibit distributions on, or purchases or redemptions of, units if any default or event of default is continuing. In addition, the agreements contain various covenants limiting our ability to, among other things:

- incur indebtedness if certain financial ratios are not maintained;
- grant liens;
- engage in transactions with affiliates;
- enter into sale-leaseback transactions;
- sell substantially all of our assets or enter into a merger or consolidation.

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

- an interest coverage ratio that is not less than 2.75 to 1.0; and
- a debt coverage ratio which will not be greater than 4.5 to 1.0 on all outstanding debt and 5.25 to 1.0 on all outstanding debt during an acquisition period (generally, the period consisting of three fiscal quarters following an acquisition greater than $50 million).

For covenant compliance purposes, letters of credit and borrowings to fund hedged inventory and margin requirements are excluded when calculating the debt coverage ratio.

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

The average life of our long-term debt capitalization at December 31, 2003, was approximately 9 years. At the end of the year we had approximately $25.3 million of short-term working capital borrowings outstanding under our $425 million U.S. revolving credit facility, no amounts outstanding under our $125 million, 364-day revolving credit facility, no amounts outstanding under our $30 million

Canadian working capital revolving credit facility, approximately $70.0 million outstanding under our $170 million Canadian revolving credit facility that matures in 2009, $200 million of senior notes that mature in 2012 and $250 million of senior notes that mature in 2013.

Contingencies

Industry Credit Markets and Accounts Receivable. Throughout the latter part of 2001 and all of 2002, there were significant disruptions and extreme volatility in the financial markets and credit markets. Because of the credit intensive nature of the energy industry and extreme financial distress at several large, diversified energy companies, the energy industry was especially impacted by these developments. We believe that these developments have created an increased level of direct and indirect counterparty credit and performance risk.

The majority of our credit extensions relate to our gathering and marketing activities that can generally be described as high volume and low margin activities. In our credit approval process, we make a determination of the amount, if any, of the line of credit to be extended to any given customer and the form and amount of financial performance assurances we require. Such financial assurances are commonly provided to us in the form of standby letters of credit, advance cash payments or "parental" guarantees. At December 31, 2003, we had received approximately $44.0 million of advance cash payments and prepayments from third parties to mitigate credit risk.

Export License Matter. In our gathering and marketing activities, we import and export crude oil from and to Canada. Exports of crude oil are subject to the short supply controls of the Export Administration Regulations ("EAR") and must be licensed by the Bureau of Industry and Security (the "BIS") of the U.S. Department of Commerce. We have determined that we may have exceeded the quantity of crude oil exports authorized by previous licenses. Export of crude oil in excess of the authorized amounts is a violation of the EAR. On October 18, 2002, we submitted to the BIS an initial notification of voluntary disclosure. The BIS subsequently informed us that we could continue to export while previous exports were under review. We applied for and have received a new license allowing for exports of volumes more than adequately reflecting our anticipated needs. On October 2, 2003, we submitted additional information to the BIS. At this time, we have received no indication whether the BIS intends to charge us with a violation of the EAR or, if so, what penalties would be assessed. As a result, we cannot estimate the ultimate impact of this matter.

Alfons Sperber v. Plains Resources Inc., et. al. On December 18, 2003, a putative class action lawsuit was filed in the Delaware Chancery Court, New Castle County, entitled *Alfons Sperber v. Plains Resources Inc., et al.* This suit, brought on behalf of a putative class of Plains All American Pipeline, L.P. common unit holders, asserts breach of fiduciary duty and breach of contract claims against the Partnership, Plains AAP, L.P., and Plains All American GP LLC and its directors, as well as breach of fiduciary duty claims against Plains Resources Inc. and its directors. The complaint seeks to enjoin or rescind a proposed acquisition of all of the outstanding stock of Plains Resources Inc., as well as declaratory relief, an accounting, disgorgement and the imposition of a constructive trust, and an award of damages, fees, expenses and costs, among other things. The Partnership intends to vigorously defend this lawsuit.

Pipeline and Storage Regulation. Some of our petroleum pipelines and storage tanks in the United States are subject to regulation by the U.S. Department of Transportation ("DOT") with respect to the design, installation, testing, construction, operation, replacement and management of pipeline and tank facilities. In addition, we must permit access to and copying of records, and must make certain reports available and provide information as required by the Secretary of Transportation. Comparable regulation exists in Canada and in some states in which we conduct intrastate common carrier or private pipeline operations. See Items 1 and 2. "—Business and Properties—Regulation—Pipeline and Storage Regulation."

Regulatory compliance costs include those related to pipeline integrity management (these are recurring expenses estimated to be approximately $1.8 million in 2004) and the adoption by the DOT of API 653 as the standard for the inspection, repair, alteration and reconstruction of jurisdictional storage tanks (these are recurring expenses estimated to be approximately $2 million in 2004). We will continue to refine our estimates as information from initial assessments becomes available. Asset acquisitions are an integral part of our business strategy. As we acquire additional assets we may be required to incur additional costs in order to ensure that the acquired assets comply with pipeline integrity regulations and API 653 standards. The timing of such additional costs is uncertain and could vary materially from our current projections.

The DOT is currently considering expanding the scope of its pipeline regulation to include certain gathering pipeline systems that are not currently subject to regulation. This expanded scope would likely include the establishment of additional pipeline integrity management programs for these newly regulated pipelines. The DOT is in the initial stages of evaluating this initiative and we do not currently know what, if any, impact this will have on our operating expenses. However, we cannot assure you that future costs related to the potential programs will not be material.

Other. A pipeline, terminal or other facility may experience damage as a result of an accident or natural disaster. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. We maintain insurance of various types that we consider adequate to cover our operations and properties. The insurance covers our assets in amounts considered reasonable. The insurance policies are subject to deductibles that we consider reasonable and not excessive. Our insurance does not cover every potential risk associated with operating pipelines, terminals and other facilities, including the potential loss of significant revenues. The trend appears to be a contraction in the breadth and depth of available coverage, while costs, deductibles and retention levels have increased. Absent a material favorable change in the insurance markets, this trend is expected to continue as we continue to grow and expand. As a result, we anticipate that we will elect to self-insure more of our activities. See Items 1 and 2. "Business and Properties—Operational Hazards and Insurance."

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

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

Capital Requirements

We have made and will continue to make capital expenditures for acquisitions and expansion and maintenance capital. Historically, we have financed these expenditures primarily with cash generated by operations, credit facility borrowings, the issuance of senior unsecured notes and the sale of additional common units.

We expect to spend approximately $51.2 million on expansion capital projects during 2004. These projects include $22.5 million on upgrades related to prior acquisitions, $10.0 million on the Cushing Phase IV expansion, $6.0 million on the Iatan System expansion, $4.5 million on information systems related projects and $8.2 million on other operations projects. In addition to these expansion projects, we expect to spend approximately $142.2 million for the pending acquisition of interests in the Capline

and Capwood Pipeline systems ($158.0 million including the $15.8 million deposit made in December 2003). In April 2004, we will make the contingent payment related to the CANPET acquisition, as discussed in Note 7—"Partners' Capital and Distributions" in the "Notes to the Consolidated Financial Statements." We also estimate we will spend approximately $11.7 million in maintenance capital during 2004.

Commitments

Contractual Obligations. In the ordinary course of doing business we enter into various contractual obligations for varying terms and amounts. The following table includes our non-cancellable contractual obligations as of December 31, 2003, and our best estimate of the period in which the obligation will be settled (in millions):

	2004	2005	2006	2007	2008	Thereafter	Total
Long-term debt	$ —	$ —	$ —	$ —	$ —	$ 520.0	$ 520.0
Operating leases[1]	12.7	11.2	8.8	5.3	2.8	0.7	41.5
Capital expenditure obligations[2]	154.7	—	—	—	—	—	154.7
Other long-term liabilities[3][4]	10.9	3.2	1.2	0.6	0.4	0.7	17.0
Total	$ 178.3	$ 14.4	$ 10.0	$ 5.9	$ 3.2	$ 521.4	$ 733.2

(1) Operating leases are primarily for office rent and trucks used in our gathering activities.

(2) Includes approximately $142.2 million for the Capline Acquisition.

(3) Approximately $10.9 million of the balance is related to the portion of our LTIP accrual that we anticipate settling with units in 2004.

(4) Excludes approximately $11.0 million non-current liability related to SFAS 133.

In addition to the items in the table above, we have entered into various operational commitments and agreements related to pipeline operations and to the marketing, transportation, terminalling and storage of crude oil and the marketing and storage of LPG. The majority of these contractual commitments are for the purchase of crude oil and LPG that are made under contracts that range in term from a thirty-day evergreen to three years. A substantial portion of the contracts that extend beyond thirty days include cancellation provisions that allow us to cancel the contract with thirty days written notice. From time to time, we also enter into various types of sale and exchange transactions including fixed price delivery contracts, floating price collar arrangements, financial swaps and crude oil futures contracts as hedging devices. Through these transactions, we seek to maintain a position that is substantially balanced between crude oil and LPG purchases and sales and future delivery obligations. The volume and prices of these purchase and sale contracts are subject to market volatility and fluctuate with changes in the NYMEX price of crude oil from period to period. During 2003, these purchases averaged approximately $1.0 billion per month.

Letters of Credit. In connection with our crude oil marketing, we provide certain suppliers and transporters with irrevocable standby letters of credit to secure our obligation for the purchase of crude oil. Our liabilities with respect to these purchase obligations are recorded in accounts payable on our balance sheet in the month the crude oil is purchased. Generally, these letters of credit are issued for up to seventy-day periods and are terminated upon completion of each transaction. At December 31, 2003, we had outstanding letters of credit of approximately $57.9 million.

Distributions. We will distribute 100% of our available cash within 45 days after the end of each quarter to unitholders of record and to our general partner. Available cash is generally defined as all cash and cash equivalents on hand at the end of the quarter less reserves established by our general partner for future requirements. On February 13, 2004, we paid a cash distribution of $0.5625 per unit

on all outstanding units. The total distribution paid was approximately $35.2 million, with approximately $28.7 million paid to our common unitholders, $4.2 million paid to our subordinated unitholders and $2.3 million paid to our general partner for its general partner ($0.7 million) and incentive distribution interests ($1.6 million).

Our general partner is entitled to incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement. Under the quarterly incentive distribution provisions, our general partner is entitled, without duplication, to 15% of amounts we distribute in excess of $0.450 per limited partner unit, 25% of amounts we distribute in excess of $0.495 per limited partner unit and 50% of amounts we distribute in excess of $0.675 per limited partner unit. We paid $4.4 million to the general partner in incentive distributions in 2003. See Item 13. "Certain Relationships and Related Transactions—Our General Partner."

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined by Item 307 of Regulation S-K.

Risk Factors Related to Our Business

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

A significant portion of our segment margin is derived from pipeline transportation margins associated with the Santa Ynez and Point Arguello fields located offshore California. We expect that there will continue to be natural production declines from each of these fields as the underlying reservoirs are depleted. A 5,000 barrel per day decline in volumes shipped from these fields would result in a decrease in annual pipeline tariff revenues of approximately $3.3 million. In addition, any production disruption from these fields due to production problems, transportation problems or other reasons would have a material adverse effect on our business.

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

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

The profitability of our pipeline operations depends on the volume of crude oil shipped by third parties.

Third party shippers generally do not have long-term contractual commitments to ship crude oil on our pipelines. A decision by a shipper to substantially reduce or cease to ship volumes of crude oil on our pipelines could cause a significant decline in our revenues. For example, an average 10,000 barrel per day variance in the Basin Pipeline System, equivalent to an approximate 4% volume variance on that pipeline system, would result in an approximate $0.8 million change in annualized segment margin.

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

Our operating results are dependent upon securing additional supplies of crude oil from increased production by oil companies and aggressive lease gathering efforts. The ability of producers to increase production is dependent on the prevailing market price of oil, the exploration and production budgets

of the major and independent oil companies, the depletion rate of existing reservoirs, the success of new wells drilled, environmental concerns, regulatory initiatives and other matters beyond our control. There can be no assurance that production of crude oil will rise to sufficient levels to cause an increase in the throughput on our pipeline and gathering assets.

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

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

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

Our competitors include other crude oil pipelines, the major integrated oil companies, their marketing affiliates, and independent gatherers, brokers and marketers of widely varying sizes, financial resources and experience. Some of these competitors have capital resources many times greater than ours and control greater supplies of crude oil. A $0.01 per barrel variance in the aggregate average segment margin would have an approximate $2.0 million annual effect on segment margin.

Newly acquired properties could expose us to environmental liabilities and increased regulatory compliance costs.

Our business plan calls for a continuing acquisition program. Assets that we have acquired or may acquire in the future will likely have associated environmental liabilities, as well as required compliance with regulations such as the integrity maintenance program for regulated pipelines and the API 653 standard for regulated storage. Although we attempt to identify such exposures and address the associated costs through indemnities, purchase price adjustments or insurance, we may experience costs not covered by indemnity, insurance or reserves.

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

To maintain the volumes of crude oil we purchase, we must continue to contract for new supplies of crude oil to offset volumes lost because of natural declines in crude oil production from depleting wells or volumes lost to competitors. Replacement of lost volumes of crude oil is particularly difficult in an environment where production is low and competition to gather available production is intense. Generally, because producers experience inconveniences in switching crude oil purchasers, such as delays in receipt of proceeds while awaiting the preparation of new division orders, producers typically do not change purchasers on the basis of minor variations in price. Thus, we may experience difficulty acquiring crude oil at the wellhead in areas where there are existing relationships between producers and other gatherers and purchasers of crude oil. We estimate that a 5,000 barrel per day decrease in barrels gathered by us would have an approximate $1.1 million per year negative impact on segment margin. This impact is based on a reasonable margin throughout various market conditions. Actual margins vary based on the location of the crude oil, the strength or weakness of the market and the grade or quality of crude oil.

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

There can be no assurance that we have adequately assessed the credit-worthiness of our existing or future counter-parties or that there will not be an unanticipated deterioration in their credit worthiness, which could have an adverse impact on us.

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

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

Generally, it is our policy that as we purchase crude oil, we establish a margin by selling crude oil for physical delivery to third party users, such as independent refiners or major oil companies, or by entering into a future delivery obligation under futures contracts on the NYMEX and over-the-counter. Through these transactions, we seek to maintain a position that is substantially balanced between purchases, on the one hand, and sales or future delivery obligations, on the other hand. Our policy is not to acquire and hold crude oil, futures contracts or derivative products for the purpose of speculating on price changes. We discovered in November 1999 that this policy was violated by one of our former employees, which resulted in aggregate losses of approximately $181.0 million. We have taken steps within our organization to enhance our processes and procedures to detect future unauthorized trading. We cannot assure you, however, that these steps will detect and prevent all violations of our trading policies and procedures, particularly if deception or other intentional misconduct is involved.

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

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

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

Our Canadian pipeline assets are subject to federal and provincial regulation.

Our Canadian pipeline assets are subject to regulation by the National Energy Board and by provincial agencies. With respect to a pipeline over which it has jurisdiction, each of these agencies has the power to determine the rates we are allowed to charge for transportation on such pipeline. The extent to which regulatory agencies can override existing transportation contracts has not been fully decided.

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

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

Fluctuations in Demand can Negatively Affect our Operating Results.

Fluctuations in demand for crude oil, such as caused by refinery downtime or shutdown, can have a negative effect on our operating results. Specifically, reduced demand in an area serviced by our transmission systems will negatively affect the throughput on such systems. Although the negative impact may be mitigated or overcome by our ability to capture differentials created by demand fluctuations, this ability is dependent on location and grade of crude oil, and thus is unpredictable.

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

Because distributions on the common units are dependent on the amount of cash we generate, distributions may fluctuate based on our performance. The actual amount of cash that is available to be distributed each quarter will depend on numerous factors, some of which are beyond our control and the control of the general partner. Cash distributions are dependent primarily on cash flow, including cash flow from financial reserves and working capital borrowings, and not

solely on profitability, which is affected by non-cash items. Therefore, cash distributions might be made during periods when we record losses and might not be made during periods when we records profits.

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

As of December 31, 2003, our total outstanding long-term debt was approximately $519.0 million. Our payment of principal and interest on the debt will reduce the cash available for distribution on the units. Various limitations in our indebtedness may reduce our ability to incur additional debt, to engage in some transactions and to capitalize on business opportunities. Any subsequent refinancing of our current indebtedness or any new indebtedness could have similar or greater restrictions.

Changes in currency exchange rates and foreign currency restrictions and shortages could adversely affect our operating results.

Because we conduct operations outside the U.S., we are exposed to currency fluctuations and exchange rate risks that may adversely affect our results of operations. In addition, legal restrictions or shortages in currencies outside the U.S. may prevent us from converting sufficient local currency to enable us to comply with our currency placement obligations not denominated in local currency or to meet our operating needs and debt service requirements.

Our tax treatment depends on our status as a partnership for federal income tax purposes, as well as our not being subject to entity-level taxation by states. If the IRS treats us as a corporation or we become subject to entity-level taxation for state tax purposes, it would substantially reduce distributions to our unitholders and our ability to make payments on our debt securities.

The after-tax economic benefit of an investment in the common units depends largely on our being treated as a partnership for federal income tax purposes. If we were classified as a corporation for federal income tax purposes, we would pay federal income tax on our income at the corporate rate. Some or all of the distributions made to unitholders would be treated as dividend income, and no income, gains, losses or deductions would flow through to unitholders. Treatment of us as a corporation would cause a material reduction in the anticipated cash flow and after-tax return to the unitholders,

likely causing a substantial reduction in the value of the common units. Moreover, treatment of us as a corporation would materially and adversely affect our ability to make payments on our debt securities.

In addition, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, the cash available for distribution to you would be reduced. The partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, then the minimum quarterly distribution and the target distribution levels will be decreased to reflect that impact on us.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risks***

We are exposed to various market risks, including volatility in (i) crude oil and LPG commodity prices, (ii) interest rates and (iii) currency exchange rates. We utilize various derivative instruments to manage such exposure. Our risk management policies and procedures are designed to monitor interest rates, currency exchange rates, NYMEX and over-the-counter positions, and physical volumes, grades, locations and delivery schedules to ensure our hedging activities address our market risks. We have a risk management function that has direct responsibility and authority for our risk policies and our trading controls and procedures and certain aspects of corporate risk management. To hedge the risks discussed above we engage in price risk management activities that we categorize by the risks we are hedging. The following discussion addresses each category of risk.

Commodity Price Risk

We hedge our exposure to price fluctuations with respect to crude oil and LPG in storage, and expected purchases, sales and transportation of these commodities. The derivative instruments utilized consist primarily of futures and option contracts traded on the NYMEX and over-the-counter transactions, including crude oil swap and option contracts entered into with financial institutions and other energy companies (see Note 5 to our consolidated financial statements for a discussion of the mitigation of credit risk). Our policy is to purchase only crude oil for which we have a market, and to structure our sales contracts so that crude oil price fluctuations do not materially affect the segment margin we receive. Except for the controlled trading program discussed below, we do not acquire and hold crude oil futures contracts or other derivative products for the purpose of speculating on crude oil price changes that might expose us to indeterminable losses.

While we seek to maintain a position that is substantially balanced within our crude oil lease purchase and LPG activities, we may experience net unbalanced positions for short periods of time as a result of production, transportation and delivery variances as well as logistical issues associated with inclement weather conditions. In connection with managing these positions and maintaining a constant presence in the marketplace, both necessary for our core business, we engage in a controlled trading program for up to an aggregate of 500,000 barrels of crude oil and an aggregate of 250,000 barrels of LPG.

In order to hedge margins involving our physical assets and manage risks associated with our crude oil purchase and sale obligations, we use derivative instruments, including regulated futures and options transactions, as well as over-the-counter instruments. In analyzing our risk management activities, we draw a distinction between enterprise-level risks and trading-related risks. Enterprise-level risks are those that underlie our core businesses and may be managed based on whether there is value in doing so. Conversely, trading-related risks (the risks involved in trading in the hopes of generating an increased return) are not inherent in the core business; rather, those risks arise as a result of engaging in the trading activity. We have a Risk Management Committee that approves all new risk management

strategies through a formal process. With the partial exception of the controlled trading program, our approved strategies are intended to mitigate enterprise-level risks that are inherent in our core businesses of gathering and marketing and storage.

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

All of our open commodity price risk derivatives at December 31, 2003 were categorized as non-trading. The fair value of these instruments and the change in fair value that would be expected from a 10 percent price decrease are shown in the table below (in millions):

	Fair Value	Effect of 10% Price Decrease
Crude oil:		
Futures contracts	$ 7.5	$ (6.4)
Swaps and options contracts	$ (3.3)	$ 2.2
LPG:		
Futures contracts	$ —	$ —
Swaps and options contracts	$ (0.7)	$ 0.9

The fair values of the futures contracts are based on quoted market prices obtained from the NYMEX. The fair value of the swaps and option contracts are estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at year end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. The assumptions in these estimates as well as the source is maintained by the independent risk control function. All hedge positions offset physical exposures to the cash market; none of these offsetting physical exposures are included in the above table. Price-risk sensitivities were calculated by assuming an across-the-board 10 percent decrease in price regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an actual 10 percent change in prompt month crude prices, the fair value of our derivative portfolio would typically change less than that shown in the table due to lower volatility in out-month prices.

Interest Rate Risk

We utilize both fixed and variable rate debt, and are exposed to market risk due to the floating interest rates on our credit facilities. Therefore, we utilize interest rate swaps and collars to hedge interest obligations on specific debt issuances, including anticipated debt issuances. The table below presents principal payments and the related weighted average interest rates by expected maturity dates for variable rate debt outstanding at December 31, 2003. The 7.75% senior notes issued during 2002 and the 5.625% senior notes issued during 2003 are fixed rate notes and their interest rates are not subject to market risk. Our variable rate debt bears interest at LIBOR, prime or the bankers acceptance plus the applicable margin. The average interest rates presented below are based upon rates

in effect at December 31, 2003. The carrying values of the variable rate instruments in our credit facilities approximate fair value primarily because interest rates fluctuate with prevailing market rates.

	Expected Year of Maturity						
	2004	2005	2006	2007	2008	Thereafter	Total
	(in millions)						
Liabilities:							
Short-term debt—variable rate	$ 125.8	$ —	$ —	$ —	$ —	$ —	$ 125.8
Average interest rate	2.3%	—	—	—	—	—	2.3%
Long-term debt—variable rate	$ —	$ —	$ —	$ —	$ —	$ 70.0	$ 70.0
Average interest rate	—	—	—	—	—	2.2%	2.2%

Interest rate swaps are used to hedge underlying interest payment obligations. We estimate the fair value of these instruments based on current termination values. These instruments hedge interest rates on specific debt issuances and qualify for hedge accounting. The interest rate differential is reflected as an adjustment to interest expense over the life of the instruments.

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

	Year of Maturity				
	2004	2005	2006	2007	Total
Interest rate swaps	$ (0.4)	$ —	$ —	$ —	$ (0.4)

At December 31, 2003, an interest rate swap with an aggregate notional principal amount of $50 million was outstanding. The interest rate swap is based on LIBOR rates and provides for a LIBOR rate of 4.3% for a $50.0 million notional principal amount expiring March 2004. Interest on the underlying debt being hedged is based on LIBOR plus a margin.

Currency Exchange Risk

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

Because a significant portion of our Canadian business is conducted in Canadian dollars, we use certain financial instruments to minimize the risks of changes in the exchange rate. These instruments include forward exchange contracts, forward extra option contracts and cross currency swaps. Additionally, at times, a portion of our debt is denominated in Canadian dollars. At December 31, 2003, we did not have any Canadian dollar debt. All of the financial instruments utilized are placed with large creditworthy financial institutions.

At December 31, 2003, we had forward exchange contracts that allow us to exchange $2.0 million Canadian for at least $1.5 million U.S. quarterly during 2004 (based on a Canadian dollar to U.S. dollar exchange rate of 1.33 to 1) and $1.0 million Canadian for at least $0.7 million U.S. quarterly during 2005 (based on a Canadian dollar to U.S. dollar exchange rate of 1.34 to 1). At December 31, 2003, we also had cross currency swap contracts for an aggregate notional principal amount of $23.0 million effectively converting this amount of our U.S. dollar denominated debt to $35.6 million of Canadian dollar debt (based on a Canadian dollar to U.S. dollar exchange rate of 1.55 to 1). The notional principal amount reduces by $2.0 million U.S. in May 2004 and May 2005 and has a final maturity in May 2006 ($19.0 million U.S.).

We estimate the fair value of these instruments based on current termination values. The table shown below summarizes the fair value of our foreign currency hedges by year of maturity (in millions):

	Year of Maturity				
	2004	2005	2006	2007	Total
Forward exchange contracts	$ (0.3)	$ (0.1)	$ —	$ —	$ (0.4)
Cross currency swaps	(1.0)	(0.7)	(3.1)	—	(4.8)
Total	$ (1.3)	$ (0.8)	$ (3.1)	$ —	$ (5.2)

Item 8. ***Financial Statements and Supplementary Data***

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

Item 9. ***Changes In and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

We maintain written "disclosure controls and procedures," which we refer to as our "DCP." The purpose of our DCP is to provide reasonable assurance that (i) information is recorded, processed, summarized and reported in time to allow for timely disclosure of such information in accordance with the securities laws and SEC regulations and (ii) information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosure. Our DCP is incremental to our system of internal accounting controls designed to comply with the requirements of Section 13(b)(2) of the Exchange Act.

Applicable SEC rules require an evaluation of the effectiveness of the design and operation of our DCP, as of December 31, 2003, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Management (including our Chief Executive Officer and Chief Financial Officer) has evaluated the effectiveness of the design and operation of our DCP as of December 31, 2003, and has found our DCP to be effective in providing reasonable assurance of the timely recording, processing, summarization and reporting of information, and in accumulation and communication of information to management to allow for timely decisions with regard to required disclosure.

In addition to the information concerning our DCP, we are required to disclose certain changes in our internal control over financial reporting. There was no change in our internal control over financial reporting that occurred during the fourth quarter of 2003 and that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The certifications of our Chief Executive Officer and Chief Financial Officer pursuant to Exchange Act rules 13a-14(a) and 15d-14(a) are filed with this report as exhibits 31.1 and 31.2. The certifications of our Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350 are furnished with this report as exhibits 32.1 and 32.2.

PART III

Item 10. ***Directors and Executive Officers of Our General Partner***

Partnership Management and Governance

As is the case with many publicly traded partnerships, we do not directly have officers, directors or employees. Our operations and activities are managed by the general partner of our general partner, Plains All American GP LLC, which employs our management and operational personnel. References to our general

partner, unless the context otherwise requires, include Plains All American GP LLC. References to our officers, directors and employees are references to the officers, directors and employees of Plains All American GP LLC (or, in the case of our Canadian operations, PMC (Nova Scotia) Company).

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

Our partnership agreement provides that the general partner will manage and operate the partnership and that, unlike holders of common stock in a corporation, unitholders will have only limited voting rights on matters affecting our business or governance. Specifically, the partnership agreement defines "Board of Directors" to mean the board of directors of Plains All American GP LLC, which is elected by the members of Plains All American GP LLC, and not by the unitholders. Thus, the corporate governance of Plains All American GP LLC is, in effect, the corporate governance of the Partnership, subject in all cases to any specific unitholder rights contained in the partnership agreement. Because we are a limited partnership, the new listing standards of the New York Stock Exchange, when effective, will not require that we or our general partner have a majority of independent directors or a nominating or compensation committee of the board of directors.

We have an audit committee that reviews our external financial reporting, engages our independent auditors and reviews the adequacy of our internal accounting controls. The Board of Directors has determined that (i) each member of our audit committee is "independent" under applicable New York Stock Exchange Rules and (ii) that each member of our audit committee is an "Audit Committee Financial Expert," as that term is defined in Item 401 of Regulation S-K. The members of our audit committee and other committees are indicated in the table below.

In determining the independence of the members of our audit committee, the Board of Directors considered the relationships described below:

Mr. Everardo Goyanes, the Chairman of our Audit Committee, is the Chief Executive Officer of Liberty Energy Corporation ("LEC"), a subsidiary of Liberty Mutual Insurance Company. Mr. Goyanes is an employee of Liberty Mutual Insurance Company. LEC makes investments in producing properties, from some of which Plains Marketing, L.P. buys the production. LEC does not operate the properties in which it invests. Plains Marketing pays the same amount per barrel to LEC that it pays to other interest owners in the properties. In 2003, the amount paid to LEC by Plains Marketing was approximately $1,085,000 ($974,000 net of severance taxes),

Mr. J. Taft Symonds, a member of our Audit Committee, is a director and the non-executive Chairman of the Board of Tetra Technologies, Inc. ("Tetra"). A subsidiary of Tetra owns crude oil producing properties, from some of which Plains Marketing buys the production. We paid approximately $7.9 million to the Tetra subsidiary in 2003. Mr. Symonds is also a director of Plains Resources Inc., with whom Plains Marketing has a marketing arrangement. We paid approximately

$25.7 million to Plains Resources in 2003, and recognized gross margin of approximately $0.2 million. Mr. Symonds is not an officer of Tetra or Plains Resources, and does not participate in operational decision-making, including decisions concerning selection of crude oil purchasers or entering into sales or marketing arrangements.

We have a compensation committee, which reviews and makes recommendations regarding the compensation for the executive officers and administers our equity compensation plans for officers and key employees. We have a finance committee that advises and assists management with respect to financial matters. We also have a governance committee that is reviewing and revising our governance practices as appropriate in light of recent governance reform initiatives. In addition, our partnership agreement provides for the establishment/activation of a conflicts committee as circumstances warrant to review conflicts of interest between us and our general partner or the owners of our general partner. We currently have a standing conflicts committee consisting of two members who are not officers or employees of our general partner or directors, officers or employees of its affiliates. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our general partner of any duties owed to us or our unitholders.

We have adopted a Code of Ethics for Senior Financial Officers. That code is available on our website.

Report of the Audit Committee

The audit committee of Plains All American GP LLC, acting in its capacity as the general partner of Plains All American Pipeline, L.P. (the "Partnership"), oversees the Partnership's financial reporting process on behalf of the board of directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls.

In fulfilling its oversight responsibilities, the audit committee reviewed and discussed with management the audited financial statements contained in this Annual Report on Form 10-K.

The Partnership's independent public accountants, PricewaterhouseCoopers LLP, are responsible for expressing an opinion on the conformity of the audited financial statements with generally accepted accounting principles. The audit committee reviewed with PricewaterhouseCoopers LLP their judgment as to the quality, not just the acceptability, of the Partnership's accounting principles and such other matters as are required to be discussed with the audit committee under generally accepted auditing standards.

The audit committee discussed with PricewaterhouseCoopers LLP the matters required to be discussed by SAS 61 (Codification of Statement on Auditing Standards, AU § 380), as may be modified or supplemented. The committee received written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board No. 1, *Independence Discussions with Audit Committees*, as may be modified or supplemented, and has discussed with PricewaterhouseCoopers LLP its independence from management and the Partnership.

Based on the reviews and discussions referred to above, the audit committee recommended to the board of directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2003 for filing with the SEC.

Everardo Goyanes, Chairman

Arthur L. Smith

J. Taft Symonds

Directors and Executive Officers

The following table sets forth certain information with respect to the executive officers and members of the Board of Directors of our general partner. Directors will serve until August 2004, and will be elected annually thereafter. Certain owners of our general partner each have the right to separately designate a member of our board. Such designees are indicated in the footnote to the following table.

Name	Age	Position with Our General Partner
Greg L. Armstrong(1)	45	Chairman of the Board, Chief Executive Officer and Director
Harry N. Pefanis	46	President and Chief Operating Officer
Phillip D. Kramer	48	Executive Vice President and Chief Financial Officer
George R. Coiner	53	Senior Group Vice President
W. David Duckett	49	President—PMC (Nova Scotia) Company
Mark F. Shires	46	Senior Vice President—Operations
Alfred A. Lindseth	34	Senior Vice President—Technology, Process & Risk Management
Jim G. Hester	44	Vice President—Acquisitions
Tim Moore	46	Vice President, General Counsel and Secretary
Tina L. Val	35	Vice President—Accounting and Chief Accounting Officer
Everardo Goyanes	59	Director and Member of Audit* and Conflicts Committees
Gary R. Petersen(1)	57	Director and Member of Compensation Committee*
John T. Raymond(1)	33	Director and Member of Finance Committee
Robert V. Sinnott(1)	54	Director and Member of Finance and Compensation Committees
Arthur L. Smith	51	Director and Member of Audit, Conflicts*, Governance* and Compensation Committees
J. Taft Symonds(1)	64	Director and Member of Finance*, Governance and Audit Committee

* Indicates chairman of committee

(1) The Amended and Restated Limited Liability Company Agreement of Plains All American GP LLC (the "LLC Agreement") specifies that the Chief Executive Officer of the general partner will be a member of the board of directors. The LLC Agreement also provides that certain of the owners of our general partner have the right to designate a member of our board of directors. Mr. Petersen has been designated by E-Holdings III, L.P., an affiliate of EnCap Investments L.P., of which he is a Managing Director. Mr. Raymond has been designated by Sable Investments, L.P., in which Mr. Raymond indirectly owns a limited partner interest. Sable Investments, L.P. is controlled by James M. Flores, the Executive Chairman of Plains Resources and also the Chairman and Chief Executive Officer of Plains Exploration and Production. Mr. Sinnott has been designated by KAFU Holdings, L.P., which is affiliated with Kayne Anderson Investment Management, Inc., of which he is a Vice President. Mr. Symonds has been designated by Plains Resources, of which he is a director. See Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters—Beneficial Ownership of General Partner Interest."

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

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

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

George R. Coiner has served as Senior Group Vice President since February 2004 and as Senior Vice President from our formation to February 2004. In addition, he was Vice President of Plains Marketing & Transportation Inc., a former midstream subsidiary of Plains Resources from November 1995 until our formation in 1998. Prior to joining Plains Marketing & Transportation Inc., he was Senior Vice President, Marketing with Scurlock Permian Corp.

W. David Duckett has been President of PMC (Nova Scotia) Company since June 2003, and Executive Vice President of PMC (Nova Scotia) Company from July 2001 to June 2003. Mr. Duckett was previously with CANPET Energy Group Inc. since 1985, where he served in various capacities, including most recently

as President, Chief Executive Officer and Chairman of the Board.

Mark F. Shires has served as Senior Vice President—Operations since June 2003 and as Vice President—Operations from August 1999 to June 2003. He served as Manager of Operations from April 1999 to August 1999. In addition, he was a business consultant from 1996 until April 1999. He served as a consultant to Plains Marketing & Transportation Inc. and Plains All American Pipeline, LP from May 1998 until April 1999. He previously served as President of Plains Terminal & Transfer Corporation, a former midstream subsidiary of Plains Resources, from 1993 to 1996.

Alfred A. Lindseth has served as Senior Vice President—Technology, Process & Risk Management since June 2003 and as Vice President—Administration from March 2001 to June 2003. He served as Risk Manager from March 2000 to March 2001. He previously served PricewaterhouseCoopers LLP in its Financial Risk Management Practice section as a Consultant from 1997 to 1999 and as Principal Consultant from 1999 to March 2000. He also served GSC Energy, an energy risk management brokerage and consulting firm, as Manager of its Oil & Gas Hedging Program from 1995 to 1996 and as Director of Research and Trading from 1996 to 1997.

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

Tim Moore has served as Vice President, General Counsel and Secretary since May 2000. In addition, he was Vice President, General Counsel and Secretary of Plains Resources from May 2000 to May 2001. Prior to joining Plains Resources, he served in various positions, including General

Counsel—Corporate, with TransTexas Gas Corporation from 1994 to 2000. He previously was a corporate attorney with the Houston office of Weil, Gotshal & Manges LLP. Mr. Moore also has seven years of energy industry experience as a petroleum geologist.

Tina L. Val has served as Vice President—Accounting and Chief Accounting Officer since June 2003. She served as Controller from April 2000 until she was elected to her current position. From January 1998 to January 2000, Ms. Val served as a consultant to Conoco de Venezuela S.A. She previously served as Senior Financial Analyst for Plains Resources from October 1994 to July 1997.

Everardo Goyanes has served as a director of our general partner or former general partner since May 1999. Mr. Goyanes has been President and Chief Executive Officer of Liberty Energy Holdings LLC (an energy investment firm) since May 2000. From 1999 to May 2000, he was a financial consultant specializing in natural resources. From 1989 to 1999, he was Managing Director of the Natural Resources Group of ING Barings Furman Selz (a banking firm). He was a financial consultant from 1987 to 1989 and was Vice President—Finance of Forest Oil Corporation from 1983 to 1987. Mr. Goyanes received a BA in Economics from Cornell University and a Masters degree in Finance (honors) from Babson Institute.

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

John T. Raymond has served as a director since June 2001. Mr. Raymond has served as President and Chief Executive Officer of Plains Resources Inc. since December 2002 and is President and Chief Operating Officer of Plains Exploration and Production. Prior thereto, Mr. Raymond served as Executive Vice President and Chief Operating Officer of Plains Resources from May 2001 to November 2001 and President and Chief Operating Officer since November 2001. He was Director of Corporate Development of Kinder Morgan, Inc. from January 2000 to May 2001. He served as Vice President of Corporate Development of Ocean Energy, Inc. from April 1998 to January 2000. He was Vice President of Howard Weil Labouisse Friedrichs, Inc. from 1992 to April 1998.

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

Arthur L. Smith has served as a director of our general partner or former general partner since February 1999. Mr. Smith is Chairman and CEO of John S. Herold, Inc. (a petroleum research and consulting firm), a position he has held since 1984. From 1976 to 1984 Mr. Smith was a securities analyst with Argus Research Corp., The First Boston Corporation and Oppenheimer & Co., Inc. Mr. Smith has prior public board experience with Pioneer Natural Resources and Cabot Oil & Gas Corporation and is a current director of Evergreen Resources, Inc. Mr. Smith holds the CFA designation. Mr. Smith received a BA from Duke University and an MBA from NYU's Stern School of Business.

J. Taft Symonds has served as a director since June 2001. Mr. Symonds has been Chairman of the Board of Symonds Trust Co. Ltd. (an investment firm) and Chairman of the Board of Maurice Pincoffs Company, Inc. (an international marketing firm) since 1978. He is also Chairman of the Board of Tetra Technologies, Inc. (an oilfield services firm) and a director of Plains Resources Inc. Mr. Symonds has a background in both investment and commercial banking. Mr. Symonds received a BA from Stanford University and an MBA from Harvard.

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

Name	Age	Position with Our General Partner/Canadian General Partner

Management Team/Other Officers:		
A. Patrick Diamond	31	Manager—Special Projects
Lawrence J. Dreyfuss	49	Vice President, Associate General Counsel and Assistant Secretary; Vice President, General Counsel and Secretary of PMC (Nova Scotia) Company (the general partner of Plains Marketing Canada, L.P.)
Al Swanson	40	Vice President and Treasurer
Troy Valenzuela	43	Vice President—Environmental, Health and Safety
John P. vonBerg	49	Vice President—Trading
Canadian Officers:		
D. Mark Alenius	44	Vice President and Chief Financial Officer of PMC (Nova Scotia) Company
Ralph R. Cross	49	Vice President—Business Development of PMC (Nova Scotia) Company
Ronald H. Gagnon	46	Vice President—Operations of PMC (Nova Scotia) Company
M.D. (Mike) Hallahan	43	Vice President—Crude Oil of PMC (Nova Scotia) Company
Ron F. Wunder	36	Vice President—LPG of PMC (Nova Scotia) Company

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

Lawrence J. Dreyfuss has served as Vice President, Associate General Counsel and Assistant Secretary of our general partner since February 2004 and as Associate General Counsel and Assistant Secretary of our general partner from June 2001 to February 2004 and held a senior management position in the Law Department since May 1999. In addition, he was a Vice President of Scurlock Permian LLC from 1987 to 1999.

Al Swanson has served as Vice President and Treasurer since February 2004 and as Treasurer from May 2001 to February 2004. In addition, he held several finance-related positions at Plains Resources including Treasurer from February 2001 to May 2001 and Director of Treasury from November 2000 to February 2001. Prior to joining Plains Resources, he served as Treasurer of Santa Fe Snyder Corporation from 1999 to October 2000 and in various capacities at Snyder Oil Corporation including Director of Corporate Finance from 1998, Controller—SOCO Offshore, Inc. from 1997, and Accounting Manager from 1992. Mr. Swanson began his career with Apache Corporation in 1986 serving in internal audit and accounting.

Troy Valenzuela has served as Vice President—Environmental, Health and Safety, or EH&S, since July 2002, and has had oversight responsibility for the environmental, safety and regulatory compliance

efforts of the partnership and its predecessors for the last 10 years. He was Director of EH&S with Plains Resources from January 1996 to June 2002, and Manager of EH&S from July 1992 to December 1995. Prior to his time with Plains Resources, Mr. Valenzuela spent seven years with Chevron USA Production Company in various EH&S roles.

John P. vonBerg has served as Vice President of Trading since May 2003 and Director of these activities since joining us in January of 2002. He was with Genesis Energy in differing capacities as a Director, Vice Chairman, President and CEO from 1996 through 2001, and from 1992 to 1996 he served as a Vice President and a Crude Oil Manager for Phibro Energy USA. Mr. VonBerg began his career with Marathon Oil Company, spending 13 years in various disciplines.

D. Mark Alenius has served as Vice President and Chief Financial Officer of PMC (Nova Scotia) Company since November 2002. In addition, Mr. Alenius was Managing Director, Finance of PMC (Nova Scotia) Company from July 2001 to November 2002. Mr. Alenius was previously with CANPET Energy Group Inc. where he served as Vice President, Finance, Secretary and Treasurer, and was a member of the Board of Directors. Mr. Alenius joined CANPET in February 2000. Prior to joining CANPET Energy, Mr. Alenius briefly served as Chief Financial Officer of Bromley-Marr ECOS Inc., a manufacturing and processing company, from January to July 1999. Mr. Alenius was previously with Koch Industries, Inc.'s Canadian group of businesses, where he served in various capacities, including most recently as Vice-President, Finance and Chief Financial Officer of Koch Pipelines Canada, Ltd.

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

Ronald H. Gagnon has been Vice President, Operations of PMC (Nova Scotia) Company since January 2004, Managing Director, Information and Transportation Services from June 2003 to January 2004 and Director, Information Services from July 2001 to May 2003. Mr. Gagnon was previously with CANPET Energy Group Inc. since 1987, where he served in various capacities, including Vice President, Producer Services.

M.D. (Mike) Hallahan has served as Vice President, Crude Oil of PMC (Nova Scotia) Company since February 2004 and Managing Director, Facilities from July, 2001 to February, 2004. He was previously with CANPET Energy Group inc. where he served in various capacities since 1996, most recently General Manager, Facilities.

Ron F. Wunder has served as Vice President, LPG of PMC (Nova Scotia) Company since February 2004 and as Managing Director, Crude Oil from July 2001 to February 2004. He was previously with CANPET Energy Group Inc. since 1992, where he served in various capacities, including most recently as General Manager, Crude Oil.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities and Exchange Act of 1934 requires directors, officers and persons who beneficially own more than ten percent of a registered class of our equity securities to file with the SEC and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of such equity securities. Such persons are also required to furnish us with copies of all Section 16(a) forms that they file. Based solely upon a review of the copies of Forms 3, 4 and 5 furnished to us, or written representations from certain reporting persons that no Forms 5 were required, we believe that our officers and directors complied with all filing requirements with respect to transactions in our equity securities during 2003, except as follows: Mr. Petersen filed an Amended

Form 4 to amend two previous Forms 4 that were otherwise timely filed. Mr. Petersen reported two acquisitions of indirect beneficial ownership of 1,250 units on June 8, 2002 and June 8, 2003,

respectively, by the transfer of such units to EnCap Energy Capital Fund III, L.P., which is controlled by EnCap Investments L.P., of which Mr. Petersen is a Managing Director. Mr. Petersen disclaims beneficial ownership of such units.

Item 11. ***Executive Compensation***

Summary Compensation Table

The following table sets forth certain compensation information for our Chief Executive Officer and the four other most highly compensated executive officers in 2003 (the "Named Executive Officers"). Messrs. Armstrong, Pefanis and Kramer were compensated by Plains Resources prior to July 2001. However, we reimburse our general partner and its affiliates (and, for a portion of 2001, we reimbursed our former general partner and its affiliates, which included Plains Resources) for expenses incurred on our behalf, including the costs of officer compensation allocable to us. The Named Executive Officers have also received certain equity-based awards from our general partner and from our former general partner and its affiliates, which awards (other than awards under the Long-Term Incentive Plan) are not subject to reimbursement by us. See "—Long-Term Incentive Plan" and Item 13. "Certain Relationships and Related Transactions—Transactions with Related Parties."

		Annual Compensation			Long-Term Compensation
Name and Principal Position	Year	Salary	Bonus	Other Compensation	LTIP Payout
Greg L. Armstrong	2003	$ 330,000	$ 1,000,000	$ 12,000(2)	$ —
Chairman and CEO	2002	330,000	600,000	11,000(2)	
	2001	165,000(1)	450,000	(1) (2)	
Harry N. Pefanis	2003	$ 235,000	$ 800,000	$ 12,000(2)	$ 452,400
President and COO	2002	235,000	475,000	11,000(2)	
	2001	117,500(1)	350,000	(1) (2)	
Phillip D. Kramer	2003	$ 200,000	$ 500,000	$ 12,000(2)	$ —
Executive V.P. and CFO	2002	200,000	275,000	11,000(2)	
	2001	100,000(1)	100,000	(1) (2)	
George R. Coiner	2003	$ 200,000	$ 719,600(3)	$ 12,000(2)	$ 226,200
Senior Vice President	2002	200,000	451,000(4)	11,000(2)	
	2001	175,000	430,100(5)	10,500(2)	
W. David Duckett(6)	2003	$ 190,658	$ 724,883	$ —	$ —
President—PMC (Nova Scotia) Company	2002	$ 163,891	$ 270,070	$ —	$ —
	2001	$ 80,020	$ 15,182	$ —	$ —

(1) Salary amounts shown for the year 2001 reflect compensation paid by our general partner and reimbursed by us for the last six months of 2001. Until July 2001, Messrs. Armstrong, Pefanis and Kramer were employed and compensated by Plains Resources, which owned our former general partner. We reimbursed Plains Resources for the portion of their compensation allocable to us. In 2001, approximately $218,000, $655,000 and $127,000 was reimbursed to our former general partner and its affiliates for salary and bonus (for the year 2000) for the services of Messrs. Armstrong, Pefanis and Kramer, respectively. See Item 13. "Certain Relationships and Related Transactions—Transactions with Related Parties."

(2) Prior to the transfer of a majority of our general partner interest in 2001 (the "General Partner Transition"), Plains Resources matched 100% of employees' contribution to its 401(k) Plan (subject to certain limitations in the plan), with such matching contribution being made 50% in cash and 50% in Plains Resources Common Stock (the number of shares for the stock match being based on the market value of the Common Stock at

the time the shares were granted). After the General Partner Transition, our general partner matches 100% of employees' contributions to its 401(k) Plan in cash, subject to certain limitations in the plan.

(3) Includes quarterly bonuses aggregating $469,600 and an annual bonus of $250,000. The annual bonus is payable 60% in 2004, 20% in 2005 and 20% in 2006.

(4) Includes quarterly bonuses aggregating $361,000 and an annual bonus of $90,000. The annual bonus was paid 60% in 2003, and will be paid 20% in 2004 and 20% in 2005.

(5) Includes quarterly bonuses aggregating $310,100 and an annual bonus of $120,000. The annual bonus was paid 60% in 2002, and 20% in 2003, and 20% will be paid in 2004.

(6) Salary and bonus for Mr. Duckett are presented in U.S. dollar equivalent, based on the exchange rates in effect on the dates payments were made. Mr. Duckett commenced employment on July 1, 2001.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

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

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

Long-Term Incentive Plan

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

Restricted Unit Plan. A restricted unit is a "phantom" unit that entitles the grantee to receive, upon the vesting of the phantom unit, a common unit (or cash equivalent, depending on the terms of the grant). As discussed in more detail below, a substantial number of phantom units have recently vested or are expected to vest in the first half of 2004. As of February 17, 2004, giving effect to vested grants, grants of approximately 684,000 unvested phantom units remain outstanding to employees, officers and directors of our general partner. As discussed below, a substantial portion of these phantom units are expected to vest in May 2004. The Compensation Committee may, in the future, make additional grants under the plan to employees and directors containing such terms as the Compensation Committee shall determine.

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

The phantom units (other than director grants) granted during the subordination period were subject to the basic restriction that vesting could take place only after and in proportion to any conversion of subordinated units into common units. Certain grants were subject to additional vesting criteria, primarily related to the Partnership's performance. In November 2003, 25% of the outstanding subordinated units converted on a one-for-one basis into common units and the remainder of our subordinated units converted into common units in February 2004. As a result, approximately 35,000 phantom units vested in November 2003, approximately 326,000 phantom units vested in February 2004, and we anticipate that another approximately 473,000 additional phantom units will vest in May 2004, subject to the satisfaction of service period requirements.

We paid cash in lieu of issuing units for approximately 111,000 of the phantom units that have vested to date. We have issued approximately 156,000 new common units (after netting for taxes) in satisfaction of vesting. We anticipate paying cash for approximately 201,000 of the phantom units expected to vest in May, as well as approximately 181,000 new common units (after netting for taxes) in connection with such vesting. As a result of the vesting of these awards, we recognized an expense of approximately $7.4 million as of September 30, 2003 and an expense of approximately $28.8 million as

of December 31, 2003. Based on a probability assessment combined with an amortization of service period, we anticipate recognizing an expense of $1.9 million and $0.6 million in the first and second quarters of 2004.

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

In 2000, the three non-employee directors of our former general partner (Messrs. Goyanes, Sinnott and Smith) were each granted 5,000 phantom units. These units vested and were paid in connection with the consummation of the General Partner Transition. Additional grants of 5,000 phantom units were made in 2002 to each non-employee director of our general partner. These units vest and are payable in 25% increments on each anniversary of June 8, 2001. The first and second vestings took place on June 8, 2002 and June 8, 2003. See "—Compensation of Directors."

The following table shows the recent vesting of phantom units granted to the Named Executive Officers.

		November 2003 Vesting		February 2004 Vesting		May-04 Vesting (anticipated)		Remaining Unvested Grants[3]	
Name	Total Units	Units	Value[1]	Units	Value[1]	Units	Value[2]	Units	Value[2]
Greg L. Armstrong	70,000	—	—	17,500	$ 551,250	17,500	$ 568,050	35,000	$ 1,136,100
Harry N. Pefanis	70,000	15,000	$ 452,400	47,500	$ 1,511,550	2,500	$ 81,150	5,000	$ 162,300
Phillip D. Kramer	50,000	—	—	12,500	$ 393,750	12,500	$ 405,750	25,000	$ 811,500
George R. Coiner	67,500	7,500	$ 226,200	31,875	$ 1,028,869	9,375	$ 304,313	18,750	$ 608,625
W. David Duckett	—	—	—	—	—	—	—	—	—

(1) As of vesting date.

(2) Calculated as if vested and delivered, at a market value of $32.46 at the market close, on December 31, 2003.

(3) With respect to remaining grants, vesting is contingent upon the Partnership achieving specified distribution thresholds. For such remaining grants, 50% of the units require an annualized per unit distribution of $2.30 and 50% require an annualized distribution level of $2.50.

Unit Option Plan. The Unit Option Plan under our LTIP currently permits the grant of options covering common units. No grants have been made under the Unit Option Plan to date. However, the Compensation Committee may, in the future, make grants under the plan to employees and directors containing such terms as the committee shall determine, provided that unit options have an exercise price equal to the fair market value of the units on the date of grant.

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

Other Equity Grants

Certain other employees and officers have also received grants of equity not associated with the LTIP described above, and for which we have no cost or reimbursement obligations. See Item 13. "Certain Relationships and Related Transactions—Transactions with Related Parties."

Compensation of Directors

Each director of our general partner who is not an employee of our general partner is currently paid an annual retainer fee of $45,000, plus reimbursement for out-of-pocket expenses related to meeting attendance. In 2001, Messrs. Goyanes and Smith each received $10,000 for their service on a special committee of the Board of Directors of our former general partner. Mr. Armstrong is otherwise compensated for his services as an employee and therefore receives no separate compensation for his services as a director. Each committee chairman (other than the Audit Committee) receives $2,000 annually. The chairman of the Audit Committee receives $30,000 annually, and the other members of the Audit Committee receive $15,000 annually. Mr. Petersen assigns any compensation he receives in his capacity as a director to EnCap Energy Capital Fund III, L.P., which is controlled by EnCap Investments L.P., of which Mr. Petersen is a Managing Director.

In 2000, Messrs. Goyanes, Sinnott and Smith, as directors of our former general partner, received a grant of 5,000 phantom units each under our LTIP. The phantom units vested and were paid in 2001 in connection with the consummation of the General Partner Transition. Each non-employee director of our general partner received a grant of 5,000 phantom units in 2002. The units vest and are payable in 25% increments annually on each anniversary of June 8, 2001. The first and second vestings occurred on June 8, 2002 and June 8, 2003.

Reimbursement of Expenses of our General Partner and its Affiliates

We do not pay our general partner a management fee, but we do reimburse our general partner for all expenses incurred on our behalf, including the costs of employee, officer and director compensation and benefits, as well as all other expenses necessary or appropriate to the conduct of our business. The partnership agreement provides that our general partner will determine the expenses that are allocable to us in any reasonable manner determined by our general partner in its sole discretion. Prior to July 1, 2001, an allocation was made for overhead associated with officers and employees who divided time between us and Plains Resources. As a result of the General Partner Transition, all of the employees and officers of the general partner devote 100% of their efforts to our business and there are no allocated expenses. See Item 13. "Certain Relationships and Related Transactions."

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Unitholders' Matters***

Beneficial Ownership of Limited Partner Units

Our common units and Class B common units outstanding represent 98% of our equity (limited partner interest). The 2% general partner interest is discussed separately below under the caption "Beneficial Ownership of General Partner Interest." The following table sets forth the beneficial ownership of limited partner units held by beneficial owners of 5% or more of the units, by directors and Named Executive Officers of our general partner and by all directors and executive officers as a group as of February 17, 2004.

Name of Beneficial Owner	Common Units	Percentage of Common Units	Class B Common Units	Percentage of Class B Units	Percentage of Total Limited Partner Units[3]
Plains Resources Inc.[1][2]	11,087,912	19.4%	1,307,190	100.0%	21.20%
Greg L. Armstrong	170,000[4][5][6]	(7)	—	—	(7)
Harry N. Pefanis	129,689[5][6]	(7)	—	—	(7)
George R. Coiner	54,651[5][6]	(7)	—	—	(7)
Phillip D. Kramer	61,285[5][6]	(7)	—	—	(7)
W. David Duckett	—[8]	—	—	—	—
Everardo Goyanes	6,200	(7)	—	—	(7)
Gary R. Petersen[9]	1,550	(7)	—	—	(7)
John T. Raymond[10]	114,971	—	—	—	(7)
Robert V. Sinnott[11]	12,500	(7)	—	—	(7)
Arthur L. Smith	12,500	(7)	—	—	(7)
J. Taft Symonds	12,500	(7)	—	—	(7)
All directors and executive officers as a group (16 persons)	625,635[5][6]	1.1%	—	—	1.2%

(1) Plains Resources Inc. is the sole stockholder of Plains Holdings Inc., our former general partner. The record holder of the Class B Common Units is Plains Holdings Inc. The record holder of the common units is Plains Holdings II Inc., a wholly owned subsidiary of Plains Holdings Inc. The address of Plains Resources Inc., Plains Holdings Inc. and Plains Holdings II Inc. is 700 Milam, Suite 3100, Houston, Texas 77002.

(2) Includes common units owned by Plains Resources, to be transferred to certain of our employees (former Plains Resources employees), subject to certain vesting conditions. See "Certain Relationships and Related Transactions—Transactions with Related Parties—Stock Option Replacement."

(3) Limited partner units constitute 98% of our equity, with the remaining 2% held by our general partner. The beneficial ownership of our general partner is set forth in the table below under the caption "Beneficial Ownership of General Partner Interest." Giving effect to its indirect ownership of a portion of our general partner, Plains Resources Inc. owns approximately 21.7% of our total equity.

(4) Does not include the approximately 446,000 common units owned by our general partner, held for the purpose of satisfying its obligations under the Performance Option Plan. See Item 13. "Certain Relationships and Related Transactions—Transactions with Related Parties—Performance Option Plan." Mr. Armstrong disclaims any beneficial ownership of such units beyond his rights as a grantee under the plan.

(5) Does not include unvested phantom units granted under the LTIP, none of which will vest within 60 days of the date hereof. A substantial number of phantom units are expected to vest in early May of 2004. See Item 11. "Executive Compensation—Long-Term Incentive Plan."

Table continued on following page.

(6) Includes the following vested, unexercised options to purchase common units. Mr. Armstrong: 18,750; Mr. Pefanis: 13,750; Mr. Coiner: 10,625; Mr. Kramer: 11,250; directors and officers as a group: 66,875. See Item 13. "Certain Relationships and Related Transactions—Transactions with Related Parties—Performance Option Plan."

(7) Less than one percent.

(8) In April 2004, we anticipate making a contingent purchase price payment relating to our CANPET acquisition. This payment may be made in cash or common units. Mr. Duckett, as an owner of CANPET, will receive 37.8% of any common units issued. See Note 7 of "Notes to Consolidated Financial Statements."

(9) See note 1 to the table of Directors and Executive Officers under "—Directors and Executive Officers." Mr. Petersen disclaims any deemed beneficial ownership of any units owned by E-Holdings III, L.P. or other affiliates of EnCap Investments L.P. beyond his pecuniary interest. The address for E-Holdings III, L.P. is 1100 Louisiana, Suite 3150, Houston, Texas 77002.

(10) Units include 97,171 units contributed to Sable Holdings, L.P. by John T. Raymond in exchange for a limited partner interest. Mr. Raymond has the right to reacquire such units. See note 1 to the table of Directors and Executive Officers under "—Directors and Executive Officers." Mr. Raymond disclaims any deemed beneficial ownership of any units (other than the 97,171 units mentioned above) held by Sable Holdings, L.P. or its affiliates or Plains Resources or its affiliates.

(11) See note 1 to the table of Directors and Executive Officers under "—Directors and Executive Officers." Mr. Sinnott disclaims any deemed beneficial ownership of any units held by KAFU Holdings, L.P. or its affiliates, other than through his 4.5% limited partner interest in KAFU Holdings, L.P. The address for KAFU Holdings, L.P. is 1800 Avenue of the Stars, 2nd Floor, Los Angeles, California 90067.

Beneficial Ownership of General Partner Interest

Plains AAP, L.P. owns all of our 2% general partner interest and all of our incentive distribution rights. The following table sets forth the effective ownership of Plains AAP, L.P. (after giving effect to proportionate ownership of its 1% general partner, Plains All American GP LLC).

Name and Address of Owner	Percentage Ownership of Plains AAP, L.P.
Plains Resources Inc.[1] 700 Milam, Suite 3100 Houston, TX 77002	44.000%
Sable Investments, L.P.[2] 700 Milam, Suite 3100 Houston, TX 77002	20.000%
KAFU Holdings, L.P.[3] 1800 Avenue of the Stars, 2nd Floor Los Angeles, CA 90067	16.418%
E-Holdings III, L.P.[4] 1100 Louisiana, Suite 3150 Houston, TX 77002	9.000%
Table continued on following page.	

PAA Management, L.P.[5] 333 Clay Street, #1600 Houston, TX 77002	4.000%
Wachovia Investors, Inc. 301 South College Street, 12th Floor Charlotte, NC 28288	3.382%
Mark E. Strome 100 Wilshire Blvd., Suite 1500 Santa Monica, CA 90401	2.134%
Strome Hedgecap Fund, L.P. 100 Wilshire Blvd., Suite 1500 Santa Monica, CA 90401	1.066%

(1) Plains Resources Inc. is the sole stockholder of Plains Holdings Inc., which owns 44% of the equity of our general partner. Sable Investments, L.P. has entered into a voting agreement with Plains Holdings Inc. pursuant to which Sable has agreed to exercise Sable's right to designate a director under the Amended and Restated Limited Liability Company Agreement of Plains All American GP LLC by designating its director in accordance with instructions from Plains Holdings. See Note 1 to the Directors and Executive Officers table under "—Directors and Executive Officers." The agreement is limited to such designations and the obligation to vote in favor of such designee.

(2) John T. Raymond has the right to acquire a 1% interest in our general partner from Sable Investments, L.P. See Note 1 to the Directors and Executive Officers table under "—Directors and Executive Officers." Mr. Raymond disclaims any deemed beneficial ownership of the interests held by Plains Resources Inc. or Sable Investments, L.P. beyond such right.

(3) See Note 1 to the Directors and Executive Officers table under "—Directors and Executive Officers." Mr. Sinnott disclaims any deemed beneficial ownership of the interests owned by KAFU Holdings, L.P. other than through his 4.5% limited partner interest in KAFU Holdings, L.P.

(4) See Note 1 to the Directors and Executive Officers table under "—Directors and Executive Officers." Mr. Petersen disclaims any deemed beneficial ownership of the interests owned by E-Holdings III, L.P. beyond his pecuniary interest.

(5) PAA Management, L.P. is owned entirely by certain members of senior management, including Messrs. Armstrong (approximately 27%), Pefanis (approximately 15%), Kramer (approximately 10%) and Coiner (approximately 10%). Other than Mr. Armstrong, no directors own any interest in PAA Management, L.P. Directors and executive officers as a group own approximately 80% of PAA Management, L.P. Mr. Armstrong disclaims any beneficial ownership of the general partner interest owned by Plains AAP, L.P., other than through his ownership interest in PAA Management, L.P.

On November 20, 2003, Plains Resources (which owns all of the equity of Plains Holdings Inc.) announced that it had received a proposal from Vulcan Capital, along with James C. Flores and John T. Raymond, to acquire all of Plains Resources' outstanding stock for $14.25 per share in cash. Vulcan Capital is an investment vehicle for investor Paul G. Allen. Plains Resources also announced that its board of directors had formed a special committee to evaluate the proposal. On December 1, 2003, Vulcan and Messrs. Allen, Flores and Raymond filed a Schedule 13D with the Securities and Exchange Commission in connection with the proposed buyout. On February 19, 2004, Plains Resources announced that the special committee of its board of directors had recommended

that the board of directors accept a revised offer of $16.75 per share. The February 19 announcement further indicated that Plains Resources' board of directors had accepted the special committee's recommendation,

approved a merger agreement and recommended that shareholders vote in favor of the transaction. Prior to the November announcement, we have received assurances from Mr. Flores, Mr. Raymond and representatives of Vulcan that if the proposed buyout is consummated, there is no intent to merge or otherwise combine the interests of Plains Holdings Inc. and Sable Investments, L.P. We cannot predict whether the stockholders of Plains Resources will approve the transaction or whether a competing transaction may be offered or considered.

Equity Compensation Plan Information

Plan Category	Number of units to be issued upon exercise/vesting of outstanding options, warrants and rights*	Weighted average exercise price of outstanding options, warrants and rights	Number of units remaining available for future issuance under equity compensation plans*
	(a)	(b)	(c)
Equity compensation plans approved by unitholders:			
1998 Long Term Incentive Plan	956,588(1)	N/A(2)	(1)(3)
Equity compensation plans not approved by unit holders:			
1998 Long Term Incentive Plan	(1) (4)	N/A(2)	(5)
Performance Option Plan	(6)	$ 17.30(7)	(8)

* As of December 31, 2003

(1) Our general partner has adopted and maintains a Long Term Incentive Plan for our officers, employees and directors. As originally instituted by our former general partner prior to our IPO, the LTIP contemplated awards of up to 975,000 phantom units. Upon vesting, these awards could be satisfied either by (i) primary issuance of units by us or (ii) cash settlement or purchase of units by our general partner with the cost reimbursed by us. In 2000, the LTIP was amended, as provided in the plan, without unitholder approval to increase the maximum awards to 1,425,000 phantom units; however, we can issue no more than 975,000 new units to satisfy the awards. Any additional units must be purchased by our general partner in the open market or in private transactions and be reimbursed by us. In November 2003, we issued 18,412 units in satisfaction of vesting under the LTIP. The number of units (956,588) presented in column (a) subtracts the units issued in November and assumes that all remaining grants will be satisfied by the issuance of new units upon vesting. In fact, a substantial number of phantom units that vested in February of 2004 were satisfied without the issuance of units. These phantom units were settled in cash or withheld for taxes. See Item 11. "Executive Compensation—Long-Term Incentive Plan." Any units not issued upon vesting can become "available for future issuance" under column (c).

(2) Phantom unit awards under the LTIP vest without payment by recipients. See Item 11. "Executive Compensation—Long-Term Incentive Plan—Restricted Unit Plan."

(3) In accordance with Item 201(d) of Regulation S-K, this column (c) excludes the securities disclosed in column (a). However, as discussed in footnote (1) above, any phantom units represented in column (a) that are not satisfied by the issuance of units become "available for future issuance." After giving effect to the vesting of phantom units in February 2004 and the anticipated vesting in May of 2004, we estimate that there will be approximately 211,000 phantom units outstanding and approximately 427,000 units available for future issuance (excluding phantom units outstanding). See Item 11. "Executive Compensation—Long-Term Incentive Plan."

(4) Although awards for units may from time to time be outstanding under the portion of the LTIP not approved by unitholders, all of these awards must be satisfied out of units purchased by our general partner and reimbursed by us. None will be satisfied by "units issued upon exercise/vesting."

(5) Awards for up to 450,000 phantom units may be granted under the portion of the LTIP not approved by unitholders; however, no common units are "available for future issuance" under the plan, because all such awards must be satisfied with cash or out of units purchased by our general partner and reimbursed by us.

(6) Our general partner has adopted and maintains a Performance Option Plan for officers and key employees pursuant to which optionees have the right to purchase units from the general partner. The units that will be sold under the plan were contributed to the general partner by certain of its owners in connection with the General Partner Transition without economic cost to the Partnership. Thus, there will be no units "issued upon exercise/vesting of outstanding options." Approximately 375,000 unit options have been granted out of the 450,000 units originally available under the plan. See footnote (8) below and Item 13. "Certain Relationships and Related Parties—Performance Option Plan."

(7) The current strike price for all outstanding options under the Performance Option Plan is $17.30 per unit. The strike price decreases as distributions are paid. Future grants may include different pricing elements. See Item 13. "Certain Relationships and Related Parties—Performance Option Plan."

(8) In connection with the General Partner Transition, certain of the investors in our general partner contributed 450,000 subordinated units (now converted into common units) to our general partner to fund the Performance Option Plan. Options for approximately 372,000 units are currently outstanding and approximately 75,000 units are available for future option grants.

For a narrative description of the material features of the LTIP and the Performance Option Plan, see Item 11. "Executive Compensation—Long-Term Incentive Plan" and Item 13. "Certain Relationships and Related Transactions—Transactions with Related Parties—Performance Option Plan."

Item 13. ***Certain Relationships and Related Transactions***

Our General Partner

Our operations and activities are managed by, and our officers and personnel are employed by, our general partner (or, in the case of our Canadian operations, PMC (Nova Scotia) Company). Prior to the consummation of the General Partner Transition, some of the senior executives who managed our business also managed and operated the business of Plains Resources. The transition of employment of such executives to our general partner was effected on June 30, 2001. We do not pay our general partner a management fee, but we do reimburse our general partner for all expenses incurred on our behalf.

Our general partner owns the 2% general partner interest and all of the incentive distribution rights. Our general partner is entitled to receive incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement. Under the quarterly incentive distribution provisions, generally our general partner is entitled, without duplication, to 15% of amounts we distribute in excess of $0.450 ($1.80 annualized) per unit, 25% of the amounts we distribute in excess of $0.495 ($1.98 annualized) per unit and 50% of amounts we distribute in excess of

$0.675 ($2.70 annualized) per unit. The following table illustrates the allocation of aggregate distributions at different per-unit levels:

Annual Distribution Per Unit	Distribution to Unitholders[1][2]	Distribution to GP[1][2][3]	Total Distribution[1]	GP Percentage of Total Distribution
$ 1.80	$ 108,000	$ 2,204	$ 110,204	2.0%
$ 2.00	$ 120,000	$ 4,510	$ 124,510	3.6%
$ 2.20	$ 132,000	$ 8,510	$ 140,510	6.1%
$ 2.40	$ 144,000	$ 12,510	$ 156,510	8.0%
$ 2.60	$ 156,000	$ 16,510	$ 172,510	9.6%
$ 2.80	$ 168,000	$ 24,510	$ 192,510	12.7%
$ 3.00	$ 180,000	$ 36,510	$ 216,510	16.9%

(1) In thousands.

(2) Assumes 60,000,000 units outstanding. Actual number of units outstanding as of the date hereof are 58,469,828. An increase in the number of units outstanding would increase both the distribution to unitholders and the distribution to the general partner of any given level of distribution per unit.

(3) Includes distributions attributable to the 2% general partner interest and the incentive distribution rights.

Transactions with Related Parties

General

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

Plains Resources currently owns an effective 44% of our general partner interest, as well as approximately 21.2% of our outstanding limited partner units. Mr. John Raymond, one of our directors, is President and Chief Executive Officer of Plains Resources. Mr. Raymond was designated as a member of our board by Sable Investments, L.P., which is controlled by Mr. James Flores. Mr. Flores is the Executive Chairman of Plains Resources. We have ongoing relationships with Plains Resources. These relationships include but are not limited to:

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

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

- an Omnibus Agreement that provides for the resolution of certain conflicts arising from the fact that we and Plains Resources conduct related businesses, including certain non-compete obligations of Plains Resources.

- a Marketing Agreement with Plains Resources that provides for the marketing of Plains Resources' equity crude oil production (including its subsidiaries that conduct exploration and production activities.). Under the Marketing Agreement, we purchase for resale at market prices the

majority of Plains Resources equity production for a fee of $0.20 per barrel. The fee is subject to adjustment every three years based on then-existing market conditions. For the year ended December 31, 2003, Plains Resources produced approximately 2,000 barrels per day that were subject to the Marketing Agreement. We paid approximately $25.7 million for such production and recognized gross margin of approximately $0.2 million under the terms of that agreement. In our opinion, these purchases were made at prevailing market prices. In November 2001, the agreement automatically extended for an additional three-year period. Because Plains Resources divested itself of most of its producing properties at the end of 2002, we do not expect material amounts of crude oil to be subject to this agreement. We are in the process of negotiating an amended agreement to reflect the separation of Plains Resources and one of its subsidiaries, discussed below. As currently in effect, the Marketing Agreement (as well as the Omnibus Agreement described above) will terminate upon a "change of control" of Plains Resources or our general partner. The recently announced buyout of Plains Resources stock would constitute a change of control; however, we received assurances prior to the initial announcement that neither Plains Resources nor the buyout group intend for the agreement (or the substance of the Omnibus Agreement) to terminate.

On December 18, 2002, Plains Resources completed a spin-off of one of its subsidiaries, Plains Exploration and Production ("PXP") to its shareholders. Mr. Raymond is President and Chief Operating Officer of PXP. PXP is a successor participant to the Plains Resources Marketing agreement. For the year ended December 31, 2003, PXP produced approximately 26,000 barrels per day that were subject to the Marketing Agreement. We paid approximately $277.9 million for such production and recognized gross margin of approximately $1.7 million. In our opinion, these purchases were made at prevailing market prices. We are also party to a Letter Agreement with Stocker Resources, L.P. (now PXP) that provides that if the Marketing Agreement terminates before our crude oil sales agreement with Tosco Refining Co. terminates, PXP will continue to sell and we will continue to purchase PXP's equity crude oil production from the Arroyo Grande field (now owned by a subsidiary of PXP) under the same terms as the Marketing Agreement until our Tosco sales agreement terminates. We are in the process of negotiating the terms of an amended agreement with PXP.

Transaction Grant Agreements

In connection with our initial public offering, our former general partner, at no cost to us, agreed to transfer, subject to vesting, approximately 400,000 of its affiliates' common units (including distribution equivalent rights attributable to such units) to certain key officers and employees of our former general partner and its affiliates, including Messrs. Armstrong, Pefanis, Coiner and Kramer. Approximately 70,000 units vested in 2000, and the remainder in 2001. The value of the units and associated distribution equivalent rights that vested under the Transaction Grant Agreements for all grantees in 2001 was $5.7 million. Although we recorded noncash compensation expenses with respect to these vestings, the compensation expense incurred in connection with these grants was funded by our former general partner, without reimbursement by us.

Long-Term Incentive Plan

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

A restricted unit is a "phantom" unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit. As of February 17, 2004, aggregate grants of approximately 187,000 common units have been issued or purchased and delivered upon vesting and approximately 680,000 phantom units remain outstanding to employees, officers and directors of our general partner. See Item 11. "Executive Compensation—Long-Term Incentive Plan."

Performance Option Plan

In connection with the General Partner Transition, the owners of the general partner (other than PAA Management, L.P.) contributed an aggregate of 450,000 subordinated units (now converted into common units) to the general partner to provide a pool of units available for the grant of options to management and key employees. In that regard, the general partner adopted the Plains All American 2001 Performance Option Plan, pursuant to which options to purchase approximately 375,000 units have been granted. Of this amount, 75,000, 55,000, 45,000 and 42,500 were granted to Messrs. Armstrong, Pefanis, Kramer and Coiner, respectively, and approximately 278,000 to executive officers as a group. These options vest in 25% increments based upon achieving quarterly distribution levels on our units of $0.525, $0.575, $0.625 and $0.675 ($2.10, $2.30, $2.50 and $2.70, annualized). The first such level was reached, and 25% of the options vested, in 2002. The options will vest in their entirety immediately upon a change in control (as defined in the grant agreements). The original purchase price under the options was $22 per subordinated unit, declining over time in an amount equal to 80% of each quarterly distribution per unit. As of February 17, 2004, the purchase price was $17.30 per unit. The terms of future grants may differ from the existing grants. Because the units underlying the plan were contributed to the general partner, we will have no obligation to reimburse the general partner for the cost of the units upon exercise of the options.

Stock Option Replacement

In connection with the General Partner Transition, certain members of the management team that had been employed by Plains Resources, including Messrs. Armstrong, Pefanis and Kramer, were transferred to the general partner. At that time, such individuals held in-the-money but unvested stock options in Plains Resources, which were subject to forfeiture because of the transfer of employment. Plains Resources, through its affiliates, agreed to substitute a contingent grant of subordinated units (or common units after conversion) with a value equal to the spread on the unvested options, with distribution equivalent rights from the date of grant. The grant included 8,548, 4,602 and 9,742 units to Messrs. Armstrong, Pefanis and Kramer, respectively. The units vest on the same schedule as the stock options would have vested. The units granted to Messrs. Armstrong, Pefanis and Kramer vested in their entirety in 2002. The general partner administers the vesting and delivery of the units under the grants. Because the units necessary to satisfy the delivery requirements under the grants were provided by Plains Resources, we have no obligation to reimburse the general partner for the cost of such units.

CANPET Energy Group Inc.

In July 2001, we acquired the assets of CANPET Energy Group Inc., a Calgary-based Canadian crude oil and LPG marketing company (the "CANPET acquisition"), for approximately $24.6 million plus excess inventory at the closing date of approximately $25.0 million. A portion of the purchase price, payable in common units or cash, at our option, was deferred subject to various performance standards being met. As of December 31, 2003, we determined that it was beyond a reasonable doubt that the performance standards were met and we recorded additional consideration of $24.3 million, (see Note 7—"Partners' Capital and Distributions" in the "Notes to the Consolidated Financial Statements"), resulting in aggregate consideration of approximately $73.9 million. Mr. W. David Duckett, the President of PMC (Nova Scotia) Company, the general partner of Plains Marketing

Canada, L.P., owns approximately 37.8% of CANPET, and will receive a proportionate share of the proceeds from any contingent payment of purchase price for the CANPET assets.

Tank Car Lease and CANPET

In connection with the CANPET asset acquisition, Plains Marketing Canada, L.P. assumed CANPET's rights and obligations under a Master Railcar Leasing Agreement between CANPET and Pivotal Enterprises Corporation ("Pivotal"). The agreement provides for Plains Marketing Canada, L.P. to lease approximately 57 railcars from Pivotal at a lease price of $1,000 (Canadian) per month, per car. The lease extends until June of 2008, with an option for Pivotal to extend the term of the lease for an additional five years. Pivotal is substantially owned by former employees of CANPET, including Mr. W. David Duckett. Mr. Duckett owns a 22% interest in Pivotal.

Other

An affiliate of Wachovia Investors, Inc., which owns a portion of our general partner interest, participated as an underwriter in our December offering of units and earned underwriting discounts and commissions of approximately $614,000. An affiliate of KAFU Holdings, L.P., another owner of our general partner interest, also participated in that offering, earning commissions of approximately $340,000. An affiliate of Wachovia Investors, Inc. is also a lender under our bank credit facility.

Item 14. *Principal Accountant Fees and Services*

All services provided by our independent auditor are subject to pre-approval by our Audit Committee. The Audit Committee has instituted a policy that describes certain pre-approved non-audit services. We believe that the description of services is designed to be sufficiently detailed as to particular services provided, such that (i) management is not required to exercise judgment as to whether a proposed service fits within the description and (ii) the Audit Committee knows what services it is being asked to pre-approve. The Audit Committee is informed of each engagement of the independent auditor to provide services under the policy.

The following table details expenditures paid to our independent auditor (in thousands):

	Year Ended December 31,	
	2003	2002
Audit fees	$ 852	$ 748
Audit-related fees	147	265
Tax fees	401	381
All other fees	315	690
Total	$ 1,715	$ 2,084

Expenditures classified as Audit fees above include those related to our annual audit, audits of our general partner and certain joint ventures of which we are the operator, and work performed on our registration of publicly-held debt and equity. Audit related fees are primarily comprised of work performed related to our benefit plans and "carve-outs" of acquired companies. The expenditures related to tax processing as well as the preparation of Form K-1 for our unitholders are included in Tax fees. All other fees consist of those associated with due diligence performed on potential acquisitions and certain risk management projects.

PART IV

Item 15. *Exhibits, Financial Statement Schedules and Reports on Form 8-K*

(a)(1) and (2) Financial Statements and Financial Statement Schedules

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

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

(a)(3) Exhibits

3.1 — Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. dated as of June 27, 2001, (incorporated by reference to Exhibit 3.1).

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

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

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

3.5	—	Certificate of Limited Partnership of Plains Marketing, L.P. dated as of November 10, 1998 (incorporated by reference to Exhibit 3.5 to Annual Report on Form 10-K for the Year Ended December 31, 1998).
3.6	—	Articles of Conversion of All American Pipeline Company dated as of November 10, 1998 (incorporated by reference to Exhibit 3.5 to Annual Report on Form 10-K for the Year Ended December 31, 1998).
3.7	—	Amended and Restated Limited Partnership Agreement of Plains AAP, L.P., dated as of June 8, 2001 (incorporated by reference to Exhibit 3.1 to Form 8-K filed June 11, 2001).
3.8	—	Amended and Restated Limited Liability Company Agreement of Plains All American GP, LLC dated as of June 8, 2001, as amended by first Amendment dated September 16, 2003 (incorporated by reference to Exhibit 3.1 to Quarterly Form 10-Q for the period ended September 30, 2003).
4.1	—	Registration Rights Agreement, dated as of June 8, 2001, among Plains All American Pipeline, L.P., Sable Holdings, L.P., E-Holdings III, L.P., KAFU Holdings, LP, PAA Management, L.P., Mark E. Strome, Strome Hedgecap Fund, L.P., John T. Raymond and Plains All American Inc. (incorporated by reference to Exhibit 4.1 to Form 8-K filed June 11, 2001).
4.2	—	Indenture dated as of September 25, 2002 (incorporated by reference to Exhibit 4.1 to Quarterly Report on Form 10-Q for the Quarter ended September 30, 2002).
4.3	—	First Supplemental Indenture dated as of September 25, 2002 (incorporated by reference to Exhibit 4.2 to Quarterly Report on Form 10-Q for the Quarter ended September 30, 2002).
*4.4	—	Second Supplemental Indenture dated as of December 10, 2003.
*4.5	—	Registration Rights Agreement dated December 10, 2003.

10.01	—	Contribution, Assignment and Amendment Agreement, dated as of June 27, 2001, among Plains All American Pipeline, L.P., Plains Marketing, L.P., All American Pipeline, L.P., Plains AAP, L.P., Plains All American GP LLC and Plains Marketing GP Inc. (incorporated by reference to Exhibit 10.1 to Form 8-K filed June 27, 2001).
10.02	—	Contribution, Assignment and Amendment Agreement, dated as of June 8, 2001, among Plains All American Inc., Plains AAP, L.P. and Plains All American GP LLC (incorporated by reference to Exhibit 10.1 to Form 8-K filed June 11, 2001).
10.03	—	Separation Agreement, dated as of June 8, 2001 among Plains Resources Inc., Plains All American Inc., Plains All American GP LLC, Plains AAP, L.P. and Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 10.2 to Form 8-K filed June 11, 2001).
10.04	—	Pension and Employee Benefits Assumption and Transition Agreement, dated as of June 8, 2001 among Plains Resources Inc., Plains All American Inc. and Plains All American GP LLC (incorporated by reference to Exhibit 10.3 to Form 8-K filed June 11, 2001).
**10.05	—	Plains All American GP LLC 1998 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to Registration Statement on Form S-8, File No. 333-74920) as amended June 27, 2003 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the period ended June 30, 2003).
**10.06	—	Plains All American 2001 Performance Option Plan (incorporated by reference to Exhibit 99.2 to Registration Statement on Form S-8, File No. 333-74920).
**10.07	—	Phantom MLP unit Agreement for Greg L. Armstrong (incorporated by reference to Exhibit 99.3 to Registration Statement on Form S-8, File No. 333-74920).
**10.08	—	Phantom MLP Unit Agreement for Phillip D. Kramer (incorporated by reference to Exhibit 99.5 to Registration Statement on Form S-8, File No. 333-74920).
**10.09	—	Phantom MLP Unit Agreement for Tim Moore (incorporated by reference to Exhibit 99.6 to Registration Statement on Form S-8, File No. 333-74920).
**10.10	—	Phantom MLP Unit Agreement for Harry N. Pefanis (incorporated by reference to Exhibit 99.7 to Registration Statement on Form S-8, File No. 333-74920).
**10.11	—	Amended and Restated Employment Agreement between Plains All American GP LLC and Greg L. Armstrong dated as of June 30, 2001 (incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2001).
**10.12	—	Amended and Restated Employment Agreement between Plains All American GP LLC and Harry N.

Pefanis dated as of June 30, 2001 (incorporated by reference to Exhibit 10.4 to Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2001).

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

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

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

10.16 — 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).

10.17 — 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).

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

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

*10.20 — 364-Day Revolving Credit Agreement dated November 21, 2003 among Plains All American Pipeline, L.P and Fleet National Bank and certain other lenders.

*10.21 — Uncommitted Senior Secured Discretionary Contango Credit Agreement dated November 21, 2003 among Plains Marketing, L.P. and Fleet National Bank and certain other lenders.

*10.22 — US/Canada Revolving Credit Agreement dated November 21, 2003 among Plains All American Pipeline, L.P, PMC (Nova Scotia) Company, Plains Marketing Canada, L.P. and Fleet National Bank and certain other lenders.

*23.1 — Consent of Independent Auditors

*31.1 — Certification of Principal Executive Officer pursuant to Exchange Act rules 13a-14(a) and 15d-14(a)

*31.2 — Certification of Principal Financial Officer pursuant to Exchange Act rules 13a-14(a) and 15d-14(a)

*32.1 — Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350.

*32.2 — Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350

* Filed herewith

** Management contract or compensatory plan or arrangement

(b) Reports on Form 8-K

A Current Report on Form 8-K was furnished on February 24, 2004, in connection with disclosure of first quarter estimates and earnings guidance.

A Current Report on Form 8-K was filed on January 15, 2004 with an unaudited balance sheet of Plains AAP, L.P., as of September 30, 2003, attached as an exhibit.

A Current Report on Form 8-K was filed on December 22, 2003 with an underwriting agreement for an equity offering attached as an exhibit.

A Current Report on Form 8-K was filed on December 17, 2003 in connection with our disclosure of entering into an agreement to purchase the interests of Shell Pipeline Company' L.P.'s interests in certain pipeline systems.

A Current Report on Form 8-K was filed and furnished on December 17, 2003 in connection with our disclosure of the status of our acquisition activities.

A Current Report on Form 8-K was furnished on December 9, 2003, in connection with disclosure of our presentation at the Wachovia Securities Pipeline Conference and Symposium.

A Current Report on Form 8-K was furnished on December 3, 2003, in connection with the private offering of $250 million of 5.625% senior notes.

A Current Report on Form 8-K/A was furnished on October 29, 2003 to correct certain inaccuracies in the Current Report furnished on October 28, 2003.

A Current Report on Form 8-K was furnished on October 28, 2003, in connection with disclosure of our third-quarter results and fourth-quarter forecasts.

A Current Report on Form 8-K was furnished on October 7, 2003, in connection with our disclosure of our presentation at the IPAA's 2003 Oil & Gas Investment Symposium West.

A Current Report on Form 8-K was furnished on September 24, 2003, in connection with our disclosure of our presentation at the Herold's 12th Annual Pacesetters Energy Conference.

A Current Report on Form 8-K was furnished on September 16, 2003, in connection with our disclosure of our presentation at the RBC Capital Markets North American Energy and Power Conference.

A Current Report on Form 8-K was filed on September 10, 2003 with an underwriting agreement for an equity offering attached as an exhibit.

A Current Report on Form 8-K was furnished on September 8, 2003, in connection with the announcement of an equity offering.

SIGNATURES

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

PLAINS ALL AMERICAN PIPELINE, L.P.

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

By: PLAINS ALL AMERICAN GP LLC,
its general partner

Date: February 27, 2004

By: /s/ GREG L. ARMSTRONG

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

Date: February 27, 2004

By: /s/ PHILLIP D. KRAMER

Phillip D. Kramer, Executive Vice President and Chief Financial Officer of Plains All American GP LLC (Principal 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.

Name	Title	Date
/s/ GREG L. ARMSTRONG **Greg L. Armstrong**	Chairman of the Board, Chief Executive Officer and Director of Plains All American GP LLC (Principal Executive Officer)	Date: February 27, 2004
/s/ HARRY N. PEFANIS **Harry N. Pefanis**	President and Chief Operating Officer of Plains All American GP LLC	Date: February 27, 2004
/s/ PHILLIP D. KRAMER **Phillip D. Kramer**	Executive Vice President and Chief Financial Officer of Plains All American GP LLC (Principal Financial Officer)	Date: February 27, 2004
/s/ TINA L. VAL	Vice President—Accounting (Principal Accounting Officer)	Date: February 27, 2004

Tina L. Val		
/s/ EVERARDO GOYANES	Director of Plains All American GP LLC	Date: February 27, 2004
Everardo Goyanes		
/s/ GARY R. PETERSEN	Director of Plains All American GP LLC	Date: February 27, 2004
Gary R. Petersen		
/s/ JOHN T. RAYMOND	Director of Plains All American GP LLC	Date: February 27, 2004
John T. Raymond		
/s/ ROBERT V. SINNOTT	Director of Plains All American GP LLC	Date: February 27, 2004
Robert V. Sinnott		
/s/ ARTHUR L. SMITH	Director of Plains All American GP LLC	Date: February 27, 2004
Arthur L. Smith		
/s/ J. TAFT SYMONDS	Director of Plains All American GP LLC	Date: February 27, 2004
J. Taft Symonds		

PLAINS ALL AMERICAN PIPELINE, L.P.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Auditors

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows, of changes in partners' capital, of comprehensive income and of changes in accumulated other comprehensive income (loss) present fairly, in all material respects, the financial position of Plains All American Pipeline, L.P. and its subsidiaries (the "Partnership") at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

PricewaterhouseCoopers LLP

Houston, Texas
February 26, 2004

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except unit data)

	December 31, 2003	December 31, 2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,137	$ 3,501
Accounts receivable, net	590,645	499,909
Inventory	105,967	81,849
Other current assets	32,225	17,676
Total current assets	732,974	602,935
PROPERTY AND EQUIPMENT	1,272,634	1,030,303
Accumulated depreciation	(121,595)	(77,550)
	1,151,039	952,753
OTHER ASSETS		
Pipeline linefill	122,653	62,558
Other, net	88,965	48,329
Total assets	$ 2,095,631	$ 1,666,575
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES		
Accounts payable	$ 603,460	$ 488,922
Due to related parties	26,981	23,301
Short-term debt (see Note 6)	127,259	99,249
Other current liabilities	44,219	25,777
Total current liabilities	801,919	637,249
LONG-TERM LIABILITIES		
Long-term debt under credit facilities, including current maturities of $9,000 for the 2002 period	70,000	310,126
Senior notes, net of unamortized discount of $1,009 and $390, respectively	448,991	199,610
Other long-term liabilities and deferred credits	27,994	7,980
Total liabilities	1,348,904	1,154,965
COMMITMENTS AND CONTINGENCIES (NOTE 12)		
PARTNERS' CAPITAL		
Common unitholders (49,502,556 and 38,240,939 units outstanding at December 31, 2003, and December 31, 2002, respectively)	744,073	524,428
Class B common unitholder (1,307,190 units outstanding at each date)	18,046	18,463
Subordinated unitholders (7,522,214 and 10,029,619 units outstanding at December 31, 2003, and December 31, 2002, respectively)	(39,913)	(47,103)
General partner	24,521	15,822
Total partners' capital	746,727	511,610
	$ 2,095,631	$ 1,666,575

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

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit data)

	Year Ended December 31,		
	2003	2002	2001
REVENUES			
Crude oil and LPG sales	$ 11,952,623	$ 7,892,162	$ 6,481,305
Pipeline margin activities	505,287	382,513	285,618
Pipeline tariffs and fees	99,887	79,939	54,234
Other	32,052	29,609	47,058
Total revenues	12,589,849	8,384,223	6,868,215
COSTS AND EXPENSES			
Crude oil and LPG purchases and related costs	11,727,355	7,726,323	6,338,365
Pipeline margin activities purchases	486,154	362,311	270,786
Other purchases	19,027	14,862	4,965
Operating expenses (excluding LTIP charge)	134,177	106,436	106,854
LTIP charge—operations	5,727	—	—
Inventory valuation adjustment	—	—	4,984
General and administrative (excluding LTIP charge)	49,969	45,663	46,586
LTIP charge—general and administrative	23,063	—	—
Depreciation and amortization	46,821	34,068	24,307
Total costs and expenses	12,492,293	8,289,663	6,796,847
Gains on sales of assets	648	—	984
OPERATING INCOME	98,204	94,560	72,352
OTHER INCOME/(EXPENSE)			
Interest expense (net of capitalized interest of $524, $773 and $153)	(35,226)	(29,057)	(29,082)
Interest income and other, net (Note 2)	(3,530)	(211)	401
Income before cumulative effect of accounting change	59,448	65,292	43,671
Cumulative effect of accounting change	—	—	508
NET INCOME	$ 59,448	$ 65,292	$ 44,179
NET INCOME-LIMITED PARTNERS	$ 53,473	$ 60,912	$ 42,239
NET INCOME-GENERAL PARTNER	$ 5,975	$ 4,380	$ 1,940
BASIC NET INCOME PER LIMITED PARTNER UNIT			
Income before cumulative effect of accounting change	$ 1.01	$ 1.34	$ 1.12
Cumulative effect of accounting change	—	—	0.01
Net income	$ 1.01	$ 1.34	$ 1.13
DILUTED NET INCOME PER LIMITED PARTNER UNIT			
Income before cumulative effect of accounting change	$ 1.00	$ 1.34	$ 1.12
Cumulative effect of accounting change	—	—	0.01
Net Income	$ 1.00	$ 1.34	$ 1.13
BASIC WEIGHTED AVERAGE UNITS OUTSTANDING	52,743	45,546	37,528
DILUTED WEIGHTED AVERAGE UNITS OUTSTANDING	53,400	45,546	37,528

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

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 59,448	$ 65,292	$ 44,179
Adjustments to reconcile to cash flows from operating activities:			
Depreciation and amortization	46,821	34,068	24,307
Gains on sales of assets	(648)	—	(984)
Cumulative effect of accounting change	—	—	(508)
Noncash compensation expense	—	—	5,741
Allowance for doubtful accounts	360	146	3,000
Inventory valuation adjustment	—	—	4,984
Change in derivative fair value	(363)	(243)	(207)
Net cash paid for termination of interest rate hedging instruments	(6,152)	—	—
Loss on refinancing of debt	3,272	—	—
Noncash portion of LTIP charge (Note 11)	28,052	—	—
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable and other	(102,005)	(136,480)	(18,856)
Inventory	(38,941)	105,944	(117,878)
Pipeline linefill	(46,790)	(11,060)	(13,736)
Accounts payable and other current liabilities	117,412	106,065	46,671
Other long-term liabilities and deferred credits	4,600	1,200	600
Due to related parties	3,452	8,962	(7,266)
Net cash provided by (used in) operating activities	68,518	173,894	(29,953)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid in connection with acquisitions (Note 3)	(168,359)	(324,628)	(229,162)
Additions to property and equipment	(65,416)	(40,590)	(21,069)
Proceeds from sales of assets	8,450	1,437	740
Net cash used in investing activities	(225,325)	(363,781)	(249,491)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net borrowings/(repayments) on short-term letter of credit and hedged inventory facilities	(6,197)	(4,770)	99,583
Net borrowings/(repayments) on long-term revolving credit facilities	87,773	(42,144)	34,677
Principal payments on senior secured term loans (Note 6)	(297,000)	(3,000)	—
Cash paid in connection with financing arrangements	(5,191)	(5,435)	(6,351)
Net proceeds from the issuance of common units (Note 7)	250,341	145,046	227,549
Proceeds from the issuance of senior unsecured notes (Note 6)	249,340	199,600	—
Distributions paid to unitholders and general partner (Note 7)	(121,822)	(99,841)	(75,929)
Net cash provided by financing activities	157,244	189,456	279,529
Effect of translation adjustment on cash	199	421	—
Net increase (decrease) in cash and cash equivalents	636	(10)	85
Cash and cash equivalents, beginning of period	3,501	3,511	3,426
Cash and cash equivalents, end of period	$ 4,137	$ 3,501	$ 3,511
Cash paid for interest, net of amounts capitalized	$ 36,382	$ 28,550	$ 33,341

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

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' CAPITAL

(in thousands)

	Common Unitholders		Class B Common Unitholders		Subordinated Unitholders		General Partner	Total Partners' Capital
	Units	Amount	Units	Amount	Units	Amount	Amount	Amount
Balance at December 31, 2000	23,049	$ 217,073	1,307	$ 21,042	10,030	$ (27,316)	$ 3,200	$ 213,999
Issuance of units	8,867	222,032	—	—	—	—	5,517	227,549
Noncash compensation expense	—	—	—	—	—	—	5,741	5,741
Net income	—	29,436	—	1,476	—	11,327	1,940	44,179
Distributions	—	(51,271)	—	(2,549)	—	(19,558)	(2,551)	(75,929)
Other comprehensive loss	—	(8,708)	—	(435)	—	(3,344)	(255)	(12,742)
Balance at December 31, 2001	31,916	408,562	1,307	19,534	10,030	(38,891)	13,592	402,797
Issuance of units	6,325	142,013	—	—	—	—	3,033	145,046
Net income	—	45,857	—	1,736	—	13,319	4,380	65,292
Distributions	—	(70,821)	—	(2,762)	—	(21,188)	(5,070)	(99,841)
Other comprehensive loss	—	(1,183)	—	(45)	—	(343)	(113)	(1,684)
Balance at December 31, 2002	38,241	524,428	1,307	18,463	10,030	(47,103)	15,822	511,610
Issuance of units	8,736	245,093	—	—	—	—	5,237	250,330
Issuance of units under LTIP	18	555	—	—	—	—	11	566
Net income	—	41,278	—	1,370	—	10,825	5,975	59,448
Conversion of 25% of subordinated units	2,507	(9,823)	—	—	(2,507)	9,823	—	—
Distributions	—	(89,801)	—	(2,860)	—	(21,939)	(7,222)	(121,822)
Other comprehensive income	—	32,343	—	1,073	—	8,481	4,698	46,595
Balance at December 31, 2003	49,502	$ 744,073	1,307	$ 18,046	7,523	$ (39,913)	$ 24,521	$ 746,727

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

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2003	2002	2001
	(in thousands)		
Net income	$ 59,448	$ 65,292	$ 44,179
Other comprehensive income (loss)	46,595	(1,684)	(12,742)
Comprehensive income	$ 106,043	$ 63,608	$ 31,437

CONSOLIDATED STATEMENT OF CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Net Deferred Loss on Derivative Instruments	Currency Translation Adjustments	Total
	(in thousands)		
Balance at December 31, 2000	$ —	$ —	$ —
Cumulative effect of accounting change	(8,337)	—	(8,337)
Reclassification adjustments for settled contracts	(2,526)	—	(2,526)
Changes in fair value of outstanding hedge positions	6,123	—	6,123
Currency translation adjustment	—	(8,002)	(8,002)
Balance at December 31, 2001	(4,740)	(8,002)	(12,742)

Reclassification adjustments for settled contracts	797	—	797
Changes in fair value of outstanding hedge positions	(4,264)	—	(4,264)
Currency translation adjustment	—	1,783	1,783
2002 Activity	(3,467)	1,783	(1,684)
Balance at December 31, 2002	(8,207)	(6,219)	(14,426)
Reclassification adjustments for settled contracts	(28,151)	—	(28,151)
Changes in fair value of outstanding hedge positions	28,666	—	28,666
Currency translation adjustment	—	46,080	46,080
2003 Activity	515	46,080	46,595
Balance at December 31, 2003	$ (7,692)	$ 39,861	$ 32,169

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

Note 1—Organization and Basis of Presentation

Organization

Plains All American Pipeline, L.P. is a publicly traded Delaware limited partnership (the "Partnership") engaged in interstate and intrastate crude oil transportation, and crude oil gathering, marketing, terminalling and storage, as well as the marketing and storage of liquefied petroleum gas and other petroleum products. We refer to liquified petroleum gas and other petroleum products collectively as "LPG". We were formed in September 1998 to acquire and operate the midstream crude oil business and assets of Plains Resources Inc. and its wholly-owned subsidiaries ("Plains Resources") as a separate, publicly traded master limited partnership. We completed our initial public offering in November 1998. As a result of subsequent equity offerings and the purchase in 2001 by senior management and a group of financial investors of majority control of our general partner and a portion of Plains Resources' limited partner units (the "General Partner Transition"), Plains Resources' overall effective ownership in us was reduced to approximately 22%.

As a result of the 2001 transaction, our 2% general partner interest is held by Plains AAP, L.P., a Delaware limited partnership. Plains All American GP LLC, a Delaware limited liability company, is Plains AAP, L.P.'s general partner. Plains All American GP LLC manages our operations and activities and employs our officers and personnel, who devote 100% of their efforts to the management of the Partnership. Unless the context otherwise requires, we use the term "general partner" to refer to both Plains AAP, L.P. and Plains All American GP LLC. Plains AAP, L.P. and Plains All American GP LLC are essentially held by 7 owners with the largest interest, 44%, held by Plains Resources. We use the phrase "former general partner" to refer to the subsidiary of Plains Resources that formerly held the general partner interest.

Our operations are conducted directly and indirectly through our operating subsidiaries, Plains Marketing, L.P., Plains Pipeline, L.P. and Plains Marketing Canada, L.P., and are concentrated in Texas, Oklahoma, California, Louisiana and the Canadian provinces of Alberta and Saskatchewan.

Basis of Consolidation and Presentation

The accompanying financial statements and related notes present our consolidated financial position as of December 31, 2003 and 2002, and the consolidated results of our operations, cash flows, changes in partners' capital and comprehensive income (loss) for the years ended December 31, 2003, 2002 and 2001, and changes in accumulated other comprehensive income for the years ended December 31, 2003 and 2002. All significant intercompany transactions have been eliminated. Certain reclassifications were made to prior periods to conform with the current period presentation.

Note 2—Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates we make include: (i) estimated useful lives of assets, which impacts depreciation and amortization, (ii) allowance for doubtful accounts receivable, (iii) accruals related to purchases and sales including mark-to-market estimates pursuant to Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting For Derivative Instruments and Hedging Activities", as amended, (iv) other liability and contingency accruals, (v) accruals related to our Long-Term Incentive Plan (the "LTIP") and (vi) estimated fair value of assets and liabilities acquired and identification of associated intangible assets as well as

transaction related costs. Although we believe these estimates are reasonable, actual results could differ from these estimates.

Revenue Recognition

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

Purchases and Related Costs

Purchases and related costs include: (i) the cost of crude oil and LPG purchased; (ii) third party transportation and storage, whether by pipeline, truck or barge; and (iii) expenses to issue letters of credit to support these purchases. These purchases are accrued at the time title transfers to us which occurs upon receipt of the product.

Operating Expenses and General and Administrative Expenses

Operating expenses consist of various field and pipeline operating expenses including fuel and power costs, telecommunications, labor costs for truck drivers and pipeline field personnel, maintenance costs, regulatory compliance, insurance, vehicle leases, and property taxes. General and administrative expenses consist primarily of payroll and benefit costs, certain information system and legal costs, office rent, contract and consultant costs, and audit and tax fees.

Cash and Cash Equivalents

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

Accounts Receivable

Our accounts receivable are primarily from purchasers and shippers of crude oil. There were no amounts due from related parties at December 31, 2003 or 2002. The majority of our accounts receivable relate to our gathering and marketing activities that can generally be described as high volume and low margin activities, in many cases involving complex exchanges of crude oil volumes. We make a determination of the amount, if any, of the line of credit to be extended to any given customer and the form and amount of financial performance assurances we require. Such financial assurances are commonly provided in the form of standby letters of credit.

Accounts receivable included in the consolidated balance sheets are reflected net of our allowance for doubtful accounts. We routinely review our receivable balances to identify past due amounts and analyze the reasons such amounts have not been collected. In many instances, such delays involve billing delays and discrepancies or disputes as to the appropriate price, volumes or quality of crude oil delivered or exchanged. We also attempt to monitor changes in the creditworthiness of our customers as a result of developments related to each customer, the industry as a whole and the general economy.

At December 31, 2003 and 2002, approximately 99% of net accounts receivable classified as current were less than 60 days past scheduled invoice date, and our allowance for doubtful accounts receivable classified as current totaled $0.2 million and $3.1 million, respectively. We consider these reserves adequate. At December 31, 2003 we had no accounts receivable balances or allowance for

doubtful accounts classified as long-term. At December 31, 2002, approximately $11.5 million of accounts receivable ($6.5 million, net of a $5.0 million allowance) was classified as long-term. Following is a reconciliation of the changes in our allowance for doubtful accounts balances (in millions):

	December 31,		
	2003	2002	2001
Balance at beginning of year	$ 8.1	$ 8.0	$ 5.0
Applied to accounts receivable balances	(8.3)	—	—
Charged to expense	0.4	0.1	3.0
Balance at end of year	$ 0.2	$ 8.1	$ 8.0

Inventory

Inventory primarily consists of crude oil and LPG in pipelines, storage tanks and rail cars which is valued at the lower of cost or market, with cost determined using an average cost method. In the fourth quarter of 2001, the Partnership recorded a $5.0 million noncash writedown of operating crude oil inventory to reflect prices at December 31, 2001. During 2001, the price of crude oil traded on the NYMEX averaged $25.98 per barrel. At December 31, 2001, the NYMEX crude oil price was approximately 24% lower, or $19.84 per barrel. There was no writedown of operating crude oil inventory at December 31, 2003 or 2002, as the market prices of crude oil and LPG were higher than our average cost per barrel. At December 31, 2003 and 2002, inventory consisted of (in millions):

	December 31,	
	2003	2002
Crude oil	$ 50.6	$ 53.5
LPG	53.8	28.3
Other	1.6	—
	$ 106.0	$ 81.8

Property and Equipment and Pipeline Linefill

Property and equipment, net is stated at cost and consisted of the following (in millions):

	December 31,	
	2003	2002
Crude oil pipelines and facilities	$ 1,114.5	$ 909.3
Crude oil and LPG storage and terminal facilities	100.8	82.4
Trucking equipment and other	43.8	30.0
Office property and equipment	13.5	8.6
	1,272.6	1,030.3
Less accumulated depreciation	(121.6)	(77.5)
	$ 1,151.0	$ 952.8

Depreciation expense for each of the three years in the period ended December 31, 2003, was $42.4 million, $30.2 million and $21.6 million, respectively. Our policy is to depreciate property and equipment using the straight-line method over estimated useful lives as follows:

- crude oil pipelines and facilities—30 to 40 years;
- crude oil and LPG storage and terminal facilities—30 to 40 years;

- trucking equipment and other—5 to 15 years; and
- office property and equipment—3 to 5 years

In accordance with our capitalization policy, costs associated with acquisitions and improvements, including related interest costs, which expand our existing capacity are capitalized. For the years ended December 31, 2003, 2002 and 2001, capitalized interest was $0.5 million, $0.8 million and $0.2 million, respectively. In addition, costs required either to maintain the existing operating capacity of partially or fully depreciated assets or to extend their useful lives are capitalized and classified as maintenance capital. Repair and maintenance expenditures associated with existing assets that do not extend the useful life or expand the operating capacity are charged to expense as incurred.

Linefill and minimum working inventory requirements are recorded at lower of cost or market and consists of crude oil and LPG used to pack a pipeline such that when an incremental barrel enters a pipeline it forces a barrel out at another location as well as minimum crude oil necessary to operate our storage and terminalling facilities. At December 31, 2003, we had approximately 4.6 million barrels of crude oil and 7.7 million gallons of LPG used to maintain our minimum linefill and working inventory requirements. Proceeds from the sale and repurchase of pipeline linefill are reflected as cash flows from operating activities in the accompanying consolidated statements of cash flows.

Asset Retirement Obligation

In June 2001, the FASB issued SFAS No. 143 "Asset Retirement Obligations." SFAS 143 establishes accounting requirements for retirement obligations associated with tangible long-lived assets, including (1) the time of the liability recognition, (2) initial measurement of the liability, (3) allocation of asset retirement cost to expense, (4) subsequent measurement of the liability and (5) financial statement disclosures. SFAS 143 requires that the cost for asset retirement should be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. Effective January 1, 2003, we adopted SFAS 143, as required. Determination of the amounts to be recognized upon adoption is based upon numerous estimates and assumptions, including future retirement costs, future inflation rates and the credit-adjusted risk-free interest rate. The majority of our assets, primarily related to our pipeline operations segment, have obligations to perform remediation and, in some instances, removal activities when the asset is abandoned. However, the fair value of the asset retirement obligations cannot be reasonably estimated, as the settlement dates are indeterminate. We will record such asset retirement obligations in the period in which we can reasonably determine the settlement dates. The adoption of this statement did not have a material impact on our financial position, results of operations or cash flows.

Impairment of Long-Lived Assets

Long-lived assets with recorded values that are not expected to be recovered through future cash flows are written-down to estimated fair value in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," as amended. Under SFAS 144, an asset shall be tested for impairment when events or circumstances indicate that its carrying value may not be recoverable. The carrying value of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the carrying value exceeds the sum of the undiscounted cash flows, an impairment loss equal to the amount the carrying value exceeds the fair value of the asset is recognized. Fair value is generally determined from estimated discounted future net cash flows. We adopted SFAS 144 on January 1, 2002, and there have been no events or circumstances indicating that the carrying value of any of our assets may not be recoverable.

Other Assets

Other assets, net consist of the following (in millions):

	December 31,

	2003	2002
Goodwill	$ 39.4	$ 12.9
Deposit on Capline Acquisition	15.8	—
Debt issue costs	12.1	21.6
Investment in affiliate	7.8	8.0
Long term receivable, net	—	6.5
Fair value of derivative instruments	5.9	2.6
Intangible assets (contracts)	2.6	2.4
Other	7.1	2.6
	90.7	56.6
Less accumulated amortization	(1.7)	(8.3)
	$ 89.0	$ 48.3

Goodwill is recorded as the amount of the purchase price in excess of the fair value of certain assets purchased. At December 31, 2003, we recorded additional consideration related to the deferred portion of the purchase price in the CANPET acquisition (See Note 3). The entire amount of this consideration was recorded as additional goodwill. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," which we adopted January 1, 2002, we test goodwill and other intangible assets periodically to determine whether an impairment has occurred. Goodwill is tested for impairment at a level of reporting referred to as a reporting unit. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. An impairment loss is recognized for intangibles if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value. As of December 31, 2003, no impairment has occurred.

Costs incurred in connection with the issuance of long-term debt and amendments to our credit facilities are capitalized and amortized using the straight-line method over the term of the related debt. Use of the straight-line method does not differ materially from the "effective interest" method of amortization. During the fourth quarter of 2003, we replaced our senior secured credit facilities with new senior unsecured credit facilities and we completed the sale of $250 million of 5.625% senior notes (See Note 6). We capitalized approximately $5.1 million of costs associated with those transactions. Also, in conjunction with the credit facility refinancing, we incurred a non-cash charge of approximately $3.3 million attributable to a loss on the early extinguishment of debt (included in Interest income and other, net on the Consolidated Statement of Operations). The loss consists of unamortized debt issue costs written off as a result of the completion of the new credit facility. In addition, we wrote off approximately $11.3 million of fully amortized debt issue costs and the related accumulated amortization.

Amortization of other assets for each of the three years in the period ended December 31, 2003, was $4.4 million, $3.9 million and $2.7 million, respectively.

Environmental Matters

We expense or capitalize, as appropriate, environmental expenditures. We expense expenditures that relate to an existing condition caused by past operations, which do not contribute to current or future revenue generation. We record environmental liabilities when environmental assessments and/or remedial efforts are probable and we can reasonably estimate the costs. Generally, our recording of

these accruals coincides with our completion of a feasibility study or our commitment to a formal plan of action.

Income and Other Taxes

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

The Partnership's Canadian operations are conducted through an operating limited partnership, of which our wholly owned subsidiary PMC (Nova Scotia) Company is the general partner. For Canadian tax purposes, the general partner is taxed as a corporation, subject to income taxes and a capital-based tax at federal and provincial levels. For 2003 and 2002, the income tax was not material and the capital-based tax was approximately $0.4 million (U.S.) and $0.5 million (U.S), respectively. In addition, interest payments made by Plains Marketing Canada, L.P. on its intercompany loan from Plains Marketing, L.P. are subject to a 10% Canadian withholding tax, which for 2003 and 2002 totaled $0.4 million and $0.5 million, respectively, and is recorded in other expense.

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

Derivative Instruments and Hedging Activities

We utilize various derivative instruments to (i) manage our exposure to commodity price risk, (ii) engage in a controlled trading program, (iii) manage our exposure to interest rate risk and (iv) manage our exposure to currency exchange rate risk. Beginning January 1, 2001, we record all derivative instruments on the balance sheet as either assets or liabilities measured at their fair value under the provisions of SFAS 133, "Accounting for Derivative Instruments and Hedging

Activities" as amended by SFAS 137 and SFAS 138 (collectively "SFAS 133"). At adoption, and in accordance with the transition provisions of SFAS 133, we recorded a loss of $8.3 million in Other Comprehensive Income ("OCI"), representing the cumulative effect of an accounting change to recognize, at fair value, all cash flow derivatives. We also recorded a noncash gain of $0.5 million in earnings as a cumulative effect adjustment. SFAS 133 requires that changes in derivative instruments fair value be recognized currently in earnings unless specific hedge accounting criteria are met, in which case, changes in fair value are deferred to OCI and reclassified into earnings when the underlying transaction affects earnings. Accordingly, changes in fair value are included in the current period for (i) derivatives characterized as fair value hedges, (ii) derivatives that do not qualify for hedge accounting and (iii) the

portion of cash flow hedges that is not highly effective in offsetting changes in cash flows of hedged items.

Net Income Per Unit

Basic and diluted net income per unit is determined by dividing net income after deducting the amount allocated to the general partner interest, (including its incentive distribution in excess of its 2% interest), by the weighted average number of outstanding limited partner units, including common units and subordinated units. Partnership income is first allocated to the general partner based on the amount of incentive distributions. The remainder is then allocated between the limited partners and general partner based on percentage ownership in the Partnership. Other comprehensive income is allocated based on the same effective percentages. The following table sets forth the computation of basic and diluted net income per limited partner unit for 2003, 2002 and 2001 (in millions, except per unit amounts). The net income available to limited partners and the weighted average limited partner units outstanding have been adjusted for the impact of the contingent equity issuance related to the CANPET acquisition for the calculation of diluted net income per limited partner unit (See Note 3).

	Year Ended December 31,		
	2003	2002	2001
	(in millions, except per unit data)		
Net income	$ 59.4	$ 65.3	$ 44.2
Less:			
General partner incentive distributions	(4.9)	(3.1)	(1.1)
General partner 2% ownership	(1.1)	(1.3)	(0.9)
Numerator for basic earnings per limited partner unit:			
Net income available for common unitholders	53.4	60.9	42.2
Effect of dilutive securities:			
Increase in general partner's incentive distribution—Contingent equity issuance	(0.1)	—	—
Numerator for diluted earnings per limited partner unit	$ 53.3	$ 60.9	$ 42.2
Denominator:			
Denominator for basic earnings per limited partner unit—weighted average number of limited partner units	52.7	45.5	37.5
Effect of dilutive securities:			
Contingent equity issuance	0.7	—	—
Denominator for diluted earnings per limited partner unit —weighted average number of limited partner units	53.4	45.5	37.5
Basic net income per limited partner unit	$ 1.01	$ 1.34	$ 1.13
Diluted net income per limited partner unit	$ 1.00	$ 1.34	$ 1.13

Note 3—Acquisitions

The following acquisitions were accounted for using the purchase method of accounting and the purchase price was allocated in accordance with such method. In addition, we adopted SFAS No. 141, "Business Combinations" in 2001 and followed the provisions of that statement for all business combinations initiated after June 30, 2001.

Significant Acquisitions

Shell West Texas Assets

On August 1, 2002, we acquired from Shell Pipeline Company LP and Equilon Enterprises LLC interests in approximately 2,000 miles of gathering and mainline crude oil pipelines and approximately 8.9 million barrels (net to our interest) of above-ground crude oil terminalling and storage assets in West Texas (the "Shell acquisition"). The results of operations and assets from this acquisition have been included in our consolidated financial statements and in our pipeline operations segment since that date. The primary assets included in the transaction were interests in the Basin Pipeline System, the Permian Basin Gathering System and the Rancho Pipeline System. These assets complement our existing asset infrastructure in West Texas and represent a transportation link to Cushing, Oklahoma, where we are a provider of storage and terminalling services. The total purchase price of $324.4 million consisted of (i) $304.0 million in cash, which was borrowed under our revolving credit facility, (ii) approximately $9.1 million related to the settlement of pre-existing accounts receivable and inventory balances and (iii) approximately $11.3 million of estimated transaction and closing costs. The entire purchase price was allocated to property and equipment.

CANPET Energy Group Inc.

In July 2001, we acquired the assets of CANPET Energy Group Inc. ("CANPET"), a Calgary-based Canadian crude oil and LPG marketing company, for approximately $24.6 million plus excess inventory at the closing date of approximately $25.0 million. A portion of the purchase price, payable in common units or cash at our option, was deferred subject to various performance standards being met. In addition, an amount will be paid equivalent to the distributions that would have been paid on the common units assuming (i) the deferred portion of the purchase price was paid in common units and (ii) they had been outstanding since the acquisition date. As of December 31, 2003, we determined that it was beyond a reasonable doubt that the performance standards were met and we recorded additional consideration of $24.3 million (see Note 7) resulting in aggregate consideration of $73.9 million. The deferred consideration was recorded as additional goodwill.

At the time of the acquisition, CANPET's activities consisted of gathering approximately 75,000 barrels per day of crude oil and marketing an average of approximately 26,000 barrels per day of natural gas liquids or LPG's. The principal assets acquired include a crude oil handling facility, a 130,000-barrel tank facility, LPG facilities, existing business relationships and operating inventory. The acquired assets are part of our strategy to establish a Canadian operation that complements our operations in the United States. Initial financing for the acquisition was provided through borrowings under our credit facility.

The purchase price, as adjusted post-closing, was allocated as follows (in millions):

Inventory	$	28.1
Goodwill		35.4
Intangible assets (contracts)		1.0
Pipeline linefill		4.3
Crude oil gathering, terminalling and other assets		5.1
Total	$	73.9

Murphy Oil Company Ltd. Midstream Operations

In May 2001, we closed the acquisition of substantially all of the Canadian crude oil pipeline, gathering, storage and terminalling assets of Murphy Oil Company Ltd. for approximately $158.4 million in cash after post-closing adjustments (the "Murphy acquisition"), including financing and transaction costs. Initial financing for the acquisition was provided through borrowings under our credit facilities. The purchase included $6.5 million for excess inventory in the pipeline systems. The principal assets acquired include approximately 560 miles of crude oil and condensate transmission mainlines (including dual lines on which condensate is shipped for blending purposes and blended crude is shipped in the opposite direction) and associated gathering and lateral lines, approximately 1.1 million barrels of crude oil storage and terminalling capacity located primarily in Kerrobert, Saskatchewan, approximately 254,000 barrels of pipeline linefill and tank inventories, and 121 trailers used primarily for crude oil transportation. The acquired assets are part of our strategy to establish a Canadian operation that complements our operations in the United States.

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

The purchase price, as adjusted post-closing, was allocated as follows (in millions):

Crude oil pipeline, gathering and terminal assets	$	148.0
Pipeline linefill		7.6
Net working capital items		2.0
Other property and equipment		0.5
Other assets, including debt issue costs		0.3
Total	$	158.4

Other Acquisitions

2003 Acquisitions

During 2003, we completed ten acquisitions for aggregate consideration totaling approximately $159.5 million. The aggregate consideration includes cash paid, estimated transaction costs, assumed liabilities and estimated near-term capital costs. These acquisitions included mainline crude oil

pipelines, crude oil gathering lines, terminal and storage facilities, and an underground LPG storage facility. The aggregate purchase price was allocated as follows (in million):

Crude oil pipelines and facilities	$ 138.0
Crude oil and LPG storage facilities	7.3
Trucking equipment and other	7.8
Office property and equipment	1.2
Pipeline Linefill	4.7
Goodwill	0.5
	$ 159.5

2002 Acquisitions

During 2002, in addition to the Shell acquisition, we completed two acquisitions for aggregate consideration totaling approximately $15.9 million including transaction costs. These acquisitions include crude oil pipeline, gathering and marketing assets and a 22% equity interest in a pipeline company. With the exception of $1.3 million that was allocated to goodwill, the aggregate purchase price was allocated to property and equipment.

2001 Acquisition

In December 2001, in addition to the CANPET and Murphy acquisitions, we acquired the Wapella Pipeline System from private investors for approximately $12.0 million, including transaction costs. The entire purchase price was allocated to property and equipment. The system includes a crude oil pipeline and approximately 21,500 barrels of crude oil storage capacity located along the system as well as a truck terminal.

Note 4—Asset Dispositions

Shutdown of Rancho Pipeline System

We acquired the Rancho Pipeline System in conjunction with the Shell acquisition. The Rancho Pipeline System Agreement dated November 1, 1951, pursuant to which the system was constructed and operated, terminated in March 2003. Upon termination, the agreement required the owners to take the pipeline system, in which we owned an approximate 50% interest, out of service. Accordingly, we notified our shippers and did not accept nominations for movements after February 28, 2003. This shutdown was contemplated at the time of the acquisition and was accounted for under purchase accounting in accordance with SFAS No. 141 "Business Combinations." The pipeline was shut down on March 1, 2003 and a purge of the crude oil linefill was completed in April 2003. In June 2003, we completed transactions whereby we transferred all of our ownership interest in approximately 240 miles of the total 458 miles of the pipeline in exchange for $4.0 million and approximately 500,000 barrels of crude oil tankage in West Texas. The remaining portion will either be sold or salvaged. No gain or loss has been recorded on the shutdown of the Rancho System or these transactions.

Other Dispositions

During 2003 and 2002, we sold various other property and equipment for proceeds totaling approximately $8.5 million and $1.4 million, respectively. A gain of approximately $0.6 million was recognized in 2003 and no gain or loss was recognized in 2002. In December 2001, we sold excess communications equipment and recognized a gain of $1.0 million.

Note 5—Industry Credit Markets

Throughout the latter part of 2001 and all of 2002, there have been significant disruptions and extreme volatility in the financial markets and credit markets. Because of the credit intensive nature of the energy industry and extreme financial distress at several large, diversified energy companies, the energy industry has been especially impacted by these developments. Accordingly, we are exposed to an increased level of direct and indirect counterparty credit and performance risk.

The majority of our credit extensions and therefore our accounts receivable relate to our gathering and marketing activities that can generally be described as high volume and low margin activities. In our credit approval process, we must determine the amount, if any, of the line of credit to be extended to any given customer and the form and amount of financial performance assurances we require. Such financial assurances are commonly provided to us in the form of standby letters of credit, advance cash payments or "parental" guarantees. At December 31, 2003, we had received approximately $44.0 million of advance cash payments and prepayments from third parties to mitigate credit risk.

Note 6—Debt

Short-term debt consists of the following (in millions):

	December 31,	
	2003	2002
Senior secured hedged inventory borrowing facility bearing interest at a rate of 1.9% at December 31, 2003	$ 100.5	$ —
Senior unsecured $425 million domestic revolving credit facility—working capital borrowings, bearing interest at a rate of 4.0% at December 31, 2003[(1)]	25.3	—

Senior secured letter of credit and borrowing facility bearing interest at a rate of 3.4% at December 31, 2002	—	97.7
Other	1.5	1.5
Total short-term debt and current maturities of long-term debt	$ 127.3	$ 99.2

(1) At December 31, 2003, we have classified $25.3 million of borrowings under our Senior unsecured domestic revolving credit facility as short-term. These borrowings are designated as working capital borrowings under this facility and primarily are for hedged LPG inventory and New York Mercantile Exchange ("NYMEX") margin deposits and must be repaid within one year.

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

	December 31,	
	2003	2002
5.63% senior notes due December 2013, net of unamortized discount of $0.7 million	$ 249.3	$ —
7.75% senior notes due October 2012, net of unamortized discount of $0.3 million and $0.4 million at December 31, 2003 and 2002, respectively	199.7	199.6
Senior unsecured $170 million Canadian revolving credit facility, bearing interest at a rate of 2.17% at December 31, 2003	70.0	—
Senior secured domestic revolving credit facility, bearing interest at a rate of 4.8% at December 31, 2002	—	10.4
Senior secured term B loan, bearing interest at a rate of 3.9% at December 31, 2002	—	198.0
Senior secured term loan, bearing interest at a rate of 3.9% at December 31, 2002	—	99.0
$30 million Canadian senior secured revolving credit facility, bearing interest at a rate of 5.0% at December 31, 2002	—	2.7
Total long-term debt[(1),(2)]	$ 519.0	$ 509.7

(1) At December 31, 2002, we classified $9 million of term loan payments due in 2003 as long term due to our intent and ability to refinance those maturities using the revolving facility.

(2) At December 31, 2003, we have classified $25.3 million of borrowings under our Senior unsecured domestic revolving credit facility as short-term. These borrowings are designated as working capital borrowings under this facility and primarily are for hedged LPG inventory and NYMEX margin deposits and must be repaid within one year.

Credit Facilities

During November 2003, we refinanced our bank credit facilities with new senior unsecured credit facilities totaling $750 million and a $200 million uncommitted facility for the purpose of financing hedged crude oil. The $750 million of new facilities consist of:

- a four-year, $425 million U.S. revolving credit facility;
- a 364-day, $170 million Canadian revolving credit facility with a five-year term-out option;
- a four-year, $30 million Canadian working capital revolving credit facility; and
- a 364-day, $125 million revolving credit facility.

All of the facilities with the exception of the $200 million hedged inventory facility are unsecured. The $200 million hedged inventory facility is an uncommitted working capital facility, which will be used to finance the purchase of hedged crude oil inventory for storage when market conditions warrant. Borrowings under the hedged inventory facility will be secured by the inventory purchased under the facility and the associated accounts receivable, and will be repaid from the proceeds from the sale of such inventory.

Senior Notes

During December 2003, we completed the sale of $250 million of 5.625% senior notes due in December 2013. The notes were issued by Plains All American Pipeline, L.P. and a 100% owned consolidated finance subsidiary (neither of which have independent assets or operations) at a discount of $0.7 million,

resulting in an effective interest rate of 5.66%. Interest payments are due on June 15 and December 15 of each year. The notes are fully and unconditionally guaranteed, jointly and severally, by all of our existing 100% owned subsidiaries, except for subsidiaries which are minor.

During September 2002, we completed the sale of $200 million of 7.75% senior notes due in October 2012. The notes were issued by Plains All American Pipeline, L.P. and a 100% owned consolidated finance subsidiary (neither of which have independent assets or operations) at a discount of $0.4 million, resulting in an effective interest rate of 7.78%. Interest payments are due on April 15 and October 15 of each year. The notes are fully and unconditionally guaranteed, jointly and severally, by all of our existing 100% owned subsidiaries, except for subsidiaries which are minor.

Covenants and Compliance

Our credit facilities, the indenture governing the 5.625% senior notes and the indenture governing the 7.75% senior notes contain cross default provisions. Our credit facilities prohibit distributions on, or purchases or redemptions of, units if any default or event of default is continuing. In addition, the agreements contain various covenants limiting our ability to, among other things:

- incur indebtedness if certain financial ratios are not maintained;
- grant liens;
- engage in transactions with affiliates;
- enter into sale-leaseback transactions;
- sell substantially all of our assets or enter into a merger or consolidation

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

- a debt coverage ratio which will not be greater than: 4.50 to 1.0 on all outstanding debt and 5.25 to 1.0 on all outstanding debt during an acquisition period (generally, the period consisting of three fiscal quarters following an acquisition); and
- an interest coverage ratio that is not less than 2.75 to 1.0.

For covenant compliance purposes, letters of credit and borrowings to fund hedged inventory and margin requirements are excluded when calculating the debt coverage ratio.

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

Letters of Credit

As is customary in our industry, and in connection with our crude oil marketing, we provide certain suppliers and transporters with irrevocable standby letters of credit to secure our obligation for the purchase of crude oil. Our liabilities with respect to these purchase obligations are recorded in accounts payable on our balance sheet in the month the crude oil is purchased. Generally, these letters of credit are issued for up to seventy-day periods and are terminated upon completion of each transaction. At December 31, 2003 and 2002, we had outstanding letters of credit of approximately $57.9 million and $52.5 million, respectively. In addition to changes in the level of activity and other factors, the amount of letters of credit outstanding varies based on NYMEX crude oil prices, which were $32.52 per barrel and $29.45 per barrel at December 31, 2003 and 2002, respectively.

Maturities

The weighted average life of our long-term debt outstanding at December 31, 2003, was approximately 9 years and all balances mature in 2009 or later.

Note 7—Partners' Capital and Distributions

Units Outstanding

Partners' capital at December 31, 2003 consists of (1) 50,809,746 common units, including 1,307,190 Class B common units, representing a 85.4% effective aggregate ownership interest in the Partnership and its subsidiaries, (after giving affect to the general partner interest), (2) 7,522,214 subordinated units representing a 12.6% effective aggregate ownership interest in the Partnership and its subsidiaries (after giving affect to the general partner interest) and (3) a 2% general partner interest.

Class B Common Units

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

within 90 days after the end of the 120-day period. Except for the vote to approve the conversion, Class B common units have the same voting rights as the common units.

Conversion of Subordinated Units

Pursuant to the terms of our Partnership Agreement and having satisfied the financial tests contained therein, in November 2003, 25% of the Subordinated Units converted to Common Units on a one-for-one basis. In February 2004, all of the remaining Subordinated Units converted to Common Units on a one-for-one basis.

General Partner Incentive Distributions

Our general partner is entitled to receive incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement. Under the quarterly incentive distribution provisions, generally the general partner is entitled, without duplication, to 15% of amounts we distribute in excess of $0.450 per unit ("MQD"), 25% of the amounts we distribute in excess of $0.495 per unit and 50% of amounts we distribute in excess of $0.675 per unit (referred to as "incentive distributions"). Cash distributions on our outstanding units and the portion of the distributions representing an excess over the MQD were as follows:

	Year					
	2003		2002		2001	
	Distribution	Excess over MQD	Distribution	Excess over MQD	Distribution	Excess over MQD
First Quarter	$ 0.5500	$ 0.1000	$ 0.5250	$ 0.0750	$ 0.4750	$ 0.0250
Second Quarter	$ 0.5500	$ 0.1000	$ 0.5375	$ 0.0875	$ 0.5000	$ 0.0500
Third Quarter	$ 0.5500	$ 0.1000	$ 0.5375	$ 0.0875	$ 0.5125	$ 0.0625
Fourth Quarter	$ 0.5625	$ 0.1125	$ 0.5375	$ 0.0875	$ 0.5125	$ 0.0625

Distributions

We will distribute 100% of our available cash within 45 days after the end of each quarter to unitholders of record and to our general partner. Available cash is generally defined as all of our cash and cash equivalents on hand at the end of each quarter less reserves established by our general partner for future requirements.

During 2003, we paid distributions of approximately $121.8 million ($2.19 on a per unit basis), with approximately $92.7 million paid to our common unitholders, $21.9 million paid to our subordinated unitholders and $2.3 million and $4.9 million paid to our general partner for its general partner and incentive distribution interests, respectively.

During 2002, we paid distributions of approximately $99.8 million ($2.11 on a per unit basis), with approximately $73.6 million paid to our common unitholders, $21.1 million paid to our subordinated unitholders and $2.0 million and $3.1 million paid to our general partner for its general partner and incentive distribution interests, respectively.

During 2001, we paid distributions of approximately $75.9 million ($1.95 on a per unit basis), with approximately $53.8 million paid to our common unitholders, $19.5 million paid to our subordinated unitholders and $1.5 million and $1.1 million paid to our general partner for its general partner and incentive distribution interests, respectively.

On January 22, 2004, we declared a cash distribution of $0.5625 per unit on our outstanding common units, Class B common units and subordinated units. The distribution was paid on February 13, 2004, to unitholders of record on February 3, 2004, for the period October 1, 2003, through December 31, 2003. The total distribution paid was approximately $35.2 million, with

approximately $28.7 million paid to our common unitholders, $4.2 million paid to our subordinated unitholders and $0.7 million and $1.6 million paid to our general partner for its general partner and incentive distribution interests, respectively.

Equity Offerings

In December 2003, we completed a public offering of 2,840,800 common units for $31.94 per unit. The offering resulted in gross proceeds of approximately $90.7 million from the sale of the units and approximately $1.8 million from our general partner's proportionate capital contribution. Total costs associated with the offering, including underwriter fees and other expenses, were approximately $4.1 million. Net proceeds of approximately $88.4 million were used to reduce outstanding borrowings under our revolving credit facility.

In September 2003, we completed a public offering of 3,250,000 common units for $30.91 per unit. The offering resulted in gross proceeds of approximately $100.5 million from the sale of the units and approximately $2.1 million from our general partner's proportionate capital contribution. Total costs associated with the offering, including underwriter fees and other expenses, were approximately $4.5 million. Net proceeds of approximately $98.0 million were used to reduce outstanding borrowings under the domestic revolving credit facility and reduce the principal balance on our Senior secured term B loan.

In March 2003, we completed a public offering of 2,645,000 common units for $24.80 per unit. The offering resulted in gross proceeds of approximately $65.6 million from the sale of the units and approximately $1.3 million from our general partner's proportionate capital contribution. Total costs associated with the offering, including underwriter fees and other expenses, were approximately $3.0 million. Net proceeds of approximately $63.9 million were used to reduce outstanding borrowings under the domestic revolving credit facility.

In August 2002, we completed a public offering of 6,325,000 common units for $23.50 per unit. The offering resulted in cash proceeds of approximately $148.6 million from the sale of the units and approximately $3.0 million from our general partner's proportionate capital contribution. Total costs associated with the offering, including underwriter fees and other expenses, were approximately $6.6 million. Net proceeds of approximately $145.0 million were used to reduce outstanding borrowings under the domestic revolving credit facility.

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

Contingent Equity Issuance

In connection with the CANPET acquisition in July 2001, a portion of the purchase price, payable in common units, was deferred subject to various performance objectives being met. These objectives have been met as of December 31, 2003, and the deferred amount is payable on April 30, 2004. The number of common units issued in satisfaction of the deferred payment will depend upon the average trading price of our common units for a ten-day trading period prior to the payment date and the Canadian and U.S. dollar exchange rate on the payment date. In addition, an amount will be paid equivalent to the distributions that would have been paid on the common units had they been outstanding since the acquisition was consummated. At our option, the deferred payment may be paid in cash rather than the issuance of units. Assuming the entire obligation is satisfied with common units, based on the foreign exchange rate in effect at December 31, 2003, (1.30 to 1 Canadian dollar to U.S.

dollar exchange rate) and an estimated $33.35 per unit price, approximately 613,000 units would be issued and approximately $3.9 million would be paid related to distributions. We currently anticipate that one-third of the contingent purchase price and all of the amount related to past distributions will be paid in cash and the remainder will be settled with approximately 409,000 common units.

Note 8—Derivatives and Financial Instruments

We utilize various derivative instruments to (i) manage our exposure to commodity price risk, (ii) engage in a controlled trading program, (iii) manage our exposure to interest rate risk and (iv) manage our exposure to currency exchange rate risk. Our risk management policies and procedures are designed to monitor interest rates, currency exchange rates, NYMEX and over-the-counter positions, and physical volumes, grades, locations and delivery schedules to ensure that our hedging activities address our market risks. We formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives and strategy for undertaking the hedge. We calculate hedge effectiveness on a quarterly basis. This process includes specific identification of the hedging instrument and the hedged transaction, the nature of the risk being hedged and how the hedging instrument's effectiveness will be assessed. Both at the inception of the hedge and on an ongoing basis, we assess whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Summary of Financial Impact

The following is a summary of the financial impact of the derivative instruments and hedging activities discussed below. At December 31, 2003, the balance sheet includes assets of $27.9 million ($22.0 million current), liabilities of $28.1 million ($17.1 million current) and related unrealized losses deferred to OCI of $1.6 million related to open derivative positions. Revenues for the year ended December 31, 2003 include a noncash gain of $0.4 million ($1.4 million noncash gain net of the reversal of the prior period fair value adjustment related to contracts that settled during the current year). Our hedge-related assets and liabilities are included in other current and non-current assets and liabilities in the consolidated balance sheet. In addition, during the fourth quarter of 2003 we terminated and cash settled three interest-rate risk hedging instruments for approximately $6.2 million. The net deferred loss related to these instruments was deferred in OCI and is being amortized into interest expense over the original terms of the terminated instruments (approximately fifty percent over three years and the remaining fifty percent over ten years).

As of December 31, 2003, the total amount of deferred net losses recorded in OCI are expected to be reclassified to future earnings, contemporaneously with the related physical purchase or delivery of the underlying commodity or payments of interest. During the periods ended December 31, 2003 and 2002, no amounts were reclassified to earnings from OCI in connection with forecasted transactions that were no longer considered probable of occurring. Based on the aggregate amounts deferred in OCI at December 31, 2003, a net loss of $0.4 million will be reclassified to earnings in the next twelve months and the remainder by 2013. Since a portion of these amounts are based on market prices at the current period end, actual amounts to be reclassified will differ and could vary materially as a result of changes in market conditions.

The following sections discuss our risk management activities in the indicated categories.

Commodity Price Risk Hedging

We hedge our exposure to price fluctuations with respect to crude oil and LPG in storage, and expected purchases, sales and transportation of these commodities. The derivative instruments utilized consist primarily of futures and option contracts traded on the NYMEX and over-the-counter transactions, including crude oil swap and option contracts entered into with financial institutions and

other energy companies (see Note 5 for a discussion of the mitigation of credit risk). In accordance with SFAS 133, these derivative instruments are recorded in the balance sheet as assets or liabilities at their fair values. The majority of our commodity price risk derivative instruments qualify for hedge accounting as cash flow hedges. Therefore, the corresponding changes in fair value for the effective portion of the hedge are deferred in OCI and recognized in revenues or purchases in the periods during which the underlying physical transactions occur. At December 31, 2003 there was an unrealized gain of $2.1 million deferred in OCI related to our commodity price risk activities. All of these deferred positions mature by December 2004. An unrealized gain of $1.2 million related to these activities was deferred in OCI at December 31, 2002. For each of the three years ended December 31, 2003, income of $0.5 million, $0.3 million and $0.4 million

(excluding the impact of the adoption of SFAS 133), respectively, was included in revenues due to changes in the fair value of derivatives that do not qualify for hedge accounting and the portion of cash flow hedges that are not highly effective. We have determined that our physical purchase and sale agreements qualify for the normal purchase and sale exclusion and thus are not subject to SFAS 133.

Controlled Trading Program

While we seek to maintain a position that is substantially balanced within our crude oil lease purchase and LPG activities, we may experience net unbalanced positions for short periods of time as a result of production, transportation and delivery variances as well as logistical issues associated with inclement weather conditions. In connection with managing these positions and maintaining a constant presence in the marketplace, both necessary for our core business, we engage in a controlled trading program for up to an aggregate of 500,000 barrels of crude oil and an aggregate of 250,000 barrels of LPG. These activities are monitored independently by our risk management function and must take place within predefined limits and authorizations. In accordance with SFAS 133, these derivative instruments are recorded in the balance sheet as assets or liabilities at their fair value, with the changes in fair value recorded net in revenues. There were no open positions under this program at December 31, 2003 and 2002. The realized earnings impact related to these activities for the years ended December 31, 2003, 2002 and 2001, was a loss of $0.1 million, income of $0.1 million and a loss of $0.9 million, respectively.

Interest Rate Risk Hedging

We also utilize various products, such as interest rate swaps, collars and treasury locks to hedge interest obligations on specific debt issuances, including anticipated debt issuances. All of these instruments are placed with large creditworthy financial institutions.

At December 31, 2003, there was one interest rate swap outstanding with an aggregate notional principal amount of $50 million. The interest rate swap is based on LIBOR rates and provides for a LIBOR rate of 4.3% expiring in March 2004. Interest on the underlying debt being hedged is based on LIBOR plus a margin.

The instruments outstanding at December 31, 2002, consisted of interest rate swaps and a treasury lock with an aggregate notional principal amount of $150 million. The interest rate swaps were based on LIBOR rates and provided for a LIBOR rate of 5.1% for a $50.0 million notional principal amount expiring October 2006 and a LIBOR rate of 4.3% for a $50.0 million notional principal amount expiring March 2004. Interest on the underlying debt that was hedged was based on LIBOR plus a margin. During 2002, we entered into a treasury lock in anticipation of the issuance of our 7.75% senior notes due October 2012 and potential subsequent add-on thereto. A treasury lock is a financial derivative instrument that enables the company to lock in the U.S. Treasury Note rate. The treasury lock had a notional principal amount of $50.0 million and an effective interest rate of 4.60%. The treasury lock matured in January 2003, was extended to March 2003 with an effective interest rate of 4.68%, was converted to a forward starting swap and was subsequently unwound in conjunction with the issuance of our 5.625% Senior Notes.

The instruments outstanding at December 31, 2003 and 2002 qualify for hedge accounting as cash flow hedges in accordance with SFAS 133. The effective portion of changes in fair values of these hedges is recorded in OCI until the related hedged item impacts earnings. At December 31, 2003, and 2002, there was a $6.5 million unrealized loss and a $9.6 million unrealized loss, respectively, deferred in OCI related to our interest rate risk activities. As discussed above, approximately $6.1 million of the loss deferred in OCI at December 31, 2003, relates to instruments terminated and cash settled during 2003. During 2003 and 2002, there were no amounts recognized in earnings related to hedge ineffectiveness.

Currency Exchange Rate Risk Hedging

Because a significant portion of our Canadian business is conducted in Canadian dollars (CAD), we use certain financial instruments to minimize the risks of unfavorable changes in exchange rates. These instruments include forward exchange contracts, forward extra option contracts and cross currency swaps. Additionally, at times, a portion of our debt is denominated in Canadian dollars. At December 31, 2003 we did not have any Canadian dollar debt and at December 31, 2002, $2.7 million of our long-term debt was denominated in Canadian dollars ($4.3 million CAD based on a Canadian dollar to U.S. dollar exchange rate of 1.58 to 1). All of these financial instruments are placed with large creditworthy financial institutions.

At December 31, 2003, we had forward exchange contracts that allow us to exchange approximately $2.0 million Canadian for at least $1.5 million U.S. quarterly during 2004 and approximately $1.0 million Canadian for at least $0.7 million U.S. quarterly during 2005 (based on a Canadian dollar to U.S. dollar exchange rate of approximately 1.33 to 1 and 1.34 to 1, respectively). In addition, at December 31, 2003, we also had cross currency swap contracts for an aggregate notional principal amount of $23.0 million, effectively converting this amount of our U.S. dollar denominated debt to $35.6 million of Canadian dollar debt (based on a Canadian dollar to U.S. dollar exchange rate of 1.55 to 1). The notional principal amount reduces by $2.0 million U.S. on May 2004 and May 2005 and has a final maturity in May 2006 ($19.0 million U.S.).

At December 31, 2002, we had forward exchange contracts and forward extra option contracts that allow us to exchange $3.0 million Canadian for at least $1.9 million U.S. quarterly during 2003 (based on a Canadian dollar to U.S. dollar exchange rate of 1.54 to 1). At December 31, 2002, we also had cross currency swap contracts for an aggregate notional principal amount of $24.8 million, effectively converting this amount of our U.S. dollar denominated debt to $38.3 million of Canadian dollar debt (based on a Canadian dollar to U.S. dollar exchange rate of 1.55 to 1).

The forward exchange contracts and forward extra option contracts qualify for hedge accounting as cash flow hedges and the cross currency swaps qualify for hedge accounting as fair value hedges, both in accordance with SFAS 133. Such derivative activity resulted in an unrealized loss of $0.3 million and an unrealized gain of $0.2 million deferred in OCI related to our currency exchange rate cash flow hedges at December 31, 2003 and 2002, respectively. The earnings impact related to our currency exchange rate fair value hedges was a loss of $0.1 million for the year ended December 31, 2003 and nominal for the year ended December 31, 2002.

Fair Value of Financial Instruments

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

	December 31,			
	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
NYMEX futures	$ 7.5	$ 7.5	$ 0.6	$ 0.6
Options and swaps	$ (3.3)	$ (3.3)	$ (0.6)	$ (0.6)
Forward exchange contracts	$ (0.4)	$ (0.4)	$ 0.1	$ 0.1
Forward extra option contracts	$ —	$ —	$ 0.2	$ 0.2
Cross currency swaps	$ (4.8)	$ (4.8)	$ 0.3	$ 0.3
Treasury lock	$ —	$ —	$ (3.3)	$ (3.3)
Interest rate swaps	$ (0.4)	$ (0.4)	$ (6.3)	$ (6.3)
Short and long-term debt under credit facilities	$ 95.3	$ 95.3	$ 409.4	$ 409.4
Senior notes	$ 449.0	$ 482.9	$ 199.6	$ 209.0

As of December 31, 2003 and 2002, the carrying amounts of items comprising current assets and current liabilities approximate fair value due to the short-term maturities of these instruments. The carrying amounts of the variable rate instruments in our credit facilities approximate fair value primarily because the interest rates fluctuate with prevailing market rates, while the interest rate on the 5.625% and the 7.75% senior notes is fixed and the fair value is based on quoted market prices.

The carrying amount of our derivative financial instruments approximate fair value as these instruments are recorded on the balance sheet at their fair value under SFAS 133. Our derivative financial instruments include cross currency swaps, forward exchange and extra option contracts, interest rate swap collar and treasury lock agreements for which fair values are based on current liquidation values. We also have over-the-counter option and swap contracts for which fair values are estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. In addition, we have NYMEX futures and options for which the fair values are based on quoted market prices.

Note 9—Major Customers and Concentration of Credit Risk

Marathon Ashland Petroleum accounted for 12%, 10% and 11% of our revenues for each of the three years in the period ended December 31, 2003. No other customers accounted for 10% or more of our revenues during any of the three years. The majority of the revenues from Marathon Ashland Petroleum pertain to our gathering, marketing, terminalling and storage operations. We believe that the loss of this customer would have only a short-term impact on our operating results. There can be no assurance, however, that we would be able to identify and access a replacement market at comparable margins.

Financial instruments that potentially subject us to concentrations of credit risk consist principally of trade receivables. Our accounts receivable are primarily from purchasers and shippers of crude oil. This industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. We review credit exposure and financial information of our counterparties and generally require letters of credit for receivables from customers that are not considered credit worthy, unless the credit risk can otherwise be reduced (see Note 5).

Note 10—Related Party Transactions

Reimbursement of Expenses of Our General Partner and Its Affiliates

We do not directly employ any persons to manage or operate our business. These functions are provided by employees of our general partner (or, in the case of our Canadian operations, PMC (Nova Scotia) Company). Our general partner does not receive a management fee or other compensation in connection with its management of us. We reimburse our general partner for all direct and indirect costs of services provided, including the costs of employee, officer and director compensation and benefits allocable to us, and all other expenses necessary or appropriate to the conduct of our business, and allocable to us. Our agreement provides that our general partner will determine the expenses allocable to us in any reasonable manner determined by our general partner in its sole discretion. Historically, an allocation was made for overhead associated with officers and employees who divided time between us and Plains Resources. As a result of the General Partner Transition, all of the employees and officers of the general partner devote 100% of their efforts to our business and there are no allocated expenses. Total costs reimbursed by us to our general partner in for the years ended December 31, 2003, 2002 and 2001 were approximately $88.1 million, $70.8 million and $31.3 million, respectively. Total costs reimbursed by us to our former general partner and Plains Resources were approximately $31.2 million for the year ended December 31, 2001.

Crude Oil Marketing Agreement

We are the exclusive marketer/purchaser for all of Plains Resources' and its subsidiaries' equity crude oil production. The marketing agreement with Plains Resources provides that we will purchase for resale at market prices the majority of Plains Resources' crude oil production for which we charge a fee of $0.20 per barrel. This fee is subject to adjustment every three years based on then-existing market conditions. For the years ended December 31, 2003, 2002 and 2001, we paid Plains Resources approximately $25.7 million, $247.7 million and $223.2 million, respectively, for the purchase of crude oil under the agreement, including the royalty share of production, and recognized margins of approximately $0.2 million, $1.8 million and $1.8 million from the marketing fee for the same periods, respectively. In our opinion, these purchases were made at prevailing market prices. In November 2001, the marketing agreement automatically extended for an additional three-year period. In connection with the separation of Plains Resources and one of its subsidiaries, discussed below, Plains Resources divested the bulk of its producing properties. As a result, we do not anticipate the marketing arrangement with Plains Resources to be material to our operating results in the future. We are in the process of negotiating an amended agreement to reflect the separation. As currently in effect, the marketing agreement will terminate upon a "change in control" of Plains Resources or our general partner. The recently announced buyout of Plains Resources stock would constitute a change of control; however, we received assurances prior to the initial announcement that neither Plains Resources nor the buyout group intend for the agreement to terminate.

In December 2002, Plains Resources completed a spin-off of one of its subsidiaries, Plains Exploration and Production Company ("PXP") to its shareholders. PXP is a successor participant to the Plains Resources Marketing agreement. For the year ended December 31, 2003, we paid PXP approximately $277.9 million for the purchase of crude oil under the agreement, including the royalty share of production and recognized margins of approximately $1.7 million from the marketing fee. In our opinion, these purchases were made at prevailing market prices. We are also party to a Letter Agreement with Stocker Resources, L.P. (now PXP) that provides that if the Marketing Agreement terminates before our crude oil sales agreement with Tosco Refining Co. ("Tosco") terminates, PXP will continue to sell and we will continue to purchase PXP's equity crude oil production from the Arroyo Grande field (now owned by a subsidiary of PXP) under the same terms as the Marketing Agreement until our Tosco sales agreement terminates. We are in the process of negotiating the terms of an amended agreement with PXP.

Separation Agreement

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

Due to Related Parties

The balance of amounts due to related parties at December 31, 2003 and 2002 was $27.0 million and $23.3 million, respectively, and was primarily related to crude oil purchased by us but not yet paid as of December 31 of each year.

Transaction Grant Agreements

In connection with our initial public offering, our former general partner, at no cost to us, agreed to transfer, subject to vesting, approximately 400,000 of its affiliates' common units (including distribution equivalent rights attributable to such units) to certain key officers and employees of our former general partner and its affiliates. Under these grants, the common units vested based on attaining a targeted operating surplus for a given year. Approximately 70,000 units vested in 2000, with the remainder in 2001. The value of the units and associated distribution equivalent rights that vested under the Transaction Grant Agreements for all grantees in 2001 were $5.7 million. Although we recorded noncash compensation expenses with respect to these vestings, the compensation expense incurred in connection with these grants was funded by our former general partner, without reimbursement by us.

Performance Option Plan

In connection with the General Partner Transition, the owners of the general partner (other than PAA Management, L.P.) contributed an aggregate of 450,000 subordinated units (now converted into common units) to the general partner to provide a pool of units available for the grant of options to management and key employees. In that regard, the general partner adopted the Plains All American 2001 Performance Option Plan, pursuant to which options to purchase approximately 375,000 units have been granted. These options vest in 25% increments based upon achieving quarterly distribution levels on our units of $0.525, $0.575, $0.625 and $0.675 ($2.10, $2.30, $2.50 and $2.70, annualized). The first such level was reached, and 25% of the options vested, in 2002. The options will vest in their entirety immediately upon a change in control (as defined in the grant agreements). The original purchase price under the options is $22 per subordinated unit, declining over time in an amount equal to 80% of each quarterly distribution per unit. As of February 17, 2004, the purchase price was $17.30 per unit. The terms of future grants may differ from the existing grants. Because the units underlying the plan were contributed to the general partner, we will have no obligation to reimburse the general partner for the cost of the units upon exercise of the options. At December 31, 2003 approximately 371,875 units were outstanding following the exercise of 3,125 options during 2003.

Stock Option Replacement

In connection with the General Partner Transition, certain members of the management team that had been employed by Plains Resources were transferred to the general partner. At that time, such individuals held in-the-money but unvested stock options in Plains Resources, which were subject to

forfeiture because of the transfer of employment. Plains Resources, through its affiliates, agreed to substitute a contingent grant of subordinated units (or common units after conversion) with a value equal to the spread on the unvested options, with distribution equivalent rights from the date of grant. The units vest on the same schedule as the stock options would have vested. The general partner administers the vesting and delivery of the units under the grants. Because the units necessary to satisfy the delivery requirements under the grants are provided by Plains Resources, we have no obligation to reimburse the general partner for the cost of such units.

Benefit Plan

A subsidiary of Plains Resources was, until June 8, 2001, our general partner. On that date, such entity transferred the general partner interest to our current general partner, which effective July 1, 2001, maintains a 401(k) defined contribution plan whereby it matches 100% of an employee's contribution (subject to certain limitations in the plan). For the years ended December 31, 2003 and 2002, the defined contribution plan expense was approximately $2.6 million and $2.1 million, respectively. For the period July 1 through December 31, 2001, defined contribution plan expense was approximately $1.1 million.

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

Note 11—Long-Term Incentive Plans

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

Restricted Unit Plan. A restricted unit is a "phantom" unit that entitles the grantee to receive, upon the vesting of the phantom unit, a common unit (or cash equivalent, depending on the terms of the grant). As of December 31, 2003, aggregate outstanding grants of approximately 1,003,000 have been made to employees, officers and directors of our general partner. As discussed in more detail below, a substantial number of phantom units have recently vested or are expected to vest in the first half of 2004. As of February 17, 2004, giving effect to vested grants, grants of approximately 684,000 unvested phantom units remain outstanding to employees, officers and directors of our general partner. As discussed below, a substantial portion of these phantom units are expected to vest in May 2004. The Compensation Committee may, in the future, make additional grants under the plan to employees and directors containing such terms as the Compensation Committee shall determine.

If a grantee terminates employment or membership on the board for any reason, the grantee's phantom units will be automatically forfeited unless, and to the extent, the Compensation Committee

provides otherwise. Common units to be delivered upon the vesting of rights may be common units acquired by our general partner in the open market or in private transactions, common units already owned by our general partner, or any combination of the foregoing. Our general partner will be entitled to reimbursement by us for the cost incurred in acquiring common units. In addition, the Partnership may issue up to 975,000 new common units to satisfy delivery obligations under the grants, less any common units issued upon exercise of unit options under the plan (see below). If we issue new common units upon vesting of the phantom units, the total number of common units outstanding will increase. The Compensation Committee, in its discretion, may grant tandem distribution equivalent rights with respect to phantom units.

The phantom units (other than director grants) granted during the subordination period were subject to the basic restriction that vesting could take place only after and in proportion to any conversion of subordinated units into common units. Certain grants were subject to additional vesting criteria, primarily related to the Partnership's performance. In November 2003, 25% of the outstanding subordinated units converted on a one-for-one basis into common units and the remainder of our subordinated units converted into common units in February 2004. As a result, approximately 35,000 phantom units vested in November 2003, approximately 326,000 phantom units vested in February 2004, and we anticipate that approximately 473,000 additional phantom units will vest in May 2004, subject to the satisfaction of service period requirements. Under generally accepted accounting principles, we are required to recognize an expense when it is considered probable that the financial tests for conversion of subordinated units and required distribution levels will be met and that the phantom units will vest. As of December 31, 2003, we had recorded approximately $28.8 million of compensation expense for the units that vested during 2003 and those that we concluded probable of vesting during 2004. The compensation expense recorded is based upon the actual amounts paid in 2003, or for the unpaid portion, an estimated market price of $33.35 per unit, our share of employment taxes and other related costs.

During 2003, we paid cash in lieu of issuing units for approximately 7,500 of the phantom units that vested during the year and issued approximately 18,000 common units (after netting for taxes). For those units that vested in February 2004, we paid cash in lieu of issuing units for approximately 104,000 of the phantom units and issued approximately 138,000 new common units (after netting for taxes) in connection with such vesting. We anticipate paying cash for approximately 201,000 of the phantom units expected to vest in May 2004, as well as issuing approximately 181,000 new common units (after netting for taxes) in connection with such vesting.

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

In 2000, the three non-employee directors of our former general partner were each granted 5,000 phantom units. These units vested in connection with the consummation of the General Partner Transition. Additional grants of 5,000 phantom units were made in 2002 to each non-employee director of our general partner. These units vest in 25% increments on each anniversary of June 8, 2001. The first vesting took place on June 8, 2002.

Unit Option Plan. The Unit Option Plan under our Long-Term Incentive Plan currently permits the grant of options covering common units. No grants have been made under the Unit Option Plan to date. However, the Compensation Committee may, in the future, make grants under the plan to employees and directors containing such terms as the committee shall determine, provided that unit options have an exercise price equal to the fair market value of the units on the date of grant.

Note 12—Commitments and Contingencies

We lease certain real property, equipment and operating facilities under various operating leases. We also incur costs associated with leased land, rights-of-way, permits and regulatory fees, the contracts for which generally extend beyond one year but can be cancelled at any time should they not be required for operations. Future non-cancellable commitments related to these items at December 31, 2003, are summarized below (in millions):

2004	$ 12.7
2005	$ 11.2
2006	$ 8.8

2007	$	5.3
2008	$	2.8
Thereafter	$	0.7

Total lease expense incurred for 2003, 2002 and 2001 was $10.5 million, $8.3 million and $7.4 million, respectively. As is common within the industry and in the ordinary course of business, we have also entered into various operational commitments and agreements related to pipeline operations and to marketing, transportation, terminalling and storage of crude oil and LPG.

Litigation

Export License Matter. In our gathering and marketing activities, we import and export crude oil from and to Canada. Exports of crude oil are subject to the short supply controls of the Export Administration Regulations ("EAR") and must be licensed by the Bureau of Industry and Security (the "BIS") of the U.S. Department of Commerce. We have determined that we may have exceeded the quantity of crude oil exports authorized by previous licenses. Export of crude oil in excess of the authorized amounts is a violation of the EAR. On October 18, 2002, we submitted to the BIS an initial notification of voluntary disclosure. The BIS subsequently informed us that we could continue to export while previous exports were under review. We applied for and have received a new license allowing for exports of volumes more than adequately reflecting our anticipated needs. On October 2, 2003, we submitted additional information to the BIS. At this time, we have received no indication whether the BIS intends to charge us with a violation of the EAR or, if so, what penalties would be assessed. As a result, we cannot estimate the ultimate impact of this matter.

Alfons Sperber v. Plains Resources Inc., et. al. On December 18, 2003, a putative class action lawsuit was filed in the Delaware Chancery Court, New Castle County, entitled *Alfons Sperber v. Plains Resources Inc., et al.* This suit, brought on behalf of a putative class of Plains All American Pipeline, L.P. common unit holders, asserts breach of fiduciary duty and breach of contract claims against the Partnership, Plains AAP, L.P., and Plains All American GP LLC and its directors, as well as breach of fiduciary duty claims against Plains Resources Inc. and its directors. The complaint seeks to enjoin or rescind a proposed acquisition of all of the outstanding stock of Plains Resources Inc., as well as declaratory relief, an accounting, disgorgement and the imposition of a constructive trust, and an award of damages, fees, expenses and costs, among other things. The Partnership intends to vigorously defend this lawsuit.

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

Other

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

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

Note 13—Environmental Remediation

In connection with various acquisitions, we have received indemnities from the sellers for environmental exposure, subject to our prior payment of certain threshold amounts. Based on our investigations of the assets acquired in such acquisitions, we have identified several sites that exceed the threshold limitations under the various indemnities. Although we have not yet determined the total cost of remediation of these sites, we believe our indemnification arrangements should prevent such costs from having a material adverse effect on our financial condition, results of operations or cash flows.

In connection with our 1999 acquisition of Scurlock Permian LLC from MAP, we were indemnified by MAP for any environmental liabilities attributable to Scurlock's business or properties which occurred prior to the date of the closing of the acquisition. This indemnity applied to claims that exceeded $25,000 individually and $1.0 million in the aggregate. For the indemnity to apply, we were required to assert any claims on or before May 15, 2003. In conjunction with the expiration of this indemnity, we reached agreement with respect to MAP's remaining indemnity obligations. Under the terms of this agreement, MAP will continue to remain obligated for liabilities associated with two Superfund sites at which it is alleged that Scurlock Permian deposited waste oils. In addition, MAP paid us $4.6 million cash as satisfaction of its obligations with respect to other sites. During 2002, we had reassessed previous investigations and completed environmental studies related to environmental conditions associated with our 1999 acquisitions. As a result of that reassessment, we established an additional reserve of $1.2 million.

As of December 31, 2003, we have approximately $6.6 million reserved associated with our remediation obligations. This amount is approximately equal to the threshold amounts the partnership must incur before the sellers' indemnities take effect. Approximately $1.6 million of our environmental reserve is classified as current and $5.0 million is classified as long-term because in many cases, the actual cash expenditures may not occur for up to ten years or more.

Other assets we have acquired or will acquire in the future may have environmental remediation liabilities for which we are not indemnified. We may experience future releases of crude oil into the environment from our pipeline and storage operations, or discover releases that were previously unidentified. Although we maintain an extensive inspection program designed to prevent and, as applicable, to detect and address such releases promptly, damages and liabilities incurred due to any future environmental releases from our assets may substantially affect our business.

Note 14—Quarterly Financial Data (Unaudited):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total[1]
	(in thousands, except per unit data)				
2003					
Revenues	$ 3,281.9	$ 2,709.2	$ 3,053.7	$ 3,545.0	$ 12,589.8
Gross margin	46.7	44.0	38.7	41.2	170.6
Operating income	33.6	31.9	21.0	11.6	98.2
Net income (loss)	24.4	23.4	11.9	(0.2)	59.4
Basic net income (loss) per limited partner unit	0.46	0.42	0.20	(0.03)	1.01
Diluted net income (loss) per limited partner unit	0.46	0.42	0.19	(0.03)	1.00
Cash distributions per common unit[2]	$ 0.550	$ 0.550	$ 0.550	$ 0.563	$ 2.21
2002					
Revenues	$ 1,545.3	$ 1,985.3	$ 2,344.1	$ 2,509.5	$ 8,384.2
Gross margin	31.4	34.5	35.3	39.0	140.2
Operating income	20.8	23.4	23.8	26.7	94.6
Net income	14.3	17.0	16.3	18.9	65.3
Basic and diluted net income per limited partner unit	0.31	0.37	0.33	0.35	1.34
Cash distributions per common unit[2]	$ 0.525	$ 0.538	$ 0.538	$ 0.538	$ 2.14

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

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

Note 15—Operating Segments

Our operations consist of two operating segments: (1) Pipeline Operations—engages in interstate and intrastate crude oil pipeline transportation and certain related merchant activities; (2) Gathering, Marketing, Terminalling and Storage Operations—engages in purchases and resales of crude oil and LPG at various points along the distribution chain and the operation of certain terminalling and storage assets. We evaluate segment performance based on (i) segment margin (revenue less purchases and operating expenses), (ii) segment profit (segment margin less general and administrative expenses) and (iii) maintenance capital. Maintenance capital consists of capital expenditures required either to maintain the existing operating capacity of partially or fully depreciated assets or to extend their useful lives. Capital expenditures made to expand our existing capacity, whether through construction or acquisition, are not considered maintenance capital expenditures. Repair and maintenance expenditures associated with existing assets that do not extend the useful life or expand the operating capacity are charged to expense as incurred.

	Pipeline	Gathering Marketing, Terminalling & Storage	Total
		(in millions)	
Twelve Months Ended December 31, 2003			
Revenues:			
External Customers	$ 605.1	$ 11,984.7	$ 12,589.8
Intersegment[a]	53.5	0.9	54.5
Total revenues of reportable segments	$ 658.6	$ 11,985.6	$ 12,644.3
Segment margin	$ 109.2	$ 108.2	$ 217.4
General and administrative expenses[b]	27.9	45.1	73.0
Segment profit	$ 81.3	$ 63.1	$ 144.4
Capital expenditures	$ 211.9	$ 21.9	$ 233.8
Total assets	$ 1,221.0	$ 874.6	$ 2,095.6
Non-cash SFAS 133 impact[d]	$ —	$ 0.4	$ 0.4
Maintenance capital	$ 6.4	$ 1.2	$ 7.6
Twelve Months Ended December 31, 2002			
Revenues:			
External Customers	$ 462.4	$ 7,921.8	$ 8,384.2
Intersegment[a]	23.8	—	23.8
Total revenues of reportable segments	$ 486.2	$ 7,921.8	$ 8,408.0
Segment margin	$ 83.9	$ 90.4	$ 174.3
General and administrative expenses[b][c]	13.2	31.5	44.7

Segment profit	$ 70.7	$ 58.9	$ 129.6
Capital expenditures	$ 341.9	$ 23.3	$ 365.2
Total assets	$ 1,030.7	$ 635.9	$ 1,666.6
Non-cash SFAS 133 impact[(d)]	$ —	$ 0.3	$ 0.3
Maintenance capital	$ 3.4	$ 2.6	$ 6.0
Twelve Months Ended December 31, 2001			
Revenues:			
External Customers	$ 339.9	$ 6,528.3	$ 6,868.2
Intersegment[(a)]	17.5	—	17.5
Total revenues of reportable segments	$ 357.4	$ 6,528.3	$ 6,885.7
Segment margin	$ 71.3	$ 71.0	$ 142.3
General and administrative expenses[(b)(c)]	12.4	28.5	40.9
Segment profit	$ 58.9	$ 42.5	$ 101.4
Capital expenditures	$ 169.8	$ 80.4	$ 250.2
Total assets	$ 472.3	$ 788.9	$ 1,261.2
Non-cash SFAS 133 impact[(d)]	$ —	$ 0.2	$ 0.2
Maintenance capital	$ 0.5	$ 2.9	$ 3.4

(a) Intersegment sales were conducted at arms length.

Table continued on following page

(b) G&A expenses reflect direct costs attributable to each segment and an allocation of other expenses to the segment based on the business activities that exist at that time. The proportional allocations by segment require judgement by management and will continue to be based on business activities that exist during each period.

(c) In 2002, $1.0 million write-off of deferred acquisition-related costs was excluded as it is not attributable to the segments. Also, $5.7 million of non cash compensation expense in 2001 was excluded as it is not allocated to the segments.

(d) Amounts related to SFAS 133 are included in revenues and impact segment and margin segment profit.

(e) The following table reconciles segment profit to consolidated net income (in millions):

	For the year ended December 31,		
	2003	2002	2001
Segment profit	$ 144.4	$ 129.6	$ 101.4
Unallocated general and administrative expenses	—	(1.0)	(5.7)
Depreciation and amortization	(46.8)	(34.1)	(24.3)
Gain on sale of assets	0.6	—	1.0
Interest expense	(35.2)	(29.1)	(29.1)
Interest income and other, net	(3.6)	(0.1)	0.4
Cumulative effect of accounting change	—	—	0.5
Net Income	$ 59.4	$ 65.3	$ 44.2

Geographic Data

We have operations in the United States and Canada. Set forth below are revenues and long lived assets attributable to these geographic areas (in millions):

	For the Year Ended December 31,	
Revenues	2003	2002
United States	$ 10,536.8	$ 6,941.7
Canada	2,053.0	1,442.5
	$ 12,589.8	$ 8,384.2

	For the Year Ended December 31,

Long-Lived Assets	2003	2002
United States	$ 1,039.8	$ 866.9
Canada	316.9	194.1
	$ 1,356.7	$ 1,061.0

QuickLinks

EXHIBIT 4.4

PLAINS ALL AMERICAN PIPELINE, L.P.
PAA FINANCE CORP.
as Issuers

and

THE SUBSIDIARY GUARANTORS NAMED HEREIN
as Guarantors

$250,000,000

SERIES A AND SERIES B

$5^{5}/_{8}$% SENIOR NOTES DUE 2013

SECOND

SUPPLEMENTAL

INDENTURE

Dated as of December 10, 2003

WACHOVIA BANK, NATIONAL ASSOCIATION
as Trustee

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SECOND SUPPLEMENTAL INDENTURE dated as of December 10, 2003 (this "Supplemental Indenture") among PLAINS ALL AMERICAN PIPELINE, L.P., a Delaware limited partnership (the "Partnership"), PAA FINANCE CORP., a wholly owned subsidiary of the Partnership and a Delaware corporation ("PAA Finance" and, together with the Partnership, the "Issuers"), and the subsidiary guarantors signatory hereto (the "Subsidiary Guarantors"), and WACHOVIA BANK, NATIONAL ASSOCIATION, as trustee (the "Trustee").

W I T N E S S E T H:

WHEREAS, the Issuers have heretofore entered into an Indenture, dated as of September 25, 2002 (the "Original Indenture"), with Wachovia Bank, National Association, as trustee;

WHEREAS, the Original Indenture, as supplemented by this Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, a new series of Debt Securities may at any time be established by the Boards of Directors of the Managing General Partner and PAA Finance in accordance with the provisions of the Original Indenture and the form and terms of such series may be established by a supplemental Indenture executed by the Issuers and the Trustee;

WHEREAS, also under the Original Indenture, guarantors with respect to a series of Debt Securities may be added as parties to the Indenture by a supplemental Indenture executed by themselves, the Issuer and the Trustee;

WHEREAS, the Issuers propose to create under the Indenture a new series of Debt Securities, such series to be guaranteed by the Subsidiary Guarantors;

WHEREAS, additional Debt Securities of other series hereafter established, except as may be limited in the Original Indenture as at the time supplemented and modified, may be issued from time to time pursuant to the Original Indenture as at the time supplemented and modified; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this Supplemental Indenture and to make it a valid and binding obligation of the Issuers and the Subsidiary Guarantors have been done or performed.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

Section 1.01. Establishment. (a) There is hereby established a new series of Debt Securities to be issued under the Indenture, to be designated as the Issuers' $5^5/_8$% Senior Notes due 2013 (the "Notes"). As provided in Article II hereof, the Notes shall be issued as either Series A Notes or Series B Notes, and any Notes may have such additional designation.

(b) There are to be authenticated and delivered $250,000,000 principal amount of Series A Notes on the Issue Date, and from time to time thereafter there may be authenticated and delivered an unlimited principal amount of Additional Notes. Further, from time to time after the Issue Date, Series B Notes may be authenticated and delivered in a principal amount equal to the principal amount of the Series A Notes exchanged therefor pursuant to an Exchange Offer.

(c) The Notes shall be issued initially in the form of one or more Global Securities in substantially the form set out in Exhibit A hereto. The Depositary with respect to the Notes shall be The Depository Trust Company.

(d) Each Note shall be dated the date of authentication thereof and shall bear interest from the date of original issuance thereof or from the most recent date to which interest has been paid or duly provided for.

(e) If and to the extent that the provisions of the Original Indenture are duplicative of, or in contradiction with, the provisions of this Supplemental Indenture, the provisions of this Supplemental Indenture shall govern.

ARTICLE II
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 2.01. Definitions. All capitalized terms used herein and not otherwise defined below shall have the meanings ascribed thereto in the Original Indenture. The following are additional definitions used in this Supplemental Indenture:

"Additional Interest" means all additional interest owing on the Notes pursuant to a registration default under an Exchange and Registration Rights Agreement.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, shall mean the possession directly or indirectly of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; and the terms "controlling," "controlled by" and "under common control with" shall have correlative meanings.

"Attributable Indebtedness," when used with respect to any Sale-leaseback Transaction, means, as at the time of determination, the present value (discounted at the rate set forth or implicit in the terms of the lease included in such transaction) of the total obligations of the lessee for rental payments (other than amounts required to be paid on account of property taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items that do not constitute payments for property rights) during the remaining term of the lease included in such Sale-leaseback Transaction (including any period for which such lease has been extended). In the case of any lease that is terminable by the lessee upon the payment of a penalty or other termination payment, such amount shall be the lesser of the amount determined assuming termination upon the first date such lease may be terminated (in which case the amount shall also

include the amount of the penalty or termination payment, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated) or the amount determined assuming no such termination.

"Capital Interests" means any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, including, without limitation, with respect to partnerships, partnership interests (whether general or limited) and any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, such Person.

"Consolidated Net Tangible Assets" means, at any date of determination, the total amount of assets after deducting therefrom: (1) all current liabilities (excluding (a) any current liabilities that by their terms are extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed; and (b) current maturities of long-term debt); and (2) the amount, net of any applicable reserves, of all goodwill, trade names, trademarks, patents and other like intangible assets, all as set forth on the consolidated balance sheet of the Partnership for its most recently completed fiscal quarter, prepared in accordance with GAAP.

"Debt" means any obligation created or assumed by any Person for the repayment of money borrowed, any purchase money obligation created or assumed by such Person, and any guarantee of the foregoing.

"Exchange and Registration Rights Agreement" means (a) the Registration Rights Agreement among the Partnership, PAA Finance, the Subsidiary Guarantors and the Initial Purchasers dated the Issue Date relating to the Series A Notes issued on such date and (b) any similar agreement that the Issuers may enter into in relation to any other Series A Notes, in each case as such agreement may be amended or modified from time to time.

"Exchange Offer" means the offer by the Issuers to the Holders of all outstanding Transfer Restricted Securities to exchange all such outstanding Transfer Restricted Securities held by such Holders for Series B Notes, in an aggregate principal amount equal to the aggregate principal amount of the Transfer Restricted Securities tendered in such exchange offer by such Holders.

"Funded Debt" means all Debt maturing one year or more from the date of the creation thereof, all Debt directly or indirectly renewable or extendible, at the option of the debtor, by its terms or by the terms of any instrument or agreement relating thereto, to a date one year or more from the date of the creation thereof, and all Debt under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more.

"Guarantee" means a guarantee of the Notes given by a Subsidiary Guarantor pursuant to the Indenture, including all obligations under Article IX hereof.

"guarantee" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, by way of a pledge of assets, or through letters of credit or reimbursement, "claw-back,"

"make-well," or "keep-well" agreements in respect thereof), of all or any part of the payment of any Debt. The term "guarantee" used as a verb has a corresponding meaning.

"Initial Purchasers" means UBS Securities LLC and the other initial purchasers party to the initial Exchange and Registration Rights Agreement.

"Issue Date" means, with respect to the Notes, the date on which the Notes are initially issued.

"Notes" has the meaning assigned to it in Section 1.01(a) hereof, and includes both the Series A Notes and the Series B Notes.

"Obligations" means any principal, interest, liquidated damages, penalties, fees, indemnifications, reimbursement obligations, damages and other liabilities payable under the documentation governing any Debt.

"Pari Passu Debt" means any Funded Debt of either of the Issuers, whether outstanding on the Issue Date of thereafter created, incurred or assumed, unless, in the case of any particular Funded Debt, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Funded Debt shall be subordinated in right of payment to the Notes.

"Partnership Agreement" means the Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P., amended and restated effective as of June 27, 2001, as such may be amended, modified or supplemented from time to time.

"Permitted Liens" means:

(1) Liens upon rights-of-way for pipeline purposes;

(2) any statutory or governmental Lien or Lien arising by operation of law, or any mechanics', repairmen's, materialmen's, suppliers', carriers', landlords', warehousemen's or similar Lien incurred in the ordinary course of business which is not yet due or which is being contested in good faith by appropriate proceedings and any undetermined Lien which is incidental to construction, development, improvement or repair;

(3) the right reserved to, or vested in, any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or by any provision of law, to purchase or recapture or to designate a purchaser of, any property;

(4) Liens of taxes and assessments which are (A) for the then current year, (B) not at the time delinquent, or (C) delinquent but the validity of which is being contested at the time by an Issuer or any Restricted Subsidiary in good faith;

(5) Liens of, or to secure performance of, leases, other than capital leases;

(6) any Lien upon, or deposits of, any assets in favor of any surety company or clerk of court for the purpose of obtaining indemnity or stay of judicial proceedings;

(7) any Lien upon property or assets acquired or sold by an Issuer or any Restricted Subsidiary resulting from the exercise of any rights arising out of defaults on receivables;

(8) any Lien incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance, temporary disability, social security, retiree health or similar laws or regulations or to secure obligations imposed by statute or governmental regulations;

(9) any Lien in favor of an Issuer or any Restricted Subsidiary;

(10) any Lien in favor of the United States of America or any state thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any state thereof, to secure partial, progress, advance, or other payments pursuant to any contract or statute, or any Debt incurred by an Issuer or any Restricted Subsidiary for the purpose of financing all or any part of the purchase price of, or the cost of constructing, developing, repairing or improving, the property or assets subject to such Lien;

(11) any Lien securing industrial development, pollution control or similar revenue bonds;

(12) any Lien securing Debt of an Issuer or any Restricted Subsidiary, all or a portion of the net proceeds of which are used, substantially concurrently with the funding thereof (and for purposes of determining such "substantial concurrence," taking into consideration, among other things, required notices to be given to Holders of Outstanding Debt Securities (including the Notes) in connection with such refunding, refinancing or repurchase, and the required corresponding durations thereof), to refinance, refund or repurchase all Outstanding Debt Securities (including the Notes), including the amount of all accrued interest thereon and reasonable fees and expenses and premium, if any, incurred by the Issuers or any Restricted Subsidiary in connection therewith;

(13) Liens in favor of any Person to secure obligations under the provisions of any letters of credit, bank guarantees, bonds or surety obligations required or requested by any governmental authority in connection with any contract or statute;

(14) any Lien upon or deposits of any assets to secure performance of bids, trade contracts, leases or statutory obligations;

(15) any Lien or privilege vested in any grantor, lessor or licensor or permittor for rent or other charges due or for any other obligations or acts to be performed, the payment of which rent or other charges or performance of which other obligations or acts is required under leases, easements, rights-of-way, licenses, franchises, privileges, grants or permits, so long as payment of such rent or the performance of such other obligations or acts is not

delinquent or the requirement for such payment or performance is being contested in good faith by appropriate proceedings;

(16) easements, exceptions or reservations in any property of the Partnership or any of the Restricted Subsidiaries granted or reserved for the purpose of pipelines, roads, the removal of oil, gas, coal or other minerals, and other like purposes for the joint or common use of real property, facilities and equipment, which are incidental to, and do not materially interfere with, the ordinary conduct of its business or the business of the Partnership and its Subsidiaries, taken as a whole;

(17) Liens arising under operating agreements, joint venture agreements, partnership agreements, oil and gas leases, farmout agreements, division orders, contracts for sale, transportation or exchange of oil and natural gas, unitization and pooling declarations and agreements, area of mutual interest agreements and other agreements arising in the ordinary course of the Partnership's or any Restricted Subsidiary's business that are customary in the business of marketing, transportation and terminalling of crude oil and/or marketing of liquefied petroleum gas; or

(18) any obligations or duties to any municipality or public authority with respect to any lease, easement, right-of-way, license, franchise, privilege, permit or grant.

"Principal Property" means, whether owned or leased on the Issue Date or thereafter acquired: (1) any of the pipeline assets of the Partnership or the pipeline assets of any Subsidiary of the Partnership, including any related facilities employed in the transportation, distribution, terminalling, gathering, treating, processing, marketing or storage of crude oil or refined petroleum products, natural gas, natural gas liquids, fuel additives or petrochemicals, and (2) any processing or manufacturing plant or terminal owned or leased by the Partnership or any Subsidiary of the Partnership; except, in the case of either clause (1) or (2), (a) any such assets consisting of inventories, furniture, office fixtures and equipment, including data processing equipment, vehicles and equipment used on, or useful with, vehicles, and (b) any such assets, plant or terminal which, in the good faith opinion of the Board of Directors, is not material in relation to the activities of the Partnership or the activities of the Partnership and its Subsidiaries, taken as a whole.

"Restricted Subsidiary" means any Subsidiary of the Partnership owning or leasing, directly or indirectly through ownership in another Subsidiary, and Principal Property.

"Sale-leaseback Transaction" means the sale or transfer by an Issuer or any Subsidiary of the Partnership of any Principal Property to a Person (other than an Issuer or a Subsidiary of the Partnership) and the taking back by an Issuer or any Subsidiary of the Partnership, as the case may be, of a lease of such Principal Property.

"Securities" shall have the meaning assigned to such term in the Exchange and Registration Rights Agreement relating thereto.

"Series A Notes" means the Issuers' $5^5/_8$% Series A Senior Notes due 2013 to be issued pursuant to this Supplemental Indenture.

"Series B Notes" means the Issuers' $5^5/_8$% Series B Notes due 2013 to be issued pursuant to an Exchange Offer.

"Subsidiary" means, with respect to any Person: (1) any other Person of which more than 50% of the total voting power of shares or other Capital Interests entitled, without regard to the occurrence of any contingency, to vote in the election of directors, managers or trustees (or equivalent persons) thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof; or (2) in the case of a partnership, more than 50% of the partners' Capital Interests, considering all partners' Capital Interests as a single class, is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof.

"Subsidiary Guarantors" means each of:

(1) the Subsidiaries of the Partnership named as the "Subsidiary Guarantors" on the signature pages of this Supplemental Indenture;

(2) any other Subsidiary that executes a supplemental Indenture to provide a Guarantee in accordance with the provisions of the Indenture; and

(3) their respective successors and assigns.

Notwithstanding anything in the Indenture to the contrary, neither PAA Finance nor 3794865 Canada Ltd. shall be a Subsidiary Guarantor.

"Transfer Restricted Securities" means any Notes outstanding prior to the Resale Restriction Termination Date with respect to such Notes and which must bear the legend required under Section 3.04 hereof.

Section 2.02. Other Definitions.

Term	Defined in Section
"Additional Notes"	3.02

“Covenant Defeasance”	8.03
“Event of Default”	7.01
“IAIs”	3.01
“Legal Defeasance”	8.02
“Note Obligations”	9.01
“Payment Default	7.01
“QIBs”	3.01
“Regulation S”	3.01
“Required Filing Dates”	5.04
“Resale Restriction Termination Date”	3.04
“Rule 144A”	3.01
“Successor Company”	6.01
“U.S. Persons”	3.01

ARTICLE III
THE NOTES

Section 3.01. Form. The Notes shall be issued initially in the form of one or more Global Securities as Series A Notes, and the Series A Notes and Trustee’s certificate of authentication shall be substantially in the form of Exhibit A hereto, the terms of which are incorporated in and made a part of this Supplemental Indenture, and the Issuers and the Trustee, by their execution and delivery of this Supplemental Indenture, expressly agree to such terms and provisions and to be bound thereby. The Series A Notes constituting Transfer Restricted Securities will be resold initially only to (a) Qualified Institutional Buyers (as such term is defined in Section 144A of the Securities Act) (“QIBs”) in reliance on Rule 144A of the Securities Act (“Rule 144A”) and (b) Persons other than U.S. Persons (as defined under Regulation S under the Securities Act (“Regulation S”)) (“U.S. Persons”) in reliance on Regulation S. Thereafter, the Series A Notes may be transferred to, among others, QIBs, purchasers in reliance upon Regulation S and institutional “accredited investors” (as defined in subparagraph (a)(1), (2), (3) or (7) of Rule 501 of the Securities Act (“IAIs”)) in accordance with the procedures set forth in Rule 501 of the Securities Act, provided that any Series A Notes constituting Transfer Restricted Securities that are transferred to IAIs who are not QIBs shall be issued only in definitive form. Pursuant to the terms of an Exchange and Registration Rights Agreement, upon consummation of the Exchange Offer contemplated thereby, the Series A Notes constituting Transfer Restricted Securities will be exchanged by the Holders for Series B Notes to be issued by the Issuers in accordance with Section 3.03 hereof. The Series B Notes shall be issued initially in the form of one or more Global Securities, and the Series B Notes and the Trustee’s certificate of authentication shall be substantially in the form of Exhibit A hereto.

Section 3.02. Issuance of Additional Notes. The Issuers may, from time to time, issue an unlimited amount of additional Series A Notes (“Additional Notes”) under the Indenture, which shall be issued in the same form as the Series A Notes issued on the Issue Date and which shall have identical terms as the Series A Notes issued on the Issue Date other than with respect to the issue date, issue price and date of first payment of interest. The Series A Notes issued on the Issue Date shall be limited in aggregate principal amount to $250,000,000. The Series A Notes issued on the Issue Date and any Additional Notes subsequently issued, together with any Series B Notes issued in exchange therefor pursuant to an Exchange Offer, shall be treated as a single series for all purposes under the Indenture, including waivers, amendments, redemptions and offers to purchase. If the Issuers issue additional Series A Notes prior to the completion of an Exchange Offer, the period of the resale restrictions applicable to any Series A Notes previously offered and sold in reliance on Rule 144A will be automatically extended to the last day of the period of any resale restrictions imposed on any such additional Series A Notes.

Section 3.03. Transfer of Transfer Restricted Securities.

(a) When Notes are presented to the Registrar with the request to register the transfer of such Notes or exchange such Notes for an equal principal amount of Notes of other authorized denominations, the Registrar shall register the transfer or make the exchange in

accordance with Article II of the Original Indenture. In addition, in the case of Series A Notes that are Transfer Restricted Securities, such request to register the transfer or make the exchange shall be accompanied by the following additional information and documents, as applicable, upon which the Registrar may conclusively rely:

(1) if such Transfer Restricted Securities are being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect in substantially the form of Exhibit C hereto; or

(2) if such Transfer Restricted Securities are being transferred (i) to a QIB in accordance with Rule 144A under the Securities Act or (ii) pursuant to an exemption from registration in accordance with Rule 144 under the Securities Act (and based upon an opinion of counsel if the Issuers or the Trustee so requests) or (iii) pursuant to an effective registration statement under the Securities Act, a certification to that effect from such Holder in substantially the form of Exhibit C hereto; or

(3) if such Transfer Restricted Securities are being transferred to an IAI within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act pursuant to a private placement exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel if the Issuers or the Trustee so requests), a certification to that effect from such Holder in substantially the form of Exhibit C hereto and a certification from the applicable transferee in substantially the form of Exhibit D hereto; or

(4) if such Transfer Restricted Securities are being transferred to Persons other than U.S. Persons in reliance on Regulation S, a certification to that effect from such Holder in substantially the form of Exhibit E hereto; or

(5) if such Transfer Restricted Securities are being transferred in reliance on another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel if the Issuers or the Trustee so requests), a certification to that effect from such Holder in substantially the form of Exhibit C hereto.

(b) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Global Security) pursuant to Rule 144 under the Securities Act or an effective registration statement under the Securities Act:

(1) in the case of any Transfer Restricted Security that is in the form of a definitive Note, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Security for a definitive Note that does not bear the legend set forth in Section 3.04(a) below and rescind any restriction on the transfer of such Transfer Restricted Security; and

(2) in the case of any Transfer Restricted Security represented by a Global Security, such Transfer Restricted Security shall not be required to bear the legend set forth in Section 3.04(a) below if all other interests in such Global Security have been or are

concurrently being sold or transferred pursuant to Rule 144 under the Securities Act or pursuant to an effective registration statement under the Securities Act.

Notwithstanding the foregoing, upon consummation of an Exchange Offer, the Issuers shall issue and, upon receipt of an authentication order in accordance with Section 2.05 of the Original Indenture, the Trustee shall authenticate Series B Notes in exchange for Series A Notes accepted for exchange in the Exchange Offer, which Series B Notes shall not bear the legend set forth in Section 3.04(a) below, and the Registrar shall rescind any restriction on the transfer of such Notes, in each case unless the Holder of such Series A Notes is either (A) a Person participating in the distribution of the Series A Notes or (B) a Person who is an affiliate (as defined in Rule 144 under the Securities Act) of the Issuers. The Issuers shall identify to the Trustee such Holders of the Notes in a written certification signed by an officer of each Issuer and, absent certification from the Issuers to such effect, the Trustee shall assume that there are no such Holders.

(c) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Global Security) initially resold to Persons other than U.S. Persons in reliance upon Regulation S pursuant to (i) Regulation S following 40 consecutive days beginning on and including the later of the day on which such Transfer Restricted Security was offered to Persons other than "distributors" (as such term is defined in Regulation S) and the date of the closing of the original offering, or (ii) an effective registration statement under the Securities Act, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Security for a definitive Note that does not bear the legend set forth in Section 3.04(b) below and rescind any restriction on the transfer of such Transfer Restricted Security.

Section 3.04. Restrictive Legends.

(a) Except as provided in Section 3.03 hereof, prior to the Resale Restriction Termination Date, each security certificate evidencing the Notes shall bear a legend in substantially the following form:

THE ISSUANCE AND SALE OF THIS SECURITY (AND ANY GUARANTEE HEREOF) HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY (NOR ANY GUARANTEE HEREOF) NOR ANY INTEREST OR PARTICIPATION HEREIN (OR THEREIN) MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS SECURITY, AGREES FOR THE BENEFIT OF THE ISSUERS THAT THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE THERETO UNDER RULE 144(k) UNDER THE SECURITIES ACT WHICH IS APPLICABLE TO THIS SECURITY (THE "RESALE RESTRICTION TERMINATION DATE") OTHER THAN (1) TO THE ISSUERS OR THEIR RESPECTIVE SUBSIDIARIES, (2) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE

SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN EACH CASE TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) INSIDE THE UNITED STATES TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT), (4) TO A NON-"U.S. PERSON" IN AN "OFFSHORE TRANSACTION" (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (5) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, INCLUDING THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT, IF AVAILABLE, OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL, AND SUBJECT TO THE RIGHT OF THE ISSUERS OR THE TRUSTEE FOR THE SECURITIES PRIOR TO ANY SUCH SALE, PLEDGE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON REQUEST OF THE HOLDER ON OR AFTER THE RESALE RESTRICTION TERMINATION DATE.

(b) Each security certificate evidencing the Global Securities shall bear a legend in substantially the following form:

THIS GLOBAL SECURITY IS HELD BY OR ON BEHALF OF THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (A) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.08 OF THE ORIGINAL INDENTURE, (B) THIS GLOBAL SECURITY MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.15 OF THE ORIGINAL INDENTURE, (C) THIS GLOBAL SECURITY MAY BE DELIVERED TO THE TRUSTEE

FOR CANCELLATION PURSUANT TO SECTION 2.10 OF THE ORIGINAL INDENTURE AND (D) THIS GLOBAL SECURITY MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY OR ITS NOMINEE WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

ARTICLE IV
REDEMPTION AND PREPAYMENT

Section 4.01. Optional Redemption.

(a) At their option at any time prior to maturity, the Issuers may choose to redeem all or any portion of the Notes, at once or from time to time.

(b) To redeem the Notes, the Issuers must pay a redemption price in an amount determined in accordance with the provisions of paragraph number 5 of the form of Note in Exhibit A hereto, plus accrued and unpaid interest, if any, including Additional Interest, if any, to the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date).

(c) Any redemption pursuant to this Section 4.01 shall otherwise be made pursuant to the provisions of Sections 3.01 through 3.03 of the Original Indenture. The actual redemption price shall be set forth in an Officers' Certificate delivered to the Trustee no later than two Business Days prior to each redemption date.

Section 4.02. Mandatory Redemption. The Issuers shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

ARTICLE V
COVENANTS

Section 5.01. Compliance Certificate. (a) In lieu of the Officers' Certificate required by Section 4.05 of the Original Indenture, the Issuers and Subsidiary Guarantors shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Partnership and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers (one of whom shall be the principal executive, financial or accounting officer of each Issuer and Subsidiary Guarantor) with a view to determining whether the Issuers have kept, observed, performed and fulfilled their obligations under the Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Issuers have kept, observed, performed and fulfilled each and every covenant contained in the Indenture and are not in default in the performance or observance of any of the terms, provisions and conditions of the Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuers are taking or propose to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Issuers are taking or propose to take with respect thereto.

(b) The Issuers shall, so long as any of the Notes are outstanding, deliver to the Trustee, forthwith and in any event within five days upon any Officer becoming aware of any Default or Event of Default or an event which, with notice or the lapse of time or both, would constitute an Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Issuers are taking or propose to take with respect thereto.

Section 5.02. Limitations on Liens. The Issuers will not, nor will they permit any Subsidiary of the Partnership to, create, assume, incur or suffer to exist any Lien upon any Principal Property or upon any Capital Interests of any Restricted Subsidiary, whether owned or leased on the Issue Date or thereafter acquired, to secure any Debt of an Issuer or any other Person (other than Debt Securities), without in any such case making effective provision whereby all of the Notes shall

be secured equally and ratably with, or prior to, such Debt so long as such Debt shall be so secured. This restriction shall not apply to:

(a) Permitted Liens;

(b) any Lien upon any property or assets created at the time of acquisition of such property or assets by an Issuer or any Restricted Subsidiary or within one year after such time to secure all or a portion of the purchase price for such property or assets or Debt incurred to finance such purchase price, whether such Debt was incurred prior to, at the time of or within one year after the date of such acquisition;

(c) any Lien upon any property or assets to secure all or part of the cost of construction, development, repair or improvements thereon or to secure Debt incurred prior to, at the time of, or within one year after completion of such construction, development, repair or improvements or the commencement of full operations thereof (whichever is later), to provide funds for any such purpose;

(d) any Lien upon any property or assets existing thereon at the time of the acquisition thereof by an Issuer or any Restricted Subsidiary (whether or not the obligations secured thereby are assumed by an Issuer or any Restricted Subsidiary); provided, however, that such Lien only encumbers the property or assets so acquired;

(e) any Lien upon any property or assets of a Person existing thereon at the time such Person becomes a Restricted Subsidiary by acquisition, merger or otherwise; provided, however, that such Lien only encumbers the property or assets of such Person at the time such Person becomes a Restricted Subsidiary;

(f) any Lien upon any property or assets of an Issuer or any Restricted Subsidiary in existence on December 10, 2003 or provided for pursuant to agreements existing on December 10, 2003;

(g) Liens imposed by law or order as a result of any proceeding before any court or regulatory body that is being contested in good faith, and Liens which secure a judgment or other court-ordered award or settlement as to which an Issuer or the applicable Restricted Subsidiary, as the case may be, has not exhausted its appellate rights;

(h) any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancing, refunding or replacements) of Liens, in whole or in part, referred to in clauses (a) through (h), inclusive, of this Section 5.02; provided, however, that any such extension, renewal, refinancing, refunding or replacement Lien shall be limited to the property or assets covered by the Lien extended, renewed, refinanced, refunded or replaced and that the obligations secured by any such extension, renewal, refinancing, refunding or replacement Lien shall be in an amount not greater than the amount of the obligations secured by the Lien extended, renewed, refinanced, refunded or replaced and any expenses of the Issuers and the Restricted Subsidiaries (including any premium) incurred in connection with such extension, renewal, refinancing, refunding or replacement; or

(i) any Lien resulting from the deposit of moneys or evidence of indebtedness in trust for the purpose of defeasing Debt of an Issuer or any Restricted Subsidiary.

Notwithstanding the foregoing provisions of this Section 5.02, the Issuers may, and may permit any Restricted Subsidiary to, create, assume, incur or suffer to exist any Lien upon any Principal Property or Capital Interests of a Restricted Subsidiary to secure Debt of an Issuer or any Person (other than Debt Securities) that is not excepted by clauses (a) through (i), inclusive, of this Section 5.02 without securing the Notes, provided that the aggregate principal amount of all Debt then outstanding secured by such Lien and all other Liens not excepted by clauses (a) through (i), inclusive, of this Section 5.02, together with all Attributable Indebtedness from Sale-leaseback Transactions (excluding Sale-leaseback Transactions permitted by clauses (a) through (d), inclusive, of Section 5.03), does not exceed 10% of Consolidated Net Tangible Assets.

Section 5.03. Restriction of Sale-Leaseback Transaction. The Issuers will not, and will not permit any Subsidiary of the Partnership to, engage in a Sale-Leaseback Transaction, unless:

(a) such Sale-Leaseback Transaction occurs within one year from the date of completion of the acquisition of the Principal Property subject thereto or the date of the completion of construction, development or substantial repair or improvement, or commencement of full operations on such Principal Property, whichever is later;

(b) the Sale-Leaseback Transaction involves a lease for a period, including renewals, of not more than three years;

(c) the Attributable Indebtedness from that Sale-Leaseback Transaction is an amount equal to or less than the amount the Issuers or such Subsidiary would be allowed to incur as Debt secured by a Lien on the Principal Property subject thereto without equally and ratably securing the Notes under Section 5.02; or

(d) the Issuers or such Subsidiary, within a one-year period after such Sale-Leaseback Transaction, applies or causes to be applied an amount not less than the net sale proceeds from such Sale-Leaseback Transaction to (A) the prepayment, repayment, redemption, reduction or retirement of any Pari Passu Debt of an Issuer or any Subsidiary of the Partnership, or (B) the expenditure or expenditures for Principal Property used or to be used in the ordinary course of business of the Partnership or its Subsidiaries.

Notwithstanding the foregoing provisions of this Section 5.03, the Issuers may, and may permit any Subsidiary of the Partnership to, effect any Sale-Leaseback Transaction that is not excepted by clauses (a) through (d), inclusive, of this Section 5.03, provided that the Attributable Indebtedness from such Sale-leaseback Transaction, together with the aggregate principal amount of then outstanding Debt (other than Debt Securities) secured by Liens upon Principal Property not excepted by clauses (a) through (i), inclusive, of Section 5.02, does not exceed 10% of Consolidated Net Tangible Assets.

Section 5.04. SEC Reports; Financial Statements.

(a) Whether or not the Partnership is then subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Partnership shall electronically file with the Commission, so long as the Notes are Outstanding, the annual, quarterly and other periodic reports that the Partnership is required to file (or would otherwise be required to file) with the Commission pursuant to Sections 13 and 15(d) of the Exchange Act, and such documents shall be filed with the Commission on or prior to the respective dates (the “Required Filing Dates”) by which the Partnership is required to file (or would otherwise be required to file) such documents, unless, in each case, such filings are not then permitted by the Commission.

(b) If such filings are not then permitted by the Commission, or such filings are not generally available on the Internet free of charge, the Issuers shall provide the Trustee with, and the Trustee will mail to any Holder of Notes requesting in writing to the Trustee copies of, such annual, quarterly and other periodic reports specified in Sections 13 and 15(d) of the Exchange Act within 15 days after the respective Required Filing Dates.

(c) In addition, the Issuers shall furnish to the Holders of Notes and to prospective investors, upon the requests of Holders of Notes, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act, so long as the Notes are not freely transferable under the Securities Act.

(d) The Partnership shall provide the Trustee with a sufficient number of copies of all reports and other documents and information that the Trustee may be required to deliver to Holders of Notes under clause (b) of this Section 5.04.

(e) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee’s receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Partnership’s compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers’ Certificates).

Section 5.05. Additional Subsidiary Guarantees. If any Subsidiary (or its successor) of the Partnership that is not then a Subsidiary Guarantor guarantees Debt of either of the Issuers or any other Subsidiary of the Partnership, in either case after the Issue Date, then such Subsidiary (or successor) shall execute and deliver a supplemental Indenture providing for the guarantee of the payment of the Notes pursuant to Article IX hereof.

ARTICLE VI
SUCCESSORS

With respect to the Notes, the provisions of this Article VI shall preempt the provisions of Article X of the Original Indenture in their entirety.

Section 6.01. Consolidation and Mergers of the Issuers. Neither Issuer shall consolidate or amalgamate with or merge with or into any Person, or sell, convey, transfer, lease or otherwise dispose of all or substantially all its assets to any Person, whether in a single transaction or

a series of related transactions, except (1) in accordance with the provisions of the Partnership Agreement, and (2) unless: (a) either (i) such Issuer shall be the surviving Person in the case of a merger or (ii) the resulting, surviving or transferee Person if other than such Issuer (the "Successor Company") shall be a partnership, limited liability company or corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia (provided that PAA Finance may not merge, amalgamate or consolidate with or into another Person other than a corporation satisfying such requirement for so long as the Partnership is not a corporation) and the Successor Company shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, the due and punctual payment of the principal of, premium, if any, and interest (including Additional Interest, if any) on all of the Notes, and the due and punctual performance or observance of all the other obligations under the Indenture to be performed or observed by such Issuer; (b) immediately after giving effect to such transaction or series of transactions, no Default or Event of Default would occur or be continuing; (c) if the Issuer is not the continuing Person, then each Subsidiary Guarantor, unless it has become the Successor Company, shall confirm that its Guarantee shall continue to apply to the obligations under the Notes and the Indenture; and (d) such Issuer shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposition and such supplemental Indenture (if any) comply with this Section 6.01 and any other applicable provisions of the Indenture.

Section 6.02. Rights and Duties of Successor. In case of any consolidation, amalgamation or merger where an Issuer is not the continuing Person, or disposition of all or substantially all of the assets of an Issuer in accordance with Section 6.01, the Successor Company shall succeed to and be substituted for such Issuer with the same effect as if it had been named herein as the respective party to the Indenture, and the predecessor entity shall be released from all liabilities and obligations under the Indenture and the Notes, except that no such release will occur in the case of a lease of all or substantially all of an Issuer's assets. In case of any such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposition, such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

Section 6.03. Supplemental Indenture. Section 9.01 of the Original Indenture is hereby amended, with respect to the Notes, by adding the words "or a Subsidiary Guarantor's" immediately after the word "Issuer's" in Section 9.01(c).

ARTICLE VII
DEFAULTS AND REMEDIES

Section 7.01. Events of Default. With respect to the Notes, the provisions of this Section 7.01 shall preempt the provisions of the first and final paragraphs of Section 6.01 of the Original Indenture in their entirety.

(a) An "Event of Default" occurs if:

(i) the Issuers default for 60 days in the payment when due of interest on, or Additional Interest with respect to, the Notes;

(ii) the Issuers default in the payment when due of principal of or premium, if any, on the Notes at maturity, upon redemption or otherwise;

(iii) failure by an Issuer or any Subsidiary Guarantor for 30 days after receipt of notice by the Issuers from the Trustee or to the Issuers and the Trustee by the Holders of at least 25% in principal amount of the Notes then Outstanding to comply with any other term, covenant or warranty in the Indenture or the Notes (provided that notice need not be given, and an Event of Default shall occur, 30 days after any breach of the provisions of Section 6.01 hereof);

(iv) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt of an Issuer or any of the Partnership's Subsidiaries (or the payment of which is guaranteed by the Partnership or any of its Subsidiaries), whether such Debt or guarantee now exists or is created after the Issue Date, if that default (A) is caused by a failure to pay principal of or premium, if any, or interest on such Debt prior to the expiration of the grace period provided in such Debt (a "Payment Default") or (B) results in the acceleration of the maturity of such Debt to a date prior to its original stated maturity, and, in each case described in clause (A) or (B), the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $25.0 million or more; provided, further, that if any such default is cured or waived or any such acceleration rescinded, or such Debt is repaid, within a period of 30 days from the continuation of such default beyond the applicable grace period or the occurrence of such acceleration, as the case may be, such Event of Default and any consequential acceleration of the Notes shall be automatically rescinded, so long as such rescission does not conflict with any judgment or decree;

(v) except as permitted by the Indenture, any Guarantee shall cease for any reason to be in full force and effect (except as otherwise provided in the Indenture) or is declared null and void in a judicial proceeding or any Subsidiary Guarantor, or any Person acting

on behalf of any Subsidiary Guarantor, shall deny or disaffirm its obligations under the Indenture or its Guarantee;

(vi) an Issuer or any Subsidiary Guarantor pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors, or

(E) generally is not paying its debts as they become due; or

(vii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against an Issuer or any Subsidiary Guarantor in an involuntary case;

(B) appoints a custodian of an Issuer or any Subsidiary Guarantor or for all or substantially all of the property of an Issuer or any Subsidiary Guarantor; or

(C) orders the liquidation of an Issuer or any Subsidiary Guarantor;

and the order or decree remains unstayed and in effect for 60 consecutive days.

(b) In the case of an Event of Default arising from Section 7.01(a)(vi) or 7.01(a)(vii) hereof involving an Issuer (and, for the avoidance of debt, excluding any such Event of Default that involves only one or more Subsidiary Guarantors), the principal amount of all Outstanding Notes and interest thereon shall become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then Outstanding Notes may declare the principal amount of all the Notes and interest thereon to be due and payable immediately by a notice in writing to the Issuers (and to the Trustee if given by the Holders) and upon any such declaration such principal amount and interest thereon shall be due and payable immediately.

ARTICLE VIII
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.01. Option to Effect Legal Defeasance or Covenant Defeasance. The Issuers may, at the option of the Boards of Directors evidenced by a Board Resolution set forth in an Officers' Certificate, at any time, elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Notes and Guarantees upon compliance with the conditions set forth below in this Article VIII.

Section 8.02. Legal Defeasance and Discharge. Upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.02, each of the Issuers and the Subsidiary Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from its obligations with respect to all outstanding Notes and Guarantees on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that each of the Issuers shall be deemed to have paid and discharged the entire Debt represented by the outstanding Notes, which shall thereafter be deemed to be "Outstanding" only for the purposes of Section 8.05 hereof and the other Sections of the Indenture referred to in (a) and (b) below, and to have satisfied all its other obligations under such Notes and the Indenture, and each of the Subsidiary Guarantors shall be deemed to have discharged its obligations under its Guarantee (and the Trustee, on demand of and at the expense of

the Issuers, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder:

(a) the rights of Holders of Outstanding Notes to receive solely from the trust fund described in Section 8.04 hereof, and as more fully set forth in such Section, payments in respect of the principal of, premium on, if any, interest and Additional Interest, if any, on such Notes when such payments are due (but not the Change of Control Payment or the payment pursuant to an Asset Sale Offer),

(b) the Issuers' obligations with respect to such Notes under Sections 2.07, 2.08, 2.09 and 4.02 of the Original Indenture,

(c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Issuers' obligations in connection therewith,

(d) this Article VIII, and

(e) the Issuers' rights of optional redemption under Section 4.01 hereof.

Subject to compliance with this Article VIII, the Issuers may exercise their option under this Section 8.02 notwithstanding the prior exercise of their option under Section 8.03 hereof.

Section 8.03. Covenant Defeasance. Upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.03, each of the Issuers shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from its obligations under the covenants contained in Sections 5.02, 5.03, 5.04 and 5.05 hereof with respect to the Outstanding Notes on and after the date the conditions set forth in Section 8.04 are

satisfied (hereinafter, "Covenant Defeasance"), and the Notes shall thereafter be deemed not "Outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "Outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the Outstanding Notes, the Issuers may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 7.01 hereof, but, except as specified above, the remainder of the Indenture, the Guarantees and such Notes shall be unaffected thereby.

Section 8.04. Conditions to Legal or Covenant Defeasance. The following shall be the conditions to the application of either Section 8.02 or 8.03 hereof to the Outstanding Notes:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuers must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in Dollars, U.S. Government Obligations, or a combination thereof, in such amounts as shall be sufficient, in the written opinion of a nationally recognized firm of

independent public accountants, to pay the principal of, premium on, if any, interest and Additional Interest, if any, on the Outstanding Notes at the Stated Maturity thereof or on the applicable redemption date, as the case may be, and the Issuers must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(b) in the case of an election under Section 8.02 hereof, the Issuers shall have delivered to the Trustee an Opinion of Counsel confirming that (i) the Issuers have received from, or there has been published by, the Internal Revenue Service a ruling or (ii) since the date of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the Outstanding Notes shall not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and shall be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of an election under Section 8.03 hereof, the Issuers shall have delivered to the Trustee an Opinion of Counsel confirming that the Holders of the Outstanding Notes shall not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and shall be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing either (i) on the date of such deposit (other than a Default or Event of Default resulting from the incurrence of Debt all or a portion of the proceeds of which shall be applied to such deposit) or (ii) insofar as Section 7.01(a)(vi) or 7.01(a)(vii) hereof is concerned, at any time in the period ending on the 91st day after the date of deposit;

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any agreement or instrument (other than the Notes and the Indenture) to which the Partnership or any of its Subsidiaries is a party or by which the Partnership or any of its Subsidiaries is bound;

(f) the Issuers shall have delivered to the Trustee an Opinion of Counsel to the effect that after the 91st day following the deposit, the trust funds shall not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(g) the Issuers shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuers with the intent of preferring the Holders over any other creditors of the Issuers or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuers; and

(h) the Issuers shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Section 8.05. Deposited Money and U.S. Government Obligations to be Held in Trust; Other Miscellaneous Provisions. Subject to Section 8.06 hereof, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "Trustee") pursuant to Section 8.04 hereof in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and the Indenture, to the payment, either directly or through any paying agent (including an Issuer acting as paying agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium on, if any, interest and Additional Interest, if any, but such money need not be segregated from other funds except to the extent required by law.

The Issuers shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or U.S. Government Obligations deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the Outstanding Notes.

Anything in this Article VIII to the contrary notwithstanding, the Trustee shall deliver or pay to the Issuers from time to time upon the written request of the Issuers any money or U.S. Government Obligations held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.06. Repayment to Issuers. Any money deposited with the Trustee or any paying agent, or then held by the Issuers, in trust for the payment of the principal of, premium on, if any, interest or Additional Interest, if any, on any Note and remaining unclaimed for two years after such principal, premium, if any, interest or Additional Interest, if any, has become due and payable shall be paid to the Issuers on their written request or (if then held by the Issuers) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured creditor, look only to the Issuers for payment thereof, and all liability of the Trustee or such paying agent with respect to such trust money, and all liability of the Issuers as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such paying agent, before being required to make any such repayment, may at the expense of the Issuers cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining shall be repaid to the Issuers.

Section 8.07. Reinstatement. If the Trustee or paying agent is unable to apply any Dollars or U.S. Government Obligations in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuers' obligations under the Indenture and the Notes and the Subsidiary Guarantors' obligations under the Guarantees shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or paying agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 hereof, as the case may be; provided, however, that, if the Issuers make any

payment of principal of, premium on, if any, interest or Additional Interest, if any, on any Note following the reinstatement of their obligations, the Issuers shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or paying agent.

ARTICLE IX
SUBSIDIARY GUARANTEES

Section 9.01. Subsidiary Guarantees. (a) Each Subsidiary Guarantor hereby jointly and severally unconditionally and irrevocably guarantees on a senior basis to each Holder and to the Trustee and its successors and assigns (i) the full and punctual payment of principal, premium, if any, interest, and Additional Interest, if any, with respect to, the Notes when due, whether at maturity, by acceleration, by redemption or otherwise, and all other monetary obligations of the Issuers under the Indenture (including obligations to the Trustee) and the Notes and (ii) the full and punctual performance within applicable grace periods of all other obligations of the Issuers under the Indenture and the Notes (all the foregoing being hereinafter collectively called the "Note Obligations"). Each Subsidiary Guarantor further agrees that the Note Obligations may be extended or renewed, in whole or in part, without notice or further assent from each such Subsidiary Guarantor, and that each such Subsidiary Guarantor shall remain bound under this Article IX notwithstanding any extension or renewal of any Note Obligation.

(b) Each Subsidiary Guarantor waives presentation to, demand of, payment from and protest to the Issuers of any of the Note Obligations and also waives notice of protest for nonpayment. Each Subsidiary Guarantor waives notice of any Default or Event of Default under the Notes or the Note Obligations. The obligations of each Subsidiary Guarantor hereunder shall not be affected by (i) the failure of any Holder or the Trustee to assert any claim or demand or to enforce any right or remedy against the Issuers or any other Person under the Indenture, the Notes or any other agreement or otherwise; (ii) any extension or renewal of any thereof; (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of the Indenture, the Notes or any other agreement; (iv) the release of any security held by any Holder or the Trustee for the Note Obligations or any of them; (v) the failure of any Holder or Trustee to exercise any right or remedy against any other guarantor of the Note Obligations; or (vi) any change in the ownership of such Subsidiary Guarantor, except as provided in Section 9.02 hereof.

(c) Each Subsidiary Guarantor further agrees that its Guarantee herein constitutes a guarantee of payment, performance and compliance when due (and not a guarantee of collection) and waives any right to require that any resort be had by any Holder or the Trustee to any security held for payment of the Note Obligations.

(d) The obligations of each Subsidiary Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason other than indefeasible payment in full of the Note Obligations, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Note Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Subsidiary Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder or the Trustee to assert any claim or demand or to enforce any remedy under the

Indenture, the Notes or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of any Subsidiary Guarantor or would otherwise operate as a discharge of any Subsidiary Guarantor as a matter of law or equity.

(e) Each Subsidiary Guarantor further agrees that its Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal, premium, if any, interest or Additional Interest, if any, with respect to any Note Obligation is rescinded or must otherwise be restored by any Holder or the Trustee upon the bankruptcy or reorganization of either of the Issuers or otherwise.

(f) In furtherance of the foregoing and not in limitation of any other right which any Holder or the Trustee has at law or in equity against any Subsidiary Guarantor by virtue hereof, upon the failure of the Issuers to pay the principal, premium, if any, interest or Additional Interest, if any, with respect to any Note Obligation when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, or to perform or comply with any other Note Obligation, each Subsidiary Guarantor hereby promises to and shall forthwith pay, or cause to be paid, in cash, to the Holders or the Trustee an amount equal to the sum of (i) the unpaid principal amount of such Note Obligations, (ii) accrued and unpaid interest on such Note Obligations (but only to the extent not prohibited by law) and (iii) all other monetary Note Obligations of the Issuers to the Holders and the Trustee.

(g) Each Subsidiary Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any Note Obligations guaranteed hereby until payment in full of all Note Obligations. Each Subsidiary Guarantor further agrees that, as between it, on the one hand, and the Holders and the Trustee, on the other hand, (i) the maturity of the Note Obligations guaranteed hereby may be accelerated as provided in Article VII hereof for the purposes of any Subsidiary Guarantor's Guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Note Obligations guaranteed hereby, and (ii) in the event of any declaration of acceleration of such obligations as provided in Article VII hereof, such Note Obligations (whether or not due and payable) shall forthwith become due and payable by such Subsidiary Guarantor for the purposes of this Section 9.01.

(h) Each Subsidiary Guarantor also agrees to pay any and all costs and expenses (including reasonable attorneys' fees) incurred by the Trustee or any Holder in enforcing any rights under this Section 9.01.

Section 9.02. Limitation on Liability. Any term or provision of the Indenture to the contrary notwithstanding, the maximum, aggregate amount of the Note Obligations guaranteed hereunder by any Subsidiary Guarantor shall not exceed the maximum amount that, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor and to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of its obligations under its Guarantee, can be hereby guaranteed without rendering the Indenture, as it relates to any Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer.

Section 9.03. Successors and Assigns. This Article IX shall be binding upon each Subsidiary Guarantor and, except as provided in Section 9.07, its successors and assigns and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges conferred upon that party in the Indenture and in the Notes shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of the Indenture.

Section 9.04. No Waiver. Neither a failure nor a delay on the part of either the Trustee or the Holders in exercising any right, power or privilege under this Article IX shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Trustee and the Holders herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Article IX at law, in equity, by statute or otherwise.

Section 9.05. Modification. No modification, amendment or waiver of any provision of this Article IX, nor the consent to any departure by any Subsidiary Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Subsidiary Guarantor in any case shall entitle such Subsidiary Guarantor to any other or further notice or demand in the same, similar or other circumstances.

Section 9.06. Execution of Supplemental Indenture for Future Subsidiary Guarantors. Each Subsidiary which is required to become a Subsidiary Guarantor pursuant to Section 5.05 hereof shall promptly execute and deliver to the Trustee a supplemental Indenture in substantially the form of Exhibit B hereto pursuant to which such Subsidiary shall become a Subsidiary Guarantor under this Article IX and shall guarantee the Note Obligations. Concurrently with the execution and delivery of such supplemental Indenture, the Issuers shall deliver to the Trustee an Opinion of Counsel to the effect that such supplemental Indenture has been duly authorized, executed and delivered by such Subsidiary and that, subject to the application of bankruptcy, insolvency, moratorium, fraudulent conveyance or transfer and other similar laws relating to creditors' rights generally and to the principles of equity, whether considered in a proceeding at law or in equity, the Guarantee of such Subsidiary Guarantor is a legal, valid and binding obligation of such Subsidiary Guarantor, enforceable against such Subsidiary Guarantor in accordance with its terms.

Section 9.07. Release of Guarantee. Provided that no Default shall have occurred and shall be continuing under the Indenture, the Guarantee of a Subsidiary Guarantor under this Article IX shall terminate and be of no further force and effect, and such Subsidiary Guarantor shall be released from the Indenture and all Note Obligations, upon the following events:

(a) upon any sale or other disposition of all or substantially all of the assets of such Subsidiary Guarantor (including by way of merger, consolidation or otherwise) to any Person that is not an Affiliate of either of the Issuers (provided such sale or other disposition is not prohibited by the Indenture);

(b) upon any sale or other disposition of all of the Equity Interests of a Subsidiary Guarantor, to any Person that is not an Affiliate of either of the Issuers; or

(c) following delivery of a written notice of such release or discharge from the Guarantee by the Issuers to the Trustee, upon the release or discharge of all guarantees by such Subsidiary Guarantor of any Debt of the Issuers and any Subsidiary of the Partnership (other than Debt Securities issued on or after the Issue Date).

ARTICLE X
MISCELLANEOUS

Section 10.01. Additional Amendments. With respect to the Notes, references to (A) "Section 6.01" in the Original Indenture shall be deemed to be references to Section 7.01 of this Supplemental Indenture; (B) "Section 11.02" in the Original Indenture shall be deemed to be references to "Section 8.06" of this Supplemental Indenture; (C) "Section 6.01(g) or (h)" in the Original Indenture shall be deemed to be references to Section 7.01(a)(vi) or (a)(vii) of this Supplemental Indenture; and (D) "Article X" in the Original Indenture shall be deemed to be a reference to Article VI of this Supplemental Indenture. All references to "interest" in the Original Indenture shall be deemed to include Additional Interest, if any, unless the context otherwise requires.

Section 10.02. Integral Part. This Supplemental Indenture constitutes an integral part of the Indenture.

Section 10.03. Adoption, Ratification and Confirmation. The Original Indenture, as supplemented and amended by this Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed.

Section 10.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which when so executed shall be deemed an original; and all such counterparts shall together constitute but one and the same instrument.

Section 10.05. Governing Law. **THIS SUPPLEMENTAL INDENTURE AND THE NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

[Signatures on following pages]

SIGNATURES

ISSUERS:

PLAINS ALL AMERICAN PIPELINE, L.P.

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

By: Plains All American GP LLC, its General Partner

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

PAA FINANCE CORP.

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

SUBSIDIARY GUARANTORS:

PLAINS MARKETING, L.P.

By: Plains Marketing GP Inc., its General Partner

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

ALL AMERICAN PIPELINE, L.P.

By: Plains Marketing GP Inc., its General Partner

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

PLAINS MARKETING GP INC.

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

PLAINS MARKETING CANADA LLC

By: Plains Marketing, L.P., its Sole Member

By: Plains Marketing GP Inc., its General Partner

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

PMC (NOVA SCOTIA) COMPANY

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

PLAINS MARKETING CANADA, L.P.

By: PMC (Nova Scotia) Company, its General Partner

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

BASIN HOLDINGS GP LLC

By: All American Pipeline, L.P., its Sole Member

By: Plains Marketing GP Inc., its General Partner

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

BASIN PIPELINE HOLDINGS, L.P.

By: Basin Holdings GP LLC, its General Partner

By: All American Pipeline, L.P., its Sole Member

By: Plains Marketing GP Inc., its General Partner

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

RANCHO HOLDINGS GP LLC

By: All American Pipeline, L.P., its Sole Member

By: Plains Marketing GP Inc., its General Partner

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

RANCHO PIPELINE HOLDINGS, L.P.

By: Rancho Holdings GP LLC, its General Partner

By: All American Pipeline, L.P., its Sole Member

By: Plains Marketing GP Inc., its General Partner

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

TRUSTEE:

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

By: _____
Name:
Title:

EXHIBIT 4.5

EXCHANGE AND REGISTRATION RIGHTS AGREEMENT

AMONG

PLAINS ALL AMERICAN PIPELINE, L.P.,

PAA FINANCE CORP.,

THE GUARANTORS

AND

THE INITIAL PURCHASERS

Dated as of December 10, 2003

PLAINS ALL AMERICAN PIPELINE, L.P.
PAA FINANCE CORP.

5 5/8% Senior Notes due 2013

EXCHANGE AND REGISTRATION RIGHTS AGREEMENT

December 10, 2003

UBS SECURITIES LLC
FLEET SECURITIES, INC.
BANC OF AMERICA SECURITIES LLC
BANC ONE CAPITAL MARKETS, INC.
CITIGROUP GLOBAL MARKETS INC.
FORTIS INVESTMENT SERVICES LLC
WACHOVIA CAPITAL MARKETS, LLC
BNP PARIBAS SECURITIES CORP.
SCOTIA CAPITAL (USA) INC.
U.S. BANCORP PIPER JAFFRAY INC.
WELLS FARGO BROKERAGE SERVICES, LLC

c/o UBS SECURITIES LLC
677 Washington Blvd.
Stamford, Connecticut 06901

Ladies and Gentlemen:

Plains All American Pipeline, L.P., a Delaware limited partnership (the "Partnership"), PAA Finance Corp., a Delaware corporation ("PAA Finance," and together with the Partnership, the "Issuers") and the Guarantors listed on Schedule 1 hereto (the "Guarantors"), propose to issue and sell to the initial purchasers listed on Schedule 2 hereto (the "Initial Purchasers"), upon the terms set forth in a purchase agreement dated December 3, 2003 (the "Purchase Agreement"), $250,000,000 principal amount of 5 5/8% Senior Notes due 2013 (the "Securities") relating to the initial placement of the Securities (the "Initial Placement"). To induce the Initial Purchasers to enter into the Purchase Agreement and to satisfy a condition of your obligations thereunder, the Issuers and the Guarantors agree with you for your benefit and the benefit of the holders from time to time of the Securities (including the Initial Purchasers) (each a "Holder" and, together, the "Holders"), as follows:

1. Definitions. Capitalized terms used herein without definition shall have their respective meanings set forth in the Purchase Agreement. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Affiliate" of any specified Person shall mean any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such specified Person. For purposes of this definition, control of a Person shall mean the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise; and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing.

"Broker-Dealer" shall mean any broker or dealer registered as such under the Exchange Act.

"Business Day" shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in New York City.

"Commission" shall mean the Securities and Exchange Commission.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Exchange Offer Registration Period" shall mean the one-year period following the consummation of the Registered Exchange Offer, exclusive of any period during which any stop order shall be in effect suspending the effectiveness of the Exchange Offer Registration Statement.

"Exchange Offer Registration Statement" shall mean a registration statement of the Issuers and the Guarantors on an appropriate form under the Act with respect to the Registered Exchange Offer, all amendments and supplements to such registration statement, including post-effective amendments thereto, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Exchanging Dealer" shall mean any Holder (which may include any Initial Purchaser) that is a Broker-Dealer and elects to exchange for New Securities any Securities that it acquired for its own account as a result of market-making activities or other trading activities (but not directly from the Issuers and the Guarantors or any Affiliate of the Issuers and the Guarantors) for New Securities.

"Final Memorandum" shall have the meaning set forth in the Purchase Agreement.

"Guarantors" shall have the meaning set forth in the preamble hereto and shall also include any Guarantor's successor.

"Holder" shall have the meaning set forth in the preamble hereto.

"Indenture" shall mean the Indenture relating to the Securities and the New Securities, dated as of September 25, 2002, among the Issuers and Wachovia Bank, National Association, as trustee, as amended by the Second Supplemental Indenture, dated as of

December 10, 2003, among the Issuers, the Guarantors and the Trustee, as the same may be amended from time to time in accordance with the terms thereof.

"Initial Placement" shall have the meaning set forth in the preamble hereto.

"Initial Purchasers" shall have the meaning set forth in the preamble hereto.

"Losses" shall have the meaning set forth in Section 7(d) hereof.

"Majority Holders" shall mean the Holders of a majority of the aggregate principal amount of Securities registered under a Registration Statement.

"Managing Underwriters" shall mean the investment banker or investment bankers and manager or managers that shall administer an underwritten offering.

"New Securities" shall mean debt securities of the Issuers identical in all material respects to the Securities (except that the interest rate step-up provisions and the transfer restrictions shall be eliminated) and to be issued under the Indenture.

"Prospectus" shall mean the prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Securities or the New Securities covered by such Registration Statement, and all amendments and supplements thereto and all material incorporated by reference therein.

"Purchase Agreement" shall have the meaning set forth in the preamble hereto.

"Registered Exchange Offer" shall mean the proposed offer of the Issuers and the Guarantors to issue and deliver to the Holders of the Securities that are not prohibited by any law or policy of the Commission from participating in such offer, in exchange for the Securities, a like aggregate principal amount of the New Securities.

"Registration Default" shall have the meaning set forth in Section 4(a) hereof.

"Registration Statement" shall mean any Exchange Offer Registration Statement or Shelf Registration Statement that covers any of the Securities or the New Securities pursuant to the provisions of this Agreement, any amendments and supplements to such registration statement, including post-effective amendments (in each case including the Prospectus contained therein), all exhibits thereto and all material incorporated by reference therein.

"Securities" shall have the meaning set forth in the preamble hereto.

"Shelf Registration" shall mean a registration effected pursuant to Section 3 hereof.

"Shelf Registration Period" has the meaning set forth in Section 3(b) hereof.

"Shelf Registration Statement" shall mean a "shelf" registration statement of the Issuers and the Guarantors pursuant to the provisions of Section 3 hereof which covers some or all of the Securities or New Securities, as applicable, on an appropriate form under Rule 415 under the Act, or any similar rule that may be adopted by the Commission, amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Trustee" shall mean the trustee with respect to the Securities and the New Securities under the Indenture.

"Trust Indenture Act" shall mean the Trust Indenture Act of 1939, as amended from time to time.

"underwriter" shall mean any underwriter of Securities in connection with an offering thereof under a Shelf Registration Statement.

2. Registered Exchange Offer. (a) Except as set forth in Section 3, the Issuers and the Guarantors shall prepare and shall use their reasonable best efforts to file with the Commission the Exchange Offer Registration Statement with respect to the Registered Exchange Offer, not later than 100 days following the date of the original issuance of the Securities (or if such 100th day is not a Business Day, the next succeeding Business Day). The Issuers and the Guarantors shall use their reasonable best efforts to cause the Exchange Offer Registration Statement to become effective under the Act within 180 days of the date of the original issuance of the Securities and to consummate the Registered Exchange Offer within 210 days of the date of the original issuance of the Securities (if such 180th or 210th day is not a Business Day, the next succeeding Business Day, as applicable).

(a) Upon the effectiveness of the Exchange Offer Registration Statement, the Issuers and the Guarantors shall promptly commence the Registered Exchange Offer, it being the objective of such Registered Exchange Offer to enable each Holder electing to exchange Securities for New Securities (assuming that such Holder is not an Affiliate of the Issuers or the Guarantors, acquires the New Securities in the ordinary course of such Holder's business, has no arrangements with any Person to participate in the distribution of the New Securities and is not prohibited by any law or policy of the Commission from participating in the Registered Exchange Offer) to trade such New Securities from and after their receipt without any limitations or restrictions under the Act and without material restrictions under the securities laws of a substantial proportion of the several states of the United States.

(b) In connection with the Registered Exchange Offer, the Issuers and the Guarantors shall:

(i) mail to each Holder a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(ii) keep the Registered Exchange Offer open for not less than 20 Business Days after the date the notice thereof is mailed to the Holders (or, in each case, longer if required by applicable law);

(iii) use their reasonable best efforts to keep the Exchange Offer Registration Statement continuously effective under the Act, supplemented and amended as required under the Act to ensure that it is available for sales of New Securities by Exchanging Dealers during the Exchange Offer Registration Period;

(iv) utilize the services of a bank depositary for the Registered Exchange Offer with an address in the Borough of Manhattan in New York City, which may be the Trustee or an Affiliate of the Trustee;

(v) permit Holders to withdraw tendered Securities at any time prior to the close of business, New York time, on the last Business Day on which the Registered Exchange Offer is open;

(vi) prior to effectiveness of the Exchange Offer Registration Statement, provide a supplemental letter to the Commission (A) stating that the Issuers and the Guarantors are conducting the Registered Exchange Offer in reliance on the position of the Commission in Exxon Capital Holdings Corporation (pub. avail. May 13, 1988) and Morgan Stanley and Co., Inc. (pub. avail. June 5, 1991) and (B) including a representation that the Issuers and the Guarantors have not entered into any arrangement or understanding with any Person to distribute the New Securities to be received in the Registered Exchange Offer and that, to the best of the Issuers' and the Guarantors' information and belief, each Holder participating in the Registered Exchange Offer is acquiring the New Securities in the ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the New Securities; and

(vii) comply in all material respects with all applicable laws.

(c) As soon as practicable after the close of the Registered Exchange Offer, the Issuers and the Guarantors shall:

(i) accept for exchange all Securities tendered and not validly withdrawn pursuant to the Registered Exchange Offer; and

(ii) issue and cause the Trustee promptly to authenticate a global certificate representing New Securities exchanged for Securities and to deliver to each Holder of Securities a principal amount of New Securities equal to the principal amount of the Securities of such Holder so accepted for exchange.

(d) Each Holder hereby acknowledges and agrees that any Broker-Dealer and any such Holder using the Registered Exchange Offer to participate in a distribution of the New Securities (x) could not under Commission policy as in effect on the date of this Agreement rely on the position of the Commission in Morgan Stanley and Co., Inc. (pub. avail. June 5, 1991) and Exxon Capital Holdings Corporation (pub. avail. May 13, 1988), as interpreted in the

Commission's letter to Shearman & Sterling dated July 2, 1993 and similar no-action letters; and (y) must comply with the registration and prospectus delivery requirements of the Act in connection with any secondary resale transaction and must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K under the Act if the resales are of New Securities obtained by such Holder in exchange for Securities acquired by such Holder directly from the Issuers or the Guarantors or one of their Affiliates. Accordingly, each Holder participating in the Registered Exchange Offer shall be required to represent to the Issuers and the Guarantors that, at the time of the consummation of the Registered Exchange Offer:

(i) any New Securities received by such Holder will be acquired in the ordinary course of business;

(ii) such Holder will have no arrangement or understanding with any Person to participate in the distribution of the Securities or the New Securities within the meaning of the Act; and

(iii) such Holder is not an Affiliate of the Issuers or the Guarantors.

3. Shelf Registration. (a) If (i) due to any change in law or applicable interpretations thereof by the Commission's staff, the Issuers and the Guarantors determine upon advice of their outside counsel that they are not permitted to effect the Registered Exchange Offer as contemplated by Section 2 hereof; (ii) for any other reason the Registered Exchange Offer is not consummated within 360 days of the date hereof, (iii) any Initial Purchaser so requests with respect to Securities that are not eligible to be exchanged for New Securities in the Registered Exchange Offer and that are held by it following consummation of the Registered Exchange Offer, or (iv) any Holder (other than an Initial Purchaser) is not eligible to participate in the Registered Exchange Offer, the Issuers and the Guarantors shall effect a Shelf Registration Statement in accordance with subsection (b) below.

(b) (i) The Issuers and the Guarantors shall as promptly as practicable (but in no event more than 100 days after so required or requested pursuant to this Section 3), file with the Commission and thereafter shall use their reasonable best efforts to cause to be declared effective under the Act, within 180 days after it is filed, a Shelf Registration Statement relating to the offer and sale of the Securities or the New Securities, as applicable, by the Holders thereof from time to time in accordance with the methods of distribution elected by such Holders and set forth in such Shelf Registration Statement; provided, however, that no Holder (other than an Initial Purchaser) shall be entitled to have the Securities held by it covered by such Shelf Registration Statement unless such Holder agrees in writing to be bound by all of the provisions of this Agreement applicable to such Holder; and provided further, that with respect to New Securities received by an Initial Purchaser in exchange for Securities constituting any portion of an unsold allotment, the Issuers and the Guarantors may, if permitted by current interpretations by the Commission's staff, file a post-effective amendment to the Exchange Offer Registration Statement containing the information required by Item 507 or 508 of Regulation S-K, as applicable, in satisfaction of their obligations under this subsection with respect thereto, and any such Exchange Offer Registration Statement, as so amended, shall be referred to herein as, and governed by the provisions herein applicable to, a Shelf Registration Statement.

(ii) The Issuers and the Guarantors shall use their reasonable best efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended as required by the Act, in order to permit the Prospectus forming part thereof to be usable by Holders for a period of two years from the date the Shelf Registration Statement is declared effective by the Commission or such shorter period that will terminate when all the Securities or New Securities, as applicable, covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement under the Act (in any such case, such period being called the "Shelf Registration Period"). The Issuers and the Guarantors shall be deemed not to have used their reasonable best efforts to keep the Shelf Registration Statement effective during the requisite period if either Issuer or any Guarantor voluntarily takes any action that would result in Holders of Securities covered thereby not being able to offer and sell such Securities during that period, unless (A) such action is required by applicable law, or (B) such action is taken by such Issuer or such Guarantor in good faith and for valid business reasons (not including avoidance of the Issuers' or the Guarantors', obligations hereunder), including the acquisition or divestiture of assets, so long as the Issuers and the Guarantors promptly thereafter comply with the requirements of Section 5(k) hereof, if applicable.

(iii) The Issuers and the Guarantors shall cause the Shelf Registration Statement and the related Prospectus and any amendment or supplement thereto, as of the effective date of the Shelf Registration Statement or such amendment or supplement, (A) to comply in all material respects with the applicable requirements of the Act and the rules and regulations of the Commission; and (B) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. Additional Interest.

(a) In the event that (i) the Issuers and the Guarantors have not filed the Exchange Offer Registration Statement or the Shelf Registration Statement with the Commission on or before the date on which such Registration Statement is required to be so filed pursuant to Section 2(a) and 3(b), respectively, or (ii) such Exchange Offer Registration Statement or Shelf Registration Statement has not been declared effective by the Commission under the Act on or before the date on which such Registration Statement is required to be declared effective under the Act pursuant to Section 2(a) or 3(b), respectively, or (iii) the Exchange Offer has not been consummated within 210 days after the date of issuance of the Securities, or (iv) the Exchange Offer Registration Statement or Shelf Registration Statement required by Section 2(a) or 3(b) hereof is filed and declared effective by the Commission under the Act but shall thereafter cease to be effective (except as specifically permitted herein) without being succeeded immediately by an additional Registration Statement filed and declared effective by the Commission under the Act (each such event referred to in clauses (i) through (iv) is referred to herein as a "Registration Default"), then the interest rate on the New Securities will be increased, for the period from the occurrence of the Registration Default until such time as all Registration Defaults are cured (at which time the interest rate will be reduced to its initial rate) by 0.25% per annum during the first 90-day period following the occurrence and during the continuation of the Registration Default, and by 0.25% per annum for each subsequent 90-day period during which such Registration

Default continues. The interest rate will not at any time be increased by greater than 1.00% per annum.

(b) Without limiting the remedies available to the Initial Purchasers and the Holders, the Issuers and the Guarantors acknowledge that any failure by the Issuers or the Guarantors to comply with their obligations under Section 2(a) or 3(b) hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Issuers' and the Guarantors' obligations under Section 2(a) or Section 3(b) hereof.

5. Additional Registration Procedures. In connection with any Shelf Registration Statement and, to the extent applicable, any Exchange Offer Registration Statement, the following provisions shall apply.

(a) The Issuers and the Guarantors shall:

(i) furnish to you, not less than five Business Days prior to the filing thereof with the Commission, a copy of any Exchange Offer Registration Statement and any Shelf Registration Statement, and each amendment thereof and each amendment or supplement, if any, to the Prospectus included therein (including all documents incorporated by reference therein after the initial filing) and shall use their reasonable best efforts to reflect in each such document, when so filed with the Commission, such comments as you reasonably propose;

(ii) include the information set forth in Annex A hereto on the facing page of the Exchange Offer Registration Statement, in Annex B hereto in the forepart of the Exchange Offer Registration Statement in a section setting forth details of the Exchange Offer, in Annex C hereto in the underwriting or plan of distribution section of the Prospectus contained in the Exchange Offer Registration Statement, and in Annex D hereto in the letter of transmittal delivered pursuant to the Registered Exchange Offer;

(iii) if requested by an Initial Purchaser, include the information required by Item 507 or 508 of Regulation S-K, as applicable, in the Prospectus contained in the Shelf Registration Statement; and

(iv) in the case of a Shelf Registration Statement, include the names of the Holders that propose to sell Securities pursuant to the Shelf Registration Statement as selling security holders.

(b) The Issuers and the Guarantors shall ensure that:

(i) any Registration Statement and any amendment thereto and any Prospectus forming part thereof and any amendment or supplement thereto comply in all material respects with the Act and the rules and regulations thereunder; and

(ii) any Registration Statement and any amendment thereto do not, when they become effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(c) The Issuers and the Guarantors shall advise you, the Holders of Securities covered by any Shelf Registration Statement and any Exchanging Dealer under any Exchange Offer Registration Statement that has provided in writing to the Issuers and the Guarantors a telephone or facsimile number and address for notices, and, if requested in writing by you or any such Holder or Exchanging Dealer, shall confirm such advice in writing (which notice pursuant to clauses (ii)-(v) hereof shall be accompanied by an instruction to suspend the use of the Prospectus until the Issuers and the Guarantors shall have remedied the basis for such suspension):

(i) when a Registration Statement and any amendment thereto have been filed with the Commission and when the Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for any amendment or supplement to the Registration Statement or the Prospectus or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Issuers and the Guarantors of any notification with respect to the suspension of the qualification of the Securities included therein for sale in any jurisdiction or the initiation of any proceeding for such purpose; and

(v) of the happening of any event that requires any change in the Registration Statement or the Prospectus so that, as of such date, the statements therein are not misleading and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading.

(d) The Issuers and the Guarantors shall use their reasonable best efforts to obtain the withdrawal of any order suspending the effectiveness of any Registration Statement or the qualification of the Securities therein for sale in any jurisdiction at the earliest possible time.

(e) The Issuers and the Guarantors shall furnish to each Holder of Securities covered by any Shelf Registration Statement, without charge, at least one copy of such Shelf Registration Statement and any post-effective amendment thereto, including all material incorporated therein by reference, and, if the Holder so requests in writing, all exhibits thereto (including exhibits incorporated by reference therein).

(f) The Issuers and the Guarantors shall, during the Shelf Registration Period, deliver to each Holder of Securities covered by any Shelf Registration Statement, without charge, as many copies of the Prospectus (including each preliminary Prospectus) included in

such Shelf Registration Statement and any amendment or supplement thereto as such Holder may reasonably request. The Issuers and the Guarantors consent to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders of Securities in connection with the offering and sale of the Securities covered by the Prospectus, or any amendment or supplement thereto, included in the Shelf Registration Statement.

(g) The Issuers and the Guarantors shall furnish to each Exchanging Dealer which so requests, without charge, at least one copy of the Exchange Offer Registration Statement and any post-effective amendment thereto, including all material incorporated by reference therein, and, if the Exchanging Dealer so requests in writing, all exhibits thereto (including exhibits incorporated by reference therein).

(h) The Issuers and the Guarantors shall promptly deliver to each Initial Purchaser, each Exchanging Dealer and each other Person required to deliver a Prospectus during the effectiveness of the Exchange Offer Registration Statement, without charge, as many copies of the Prospectus included in such Exchange Offer Registration Statement and any amendment or supplement thereto as any such Person may reasonably request. The Issuers and the Guarantors consent to the use of the Prospectus or any amendment or supplement thereto by any Initial Purchaser, any Exchanging Dealer and any such other Person that may be required to deliver a Prospectus following the Registered Exchange Offer in connection with the offering and sale of the New Securities covered by the Prospectus, or any amendment or supplement thereto, included in the Exchange Offer Registration Statement.

(i) Prior to the Registered Exchange Offer or any other offering of Securities pursuant to any Registration Statement, the Issuers and the Guarantors shall arrange, if necessary, for the qualification of the Securities or the New Securities for sale under the laws of such jurisdiction as any Holder shall reasonably request and will maintain such qualification in effect so long as required; provided that in no event shall either Issuer or any Guarantor be obligated to qualify to do business in any jurisdiction where it is not then so qualified or to take any action that would subject it to service of process in suits, other than those arising out of the Initial Placement, the Registered Exchange Offer or any offering pursuant to a Shelf Registration Statement, in any such jurisdiction where it is not then so subject.

(j) If any of the Securities or the New Securities are not issued in global form, then the Issuers and the Guarantors shall cooperate with the Holders of Securities to facilitate the timely preparation and delivery of certificates representing New Securities or Securities to be issued or sold pursuant to any Registration Statement free of any restrictive legends and in such denominations and registered in such names as Holders may request.

(k) Upon the occurrence of any event contemplated by subsections (c)(ii) or (v) above, the Issuers and the Guarantors shall promptly prepare a post-effective amendment to the applicable Registration Statement or an amendment or supplement to the related Prospectus or file any other required document so that, as thereafter delivered to Initial Purchasers of the securities included therein, the Prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. In such circumstances, the period of effectiveness of the Exchange Offer Registration Statement provided for in Section 2 and the

Shelf Registration Statement provided for in Section 3(b) shall each be extended by the number of days from and including the date of the giving of a notice of suspension pursuant to Section 5(c) to and including the date when the Initial Purchasers, the Holders of the Securities and any known Exchanging Dealer shall have received such amended or supplemented Prospectus pursuant to this Section.

(l) Not later than the effective date of any Registration Statement, the Issuers and the Guarantors shall provide a CUSIP number for the Securities or the New Securities, as the case may be, registered under such Registration Statement and provide the Trustee with certificates for such Securities or New Securities, in a form eligible for deposit with The Depository Trust Company.

(m) The Issuers and the Guarantors shall comply with all applicable rules and regulations of the Commission and shall make generally available to the Issuers' security holders as soon as practicable after the effective date of the applicable Registration Statement an earnings statement satisfying the provisions of Section 11(a) of the Act.

(n) The Issuers and the Guarantors shall cause the Indenture to be qualified under the Trust Indenture Act in a timely manner.

(o) The Issuers and the Guarantors may require each Holder of Securities to be sold pursuant to any Shelf Registration Statement to furnish to the Issuers and the Guarantors such information regarding the Holder and the distribution of such Securities as the Issuers and the Guarantors may from time to time reasonably require for inclusion in such Registration Statement. The Issuers and the Guarantors may exclude from such Shelf Registration Statement the Securities of any Holder that unreasonably fails to furnish such information within a reasonable time after receiving such request.

(p) In the case of any Shelf Registration Statement, the Issuers and the Guarantors shall enter into such agreements and take all other appropriate actions (including, if requested, an underwriting agreement in customary form) in order to expedite or facilitate the registration or the disposition of the Securities, and in connection therewith, if an underwriting agreement is entered into, cause the same to contain indemnification provisions and procedures no less favorable than those set forth in Section 7 (or such other provisions and procedures acceptable to the Majority Holders and the Managing Underwriters, if any, with respect to all parties to be indemnified pursuant to Section 7).

(q) In the case of any Shelf Registration Statement, the Issuers and the Guarantors shall:

(i) make reasonably available for inspection by the Holders of Securities to be registered thereunder, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney, accountant or other agent retained by the Holders or any such underwriter all relevant financial and other records, pertinent partnership, corporate or limited liability company documents and properties of the Issuers and the Guarantors and their respective subsidiaries;

(ii) cause the Issuers' and the Guarantors' respective officers, directors and employees to supply all relevant information reasonably requested by the Holders or any such underwriter, attorney, accountant or agent in connection with any such Registration Statement as is customary for similar due diligence examinations; provided, however, that any information that is designated in writing by the Issuers or the Guarantors, in good faith, as confidential at the time of delivery of such information shall be kept confidential by the Holders or any such underwriter, attorney, accountant or agent, unless such disclosure is made in connection with a court proceeding or required by law, or such information becomes available to the public generally or through a third party without an accompanying obligation of confidentiality;

(iii) make such representations and warranties to the Holders of Securities registered thereunder and the underwriters, if any, in form, substance and scope as are customarily made by issuers to underwriters in primary underwritten offerings and covering matters including, but not limited to, those set forth in the Purchase Agreement;

(iv) obtain opinions of counsel to the Issuers and the Guarantors and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the Managing Underwriters, if any) addressed to each selling Holder and the underwriters, if any, covering such matters as are customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such Holders and underwriters;

(v) obtain "cold comfort" letters and updates thereof from the independent certified public accountants of the Issuers and the Guarantors (and, if necessary, any other independent certified public accountants of any subsidiary of the Issuers and the Guarantors or of any business acquired by the Issuers and the Guarantors for which financial statements and financial data are, or are required to be, included in the Registration Statement), addressed to each selling Holder of Securities registered thereunder and the underwriters, if any, in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with primary underwritten offerings; and

(vi) deliver such documents and certificates as may be reasonably requested by the Majority Holders and the Managing Underwriters, if any, including those to evidence compliance with Section 5(k) and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Issuers or the Guarantors.

The actions set forth in clauses (iii), (iv), (v) and (vi) of this Section shall be performed at (A) the effectiveness of such Registration Statement and each post-effective amendment thereto, and (B) each closing under any underwriting or similar agreement as and to the extent required thereunder.

(r) [omitted]

(s) [omitted]

(t) [omitted]

(u) In the event that any Broker-Dealer shall underwrite any Securities or participate as a member of an underwriting syndicate or selling group or "assist in the distribution" (within the meaning of the Conduct Rules and the By-Laws of the National Association of Securities Dealers, Inc.) thereof, whether as a Holder of such Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, assist such Broker-Dealer in complying with the requirements of such Rules and By-Laws, including, without limitation, by:

(i) if such Rules or By-Laws shall so require, engaging a "qualified independent underwriter" (as defined in such Rules) to participate in the preparation of the Registration Statement, to exercise usual standards of due diligence with respect thereto and, if any portion of the offering contemplated by such Registration Statement is an underwritten offering or is made through a placement or sales agent, to recommend the yield of such Securities;

(ii) indemnifying any such qualified independent underwriter to the extent of the indemnification of underwriters provided in Section 7 hereof; and

(iii) providing such information to such Broker-Dealer as may be required in order for such Broker-Dealer to comply with the requirements of such Rules.

(iv) The Issuers and the Guarantors shall use their reasonable best efforts to take all other steps necessary to effect the registration of the Securities or the New Securities, as the case may be, covered by a Registration Statement.

6. Registration Expenses. The Issuers and the Guarantors bear all expenses incurred in connection with the performance of their obligations under Sections 2, 3 and 5 hereof and, in the event of any Shelf Registration Statement, will reimburse the Holders for the reasonable fees and disbursements of one firm or counsel designated by the Majority Holders to act as counsel for the Holders in connection therewith, and, in the case of any Exchange Offer Registration Statement, will reimburse the Initial Purchasers for the reasonable fees and disbursements of counsel acting in connection therewith.

7. Indemnification and Contribution. (a) The Issuers and each Guarantor agree to indemnify and hold harmless each Holder of Securities or New Securities, as the case may be, covered by any Registration Statement (including each Initial Purchaser and, with respect to any Prospectus delivery as contemplated in Section 5(h) hereof, each Exchanging Dealer), the directors, officers, employees and agents of each such Holder and each Person who controls any such Holder within the meaning of either the Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement as originally filed or in any

amendment thereof, or in any preliminary Prospectus or the Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agree to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that (i) the Issuers and the Guarantors will not be liable in any case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Issuers or the Guarantors by or on behalf of any such Holder specifically for inclusion therein. This indemnity agreement will be in addition to any liability which the Issuers or the Guarantors may otherwise have.

The Issuers and each Guarantor also agree to indemnify or contribute as provided in Section 7(d) to Losses of any underwriter of Securities or New Securities, as the case may be, registered under a Shelf Registration Statement, their directors, officers, employees or agents and each Person who controls such underwriter on substantially the same basis as that of the indemnification of the Initial Purchasers and the selling Holders provided in this Section 7(a). The Issuers and each Guarantor shall, if requested by any Holder, enter into an underwriting agreement reflecting such agreement, as provided in Section 5(p) hereof.

(b) Each Holder of securities covered by a Registration Statement (including each Initial Purchaser and, with respect to any Prospectus delivery as contemplated in Section 5(h) hereof, each Exchanging Dealer) severally and not jointly agrees to indemnify and hold harmless the Issuers, the Guarantors, the directors of the Issuers and the Guarantors, the officers of the Issuers and the Guarantors who sign such Registration Statement and each Person who controls the Issuers or the Guarantors within the meaning of either the Act or the Exchange Act, to the same extent as the foregoing indemnity from the Issuers and the Guarantors to each such Holder, but only with reference to written information relating to such Holder furnished to the Issuers and the Guarantors by or on behalf of such Holder specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which any such Holder may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 7 or notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (b) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses;

and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be satisfactory to the indemnified party. Notwithstanding the

indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest; (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party; (iii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action; or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section 7 is unavailable to or insufficient to hold harmless an indemnified party for any reason, then each applicable indemnifying party shall have a joint and several obligation to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "Losses") to which such indemnified party may be subject in such proportion as is appropriate to reflect the relative benefits received by such indemnifying party, on the one hand, and such indemnified party, on the other hand, from the Initial Placement and the Registration Statement which resulted in such Losses; provided, however, that in no case shall any Initial Purchaser or any subsequent Holder of any Security or New Security be responsible, in the aggregate, for any amount in excess of the purchase discount or commission applicable to such Security, or in the case of a New Security, applicable to the Security that was exchangeable into such New Security, as set forth on the cover page of the Final Memorandum, nor shall any underwriter be responsible for any amount in excess of the underwriting discount or commission applicable to the securities purchased by such underwriter under the Registration Statement which resulted in such Losses. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the indemnifying party and the indemnified party shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of such indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Benefits received by the Issuers or the Guarantors shall be deemed to be equal to the sum of (x) the total net proceeds from the Initial Placement (before deducting expenses) as set forth on the cover page of the Final Memorandum and (y) the total amount of additional interest which the Issuers and the Guarantors were not required to pay as a result of registering the securities covered by the Registration Statement which resulted in such Losses. Benefits received by the Initial Purchasers shall be deemed to be equal to the total purchase discounts and commissions as set forth on the cover page of the Final Memorandum, and benefits received by any other Holders shall be deemed to be equal to the value of receiving

Securities or New Securities, as applicable, registered under the Act. Benefits received by any underwriter shall be deemed to be equal to the total underwriting discounts and commissions, as set forth on the cover page of the Prospectus forming a part of the Registration Statement which resulted in such Losses. Relative fault shall be determined by reference to, among other things, whether any alleged untrue statement or omission relates to information provided by the indemnifying party, on the one hand, or by the indemnified party, on the other hand, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The parties agree that it would not be just and equitable if contribution were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 7, each Person who controls a Holder within the meaning of either the Act or the Exchange Act and each director, officer, employee and agent of such Holder shall have the same rights to contribution as such Holder, and each Person who controls the Issuers and the Guarantors within the meaning of either the Act or the Exchange Act, each officer of the Issuers and the Guarantors who shall have signed the Registration Statement and each director of the Issuers and the Guarantors shall have the same rights to contribution as the Issuers and the Guarantors, subject in each case to the applicable terms and conditions of this paragraph (d).

(e) The provisions of this Section 7 will remain in full force and effect, regardless of any investigation made by or on behalf of any Holder or the Issuers and the Guarantors or any of the officers, directors or controlling Persons referred to in this Section hereof, and will survive the sale by a Holder of securities covered by a Registration Statement.

8. Underwritten Registrations. (a) If any of the Securities or New Securities, as the case may be, covered by any Shelf Registration Statement are to be sold in an underwritten offering, the Managing Underwriters shall be selected by the Majority Holders and shall be reasonably satisfactory to the Partnership.

(b) No Person may participate in any underwritten offering pursuant to any Shelf Registration Statement, unless such Person (i) agrees to sell such Person's Securities or New Securities, as the case may be, on the basis reasonably provided in any underwriting arrangements approved by the

Persons entitled hereunder to approve such arrangements; and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

9. No Inconsistent Agreements. The Issuers and the Guarantors have not, as of the date hereof, entered into, nor shall they, on or after the date hereof, enter into, any agreement with respect to their securities that is inconsistent with the rights granted to the Holders herein or otherwise conflicts with the provisions hereof.

10. Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, qualified, modified or supplemented, and

waivers or consents to departures from the provisions hereof may not be given, unless the Issuers and the Guarantors have obtained the written consent of the Majority Holders (or, after the consummation of any Registered Exchange Offer in accordance with Section 2 hereof, of New Securities); provided that, with respect to any matter that directly or indirectly affects the rights of any Initial Purchaser hereunder, the Issuers and the Guarantors shall obtain the written consent of each such Initial Purchaser against which such amendment, qualification, supplement, waiver or consent is to be effective. Notwithstanding the foregoing (except the foregoing proviso), a waiver or consent to departure from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders whose Securities or New Securities, as the case may be, are being sold pursuant to a Registration Statement and that does not directly or indirectly affect the rights of other Holders may be given by the Majority Holders, determined on the basis of Securities or New Securities, as the case may be, being sold rather than registered under such Registration Statement.

11. Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, telex, telecopier or air courier guaranteeing overnight delivery:

(a) if to a Holder, at the most current address given by such Holder to the Issuers in accordance with the provisions of this Section, which address initially is, with respect to each Holder, the address of such Holder maintained by the Registrar under the Indenture, with a copy in like manner to UBS Securities LLC;

(b) if to you, initially at the respective addresses set forth in the Purchase Agreement;

(c) if to the Issuers, initially at the address set forth in the Purchase Agreement; and

(d) if to the Guarantors, initially at 333 Clay Street, Suite 1600, Houston, Texas 77002.

All such notices and communications shall be deemed to have been duly given when received.

The Initial Purchasers, the Issuers or the Guarantors by notice to the other parties may designate additional or different addresses for subsequent notices or communications.

12. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including, without the need for an express assignment or any consent by the Issuers or the Guarantors thereto, subsequent Holders of Securities and the New Securities. The Issuers and the Guarantors hereby agree to extend the benefits of this Agreement to any Holder of Securities and the New Securities, and any such Holder may specifically enforce the provisions of this Agreement as if an original party hereto.

13. Counterparts. This agreement may be in signed counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

14. Purchases and Sales of Securities. The Issuers and the Guarantors shall not, and shall use their best efforts to cause their affiliates (as defined in Rule 405 under the Act) not to, purchase and then resell or otherwise transfer any Securities for two (2) years, or if a Shelf Registration Statement shall become effective during such two (2) year period, for the period of such effectiveness.

15. Third Party Beneficiaries. Each Holder shall be a third party beneficiary to the agreements made hereunder between the Issuers and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights or the rights of other Holders hereunder.

16. Headings. The headings used herein are for convenience only and shall not affect the construction hereof.

17. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed in the State of New York.

18. Severability. In the event that any one of more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and

of the remaining provisions hereof shall not be in any way impaired or affected thereby, it being intended that all of the rights and privileges of the parties shall be enforceable to the fullest extent permitted by law.

19. Securities Held by the Issuers, the Guarantors, etc. Whenever the consent or approval of Holders of a specified percentage of principal amount of Securities or New Securities is required hereunder, Securities or New Securities, as applicable, held by the Issuers, the Guarantors or their Affiliates (other than subsequent Holders of Securities or New Securities if such subsequent Holders are deemed to be Affiliates solely by reason of their holdings of such Securities or New Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a building agreement among the Issuers, the Guarantors and the several Initial Purchasers.

Very truly yours,

PLAINS ALL AMERICAN PIPELINE, L.P.

By: PLAINS AAP, L.P.
its General Partner

By: PLAINS ALL AMERICAN GP LLC
its General Partner

By: /s/ Tim Moore
Name: Tim Moore
Title: Vice President, General Counsel and Secretary

PAA FINANCE CORP.

By: /s/ Tim Moore
Name: Tim Moore
Title: Vice President, General Counsel and Secretary

PLAINS MARKETING, L.P.

By: PLAINS MARKETING GP INC.
its General Partner

By: /s/ Tim Moore
Name: Tim Moore
Title: Vice President, General Counsel and Secretary

ALL AMERICAN PIPELINE, L.P.

By: PLAINS MARKETING GP INC.
its General Partner

By: /s/ Tim Moore
Name: Tim Moore
Title: Vice President, General Counsel and Secretary

PLAINS MARKETING GP INC.

By: /s/ Tim Moore
Name: Tim Moore
Title: Vice President, General Counsel and Secretary

PLAINS MARKETING CANADA LLC

By: PLAINS MARKETING, L.P.
its Sole Member

By: PLAINS MARKETING GP INC.
its General Partner

By: /s/ Tim Moore
Name: Tim Moore
Title: Vice President, General Counsel and Secretary

PMC (NOVA SCOTIA) COMPANY

By: /s/ Tim Moore
Name: Tim Moore
Title: Vice President, General Counsel and Secretary

PLAINS MARKETING CANADA, L.P.

By: PMC (NOVA SCOTIA) COMPANY
its General Partner

By: /s/ Tim Moore
Name: Tim Moore
Title: Vice President, General Counsel and Secretary

BASIN HOLDINGS GP LLC

By: ALL AMERICAN PIPELINE, L.P.
its Sole Member

By: PLAINS MARKETING GP INC.
its General Partner

By: /s/ Tim Moore
Name: Tim Moore
Title: Vice President, General Counsel and Secretary

BASIN PIPELINE HOLDINGS, L.P.

By: BASIN HOLDINGS GP LLC
its General Partner

By: ALL AMERICAN PIPELINE, L.P.
its Sole Member

By: PLAINS MARKETING GP INC.
its General Partner

By: /s/ Tim Moore
Name: Tim Moore
Title: Vice President, General Counsel and Secretary

RANCHO HOLDINGS GP LLC

By: ALL AMERICAN PIPELINE, L.P.
its Sole Member

By: PLAINS MARKETING GP INC.
its General Partner

By: /s/ Tim Moore
Name: Tim Moore
Title: Vice President, General Counsel and Secretary

RANCHO PIPELINE HOLDINGS, L.P.

By: RANCHO HOLDINGS GP LLC
its General Partner

By: ALL AMERICAN PIPELINE, L.P.
its Sole Member

By: PLAINS MARKETING GP INC.
its General Partner

By: /s/ Tim Moore
Name: Tim Moore
Title: Vice President, General Counsel and Secretary

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

UBS SECURITIES LLC

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT 10.20

364-DAY CREDIT AGREEMENT

PLAINS ALL AMERICAN PIPELINE, L.P., as Borrower,

FLEET NATIONAL BANK, as Administrative Agent,

WACHOVIA BANK, NATIONAL ASSOCIATION and
BANK ONE, NA
as Co-Syndication Agents,

BANK OF AMERICA, N.A. and
FORTIS CAPITAL CORP.,
as Co-Documentation Agents,

FLEET SECURITIES, INC., as Lead Arranger and Book Manager,

and CERTAIN FINANCIAL INSTITUTIONS, as Lenders

$125,000,000 364-Day Revolving Credit Facility

November 21, 2003

TABLE OF CONTENTS

Schedules and Exhibits:

364-DAY CREDIT AGREEMENT

THIS 364-DAY CREDIT AGREEMENT is made as of November 21, 2003, by and among PLAINS ALL AMERICAN PIPELINE, L.P., a Delaware limited partnership ("Borrower"), FLEET NATIONAL BANK, as administrative agent (in such capacity, "Administrative Agent"), WACHOVIA BANK, NATIONAL ASSOCIATION and BANK ONE, NA, as co-syndication agents (in such capacity, "Co-Syndication Agents"), BANK OF AMERICA, N.A. and FORTIS CAPITAL CORP., as co-documentation agents (in such capacity, "Co-Documentation Agents"), and FLEET SECURITIES, INC., as lead arranger and book manager (in such capacity, "Lead Arranger and Book Manager") and the Lenders referred to below. In consideration of the mutual covenants and agreements contained herein the parties hereto agree as follows:

W I T N E S S E T H

In consideration of the mutual covenants and agreements contained herein and in consideration of the loans which may hereafter by made by Lenders to Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, 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:

"Acquisition Period" means the period beginning, at the election of Borrower, with the funding date of the purchase price for a Specified Acquisition and ending on the earliest of (a) the third following Fiscal Quarter end, (b) Borrower's receipt of proceeds of a Specified Equity Offering; and (c) Borrower's election in writing to terminate such Acquisition Period (provided, at the time of such election, the Debt Coverage Ratio shall not, on a pro forma basis, exceed 4.50 to 1.00); provided, however, if the Debt Coverage Ratio exceeds 4.50 to 1.00 at the end of the Fiscal Quarter ending next following such funding date, then the Acquisition Period shall be deemed to have commenced as of such funding date; provided, further, during any Acquisition Period, no additional Acquisition Period shall commence, nor shall such Acquisition Period be extended, by any subsequent Specified Acquisition until the current Acquisition Period shall have expired and Borrower shall be in compliance with Section 7.8(ii).

"Administrative Agent" means Fleet National Bank, 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 to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agreement" means this Credit Agreement.

"All American" means All American Pipeline, L.P., a Texas limited partnership.

"Applicable Lending Office" means, for each Lender and for each Type of Loan, the "Lending Office" of such Lender (or of an Affiliate of such Lender) designated for such Type of Loan on the Lender Schedule or such other office of such Lender (or an Affiliate of such Lender) as such Lender may from time to time specify to Administrative Agent and Borrower by written notice in accordance with the terms hereof as the office by which its Loans of such Type are to be made and maintained.

"Applicable Margin" means, as to any Type of Loan, the percent per annum set forth on the Pricing Grid as the "Applicable Margin" for such Type of Loan, based on the Applicable Rating Level in effect on such date. Changes in the Applicable Margin will occur automatically without prior notice as changes in the Applicable Rating Level occur. Administrative Agent will give notice promptly to Borrower and Lenders of changes in the Applicable Margin.

"Applicable Rating Level" means for any day, the level set forth below that corresponds to the PAA Debt Rating by the Ratings Agencies applicable on such day; provided, in the event the PAA Debt Rating by the Ratings Agencies differs by one level, the higher PAA Debt Rating shall apply; provided further, in the event the PAA Debt Rating by the Ratings Agencies differs by more than one level, the PAA Debt Rating one level above the lower PAA Debt Rating shall apply; provided, notwithstanding the foregoing, the Applicable Rating Level for the period from the date hereof through and including February 21, 2004 shall be Level III. As used in this definition, "³" means a rating equal to or more favorable than and "<" means a rating less favorable than.

Rating Level	S&P	Moody's
Level I	≥ BBB+	≥ Baa1
Level II	BBB	Baa2
Level III	BBB-	Baa3
Level IV	< BBB-	< Baa3

If either of the Rating Agencies shall not have in effect a PAA Debt Rating or if the rating system of either of the Rating Agencies shall change, or if either of the Rating Agencies shall cease to be in the business of rating corporate debt obligations, Borrower and Majority 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 PAA Debt Rating by the remaining Rating Agency.

"Base Rate" means the higher of (i) the variable per annum rate of interest so designated from time to time by Administrative Agent as its "prime rate", or (ii) the Federal Funds Rate plus one-half percent (0.5%) per annum. The "prime rate" is a reference rate and does not necessarily represent the lowest or best rate being charged to any customer. Changes in the Base Rate resulting from changes in the "prime rate" shall take place immediately without notice or demand of any kind.

"Base Rate Loan" means a Loan to Borrower which does not bear interest at a rate based upon the LIBOR Rate.

"Borrower" means Plains All American Pipeline, 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 existing Loans into a single Type (and, in the case of LIBOR 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 a Borrower which meets the requirements of Section 2.2.

"Business Day" means any day, other than a Saturday, Sunday or day which shall be in the Commonwealth of Massachusetts a legal holiday or day on which banking institutions are required or authorized to close. Any Business Day in any way relating to LIBOR Loans (such as the day on which an Interest Period begins or ends) must also be a day on which commercial banks settle payments in London.

"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 Petroleum Products for physical storage or in storage or in transit in pipelines which has been hedged by either a NYMEX contract, an OTC contract or a contract for physical delivery.

"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 the federal government of Canada or an instrumentality or agency thereof and entitled to the full faith and credit of the United States of America or the federal government of Canada, as the case may be;

(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, state or provincial bank or trust company which is organized under the Laws of the United States of America or any state therein, or the federal government of Canada or any province 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) Qualifying Directors cease for any reason to constitute collectively a majority of the members of the board of directors of GP LLC (the "Board") then in office;

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

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

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

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

"Co-Agent" shall have the meaning given that term in Section 9.10.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, together with all rules and regulations promulgated with respect thereto.

"Commitment" means $125,000,000, as may be reduced from time to time pursuant to Section 2.5(b). Each Lender's Commitment shall be the amount set forth on the Lender Schedule.

"Commitment Fee Rate" means, on any day, the rate per annum set forth on the Pricing Grid as the "Commitment Fee Rate" based on the Applicable Rating Level on such date. Changes in the applicable Commitment Fee Rate will occur automatically without prior notice as changes in the Applicable Rating Level occur. Administrative Agent will give notice promptly to Borrower and Lenders of changes in the Commitment Fee Rate.

"Commitment Period" means the period from and including the date hereof until the Maturity Date (or, if earlier, the day on which the obligation of Lenders to make Loans to Borrower hereunder pursuant to Section 2.1 has been terminated or the day on which any of the Notes first becomes due and payable in full).

"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 period, the sum of (1) the Consolidated Net Income during such period, plus (2) all interest expense that 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) that 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, plus (5) up to $20,000,000 of any cash payments and related payroll taxes made by Borrower prior to June 30, 2004 pursuant to the Plains All American GP LLC 1998 Long-Term Incentive Plan as in effect on the date hereof in lieu of delivery of units due certain holders of such Long-Term Incentive Plan, minus (6) all non-cash items of income which were included in determining such Consolidated Net Income.

"Consolidated Funded Indebtedness" means as of any date, the sum of the following (without duplication): (i) the outstanding principal amount of all Indebtedness which is classified as "long-term indebtedness" on a consolidated balance sheet of Borrower and its Consolidated Subsidiaries (excluding Unrestricted Subsidiaries) prepared as of such date in accordance with GAAP (subject to year-end audit adjustments with respect to non-year end periods) 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) the outstanding principal amount of Indebtedness for borrowed money of Borrower and its Consolidated Subsidiaries (excluding Unrestricted Subsidiaries) outstanding under a revolving credit, term or similar agreement (and renewals and extensions thereof); and (iii) the outstanding principal amount of Indebtedness in respect of Capital Leases of Borrower and its Consolidated Subsidiaries (excluding Unrestricted Subsidiaries); provided, however, Consolidated Funded Indebtedness shall not, if otherwise applicable, include (x) Indebtedness in respect of letters of credit, (y) Indebtedness incurred to finance Cash and Carry Purchases or (z) margin deposits.

"Consolidated Net Income" means, for any period, Borrower's and its Subsidiaries' (excluding Unrestricted Subsidiaries) gross revenues for such period, including any cash dividends or distributions actually received from any other Person during such period, minus

Borrower's and its Subsidiaries' (excluding Unrestricted 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 Borrower or any of its Subsidiaries (excluding Unrestricted Subsidiaries) has an ownership interest.

Consolidated Net Income shall not include (i) any gain or loss from the sale of assets, (ii) any extraordinary gains or losses, or (iii) any non-cash gains or losses resulting from mark to market activity as a result of the implementation of SFAS 133 or EITF 98-10. In addition, Consolidated Net Income shall not include the cost or proceeds of purchasing or selling options which are used to hedge future activity, until the period in which such hedged future activity occurs.

"Consolidated Tangible Net Worth" means the remainder of (i) all Consolidated assets, as determined in accordance with GAAP, of Borrower and its Subsidiaries (excluding Unrestricted Subsidiaries) minus (ii) the sum of (a) Borrower's Consolidated liabilities, as determined in accordance with GAAP, (b) the book value of any equity interests in any of Borrower's Subsidiaries (excluding Unrestricted Subsidiaries) which equity interests are owned by a Person other than Borrower or a Wholly Owned Subsidiary of Borrower; and (c) the net book value of all assets that would be treated as intangible under GAAP, including goodwill, trademarks, trade names and service marks. The effect of any increase or decrease of net worth in any period as a result of items of income or loss not reflected in the determination of net income but reflected in the determination of comprehensive income (to the extent provided under GAAP as in effect on the date hereof) shall be excluded in determining Consolidated Tangible Net Worth.

"Contango Credit Agreement" means that certain Uncommitted Senior Secured Discretionary Contango Facility Credit Agreement of even date herewith among Plains Marketing, Fleet National Bank, as administrative agent, and the lenders named therein.

"Continue", "Continuation" and "Continued" shall refer to the continuation pursuant to Section 2.3 of a LIBOR Loan as a LIBOR Loan from one Interest Period to the next Interest Period.

"Continuation/Conversion Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.3.

"Convert, "Conversion" and "Convert" refers to a conversion pursuant to Section 2.3 of one Type of Loan into another Type of Loan.

"Debt Coverage Ratio" shall have the meaning given that term in Section 7.8.

"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, two percent (2%) per annum plus:

(a) the LIBOR Rate plus the Applicable Margin then in effect for each LIBOR Loan (up to the end of the applicable Interest Period),

(b) the Base Rate plus the Applicable Margin then in effect 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.

"Distribution" means (a) any dividend or other distribution (whether in cash or other property, but excluding dividends or other distributions payable in equity interests in Borrower) with respect to any equity interest of Borrower, (b) any payment (whether in cash or other property, but excluding dividends or other distributions payable in equity interests in Borrower), including any sinking fund or similar deposit, on account of the retirement, redemption, purchase, cancellation, termination or other acquisition for value of any equity interest of Borrower or (c) any other payment by Borrower to any holder of equity interests of Borrower with respect to such equity interests held thereby other than payments made with equity interests in Borrower.

"Dollars" and "$" means the lawful currency of the United States of America, except where otherwise specified.

"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 no Person organized outside the United States may be an Eligible Transferee if Borrower (or, prior to the effectiveness of any such transfer, Borrower notifies the Administrative Agent that any other Restricted Person) 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.

"Event of Default" has the meaning given to such term in Section 8.1.

"Existing Agreements" means (i) that certain Second Amended and Restated Credit Agreement [Revolving Credit Facility] dated July 2, 2002 among Plains Marketing and certain Affiliates, Fleet National Bank, as administrative agent, and the agents and lenders named therein, and (ii) that certain Second Amended and Restated Credit Agreement [Letter of Credit and Hedged Inventory Facility] dated July 2, 2003 among Plains Marketing and certain Affiliates, Fleet National Bank, as administrative agent, and the agents and lenders named therein.

"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.

"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 Borrower 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 Borrower or with respect to Borrower 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 Borrower or of Borrower and its Consolidated Subsidiaries.

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

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

"Guarantors" means, as of the date hereof, all of Borrower's Subsidiaries, other than 3794865 Canada Ltd., Plains LPG Services GP LLC, Plains LPG Services, L.P. and Atchafalaya Pipeline, L.L.C. 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 Borrower which now or hereafter executes and delivers a guaranty to Administrative Agent pursuant to Section 6.9.

"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.

"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.

"Indebtedness" of any Person means each of the following:

(a) its obligations for the repayment of borrowed money,

(b) its obligations to pay the deferred purchase price of property or services (excluding trade account payables arising in the ordinary course of business), other than contingent purchase price or similar obligations incurred in connection with an acquisition and not yet earned or determinable,

(c) its obligations evidenced by a bond, debenture, note or similar instrument,

(d) its obligations, as lessee, constituting principal under Capital Leases,

(e) its direct or contingent reimbursement obligations with respect to the face amount of letters of credit pursuant to the applications or reimbursement agreements therefor,

(f) its obligations for the repayment of outstanding banker's acceptances, whether matured or unmatured,

(g) its obligations under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing if the obligation under such synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing is considered indebtedness for borrowed money for tax purposes but is classified as an operating

lease in accordance with GAAP (excluding, to the extent included herein, operating leases entered into in the ordinary course of business), or

(h) its obligations under guaranties of any obligations of any other Person described in the foregoing clauses (a) through (g).

"Initial Financial Statements" means (i) the audited Consolidated financial statements of Borrower as of December 31, 2002, and (ii) the unaudited consolidating balance sheet and income statement of Borrower as of September 30, 2003.

"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 Borrower and its Subsidiaries (excluding Unrestricted Subsidiaries) and all other items required to be eliminated in the course of the preparation of Consolidated financial statements of Borrower and its Subsidiaries (excluding Unrestricted Subsidiaries) in accordance with GAAP): (a) all interest and commitment fees in respect of Indebtedness of Borrower or any of its Subsidiaries (excluding Unrestricted 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 in respect of letters of credit issued for the account of Borrower 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 beginning December 31, 2003, and (b) with respect to each LIBOR Loan, the last day of the Interest Period that is applicable thereto and, if such Interest Period is six or nine months in length, the dates specified by Administrative Agent which are approximately three and six 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 LIBOR 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 nine months (if nine months is available for each Lender) thereafter (and, as to Loans, ending on a date less than 30 days thereafter as may be specified by Borrower, if such lesser period is available for each Lender), 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 Loan to Borrower that would end after the 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 Canada or any state, province, or political subdivision thereof or of any foreign country or any department, state, province or other political subdivision thereof.

"Lender Parties" means Administrative Agent and all Lenders.

"Lenders" means each signatory hereto designated as a Lender, and the successors and permitted assigns of each such party as holder of a Note.

"Lender Schedule" means Schedule 1 hereto.

"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.

"LIBOR Loan" means a Loan that bears interest at a rate based upon the LIBOR Rate.

"LIBOR Rate" means, as applicable to any LIBOR Loan within a Borrowing and with respect to the related Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) as determined on the basis of offered rates for deposits in Dollars, for a period of time comparable to such Interest Period which appears on Telerate Page 3750 (or any successor page) as of 11:00 a.m. London time on the day that is two Business Days preceding the first day of such LIBOR Loan; provided, however, if the rate described above does not appear on the Telerate system on any applicable interest determination date, the LIBOR Rate shall be the rate (rounded upwards as described above, if necessary) for deposits in dollars for a period substantially equal to such Interest Period on the Reuters Page "LIBOR" (or such other page as may replace the LIBOR Page on that service for the purpose of displaying such rates), as of 11:00 a.m. (London time), on the date that is two Business Days prior to the beginning of such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBOR Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/1000 of 1%). If both the Telerate and Reuters system are unavailable, then the LIBOR Rate for that date will be determined on the basis of the offered rates for deposits in Dollars for a period of time comparable to such Interest Period which are offered by four major banks in the London interbank market at approximately 11:00 a.m. London time, on the day that is two (2) Business Days preceding the first day of such LIBOR Loan as selected by Administrative Agent. The principal London office of each of the four major London banks will be requested to provide a quotation of its Dollar deposit offered rate. If at least two such quotations are provided, the rate for that date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that date will be determined on the basis of the rates quoted for loans in Dollars to leading European banks for a period of time comparable to such Interest Period offered by major banks in New York City at approximately 11:00 a.m. New York City time, on the day that is two Business Days preceding the first day of such LIBOR Loan. In the event that Administrative Agent is unable to obtain any such quotation as provided above, it will be deemed that the LIBOR Rate pursuant to such LIBOR Loan cannot be determined. In the event that the Board of Governors of the Federal Reserve

System shall impose a Reserve Percentage with respect to LIBOR deposits of any Lender, then for any period during which such Reserve Percentage shall apply, the LIBOR Rate shall be equal to the amount determined above divided by an amount equal to 1 minus the Reserve Percentage. "Reserve Percentage" means the maximum aggregate reserve requirement (including all basic, supplemental, marginal, special, emergency and other reserves) which is imposed on member banks of the Federal Reserve System against "Euro-currency Liabilities" as defined in Regulation D. Without limiting the effect of the foregoing, the Reserve Percentage 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 LIBOR Rate is to be determined, or (b) any category of extensions of credit or other assets which include LIBOR Loans. The LIBOR Rate for any LIBOR Loan shall change whenever the Reserve Percentage changes.

"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.

"Loan Documents" means this Agreement, the Notes, 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).

"Loans" means loans by Lenders to Borrower pursuant to Section 2.1.

"Majority Lenders" means Lenders whose Percentage Shares equal or exceed fifty-one percent (51%).

"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) Borrower's Consolidated financial condition, (b) Borrower's Consolidated operations, properties or prospects, considered as a whole, (c) Borrower's ability to timely pay its Obligations, or (d) the enforceability of the material terms of any Loan Document.

"Maturity Date" means November 20, 2004.

"Moody's" means Moody's Investor Service, Inc., or its successor.

"Notes" has the meaning given such term in Section 2.1 hereof.

"Obligations" means all Liabilities from time to time owing by any Restricted Person to any Lender Party under or pursuant to any of the Notes or under or pursuant to any guaranty of the obligations of Borrower or under the Loan Documents. "Obligation" means any part of the Obligations.

"PAA Debt Rating" means the rating then in effect by a Rating Agency with respect to the long term senior unsecured non-credit enhanced debt of Borrower.

"Percentage Share" means the percentage shown as each Lender's "Percentage Share" on the Lender Schedule,

"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.

"Petroleum Products" means crude oil, condensate, natural gas, natural gas liquids (NGL's), liquefied petroleum gases (LPG's), refined petroleum products or any blend thereof.

"Plains Marketing" means Plains Marketing, L.P., a Delaware limited partnership.

"Pricing Grid" means Schedule 3 attached hereto.

"Rating Agency" means either S&P or Moody's.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect.

"Restricted Person" means any of Borrower and each Subsidiary of Borrower, including but not limited to Plains Marketing, All American, PMC (Nova Scotia) Company, Plains Marketing Canada, L.P., and each Subsidiary of Plains Marketing, All American, PMC (Nova Scotia) Company and Plains Marketing Canada, L.P., but excluding, for the avoidance of doubt, Unrestricted Subsidiaries.

"Restriction Exception" means (i) any applicable Law or any instrument governing Indebtedness or equity interests, or any applicable Law or any other agreement relating to any property, assets or operations of a Person whose capital stock or other equity interests are acquired, in whole or part, by a Restricted Person pursuant to an acquisition (whether by merger, consolidation, amalgamation or otherwise), as such instrument or agreement is in effect at the time of such acquisition (except with respect to Indebtedness incurred in connection with, or in contemplation of, such acquisition), or such applicable Law is then or thereafter in effect (as applicable), which is not applicable to the acquiring Restricted Person, or the property, assets or operations of the acquiring Restricted Person, other than the acquired Person, or the property, assets or operations of such acquired Person or such acquired Person's

Subsidiaries; provided that in the case of Indebtedness, the incurrence of such Indebtedness is not prohibited hereunder, or (ii) provisions with respect to the disposition or distribution of assets in joint venture agreements or other similar agreements entered into in the ordinary course of business.

"S&P" means Standard & Poor's Ratings Group (a division of McGraw Hill, Inc.) or its successor.

"Significant Restricted Persons" means Borrower, PMC (Nova Scotia) Company, Plains Marketing Canada, L.P., Plains Marketing, All American and Subsidiaries of Borrower that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Exchange Act of 1934 and the Securities Act of 1933, each as amended.

"Specified Acquisition" means one or more acquisitions of assets or entities or operating lines or divisions in any rolling 12-month period for an aggregate purchase price of not less than $50,000,000.

"Specified Equity Offering" means one or more issuances of equity by Borrower for aggregate net cash proceeds of not less than fifty percent (50%) of the aggregate purchase price of the Specified Acquisition.

"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 any Restricted Person for purposes of any Loan Document except as provided in Section 7.10.

"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, the Dominion of Canada, 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 Base Rate Loans or LIBOR Loans.

"Unrestricted Subsidiary" shall have the meaning given it in Section 7.10.

"US/Canada Credit Agreement" means that certain Credit Agreement [US/Canada] of even date herewith among Borrower, PMC (Nova Scotia) Company, Plains Marketing Canada, L.P., Fleet National Bank, as administrative agent, The Bank of Nova Scotia, as Canadian administrative agent, and the lenders named therein.

"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.

"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.

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.

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. References to an "officer" or "officers" of the General Partner or any Restricted Person shall mean and include officers of such Person or the controlling management entity of such Person as provided in such Person's organizational documents, as applicable.

Section 1.5. Calculations and Determinations. All calculations under the Loan Documents of interest chargeable with respect to LIBOR 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 LIBOR

Rate, Business Day, Interest Period, or Reserve Percentage) 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

Section 2.1. Commitments to Lend; Notes. Subject to the terms and conditions hereof, each Lender agrees to make Loans to Borrower 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 outstanding principal amount of the Loans does not exceed the Commitment determined as of the date on which the requested Loans are to be made, and (c) after giving effect to such Loans the Loans by each Lender does not exceed such Lender's Commitment. The aggregate amount of all 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 Lender the aggregate amount of all Loans made by such Lender to Borrower, 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 to Borrower 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 Maturity Date. Subject to the terms and conditions of this Agreement, Borrower may borrow, repay, and reborrow under this Section 2.1. Borrower may have no more than seven Borrowings of LIBOR Loans outstanding at any time. All payments of principal and interest on the Loans made pursuant to this Section 2.1 shall be made in Dollars.

Section 2.2. Requests for Loans. Borrower must give to Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing. Each such notice constitutes a "Borrowing Notice" hereunder and must:

(a) specify (A) the aggregate amount of any such Borrowing and the date on which Base Rate Loans are to be advanced, or (B) the aggregate amount of any such Borrowing of new LIBOR Loans, the date on which such LIBOR 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;

(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 LIBOR Loans are to be made; and

(c) if any requested Borrowing or portion thereof is to be utilized 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 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 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 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 its office in Boston, Massachusetts the amount of such Lender's new 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 Borrower 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 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 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. All Borrowings of Loans shall be advanced in Dollars.

Section 2.3. Continuations and Conversions of Existing Loans. Borrower may make the following elections with respect to Loans already outstanding: (i) to Convert, in whole or in part, Base Rate Loans to LIBOR Loans, (ii) to Convert, in whole or in part, LIBOR Loans to Base Rate Loans on the last day of the Interest Period applicable thereto, and (iii) to Continue, in whole or in part, LIBOR 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 to Borrower made pursuant to separate Borrowings into one new Borrowing or divide existing Loans to Borrower made pursuant to one Borrowing into separate new Borrowings, provided that Borrower may have no more than seven Borrowings of LIBOR 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:

(i) specify the existing Loans which are to be Continued or Converted;

(ii) specify (A) 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 (B) the aggregate amount of any Borrowing of LIBOR 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 LIBOR Loans), and the length of the applicable Interest Period; and

(iii) 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 LIBOR 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 LIBOR Loans or Continue existing Loans as LIBOR 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 LIBOR Loans at least three days prior to the end of the Interest Period applicable to such LIBOR Loans, any such LIBOR 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 such already outstanding Loans.

Section 2.4. Use of Proceeds. Borrower shall use all Loans to finance capital expenditures of any Restricted Person, provide working capital for operations and for other general business purposes, including acquisitions. In no event shall the funds from any Loans 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 it is not engaged principally, or as one of its 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) Interest Rates.

(i) Each Loan shall bear interest as follows: (A) unless the Default Rate shall apply, each Base Rate Loan shall bear interest on each day outstanding at the Base Rate plus the Applicable Margin in effect on such day, and each LIBOR Loan shall bear interest on each day during the related Interest Period at the related LIBOR Rate plus the Applicable Margin in effect on such day, and (B) during a Default Rate Period, all Loans shall bear interest on each day outstanding at the applicable Default Rate.

(ii) If an Event of Default based upon Section 8.1(a), Section 8.1(b) or Section 8.1(h)(i), (h)(ii) or (h)(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 applicable Default Rate.

(iii) The interest rate shall change whenever the applicable Base Rate, LIBOR Rate or Applicable Margin changes. In no event shall the interest rate on any Loan exceed the Highest Lawful Rate.

(b) Commitment Fee; Reduction of Commitment. In consideration of each Lender's commitment to make Loans to Borrower, Borrower will pay to Administrative Agent for the account of each Lender a commitment fee determined on a daily basis equal to the Commitment Fee Rate in effect on such day times such Lender's Percentage Share of the unused portion of the Commitment on each day during the Commitment Period, determined for each such day by deducting from the amount of the Commitment at the end of such day the aggregate outstanding principal amount of Loans. Such 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 Commitment, provided that (A) notice of such reduction is given not less than 2 Business Days prior to such reduction, (B) the resulting Commitment is not less than the aggregate outstanding principal amount of the Loans, and (C) each partial reduction shall be in an amount at least equal to $500,000 and in multiples of $100,000 in excess thereof.

(c) 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 the fee letter dated October 20, 2003 between Administrative Agent and Borrower.

Section 2.6. Intentionally Omitted.

Section 2.7. Intentionally Omitted.

Section 2.8. Optional Prepayments. Borrower may, upon three Business Days' notice, as to LIBOR Loans, or same Business Day's notice, as to Base Rate Loans, 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 $2,500,000 or any higher integral multiple of $250,000. Upon receipt of any such notice, Administrative Agent shall give each Lender prompt notice of the terms thereof. Each prepayment of principal of a Loan 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. Following notice by Borrower pursuant to the foregoing, Borrower shall make such prepayment, and the prepayment amount specified in such notice shall be due and payable, on the date specified in such notice.

Section 2.9. Mandatory Prepayments. If at any time the aggregate outstanding principal amount of the Loans exceeds the Commitment (whether due to a reduction in the Commitment 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. For an economically meaningful period of time in each Fiscal Year, as reasonably determined by GP LLC, the aggregate outstanding principal balance of all Working Capital Borrowings shall be reduced to a relatively small amount as may be reasonably specified by GP LLC.

ARTICLE III - - Payments to Lenders

Section 3.1. General Procedures. Each Restricted Person shall pay all amounts owing by such Restricted Person with respect to any Obligations (whether for principal, interest, fees, or otherwise) to Administrative Agent for the account of the Lender Party to whom such payment is owed in Dollars, without set-off, deduction or counterclaim, and in immediately available funds. Each payment under the Loan Documents 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 to a Lender Party 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.

(a) 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:

(i) 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 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);

(ii) then for the prepayment of amounts owing under the Loan Documents (other than principal on the Notes) if so specified by Borrower;

(iii) then for the prepayment of principal on the Notes, together with accrued and unpaid interest on the principal so prepaid; and

(iv) 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 accrued interest thereon in compliance with Sections 2.8 and 2.9, as applicable. All distributions of amounts described in any of subsections (ii), (iii), or (iv) 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 Administrative Agent under Section 9.4, any amounts otherwise distributable under this section to such Lender shall be deemed to belong to Administrative Agent, 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 or commitments under this Agreement.

Section 3.3. Increased Cost of LIBOR Loans. 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 LIBOR Loan or otherwise due under this Agreement in respect of any LIBOR Loan (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 LIBOR Loan (excluding those for which such Lender Party is fully compensated pursuant to adjustments made in the definition of LIBOR 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 LIBOR Loan, the result of which is to increase the cost to any Lender Party of funding or maintaining any LIBOR Loan or to reduce the amount of any sum receivable by any Lender Party in respect of any LIBOR Loan 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 LIBOR 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 180 days, after such Lender Party obtains actual knowledge thereof; provided, that (i) if such Lender Party fails to give such notice within 180 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 180 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 LIBOR Loans, 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 LIBOR Loan are not available to it, or (c) any Lender Party determines that the formula for calculating the LIBOR Rate does not fairly reflect the cost to such Lender Party of making or maintaining loans based on such rate, with respect to the Commitment hereunder, then, upon notice by such Lender Party to Borrower and Administrative Agent, Borrower's right to elect LIBOR Loans from such Lender Party shall be suspended to the extent and for the duration of such illegality, impracticability or restriction and all LIBOR 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. With respect to the Commitment, Borrower agrees to indemnify each Lender Party extending credit pursuant thereto, and hold each such Lender Party 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, with respect to the Commitment, Borrower will indemnify each Lender Party extending credit pursuant thereto 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 such Lender Party to fund or maintain LIBOR Loans), as a result of (a) any payment or prepayment (whether or not authorized or required hereunder) of all or a portion of a LIBOR 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 LIBOR Loan into a Base Rate Loan or into a different LIBOR 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. With respect to the Commitment, Borrower covenants and agrees with each Lender Party extending credit pursuant thereto that:

(a) Borrower will indemnify each such Lender Party against and reimburse each such Lender Party for all present and future stamp and other taxes, duties, levies, imposts, deductions, charges, costs, and withholdings whatsoever imposed, assessed, levied or collected on or in respect of this Agreement, any LIBOR Loans (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 such Lender Party's Loans and Note, and all other amounts payable by Borrower to any such 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 such 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 LIBOR 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 LIBOR 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 such Lender Party, other than such a Lender Party (i) who is a US person for Federal income tax purposes or (ii) who has the Prescribed Forms on file with Administrative Agent (with copies provided to the relevant 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 such 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 Note 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 and any breakage costs with respect to any outstanding LIBOR Loans, but excluding principal and accrued interest on the Note being assigned) shall be paid in full to such Lender Party concurrently with such assignment, and (ii) the replacement Eligible Transferee shall purchase the Notes 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 Lending

Section 4.1. Documents to be Delivered. No Lender has any obligation to make its first Loan 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, each of which was so executed and delivered:

(a) This Agreement and any other document that Lenders are to execute in connection herewith.

(b) Each Note and the guaranty of each Guarantor.

(c) Certain certificates including:

(i) An "Omnibus Certificate" of the secretary or assistant secretary and any vice president of GP LLC, which shall contain the names and signatures of the officers of GP LLC authorized to execute this Agreement and the other 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 GP LLC and in full force and effect at the time this Agreement is entered into, authorizing the execution of the 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 Borrower and all amendments thereto, certified by the appropriate official of its jurisdiction of organization, and (3) a copy of the agreement of limited partnership of Borrower;

(ii) An "Omnibus Certificate" of the secretary or assistant secretary and any vice president of Plains Marketing GP Inc., which shall contain the names and signatures of the officers of such company 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 such company and in full force and effect at the time this Agreement is entered into, authorizing the execution of the 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 Significant Restricted Person, other than those Significant Restricted Persons whose charter documents are attached to the certificates described in Section 4.1(c)(i) above or Section 4.1(c)(iii) below and all amendments thereto, certified by the appropriate official of its jurisdiction of organization, and (3) a copy of any bylaws or agreement of limited partnership of such Significant Restricted Persons;

(iii) An "Omnibus Certificate" of the secretary or assistant secretary and any vice president of PMC (Nova Scotia) Company, which shall contain the names and signatures of the officers of such company 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 such company and in full force and effect at the time this Agreement is entered into, authorizing the execution of the 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 such company and Plains Marketing Canada, L.P. and all amendments thereto, certified by the appropriate official of its jurisdiction of organization, and (3) a copy of the bylaws of such company and the agreement of limited partnership of Plains Marketing Canada, L.P.; and

(iv) A certificate of the chief financial officer of GP LLC, regarding satisfaction of Section 4.2.

(d) A certificate (or certificates) of the due formation, valid existence and good standing of each Significant Restricted Person in its respective jurisdiction of organization, issued by the appropriate authorities of such jurisdiction.

(e) Favorable opinions of Tim Moore, 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, and Bennett Jones LLP, special Canadian Counsel for Restricted Persons, substantially in the form set forth in Exhibit E-3.

(f) Financial projections for Borrower and its Subsidiaries through December 2006, in form and substance reasonably satisfactory to Administrative Agent.

(g) Consolidated financial statements of Borrower and its Subsidiaries as of September 30, 2003, reflecting compliance with Sections 7.8 and 7.9, together with a certificate by the chief financial officer of GP LLC certifying such financial statements.

(h) No Material Adverse Change shall have occurred since December 31, 2002.

(i) Administrative Agent shall have received all documents and instruments which Administrative Agent has then requested (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 and substance.

(j) Payment of all commitment, facility, agency and other fees required to be paid to Administrative Agent or Lender pursuant to any Loan Documents or any commitment agreement heretofore entered into.

(k) Evidence of the payment in full of all outstanding Indebtedness under the Existing Agreements, the release of all Liens securing such Indebtedness, and termination of the Existing Agreements.

Section 4.2. Additional Conditions Precedent. No Lender has any obligation to make any Loan (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 as if such representations and warranties had been made as of the date of such Loan 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, then in each such case, such other date.

(b) No Default shall exist at the date of such Loan or result from such Loan.

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, Borrower represents and warrants to each Lender that:

Section 5.1. No Default. No event has occurred and is continuing which constitutes a Default, except as has been waived in accordance with this Agreement.

Section 5.2. Organization and Good Standing. Each Significant Restricted Person is duly organized or formed, validly existing and in good standing under the Laws of its jurisdiction of organization or formation, having all requisite corporate or similar powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Each Significant Restricted Person is duly qualified, in good standing, and authorized to do business in all other jurisdictions 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 reasonably be expected to 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 each Restricted Person of the Loan Documents to which it is a party, the performance by it of its obligations, and the consummation of the transactions contemplated thereby, do not and will not (i) violate any provision of (1) Law applicable to it, (2) its organizational documents or (3) any judgment, order or material license or permit applicable to or binding upon it, (ii) result in the acceleration of any Indebtedness owed by it or (iii) result in or require the creation of any consensual Lien upon any

of its material assets or properties except as expressly contemplated in, or permitted by, the Loan Documents. Except as expressly contemplated in or permitted by the Loan Documents, disclosed in the Disclosure Schedule or disclosed pursuant to Section 6.4, no permit, consent, approval, authorization or order of, and no notice to or filing, registration or qualification with, any Tribunal is required on the part of any Restricted Person a party thereto pursuant to the provisions of any material Law applicable to it as a condition to its execution, delivery or performance of any Loan Document or (ii) to consummate any transactions contemplated by the Loan Documents.

Section 5.5. Enforceable Obligations. This Agreement is, and the other Loan 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 and general principles of equity.

Section 5.6. Initial Financial Statements. Borrower has heretofore delivered to each Lender true, correct and complete copies of the Initial Financial Statements. The Initial Financial Statements fairly present Borrower's Consolidated financial position at the date thereof and the Consolidated results of Borrower's operations for the periods thereof, and in the case of the annual Initial Financial Statements, Consolidated cash flows for the period thereof. Since the date of the annual Initial Financial Statements, no Material Adverse Change has occurred. All Initial Financial Statements described in clause (i) of that defined term were prepared in accordance with GAAP.

Section 5.7. Other Obligations and Restrictions. As of the closing date hereof, no Restricted Person has any outstanding payment obligations of any kind (including contingent obligations, tax assessments and unusual forward or long-term commitments) which are, in the aggregate, material to Borrower or material with respect to Borrower's Consolidated financial condition and not reflected in the Initial Financial Statements, disclosed in the Disclosure Schedule or otherwise permitted under Section 7.1. Except as reflected 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 would reasonably be expected to 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 (or if such information expressly relates or refers to an earlier date, as of such earlier date). 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 in light of the circumstances in which made or based on reasonable estimates, in each case as of the date on which such information is stated or certified (or if such information expressly relates or refers to an earlier date, as of such earlier date). There is no fact known to any Restricted Person

that has not been disclosed to each Lender in writing which would reasonably be expected to 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 overtly threatened, against any Restricted Person before any Tribunal which would reasonably be expected to 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, to the knowledge of Borrower, any Restricted Person's stockholders, partners, directors or officers which would reasonably be expected to cause a Material Adverse Change.

Section 5.10. ERISA Plans and Liabilities. All currently existing ERISA Plans are listed in the Disclosure Schedule or pursuant to Section 6.4. Except as disclosed in the Initial Financial Statements, in the Disclosure Schedule or pursuant to Section 6.4, no Termination Event has occurred with respect to any ERISA Plan and all ERISA Affiliates are in compliance with ERISA in all material respects, to the extent that the non-compliance therewith would not be reasonably expected to cause a Material Adverse Change. 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 $5,000,000.

Section 5.11. Compliance with Permits, Consents and Law. Except as set forth in the Disclosure Schedule or pursuant to Section 6.4, each Restricted Person 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 would not reasonably be expected to 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 that non-compliance therewith would not reasonably be expected to cause a Material Adverse Change or such term, restriction or otherwise is being contested in good faith or a bona fide dispute exists with respect thereto.

Section 5.12. Environmental Laws. Except as set forth in the Disclosure Schedule or disclosed pursuant to Section 6.4, (i) Borrower and its Subsidiaries are conducting their businesses in material compliance with all applicable Laws, including Environmental Laws, and have and are in compliance with all licenses and permits required under any such Laws, unless failure to so comply or have such licenses and permits would not reasonably be expected to cause a Material Adverse Change; (ii) none of the operations or properties of Borrower or any of its Subsidiaries is the subject of federal, provincial or local investigation evaluating whether any material remedial action is needed to respond to a release of any Hazardous Materials into the environment or to the improper storage or disposal (including storage or disposal at offsite locations) of any Hazardous Materials, unless such remedial action would not reasonably be

expected to cause a Material Adverse Change; and (iii) neither Borrower nor any of its Subsidiaries (and to the actual knowledge of Borrower, no other Person) has filed any notice under any Law indicating that any Restricted Person is responsible for the improper release into the environment, or the improper storage or disposal, of any material amount of any Hazardous Materials or that any Hazardous Materials have been improperly released, or are improperly stored or disposed of, upon any property of any such Person, other than of an alleged improper release, storage or disposal that would not reasonably be expected to cause a Material Adverse Change.

Section 5.13. Borrower's Subsidiaries. Borrower has no Subsidiary and owns no stock in any other corporation or association except as listed in the Disclosure Schedule or disclosed after the closing date hereof to Administrative Agent in writing. No Restricted Person is a member of any general or limited partnership, limited liability company, joint venture or association of any type whatsoever except those listed in the Disclosure Schedule or disclosed after the closing date hereof to Administrative Agent in writing. Borrower owns, directly or indirectly, the equity interest in each of its Subsidiaries which is indicated in the Disclosure Schedule.

Section 5.14. Title to Properties. 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, other than such impediments that would not reasonably be expected to cause a Material Adverse Change.

Section 5.15. 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 5.16. Insider. No Restricted Person, nor any Person having "control" (as that term is defined in 12 U.S.C. § 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. § 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 5.17. 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, (i) Borrower and each Guarantor will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws), and the sum of Borrower's and each Guarantor's absolute and contingent liabilities, including the Obligations or guarantees thereof, shall not exceed the fair market value of such Restricted Person's assets, and (ii) Borrower's and each Guarantor's capital should be adequate for the businesses in which such Restricted Person is engaged and intends to be engaged. Neither Borrower nor any other Restricted Person has incurred (whether under the Loan Documents or otherwise), nor does any

Restricted Person intend to incur or reasonably foreseeably believes that it will incur, debts which will be beyond its ability to pay as such debts mature.

Section 5.18. Not a "Reportable Transaction". Borrower does not intend to treat the Borrowings and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event Borrower determines to take any action inconsistent with such intention, it will promptly notify the Administrative Agent thereof. If Borrower takes any action inconsistent with such intention, or if Borrower so notifies the Administrative Agent, then Borrower acknowledges that, as a result of such action or notice, one or more of the Lenders may treat its Loans as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and such Lender or Lenders will maintain the lists and other records required by such Treasury Regulation.

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, Borrower covenants and agrees 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 from it pursuant to the provisions of 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 imposed on it pursuant to the provisions of such Loan Documents.

Section 6.2. Books, Financial Statements and Reports. Each Restricted Person will at all times maintain full and accurate books of account and records. Borrower 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 Borrower's expense:

(a) Promptly upon the filing thereof, and in any event within ninety (90) days after the end of each Fiscal Year, a copy of Borrower's Form 10-K, which report shall include Borrower's complete Consolidated financial statements together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an opinion, without material qualification, based on an audit using generally accepted auditing standards, by PricewaterhouseCoopers LLP, or other independent certified public accountants selected by General Partner, stating that such Consolidated financial statements have been so prepared. These financial statements shall contain a Consolidated balance sheet as of the end of such Fiscal Year and Consolidated 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.

(b) Promptly upon the filing thereof, and in any event within sixty (60) days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a copy of Borrower's Form 10-Q, which report shall include Borrower's unaudited Consolidated balance sheet as of the end of such Fiscal Quarter and Consolidated statements of Borrower'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. In addition Borrower 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, principal accounting officer or treasurer 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 7.8 and 7.9 and stating that, to the best of his knowledge, 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 Form 8-K's filed by Borrower with any securities exchange, the Securities and Exchange Commission or any similar governmental authority.

(d) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent by Borrower to its unit holders and all registration statements filed by Borrower with any securities exchange, the Securities and Exchange Commission or any similar governmental authority.

(e) Prompt notice of any publicly announced change in PAA's Debt Rating by either Standard & Poor's or Moody's.

Documents required to be delivered pursuant to Section 6.2(a), (b), (c) or (d), (to the extent any such documents are included in materials otherwise filed with the Securities and Exchange Commission) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which the Borrower posts such documents, or provides a link thereto, on the Borrower's website on the Internet at the website address listed in Section 10.3, and notifies Administrative Agent of such posting or link.

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 Administrative Agent any information which Administrative Agent or any Lender may from time to time reasonably request concerning any covenant, provision or condition of the Loan Documents or any matter in connection with any Restricted Person's 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), upon reasonable prior notice, 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 reasonable prior notice to Borrower, its representatives. Each of the foregoing inspections and examinations 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 made, all information to be investigated or verified and all discussion 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. Borrower will notify each Lender Party, not later than five (5) Business Days after any executive officer of Borrower 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 would reasonably be expected to cause a Material Adverse Change,

(d) the occurrence of any Termination Event,

(e) any claim under any Environmental Law adverse to a Restricted Person or of potential liability with respect to such claim, or any other adverse claim asserted against any Restricted Person or with respect to any Restricted Person's properties taken as a whole, in each case, which claim would reasonably be expected to cause a Material Adverse Change, and

(f) the filing of any suit or proceeding, or the assertion in writing of a claim against any Restricted Person or with respect to any Restricted Person's properties, which would reasonably be expected to cause a Material Adverse Change.

Upon the occurrence of any of the foregoing the applicable Restricted Person will take all necessary or appropriate steps to remedy promptly, if applicable, any such Material Adverse Change, Default, acceleration, default or Termination Event, to protect against any such adverse claim, to defend any such claim, suit or proceeding, and to resolve all controversies on account of any of the foregoing.

Section 6.5. Maintenance of Existence, Qualifications and Assets. Each Significant Restricted Person (i) will maintain and preserve its existence and its rights (including permits, licenses and other authorizations required under Environmental Laws) and franchises in full force and effect, (ii) will qualify to do business in all states or jurisdictions where required by applicable Law, and (iii) keep all of its material assets that are useful in and necessary to its business in good working order and condition (ordinary wear and tear and obsoleteness excepted) except, in each case (a) where the failure so to maintain, preserve, qualify or keep would not be reasonably expected to cause a Material Adverse Change, (b) as permitted in Section 7.3 or as a result of statutory conversions or (c) as a result of a release permitted pursuant to Section 6.9. Borrower will notify Administrative Agent in writing of any changes in its or any other

Significant Restricted Person's name or the location of its or any other Significant Restricted Person's chief executive office or principal place of business.

Section 6.6. Payment of Taxes, etc. Each Significant 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, and (c) maintain appropriate accruals and reserves for all of the foregoing as required by GAAP, except to the extent that (y) 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 or (z) such non-filing, non-payment or non-maintenance would not reasonably be expected to cause a Material Adverse Change.

Section 6.7. Insurance. In accordance with industry standards, each Significant Restricted Person will keep insured (by responsible and reputable insurance companies or associations) or self-insured, at the option of Borrower or such Significant Restricted Person, in such amounts and against such risks as are usually insured by Persons engaged in the same or similar businesses and owning similar properties. The insurance coverages and amounts will be reasonably determined by Borrower, based on coverages carried by prudent owners of similar property, and with respect to each Restricted Person, may be maintained by the Borrower.

Section 6.8. Compliance with Agreements and Law. Each Significant 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, franchise and other material agreement, contract or other instrument (including all contractual obligations and agreements with respect to environmental remediation or other environmental matters) to which it is a party or by which it or any of its properties is bound to the extent that non-performance therewith would not reasonably be expected to cause a Material Adverse Change. Each Restricted Person will conduct its business and affairs in compliance, in all material respects, with all Laws (including Environmental Laws) applicable thereto to the extent non-compliance therewith would not reasonably be expected to cause a Material Adverse Change or such requirement of Law is being contested in good faith or a bona fide dispute exists with respect thereto.

Section 6.9. Guaranties of Subsidiaries. Each Significant Restricted Person that has outstanding Indebtedness (other than guarantees hereunder) shall execute and deliver to Administrative Agent an absolute and unconditional guaranty of the timely repayment of the Obligations (in each case for which such Person is not a borrower, account party or similar primary and direct obligor), which guaranty shall be reasonably satisfactory to Administrative Agent in form and substance; provided, with respect to any such Person that is not a Wholly Owned Subsidiary of Borrower, for which consent or approval of third parties is required for the delivery of such guaranty, such Person shall not be required to deliver such guaranty, but shall use its commercially reasonable best efforts, as determined by Administrative Agent, to deliver such guaranty. Notwithstanding any provision contained herein, in no event shall any Unrestricted Subsidiary be required to execute and deliver any guaranty for, or in respect of, the Obligations, or any part thereof. Borrower will cause each of its Subsidiaries required to deliver a guaranty pursuant to this Section 6.9 to deliver to Administrative Agent, simultaneously with its delivery of such a guaranty, written evidence satisfactory to Administrative Agent that such Subsidiary has taken all corporate, limited liability company or partnership action necessary to duly approve and authorize its execution, delivery and performance of such guaranty. Borrower

may at any time request the release of one or more Guarantors from their guaranty of the Obligations, and each such Guarantor shall be so released upon such request, provided, no Default then exists and either (a) such Guarantor has no outstanding Indebtedness or guaranties of Indebtedness (other than guaranties hereunder) or (b) the request is in contemplation of the sale or disposition of such Subsidiary (including all or substantially all of its assets). Administrative Agent is authorized to execute and deliver to Borrower evidence of any such release, as reasonably requested by, and at the expense of, Borrower.

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, Borrower covenants and agrees 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. Subsidiary Indebtedness. No Subsidiary of Borrower will incur any Indebtedness other than:

(a) the Obligations;

(b) Guaranties by Guarantors of Indebtedness of any Restricted Person (i) arising under the US/Canada Credit Agreement or (ii) if arising under any other agreement, the incurrence of which did not result in a Default or an Event of Default;

(c) Indebtedness of (i) PMC (Nova Scotia) Company and Plains Marketing Canada, L.P. pursuant to the US/Canada Credit Agreement in an aggregate principal amount not to exceed at any time outstanding $325,000,000, and (ii) Plains Marketing pursuant to the Contango Credit Agreement in an aggregate principal amount not to exceed at any time outstanding $300,000,000;

(d) Indebtedness of any Restricted Person owing to another Restricted Person;

(e) Indebtedness of any Subsidiary described in clause (b) of the definition of "Indebtedness" that is determinable but not yet earned; provided, Borrower reasonably contemplates that such Indebtedness will be repaid from the proceeds of one or more advances made by Borrower to such Subsidiary;

(f) Indebtedness of a Subsidiary acquired (including acquisition by merger, consolidation or amalgamation) after the date hereof by a Restricted Person, which Indebtedness was incurred by such Subsidiary before the time of such acquisition, merger, consolidation or amalgamation, and was not created in contemplation thereof; provided, that contemporaneously with such acquisition, merger, consolidation or amalgamation, and so long as no adverse tax and/or regulatory consequences are caused thereby, such Subsidiary shall be a Guarantor subject to the provisions of Section 6.9; and

(g) Indebtedness not otherwise described in the foregoing clauses (a) through (f) owing by any one or more Guarantors in an aggregate principal amount not to exceed at any time

outstanding the greater of (A) $100,000,000 and (B) fifteen percent (15%) of Consolidated Tangible Net Worth.

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 securing (i) on a pari passu basis, both (x) the Obligations and (y) the Liabilities of any Restricted Person arising under the US/Canada Credit Agreement, and (ii) if required, any related interest hedge rate agreements;

(b) Liens securing Indebtedness of Plains Marketing under the Contango Credit Agreement at any one time outstanding not in excess of $300,000,000 on (i) Petroleum Products subject to Cash and Carry Purchases financed pursuant to the Contango Credit Agreement, (ii) hedging contracts covering such Petroleum Products, (iii) contracts for the purchase or sale of such Petroleum Products and accounts receivable arising therefrom, and (iv) all proceeds of the foregoing;

(c) 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;

(d) pledges or deposits of cash or securities under worker's compensation, unemployment insurance or other social security legislation;

(e) carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlord's, or other like Liens (including without limitation, Liens on property of any Restricted Person 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, if necessary, by appropriate proceedings, and for which adequate reserves are maintained on the books of any Restricted Person in accordance with GAAP;

(f) Liens on cash and Cash Equivalents 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;

(g) 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;

(h) 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;

(i) Liens in respect of operating leases;

(j) Liens upon any property or assets directly or indirectly 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 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;

(k) 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;

(l) 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;

(m) 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;

(n) 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;

(o) Liens securing obligations in an aggregate principal amount not to exceed at any time outstanding 10% of Borrower's Consolidated Tangible Net Worth; and

(p) Liens related to the extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancings, refundings or replacements), in whole or in part, of clauses (a), (b) and (o) of this Section 7.2; provided, however, that such Liens shall not cover or secure any additional Indebtedness.

Section 7.3. Limitation on Mergers. Except as expressly provided in this section, no Significant Restricted Person (other than (i) a Guarantor for whom a release has been requested pursuant to an event described in clause (b) of Section 6.9 and otherwise is so released, or (ii) such other Significant Restricted Person, other than Borrower, that is the subject of any such event described in such clause (b) of Section 6.9) will (a) merge or consolidate or

amalgamate with any Person, or liquidate, wind up or dissolve or (b) sell, transfer, lease, exchange or otherwise dispose of, in one transaction or a series of related transactions, all or substantially all of its business or property, whether now owned or hereafter acquired, to any Person; provided,

any such Significant Restricted Person, other than Borrower, may (A) merge into or consolidate or amalgamate with, and such business and property may be disposed of to:

(i) any other Subsidiary of Borrower; provided, if such Significant Restricted Person or such Subsidiary is a Guarantor, a Guarantor is the surviving or transferee (as applicable) business entity,

(ii) Borrower, so long as Borrower is the surviving or transferee (as applicable) business entity and after giving effect thereto, no Default exists, or

(iii) any other Person pursuant or incidental to, or in connection with, any contemporaneous or substantially contemporaneous acquisition, provided that for purposes of this clause (iii) such merging, amalgamating, consolidating or transferor Significant Restricted Person is not Borrower, Guarantor or a Wholly Owned Subsidiary of Borrower, other than a Wholly Owned Subsidiary that was formed, acquired or created solely for purposes of such acquisition or otherwise conducted no operations and owned no assets, other than of an inconsequential amount and

(B) dissolve, liquidate or wind up if such dissolution, liquidation and winding up results from dispositions not prohibited by this Agreement.

Section 7.4. Limitation on New Businesses. No Restricted Person will materially or substantially engage directly or indirectly in any business or conduct any operations other than (i) marketing, gathering, transporting (by barge, pipeline, ship, truck or other modes of hydrocarbon transportation), terminalling, storing, producing, acquiring, developing, exploring for, exploiting, producing, processing, dehydrating and otherwise handling hydrocarbons, including, without limitation, constructing pipeline, platform, dehydration, processing and other energy-related facilities, (ii) any other business that generates gross income that constitutes "qualifying income" under Section 7704(d) of the Internal Revenue Code of 1986, as amended, or (iii) activities or services reasonably related or ancillary thereto including entering into hedging obligations to support those businesses.

Section 7.5. Transactions with Affiliates. No Restricted Person will engage in any material transaction with any of its Affiliates except as follows: (a) transactions among Borrower and its Subsidiaries or between Subsidiaries of Borrower; (b) if and to the extent any of them constitute transactions with Affiliates, transactions governed by the Crude Oil Marketing Agreement among Plains Resources Inc., Plains Illinois Inc., Stocker Resources, L.P., Arguello Inc., Calumet Florida Inc. (and successors of each) and Plains Marketing dated November 23, 1998 or the Omnibus Agreement between Plains Resources Inc., Borrower, Plains Marketing, All American and Plains All American Inc. (and successors of each) dated November 23, 1998, as amended and in effect; (c) any employment, equity award, equity option or equity appreciation agreement or plan entered into by Borrower or any of its Subsidiaries in the ordinary course of business of Borrower or such Subsidiary; (d) transactions effected in accordance with the terms of agreements as in effect on the closing date hereof; (e) customary compensation, indemnification and other benefits made available to officers, directors or employees of Borrower, any of its Subsidiaries or GP LLC, including reimbursement or advancement of out-of-pocket expenses and provisions of officers' and directors' liability insurance; (f) transactions as contemplated by Borrower's agreement of limited partnership; and (g) transactions 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 7.6. Limitation on Distributions. Borrower shall not declare or pay any Distribution so long as any Default or Event of Default has occurred and is continuing or would result therefrom.

Section 7.7. Restricted Contracts. Except as expressly provided for in the Loan Documents and as described in the Disclosure Schedule or pursuant to a Restriction Exception, the substance of which, in detail satisfactory to Administrative Agent, is promptly reported to Administrative Agent, 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 Borrower to: (a) pay dividends or make other distributions to Borrower, (b) redeem equity interests held in it by Borrower, (c) repay loans and other indebtedness owing by it to Borrower, or (d) transfer any of its assets to Borrower.

Section 7.8. Debt Coverage Ratio. At the end of any Fiscal Quarter, the Debt Coverage Ratio will not be greater than the amount set forth below for the applicable time set forth below:

(i) During an Acquisition Period:	5.25 to 1.0
(ii) Other than an Acquisition Period:	4.50 to 1.0

As used herein, "Debt Coverage Ratio" means the ratio of (a) Consolidated Funded Indebtedness to (b) Consolidated EBITDA, for the four Fiscal Quarter period (or other period specified below) most recently ended prior to the date of determination for which financial statements contemplated by Section 6.2(a) or (b) are available to Borrower; provided, for purposes of this Section 7.8, if, since the beginning of the four Fiscal Quarter period ending on the date for which Consolidated EBITDA is determined, any Restricted Person shall have made any asset disposition or acquisition, shall have consolidated or merged with or into any Person (other than another Restricted Person), or shall have made any disposition or acquisition of a Restricted Person or disposition or acquisition of any partial ownership interest in any other Person, Consolidated EBITDA shall be calculated giving pro forma effect thereto as if the disposition, acquisition, consolidation or merger had occurred on the first day of such period; provided, with respect to any Person not constituting a Subsidiary of Borrower, such pro forma calculation of Consolidated EBITDA, with respect to any such Person, shall be limited to not more than 75% of (i) such Restricted Person's ownership interest in such Person times (ii) the difference of such Person's (A) Consolidated EBITDA minus (B) Interest Expense and capital expenditures. Such pro forma calculations shall be determined (i) in good faith by the chief financial officer of Borrower, and (ii) without giving effect to any anticipated or proposed change in operations, revenues, expenses or other items included in the computation of Consolidated EBITDA, except

cost reductions specifically identified at the time of disposition, acquisition, consolidation or merger that are attributable to personnel reductions, non-recurring maintenance and environmental costs and allocated corporate overhead.

Section 7.9. Interest Coverage Ratio. The ratio of (a) Consolidated EBITDA to (b) Interest Expense for each four Fiscal Quarter period ending on or after the date hereof will not be less than 2.75 to 1.0.

Section 7.10. Unrestricted Subsidiaries. So long as no Default or Event of Default has occurred and is continuing, and after giving effect to such designation, no Default or Event of Default would result therefrom, Borrower or any Wholly Owned Subsidiary of Borrower may designate one or more Subsidiaries that are not Guarantors (each such Subsidiary, and each of its Subsidiaries, each an "Unrestricted Subsidiary"), which Unrestricted Subsidiaries shall be subject to the following:

(a) No Unrestricted Subsidiary shall be deemed to be a "Restricted Person" or a "Subsidiary" of Borrower 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 7.10.

(b) No Restricted Person shall guarantee or otherwise become liable in respect of any Indebtedness of, grant any Lien on any of its property to secure any Indebtedness of or other obligation of, or provide any other form of credit support to, any Unrestricted Subsidiary, and no Restricted Person shall enter into any contract or agreement with any Unrestricted Subsidiary, except on terms no less favorable to such Restricted Person, as applicable, than could be obtained in a comparable arm's length transaction with a non-Affiliate of such Restricted Person.

(c) Borrower shall at all times maintain, as between Restricted Persons and Unrestricted Subsidiaries, the separate existence of each Unrestricted Subsidiary.

(d) Restricted Persons shall notify each Lender Party, not later than five (5) Business Days after any executive officer of Restricted Persons has knowledge of, any claim, including any claim under any Environmental Law, or any notice of potential liability under any Environmental Law, asserted against any Unrestricted Subsidiary or with respect to any Unrestricted Subsidiary's properties that would be expected to result in a Material Adverse Change, stating that such notice is being given pursuant to this Section 7.10.

Borrower may designate any Unrestricted Subsidiary to become a Restricted Person if a Default or Event of Default is not continuing, such designation would not result in a Default or an Event of Default, and immediately thereafter such Subsidiary has no outstanding Indebtedness. Immediately thereafter, Borrower shall promptly notify the Administrative Agent of such designation and provide to it an officer's certificate that such designation was made in compliance with this Section 7.10.

Section 7.11. No Negative Pledges. Except as described in the Disclosure Schedule or pursuant to a Restriction Exception, the substance of which, in detail satisfactory to Administrative Agent, is promptly reported to Administrative Agent, no Restricted Person will, directly or indirectly, enter into, create, or consent to be bound to any contract or other consensual restriction that restricts the ability of any Restricted Person to create or maintain Liens on its assets in favor of Administrative Agent and Lenders to secure, in whole or part, the Obligations.

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) Borrower fails to pay the principal component of any Loan made to it 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 for which it is contractually liable (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 Restricted Person fails to duly observe, perform or comply with any covenant, agreement or provision of Section 6.4 or Article VII;

(d) Any Restricted Person fails (other than as referred to in subsections (a), (b) or (c) above) to duly observe, perform or comply with any of its obligations under 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;

(e) 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;

(f) Any Restricted Person shall default in the payment when due of any principal of or interest on any of its other Indebtedness, or any net hedging obligations in excess of $15,000,000 in the aggregate (other than such Indebtedness or hedging obligations the validity of which is being contested in good faith, by appropriate proceedings (if necessary) and for which adequate reserves with respect thereto are maintained on the books of such Restricted Person as required by GAAP), or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness or hedging obligations shall occur for a period beyond the applicable grace, cure extension, forbearance or other similar period, 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 hedging obligations (or a trustee or agent on behalf of such holder or holders) to cause, as applicable, 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 an early termination event or similar event to occur and such Restricted Person's related net hedging obligations in excess of the Dollar Equivalent of $15,000,000 to become due and payable;

(g) Either (i) any "accumulated funding deficiency" (as defined in Section 412(a) of the Code) in excess of $5,000,000 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 $5,000,000 (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);

(h) GP LLC, General Partner, or any Significant Restricted Person:

(i) has entered against it 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

(i) Any Significant Restricted Person:

(i) has entered against it a final judgment for the payment of money in excess of $15,000,000 (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 longer period for which a stay of enforcement is allowed by applicable Law) 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

(ii) 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, and such writ or warrant of attachment or any similar process is not stayed or released within sixty days after the entry or levy thereof (or longer period for which a stay of enforcement is allowed by applicable Law) or after any stay is vacated or set aside;

(j) Any Change in Control occurs.

Upon the occurrence of an Event of Default described in subsection (h)(i), (h)(ii) or (h)(iii) of this section: all 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 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 or suspend any obligation of Lenders to make Loans 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 THE LOAN DOCUMENTS AND THE TRANSACTIONS AND EVENTS (INCLUDING THE ENFORCEMENT THEREOF) AT ANY TIME ASSOCIATED THEREWITH OR CONTEMPLATED THEREIN AND BORROWER'S USE OF LOAN PROCEEDS (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 Persons 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 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, subject to Section 10.9. 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 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, unless a Default has occurred and is continuing, 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 Co-Syndication Agents nor the Co-Documentation Agent ("Co-Agents"), in such capacities, shall have any duties or responsibilities or incur any liabilities in such agency capacities (as opposed to its capacity as a Lender) under or in connection with this Agreement or under any of the other Loan Documents. The relationship between Borrower on the one hand, and the Co-Agents and the Agents, on the other hand, shall be solely that of borrower and lender. None of the Co-Agents shall have any fiduciary responsibilities to Borrower or any of their respective Affiliates. None of the Co-Agents undertakes any responsibility to Borrower or any of their respective Affiliates to review or inform

any such Person of any matter in connection with any phase of such Person's or such Affiliate's business or operations.

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. 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, by Administrative Agent, 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 10.10). 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 4.1(i)), (2) increase the maximum amount which such Lender is committed hereunder to lend, or extend the termination date of such Lender's commitment 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, or change Section 9.6 in a manner that would alter pro rata sharing of payments required thereby, (5) amend the definition herein of "Majority Lenders" or otherwise change the Percentage Shares which are required for Administrative Agent, Lenders or any of them to take any particular action under the Loan Documents, or (6) except as expressly provided herein or in any other Loan Document, release (i) Borrower from its obligation to pay such Lender's Note, (ii) any Guarantor from its guaranty of such payment or (iii) any Restricted Person from the negative pledge covenant set forth in Section 7.11 hereof.

(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) no Lender Party has any fiduciary obligation toward Borrower with

respect to any Loan Document or the transactions contemplated thereby, (iii) 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, and (iv) no partnership or joint venture exists with respect to the Loan Documents between any Restricted Person and any Lender Party.

(c) Representation by Lenders. Each Lender hereby represents that it will acquire its Notes 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. 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 right, power or privilege.

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 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 the Loan Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein and Borrower's use of Loan proceeds (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.

(c) Interest. Borrower hereby promises to each Lender Party interest at the Default Rate on all Obligations to pay fees or to reimburse or indemnify any Lender Party which Borrower has promised to pay to such Lender Party pursuant to this Section 10.4 and which are not paid when due. Such interest shall accrue from the date such Obligations become due until they are paid.

Section 10.5. Joint and Several Liability; Parties in Interest; Assignments; Replacement Notes.

(a) All Obligations which are incurred by two or more Restricted Persons shall be their joint and several obligations and liabilities of such Restricted Persons. 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 Lender of less than all of its Loans and Commitment, each such assignment shall apply to a consistent percentage of all Loans owing to the assignor Lender hereunder and to the same percentage of the unused portion of the assignor Lender's Commitment, so that after such assignment is made both the assignee Lender and the assignor Lender shall have a fixed (and not a varying) Percentage Share in its Loans and be committed to make that Percentage Share of all future Loans and the Percentage Share of such Commitment of each of 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 F, 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 and total Percentage Shares of such assignor Lender and such assignee Lender and the revised Percentage Shares and total 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 3.7(d).

(d) Any Lender may at any time pledge all or any portion of its Loan and Note (and related rights under the Loan Documents including any portion of its Note) to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or enforcement thereof shall release any such Lender from its obligations under any of the Loan Documents; provided that all related costs, fees and expenses in connection with any such pledge 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), (y) and (z), with respect to assignments pursuant to clause (i) above, and subject to the following additional conditions (y) and (z) with respect to assignments pursuant to clause (ii) above:

(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 by both such assignor and assignee 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 Lender that assigns or transfers to such assignee any of such Lender Commitment, assignee may become primarily liable for such Commitment, but such assignment or transfer shall not relieve or release such Lender from such Commitment.

(h) Upon receipt of an affidavit reasonably satisfactory to Borrower of an officer of any Lender as to the loss, theft, destruction or mutilation of its Note which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon cancellation of such Note, Borrower will execute and deliver, in lieu thereof, a replacement Note in the same principal amount thereof and otherwise of like tenor.

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 (a) information which has at the time in question entered the public domain, other than as a result of a breach of this

Section 10.6, (b) information which is required to be disclosed by Law (whether valid or invalid) of any Tribunal, (c) any disclosure to any Lender Party's Affiliates, auditors, attorneys or agents (provided each such Person first agrees to hold such information in confidence on the terms provided in this Section 10.6), (d) any disclosure 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 Person first agrees to hold such information in confidence on the terms provided in this section), or (e) any disclosure in the course of enforcing its rights and remedies during the existence of an Event of Default. Notwithstanding anything herein to the contrary, confidential information shall not include, and each Lender Party and Restricted Person may disclose and may permit to be disclosed to any and all Persons, without limitation of any kind, the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are or have been provided to such Lender Party or Restricted Person relating to such tax treatment and tax structure.

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. EACH 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 ADMINISTRATIVE 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 any 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 create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be contracted for, charged, or received 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 contracted for, charged, or received 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. Lender Parties expressly disavow any intention to contract for, charge, or receive excessive unearned interest or finance charges in the event the maturity of any Obligation is accelerated. If (a) the maturity of any Obligation is accelerated for any reason, (b) any Obligation is prepaid and as a result any amounts held to constitute interest are determined to be in excess of the legal maximum, or (c) any Lender or any other holder of any or all of the Obligations shall otherwise collect moneys which are determined to constitute interest which would otherwise increase the interest on any or all of the Obligations to an amount in excess of that permitted to be contracted for, charged or received by applicable Law then in effect, then all sums determined to constitute interest in excess of such legal limit shall, without penalty, be promptly applied to reduce the then outstanding principal of the related Obligations or, at such Lender's or holder's option, promptly returned to Borrower or other payor thereof upon such determination. In determining whether or not the interest paid or payable, under any specific circumstance, exceeds the maximum amount permitted under applicable Law, Lender Parties and Restricted Persons (and any other payors thereof) shall to the greatest extent permitted under applicable Law, (i) characterize any non-principal payment as an expense, fee or premium rather than as interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread the total amount of interest throughout the entire contemplated term of the instruments evidencing the Obligations in accordance with the amounts outstanding from time to time thereunder and the maximum legal rate of interest from time to time in effect under applicable Law in order to lawfully charge the maximum amount of interest permitted under applicable Law. In the event applicable Law provides for an interest ceiling under Chapter 303 of the Texas Finance Code (the "Texas Finance Code") as amended, to the extent that the Texas Finance Code is mandatorily applicable to any Lender, for that day, the ceiling shall be the "weekly ceiling" as defined in the Texas Finance Code, provided that if any applicable Law permits greater interest, the Law permitting the greatest interest shall apply. In no event shall Chapter 346 of the Texas Finance Code apply to this Agreement or any other Loan Document, or any transactions or loan arrangement provided or contemplated hereby or thereby.

Section 10.9. Right of Offset. At any time and from time to time during the continuance of any Event of Default, each Lender is hereby authorized to offset against the Obligations then due and payable (without notice to any Restricted Person), (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.

Section 10.10. 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 10.11. 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 10.12. 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 10.13. Waiver of Jury Trial, Punitive Damages, etc. **RESTRICTED PERSONS AND LENDER PARTIES MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HEREWITH OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR LENDERS TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND MAKE THE LOANS. 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.

Borrower:

PLAINS ALL AMERICAN PIPELINE, L.P.

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

By: PLAINS ALL AMERICAN GP LLC,
its general partner

By: /s/ Al Swanson
Al Swanson, Treasurer

Address for Borrower and Guarantors:

333 Clay Street, Suite 1600
Houston, Texas 77002
Attention: Al Swanson
Telephone: (713) 646-4455
Fax: (713) 646-4564
Website: www.paalp.com

FLEET NATIONAL BANK,
Administrative Agent and a Lender

By: /s/ Terrence Ronan
Terrence Ronan, Managing Director

FLEET SECURITIES, INC.,
Lead Arranger and Book Manager

By: /s/ Michael P. Hannon
Michael P. Hannon, Managing Director

WACHOVIA BANK NATIONAL
ASSOCIATION,
Co-Syndication Agent and a Lender

By: _____
Name:
Title:

BANK ONE, NA
Co-Syndication Agent and a Lender

By: _____
Name:
Title:

BANK OF AMERICA, N.A.,
Co-Documentation Agent and a Lender

By: _____
Name:
Title:

FORTIS CAPITAL CORP.
Co-Documentation Agent and a Lender

By: _____
Name:
Title:

By: _____

Name:

Title:

EXHIBIT 10.21

CREDIT AGREEMENT

PLAINS MARKETING, L.P., as Borrower,

FLEET NATIONAL BANK, as Administrative Agent,

FLEET SECURITIES, INC., as Lead Arranger and Book Manager,

and CERTAIN FINANCIAL INSTITUTIONS, as Lenders

$200,000,000 Uncommited Senior Secured
Discretionary Contango Facility

November 21, 2003

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Schedules and Exhibits:

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is made as of November 21, 2003, by and among PLAINS MARKETING, L.P., a Delaware limited partnership ("Borrower"), FLEET NATIONAL BANK, as administrative agent (in such capacity, "Administrative Agent"), FLEET SECURITIES, INC., as lead arranger and book manager (in such capacity, "Lead Arranger and Book Manager") and the Lenders referred to below. In consideration of the mutual covenants and agreements contained herein the parties hereto agree as follows:

W I T N E S S E T H

In consideration of the mutual covenants and agreements contained herein and in consideration of the loans which may hereafter by made by Lenders, **in each Lender's sole and absolute discretion**, and the Letters of Credit which may be made available by LC Issuer to Borrower upon Lenders' election to participate in such Letters of Credit, **in each Lender's sole and absolute discretion**, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, 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:

"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.

"Administrative Agent" means Fleet National Bank, 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 to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agreement" means this Credit Agreement.

"Applicable Lending Office" means, for each Lender and for each Type of Loan, the "Lending Office" of such Lender (or of an Affiliate of such Lender) designated for such Type of Loan on the Lender Schedule or such other office of such Lender (or an Affiliate of such Lender) as such Lender may from time to time specify to Administrative Agent and Borrower by written

notice in accordance with the terms hereof as the office by which its Loans of such Type are to be made and maintained.

"Applicable Margin" means, as to any Type of Loan, the percent per annum set forth on the Pricing Grid as the "Applicable Margin" for such Type of Loan, based on the Applicable Rating Level in effect on such date. Changes in the Applicable Margin will occur automatically without prior notice as changes in the Applicable Rating Level occur. Administrative Agent will give notice promptly to Borrower and Lenders of changes in the Applicable Margin.

"Applicable Rating Level" means for any day, the level set forth below that corresponds to the PAA Debt Rating by the Ratings Agencies applicable on such day; provided, in the event the PAA Debt Rating by the Ratings Agencies differs by one level, the higher PAA Debt Rating shall apply; provided further, in the event the PAA Debt Rating by the Ratings Agencies differs by more than one level, the PAA Debt Rating one level above the lower PAA Debt Rating shall apply; provided, notwithstanding the foregoing, the Applicable Rating Level for the period from the date hereof through and including February 21, 2004 shall be Level III. As used in this definition, "≥" means a rating equal to or more favorable than and "<" means a rating less favorable than.

Rating Level	S&P	Moody's
Level I	≥ BBB+	≥ Baa1
Level II	BBB	Baa2

Level III	BBB-	Baa3
Level IV	< BBB-	< Baa3

If either of the Rating Agencies shall not have in effect a PAA Debt Rating or if the rating system of either of the Rating Agencies shall change, or if either of the Rating Agencies shall cease to be in the business of rating corporate debt obligations, Borrower and Majority 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 PAA Debt Rating by the remaining Rating Agency.

"Approved Eligible Receivables" means an Eligible Receivable (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 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.

"Approved Location" means (i) a Plains Terminal, (ii) storage locations or pipelines Currently Approved by Majority Lenders for which Administrative Agent has received a bailee letter in form and substance reasonably acceptable to Administrative Agent with respect to any Collateral stored at such locations or pipelines, or (iii) storage locations or pipelines Currently Approved by Majority Lenders storing Financed Hedged Eligible Inventory not in excess of five percent (5%) of all Financed Hedged Eligible Inventory.

"Base Rate" means the higher of (i) the variable per annum rate of interest so designated from time to time by Administrative Agent as its "prime rate", or (ii) the Federal Funds Rate plus one-half percent (0.5%) per annum. The "prime rate" is a reference rate and does not necessarily represent the lowest or best rate being charged to any customer. Changes in the Base Rate resulting from changes in the "prime rate" shall take place immediately without notice or demand of any kind.

"Base Rate Loan" means a Loan to Borrower which does not bear interest at a rate based upon the LIBOR 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 2.3 or a Continuation or Conversion of existing Loans into a single Type (and, in the case of LIBOR Loans, with the same Interest Period) pursuant to Section 2.4.

"Borrowing Notice" means a written or telephonic request, or a written confirmation, made by a Borrower which meets the requirements of Section 2.3.

"Broker Liens" means any Liens under or with respect to accounts with brokers or counterparties with respect to Hedging Contracts in favor of such brokers or counterparties, securing only obligations under such Hedging Contracts.

"Business Day" means any day, other than a Saturday, Sunday or day which shall be in the Commonwealth of Massachusetts a legal holiday or day on which banking institutions are required or authorized to close. Any Business Day in any way relating to LIBOR Loans (such as the day on which an Interest Period begins or ends) must also be a day on which commercial banks settle payments in London.

"Cash and Carry Purchases" means purchases of Petroleum Products for physical storage at an Approved Location which qualify as 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 the federal government of Canada or an instrumentality or agency thereof and entitled to the full faith and credit of the United States of America or the federal government of Canada, as the case may be;

(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, state or provincial bank or trust company which is organized under the Laws of the United States of America or any state therein, or the federal government of Canada or any province 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 PAA shall cease to be, directly or indirectly, the sole legal and beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of all of the partnership interests (including all securities which are convertible into partnership interests)

of Borrower.

"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.

"Continue", "Continuation" and "Continued" shall refer to the continuation pursuant to Section 2.4 of a LIBOR Loan as a LIBOR Loan from one Interest Period to the next Interest Period.

"Continuation/Conversion Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.4.

"Convert, "Conversion" and "Convert" refers to a conversion pursuant to Section 2.4 of one Type of Loan into another Type of Loan.

"Currently Approved by Majority Lenders" means such Person (including a limit on the maximum Hedged Eligible Inventory sold to any such Person), storage location, pipeline, form of Letter of Credit or other matter as the case may be, as reflected in Schedule 5 attached hereto and as amended from time to time by the most recent written notice given by Administrative Agent to Borrower as being approved by Majority Lenders. Each such amended Schedule 5 will supersede and revoke each prior Schedule 5.

"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, two percent (2%) per annum plus:

(a) the LIBOR Rate plus the Applicable Margin then in effect for each LIBOR Loan (up to the end of the applicable Interest Period),

(b) the Base Rate plus the Applicable Margin then in effect 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.

"Delivery Month" has the meaning given to such term in Section 2.1(a).

"Disclosure Schedule" means Schedule 2 hereto.

"Dollars" and "$" means the lawful currency of the United States of America, except where otherwise specified.

"Eligible Inventory" means inventories of Petroleum Products in which Borrower has lawful and absolute title (specifically excluding, however, tank bottoms and pipeline linefill of Borrower classified as a long-term asset), 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 located at Approved Locations, *minus* without duplication the amount of any Permitted Inventory Lien on any such inventory.

"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 Hedged Eligible Inventory during such calendar month or deliveries of Hedged Eligible Inventory 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 Hedged Eligible Inventory), 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 Dollars, arising from the sale and delivery of Hedged Eligible Inventory to such Person in the United States of America in the ordinary course of business of Borrower, to the extent of the volumes of Hedged Eligible Inventory 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 of volumes of Hedged Eligible Inventory scheduled to be delivered by Borrower in the current or next-following calendar month, 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 Hedged Eligible Inventory delivery occurred and is not more than 30 days past due;

(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); and

(x) the Account Debtor in respect of such Account is not a governmental authority, domestic or foreign.

"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 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 Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with Borrower, 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 Borrower has a fixed or contingent liability.

"Event of Default" has the meaning given to such term in Section 8.1.

"Existing Agreements" means (i) that certain Second Amended and Restated Credit Agreement [Revolving Credit Facility] dated July 2, 2002 among Borrower and certain

Affiliates, Fleet National Bank, as administrative agent, and the agents and lenders named therein, and (ii) that certain Second Amended and Restated Credit Agreement [Letter of Credit and Hedged Inventory Facility] dated July 2, 2003 among Borrower and certain Affiliates, Fleet National Bank, as administrative agent, and the agents and lenders named therein.

"Facility Usage" means, at the time in question, the aggregate amount of Loans and LC Obligations with respect to Letters of Credit outstanding 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.

"Financed Hedged Eligible Inventory" means all Hedged Eligible Inventory that one or more Lenders have (i) committed to participate in letters of credit to secure the purchase of such Hedged Eligible Inventory pursuant to Cash and Carry Purchases and/or (ii) committed to finance (a) the purchase of such Hedged Eligible Inventory pursuant to Cash and Carry Purchases or (b) the storage of such Hedged Eligible Inventory at Approved Locations.

"First Purchase Crude Payables" means the unpaid amount of any payable obligation related to the purchase of Petroleum Products by Borrower secured by a statutory Lien, including but not limited to the statutory Liens, if any, created under the laws of Texas, New Mexico, Wyoming, Kansas, Oklahoma or any other state 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" has the meaning given to such term in Section 2.1(a).

"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 Borrower 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

Borrower or with respect to Borrower 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 Borrower or of Borrower and its Consolidated Subsidiaries.

"GP Inc." means Plains Marketing GP Inc., a Delaware corporation, the sole general partner of Borrower.

"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 Petroleum Products scheduled to be purchased by Borrower in the month following delivery of a Financing Request-Initial specified as Hedged Eligible Inventory therein, which has been hedged by either a NYMEX contract, an OTC contract or a contract for physical delivery to an investment-grade counterparty or other counterparty Currently Approved by Majority Lenders and which, upon such purchase by Borrower, shall qualify as Eligible Inventory.

"Hedged Value" means, as to Hedged Eligible Inventory specified in a Financing Request-Initial or Financing Request-Final and the corresponding Hedging Contract or Hedging Contracts with respect thereto, an amount equal to the volume of such Hedged Eligible Inventory times the prices fixed in such corresponding hedge, minus (i) all related storage, transportation and other applicable costs of such Hedged Eligible Inventory, as set forth therein and (ii) the amount secured by any Broker Liens, other than Broker Liens on margin deposits with respect to such corresponding Hedging Contracts.

"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.

"Indebtedness" of any Person means each of the following:

(a) its obligations for the repayment of borrowed money,

(b) its obligations to pay the deferred purchase price of property or services (excluding trade account payables arising in the ordinary course of business), other than contingent purchase price or similar obligations incurred in connection with an acquisition and not yet earned or determinable,

(c) its obligations evidenced by a bond, debenture, note or similar instrument,

(d) its obligations, as lessee, constituting principal under Capital Leases,

(e) its direct or contingent reimbursement obligations with respect to the face amount of letters of credit pursuant to the applications or reimbursement agreements therefor,

(f) its obligations for the repayment of outstanding banker's acceptances, whether matured or unmatured,

(g) its obligations under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing if the obligation under such synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing is considered indebtedness

for borrowed money for tax purposes but is classified as an operating lease in accordance with GAAP (excluding, to the extent included herein, operating leases entered into in the ordinary course of business), or

(h) its obligations under guaranties of any obligations of any other Person described in the foregoing clauses (a) through (g).

"Initial Financial Statements" means (i) the audited Consolidated financial statements of PAA as of December 31, 2002, (ii) the unaudited consolidating balance sheet and income statement of PAA as of September 30, 2003, (iii) the unaudited Consolidated financial statements of Borrower as of December 31, 2002, and (iv) the unaudited consolidating balance sheet and income statement of Borrower as of September 30, 2003.

"Interest Payment Date" means (a) with respect to each Base Rate Loan, the last day of each March, June, September and December beginning December 31, 2003, and (b) with respect to each LIBOR 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 LIBOR 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 (and, as to Loans, ending on a date less than 30 days thereafter as may be specified by Borrower, if such lesser period is available for

each Lender), 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 Loan to Borrower that would end after the 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 Canada or any state, province, or political subdivision thereof or of any foreign country or any department, state, province or other political subdivision thereof.

"LC Application" means any application for a Letter of Credit hereafter made by Borrower to LC Issuer.

"LC-Backed Purchase Contracts" has the meaning given to such term in Section 2.1(a).

"LC Collateral" has the meaning given such term in Section 2.15(a).

"LC Issuer" means Fleet National Bank, 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 Fleet National Bank.

"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.

"Lender Parties" means Administrative Agent, LC Issuer and all Lenders.

"Lenders" means each signatory hereto designated as a Lender, and the successors and permitted assigns of each such party as holder of a Note.

"Lender Schedule" means Schedule 1 hereto.

"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 on the Pricing Grid as the "LC Fee Rate" based on the Applicable Rating Level on such date. Changes in the applicable Letter of Credit Fee Rate will occur automatically without prior notice as changes in the Applicable Rating Level occur. Administrative Agent will give notice promptly to Borrower and Lenders of changes in the Letter of Credit Fee Rate.

"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.

"LIBOR Loan" means a Loan that bears interest at a rate based upon the LIBOR Rate.

"LIBOR Rate" means, as applicable to any LIBOR Loan within a Borrowing and with respect to the related Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) as determined on the basis of offered rates for deposits in Dollars, for a period of time comparable to such Interest Period which appears on Telerate Page 3750 (or any successor page) as of 11:00 a.m. London time on the day that is two Business Days preceding the first day of such LIBOR Loan; provided, however, if the rate described above does not appear on the Telerate system on any applicable

interest determination date, the LIBOR Rate shall be the rate (rounded upwards as described above, if necessary) for deposits in dollars for a period substantially equal to such Interest Period on the Reuters Page "LIBOR" (or such other page as may replace the LIBOR Page on that service for the purpose of displaying such rates), as of 11:00 a.m. (London time), on the date that is two Business Days prior to the beginning of such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBOR Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/1000 of 1%). If both the Telerate and Reuters system are unavailable, then the LIBOR Rate for that date will be determined on the basis of the offered rates for deposits in Dollars for a period of time comparable to such Interest Period which are offered by four major banks in the London interbank market at approximately 11:00 a.m. London time, on the day that is two (2) Business Days preceding the first day of such LIBOR Loan as selected by Administrative Agent. The principal London office of each of the four major London banks will be requested to provide a quotation of its Dollar deposit offered rate. If at least two such quotations are provided, the rate for that date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that date will be determined on the basis of the rates quoted for loans in Dollars to leading European banks for a period of time comparable to such Interest Period offered by major banks in New York City at approximately 11:00 a.m. New York City time, on the day that is two Business Days preceding the first day of such LIBOR Loan. In the event that Administrative Agent is unable to obtain any such quotation as provided above, it will be deemed that the LIBOR Rate pursuant to such LIBOR Loan cannot be determined. In the event that the Board of Governors of the Federal Reserve System shall impose a Reserve Percentage with respect to LIBOR deposits of any Lender, then for any period during which such Reserve Percentage shall apply, the LIBOR Rate shall be equal to the amount determined above divided by an amount equal to 1 minus the Reserve Percentage. "Reserve Percentage" means the maximum aggregate reserve requirement (including all basic, supplemental, marginal, special, emergency and other reserves) which is imposed on member

banks of the Federal Reserve System against "Euro-currency Liabilities" as defined in Regulation D. Without limiting the effect of the foregoing, the Reserve Percentage 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 LIBOR Rate is to be determined, or (b) any category of extensions of credit or other assets which include LIBOR Loans. The LIBOR Rate for any LIBOR Loan shall change whenever the Reserve Percentage changes.

"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.

"Loan Documents" means this Agreement, the Notes, 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).

"Loans" means loans by Participating Lenders to Borrower pursuant to Section 2.2.

"Majority Lenders" means Lenders whose Percentage Shares equal or exceed fifty-one percent (51%).

"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) Borrower's Consolidated financial condition, (b) Borrower's Consolidated operations, properties or prospects, considered as a whole, (c) Borrower's ability to timely pay its 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 such Letter of Credit, to the extent the same have not been repaid to LC Issuer (with the proceeds of Loans or otherwise).

"Maturity Date" means the Settlement Date occurring in the month following the Funding Date of the Loans requested in the last Financing Request-Initial accepted by one or more Participating Lenders prior to the Request Period Termination Date.

"Maximum Facility Amount" means $200,000,000, as such Maximum Facility Amount may be increased from time to time pursuant to Section 2.1(e).

"Moody's" means Moody's Investor Service, Inc., or its successor.

"Notes" has the meaning given such term in Section 2.2 hereof.

"NYMEX" means the New York Mercantile Exchange.

"Obligations" means all Liabilities from time to time owing by Borrower to any Lender Party under or pursuant to any of the Notes and Letters of Credit, including all LC Obligations owing thereunder, or under or pursuant to any guaranty of the obligations of Borrower or under the Loan Documents. "Obligation" means any part of the Obligations.

"PAA" means Plains All American Pipeline, L.P., a Delaware limited partnership.

"PAA Credit Agreement" means that certain Credit Agreement [US/Canada Facilities] of even date herewith among PAA, PMC (Nova Scotia) Company, Plains Marketing Canada, L.P., Fleet National Bank, as administrative agent, The Bank of Nova Scotia, as Canadian administrative agent, and the

lenders named therein.

"PAA Debt Rating" means the rating then in effect by a Rating Agency with respect to the long term senior unsecured non-credit enhanced debt of PAA.

"Participating Lender" has the meaning given to such term in Section 2.1(b).

"Percentage Share" means (a) when used in Sections 2.1, 2.2 or 2.6 or in any Borrowing Notice with respect to a Participating Lender, the percentage set forth opposite such Participating Lender's name on the Lender Schedule hereto, (b) when no Letters of Credit or Loans are outstanding hereunder and no Lender has any outstanding commitment to participate in any Letters of Credit or Loans, with respect to each Lender, the percentage set forth opposite such Lender's name on the Lender Schedule hereto, and (c) when used otherwise, with respect to each Lender, the percentage obtained by dividing (i) the sum of the unpaid principal balance of such Lender's Loans at the time in question plus such Lender's LC Obligations plus such Lender's Percentage Share of any Letters of Credit or Loans which such Lender has committed to participate in pursuant to Section 2.1, 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 plus the aggregate amount of Letters of Credit and Loans which one or more Lenders have committed to participate in pursuant to Section 2.1.

"Permitted Inventory Liens" means (i) any Lien, and the amount of any Liability secured thereby, on Petroleum Products inventory 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 Borrower in accordance with GAAP (so long as such Lien is inchoate) or (ii) carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlord's, or other like Liens (including, without limitation, Liens on property of Borrower 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 Borrower in accordance with GAAP.

"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.

"Petroleum Products" means crude oil, condensate, natural gas, natural gas liquids (NGL's), liquefied petroleum gases (LPG's), refined petroleum products or any blend thereof.

"Plains Terminal" means any storage terminal, tankage or facility owned by Borrower or by any Affiliate of Borrower that has executed and delivered a bailee letter in form and substance reasonably acceptable to Administrative Agent with respect to any Collateral stored at such terminal, tankage or facility.

"Pricing Grid" means Schedule 3 attached hereto.

"Rating Agency" means either S&P or Moody's.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect.

"Request Period" means the period from and including the date hereof until the Request Period Termination Date (or, if earlier, the day on which any commitment of any Lender to make Loans or participate in Letters of Credit, and the obligation of LC Issuer to issue such Letters of Credit, has been terminated, or the day on which any of the Notes first becomes due and payable in full).

"Request Period Termination Date" means November 21, 2004, as such date may be extended pursuant to Section 2.9.

"Restriction Exception" means (i) any applicable Law or any instrument governing Indebtedness or equity interests, or any applicable Law or any other agreement relating to any property, assets or operations of a Person whose capital stock or other equity interests are acquired, in whole or part, by Borrower pursuant to an acquisition (whether by merger, consolidation, amalgamation or otherwise), as such instrument or agreement is in effect at the time of such acquisition (except with respect to Indebtedness incurred in connection with, or in contemplation of, such acquisition), or such applicable Law is then or thereafter in effect (as applicable), which is not applicable to Borrower, or the property, assets or operations of

Borrower, other than the acquired Person, or the property, assets or operations of such acquired Person or such acquired Person's Subsidiaries; provided that in the case of Indebtedness, the incurrence of such Indebtedness is not prohibited hereunder, or (ii) provisions with respect to the disposition or distribution of assets in joint venture agreements or other similar agreements entered into in the ordinary course of business.

"S&P" means Standard & Poor's Ratings Group (a division of McGraw Hill, Inc.) or its successor.

"Sale/Storage Month" has the meaning given to such term in Section 2.1(a).

"Sale Value" means, as to Hedged Eligible Inventory specified in a Financing Request-Final and the corresponding sales contracts with respect thereto, an amount equal to the volumes of such Hedged Eligible Inventory times the sale price (or the Hedged Value of stored Hedged Eligible Inventory not subject to sales contracts) with respect to which Lenders are financing the Cash and Carry Purchase (or refinancing the storage) thereof, minus all related storage, transportation and other applicable costs, as set forth therein.

"Security Documents" means the instruments listed in the Security Schedule and all other security agreements, chattel mortgages, pledges, financing statements, continuation statements, extension agreements and other agreements or instruments now, heretofore, or hereafter delivered by Borrower 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 Borrower's other duties and obligations under the Loan Documents.

"Security Schedule" means Schedule 3 hereto.

"Settlement Date" means the US crude oil monthly settlement date, occurring on or about the 20th day of each month.

"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, the Dominion of Canada, 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 Base Rate Loans or LIBOR Loans.

"UCC" means the Uniform Commercial Code as in effect in the State of New York.

Section 1.2. Exhibits and Schedules; Additional Definitions. All Exhibits and Schedules attached to this Agreement are a part hereof for all purposes.

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.

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. References to an "officer" or "officers" of Borrower shall mean and include officers of such Person or the controlling management entity of such Person as provided in such Person's organizational documents, as applicable.

Section 1.5. Calculations and Determinations. All calculations under the Loan Documents of interest chargeable with respect to LIBOR 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 LIBOR Rate, Business Day, Interest Period, or Reserve Percentage) 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 - Loans and Letters of Credit

Section 2.1. Financing Requests, Commitments and Fundings.

(a) Borrower Financing Requests. During the Request Period, Borrower may, not later than 12:00 noon, Eastern time on the third Business Day prior to the end of each calendar month, submit to Lenders a Financing Request-Initial in the form of Exhibit B-1 (i) specifying volumes of Hedged Eligible Inventory to be subject to Cash and Carry Purchases in the month (the "Delivery Month") following the month Borrower submits such corresponding Financing Request-Initial, or stored at and to remain stored at Approved Locations during the Delivery Month, including hedged price, Hedged Value and

Approved Locations where such Hedged Eligible Inventory is to be delivered and/or stored during the Delivery Month, (ii) specifying the Hedging Contracts (including Master ISDA Agreements, counterparties and confirmations thereunder) covering such Hedged Eligible Inventory, and (iii) to the extent available, listing any corresponding sale contracts (with purchaser, date, volumes, prices, delivery dates and such other identifying information as Administrative Agent may reasonably request) pursuant to which Borrower has contracted to sell such Hedged Eligible Inventory, or otherwise specifying the Approved Locations where such Hedged Eligible Inventory is to be sold from and/or stored in the month following the Delivery Month (the "Sale/Storage Month"). Pursuant to such Financing Request-Initial, Borrower may request Lenders to commit to make pro rata advances on the Settlement Date for the Delivery Month (the "Funding Date") of up to 90% of the lesser of (x) the Sale Value of such Hedged Eligible Inventory and (y) 110% of the Hedged Value of such Hedged Eligible Inventory, to fund the purchase of such Hedged Eligible Inventory or to refinance such stored Hedged Eligible Inventory, which commitment shall include Lenders' participation on a pro rata basis in letters of credit, in an amount not to exceed 90% of the Hedged Value of such Hedged Eligible Inventory, to secure the purchase of such Hedged Eligible Inventory, if Borrower shall at its sole option so elect prior to such Funding Date.

(b) Lender Evaluation of Financing Requests-Initial. Each Lender shall independently evaluate each Financing Request-Initial and related contracts and shall determine, **in its sole and absolute discretion**, whether or not it desires to commit to such requested financing. Each Lender shall notify Agent by 12:00 noon, Eastern time on the second Business Day following such Financing Request-Initial as to whether or not such Lender is willing to commit to such requested financing, and Agent shall promptly thereafter notify Borrower of each Lender's response with respect to Borrower's Financing Request-Initial.

No Lender shall have any commitment or obligation to commit to any requested financing, participate in any Letter of Credit and/or make any Loan hereunder unless and until such Lender affirmatively commits to such requested financing. Nothing contained herein shall otherwise commit or obligate any Lender, or be interpreted as a promise or commitment by any Lender to make or elect to make any such Loan or participate or elect to participate in any such Letter of Credit.

Once a Lender affirmatively commits to a requested financing (a "Participating Lender"), such commitment shall be binding on such Participating Lender with respect to, but only with respect to, such requested financing, and shall not bind such Participating Lender to participate in any subsequent requested financing. Furthermore, notwithstanding a Participating Lender's commitment to a requested financing, such Participating Lender shall have no commitment or obligation to participate in such requested financing in an amount in excess of its Percentage Share of such requested financing or in an amount that would cause such Lender's outstanding Loans and Percentage Share of LC Obligations to exceed such Lender's Percentage Share of the Maximum Facility Amount. At Borrower's election, Borrower may subsequently request Participating Lenders with respect to any Financing Request-Initial to increase their commitments with respect to such Financing Request-Initial in an amount not to exceed the aggregate Percentage Share of any Lenders declining to participate in such Financing Request-Initial. No Participating Lender shall have any commitment or obligation to participate in such requested increase. In the event a Participating Lender affirmatively commits to any such requested increase, such Participating Lender's corresponding commitments to participate in Letters of Credit and Loans with respect thereto pursuant to Section 2.1(c) and 2.1(d) shall be increased accordingly.

(c) Letters of Credit Securing LC-Backed Purchase Contracts. With respect to a Financing Request-Initial, if one or more Participating Lenders shall have committed to participate in the requested financing, the LC Issuer shall, at Borrower's request prior to the applicable Funding Date, issue one or more Letters of Credit pursuant to Section 2.10, naming the sellers of such Hedged Eligible Inventory under such purchase contracts as Borrower may specify ("LC-Backed Purchase Contracts"), as beneficiaries, in an amount equal to the aggregate Percentage Share of Participating Lenders times the requested face amount of such Letters of Credit; provided, Borrower shall specify to Administrative Agent the seller, date, volumes, prices, delivery dates and such other identifying information as Administrative Agent may reasonably request with respect to each such LC-Backed Purchase Contract. Each such Letter of Credit shall by its terms identify the specific LC-Backed Purchase Contracts to which it relates and shall automatically reduce upon receipt by the beneficiary thereof of any payments made by Borrower to such beneficiary for such Hedged Eligible Inventory referencing such Letter of Credit.

(d) Loans to Finance Cash and Carry Purchases/Storage of Hedged Eligible Inventory. With respect to a Financing Request-Initial, if one or more Participating Lenders shall have committed to finance Cash and Carry Purchases of Hedged Eligible Inventory (or refinance the storage of Hedged Eligible Inventory), Borrower shall, prior to the end of the applicable Delivery Month, submit to Lenders a Financing Request-Final in the form of Exhibit B-2 with respect to such Hedged Eligible Inventory pursuant to Section 2.3(a) listing the corresponding sale contracts (with purchaser, date, volumes, prices, delivery dates and such other identifying information as Administrative Agent may reasonably request) pursuant to which Borrower will sell such Hedged Eligible Inventory during the applicable Sale/Storage Month, including specifying volumes, sale price and Sale Value, or (b) Approved Locations where such Hedged Eligible Inventory is to be stored during the applicable Sale/Storage Month, with volumes, hedged price and Hedged Value. On the applicable Funding Date, each Participating Lender shall make its Loan pursuant to Section 2.2, net of any prior Loans by such Participating Lender due and payable on such Funding Date, and Administrative Agent shall (i) net against such aggregate Loans the aggregate amount of any other Loans due and payable on such Funding Date, (ii) repay such matured Loans to the Lenders thereof and (iii) make the balance available to Borrower pursuant to Section 2.3.

(e) Increase of Maximum Facility Amount. Borrower shall have the right, without the consent of the Lenders but with the prior approval of the Administrative Agent, not to be unreasonably withheld, to cause from time to time an increase in the Maximum Facility Amount by adding to this Agreement one or more additional Lenders or by allowing one or more Lenders to increase their portion of the Maximum Facility Amount; provided however (i) no Event of Default shall have occurred hereunder which is continuing, (ii) no such increase shall result in the Maximum Facility Amount to exceed $300,000,000, and (iii) no Lender's portion of the Maximum Facility Amount shall be increased without such Lender's consent.

Section 2.2. Loans and Notes. Subject to the terms and conditions hereof, each Participating Lender with respect to a Financing Request-Initial and corresponding Financing Request-Final and Borrowing Notice agrees to make a Loan to Borrower on the Funding Date corresponding thereto in an amount equal to such Participating Lender's Percentage Share of the lesser of (x) 90% of the Sale Value and (y) 110% of the Hedged Value of the Hedged Eligible Inventory described therein; provided that (a) subject to Sections 3.3, 3.4 and 3.6, all such Participating 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 (and the repayment of any outstanding Loans on such date pursuant to netting with respect thereto as set forth in the last sentence of Section 2.1(d)), the Facility Usage does not exceed the Maximum Facility Amount determined as of the date on which the requested Loans are to be made, and (c) after giving effect to such Loans (and the repayment of any outstanding Loans on such date pursuant to netting with respect thereto as set forth in the last sentence of Section 2.1(d)), the Loans by such Participating Lender plus the existing LC Obligations of such Participating Lender with respect to Letters of Credit do not exceed such Lender's Percentage Share of the Maximum Facility Amount. The aggregate amount of all 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 Lender the aggregate amount of all Loans made by such Lender to Borrower, 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 to Borrower 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 Maturity Date. Subject to the terms and conditions of this Agreement, Borrower may borrow, repay, and reborrow under this Section 2.2. Borrower may have no more than seven Borrowings of LIBOR Loans outstanding at any time. All payments of principal and interest on the Loans shall be made in Dollars.

Section 2.3. Requests for Loans. Borrower must give to Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing. Each such notice constitutes a "Borrowing Notice" hereunder and must:

(a) specify the corresponding Financing Request-Final, each Participating Lender therein, and (A) the aggregate amount of any such Borrowing and the Funding Date on which Base Rate Loans are to be advanced, or (B) the aggregate amount of any such Borrowing of new LIBOR Loans, the Funding Date on which such LIBOR 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 LIBOR 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-3, 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 Participating Lender therein will on the Funding Date promptly remit to Administrative Agent at its office in Boston, Massachusetts the amount of such Participating Lender's new 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 Participating Lender that such Participating Lender will not make available to Borrower such Lender's new Loan, Administrative Agent may in its discretion assume that such Participating 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 Participating Lender shall not so make its new Loan available to Administrative Agent, such Participating 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 Participating 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 Participating 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 Participating Lender to make any new Loan to be made by it hereunder shall not relieve any other Participating Lender of its obligation hereunder, if any, to make its new Loan, but no Participating Lender shall be responsible for the failure of any other Participating Lender to make any new Loan to be made by such other Participating Lender. All Borrowings of Loans shall be advanced in Dollars.

Section 2.4. Continuations and Conversions of Existing Loans. Borrower may make the following elections with respect to Loans already outstanding: (i) to Convert, in whole or in part, Base Rate Loans to LIBOR Loans, (ii) to Convert, in whole or in part, LIBOR Loans to Base Rate Loans on the last day of the Interest Period applicable thereto, and (iii) to Continue, in whole or in part, LIBOR 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 to Borrower made pursuant to separate Borrowings into one new Borrowing or divide existing Loans to Borrower made pursuant to one Borrowing into separate new Borrowings, provided that Borrower may have no more than seven Borrowings of LIBOR 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:

(i) specify the existing Loans which are to be Continued or Converted;

(ii) specify (A) 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 (B) the aggregate amount of any Borrowing of LIBOR 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 LIBOR Loans), and the length of the applicable Interest Period; and

(iii) 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 LIBOR 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 LIBOR Loans or Continue existing Loans as LIBOR 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 LIBOR Loans at least three days prior to the end of the Interest Period applicable to such LIBOR Loans, any such LIBOR 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 such already outstanding Loans.

Section 2.5. Use of Proceeds. Borrower shall use all Loans to finance Cash and Carry Purchases of Hedged Eligible Inventory and to refinance Matured LC Obligations. Any Loans used to purchase Hedged Eligible Inventory under LC-Backed Purchase Contracts shall be used by Borrower on the Funding Date to pay the sellers thereunder, with reference in each case to the outstanding Letter of Credit issued with respect to such LC-Backed Purchase Contract, and Borrower shall provide documentation to Administrative Agent with respect thereto. Borrower shall use all Letters of Credit solely for the purposes set forth in Section 2.10(d). In no event shall the funds from any Loans or any Letters 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 it is not engaged principally, or as one of its important activities, in the business of extending credit to others for the purpose of purchasing or carrying such margin stock.

Section 2.6. Interest Rates and Fees.

(a) Interest Rates.

(i) Each Loan shall bear interest as follows: (A) unless the Default Rate shall apply, each Base Rate Loan shall bear interest on each day outstanding at the Base Rate plus the Applicable Margin in effect on such day, and each LIBOR Loan shall bear interest on each day during the related Interest Period at the related LIBOR Rate plus the Applicable Margin in effect on such day, and (B) during a Default Rate Period, all Loans shall bear interest on each day outstanding at the applicable Default Rate.

(ii) If an Event of Default based upon Section 8.1(a), Section 8.1(b) or Section 8.1(h)(i), (h)(ii) or (h)(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 applicable Default Rate.

(iii) The interest rate shall change whenever the applicable Base Rate, LIBOR Rate or Applicable Margin changes. In no event shall the interest rate on any Loan exceed the Highest Lawful Rate.

(b) Facility Fee. In consideration of Lenders' agreement to consider financing requests of Borrower hereunder, Borrower agrees to pay to Administrative Agent for the account of each Lender in proportion to its Percentage Share, a facility fee equal to one-twentieth percent (0.05%) of the Maximum Facility Amount, due and payable on the date hereof.

(c) 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 the fee letter dated October 20, 2003 between Administrative Agent and Borrower.

Section 2.7. Optional Prepayments. Borrower may, upon three Business Days' notice, as to LIBOR Loans, or same Business Day's notice, as to Base Rate Loans, 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 $2,500,000 or any higher integral multiple of $250,000. Upon receipt of any such notice, Administrative Agent shall give each Lender prompt notice of the terms thereof. Each prepayment of principal of a Loan 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. Following notice by Borrower pursuant to the foregoing, Borrower shall make such prepayment, and the prepayment amount specified in such notice shall be due and payable, on the date specified in such notice.

Section 2.8. Mandatory Prepayments and Payments.

(a) If at any time the Facility Usage exceeds the Maximum Facility Amount, 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.

(b) If any contract pursuant to which the Sale Value of any Hedged Eligible Inventory is modified, sold or exchanged in any way that would negatively affect the Sale Value of such Hedged Eligible Inventory following the delivery of the Financing Request-Final with respect thereto, Borrower shall immediately (i) notify Administrative Agent of such decreased Sale Value, and the Financing Request-Final shall be deemed supplemented thereby, and (ii) prepay

any outstanding Loans with respect to such Hedged Eligible Inventory in an amount equal to 90% of such decrease in Sale Value.

(c) Each Loan by a Participating Lender hereunder shall constitute a term loan due and payable on the Settlement Date occurring in the month next following the month in which such Loan was funded, accompanied by all interest then accrued and unpaid on such Loan.

(d) On the Request Period Termination Date (i) any outstanding Letters of Credit shall continue to be outstanding according to their terms until their expiration or retirement/cancellation pursuant to a related Loan as set forth herein, (ii) any outstanding Loans shall be due and payable as set forth in Section 2.8(c) above, and (iii) any commitments to participate in Letters of Credit or make Loans for Cash and Carry Purchases of Hedged Eligible Inventory, and any Letters of Credit issued or Loans made thereafter pursuant thereto, shall remain outstanding as set forth herein; provided, all such commitments, Letters of Credit and Loans shall be terminated, cancelled or paid in full on or before the Maturity Date.

Section 2.9. Extension of Request Period.

(a) Borrower may, at its option and from time to time during the Request Period, request that Lenders extend the Request Period Termination Date by delivering to Administrative Agent a written request made by Borrower to each Lender to extend the Request Period Termination Date for an additional year not more than forty-five days and not less than thirty days prior to the then current Request Period Termination Date. Administrative Agent shall forthwith provide a copy of the request to each Lender. Upon receipt from Administrative Agent of such request, each Lender shall, within fifteen days after the date of such Lender's receipt of such request from Administrative Agent, notify Administrative Agent of its acceptance (and the terms and conditions, if any, upon which such Lender is prepared to extend the Request Period Termination Date) or rejection of such request. The failure of a Lender to so notify Administrative Agent within such twenty day period shall be deemed to be notification by such Lender to Administrative Agent that such Lender has denied such request.

(b) Following any Lender's or Lenders' notice to Administrative Agent pursuant to Section 2.9(a) that such Lender or Lenders accept such request, such acceptance having common terms and conditions, Administrative Agent shall deliver to Borrower such offer incorporating the said terms and conditions. Such offer shall be open for acceptance by Borrower until the fifth Business Day immediately preceding the then current Request Period Termination Date. Upon written notice by Borrower to Administrative Agent accepting such offer and agreeing to the terms and conditions, if any, specified therein (the date of such notice of acceptance being called the "Extension Date"), the Request Period Termination Date shall be extended to the date one year from the Extension Date and the terms and conditions specified in such offer shall be immediately effective.

(c) Upon Borrower's acceptance of Lenders' offer to extend the Request Period Termination Date, any Lender that rejected Borrower's extension request shall have no obligation to evaluate any Financing Request-Initial received on or after the Extension Date, but any such Lender that is a Participating Lender with respect to any previously approved Financing Request-

Initial shall be obligated to participate in Letters of Credit issued after the Extension Date pursuant to such approved Financing Request-Initial and/or make Loans after the Extension Date pursuant to such approved Financing Request-Initial.

(d) Borrower understands that the consideration of any request constitutes an independent credit decision which each Lender retains the absolute and unfettered discretion to make and that no commitment in this regard is hereby given by a Lender and that any offer to extend the Request Period Termination Date may be on such terms and conditions in addition to those set out herein as the extending Lenders stipulate.

Section 2.10. Letters of Credit. Subject to the terms and conditions hereof, Borrower may request LC Issuer to issue any Letter of Credit that Participating Lenders have agreed to participate in pursuant to and subject to the terms of Section 2.1(c) (or amend, or extend the expiration date of, one or more such Letters of Credit), provided that, after taking such Letter of Credit (or amendment or extension) into account:

(a) the Facility Usage does not exceed the Maximum Facility Amount;

(b) the face amount of such Letter of Credit does not exceed the aggregate Percentage Share of Participating Lenders with respect to such Letter of Credit times ninety percent (90%) of the Hedged Value of the Hedged Eligible Inventory subject to the Cash and Carry Purchase thereof pursuant to the LC-Backed Purchase Contract secured by such Letter of Credit;

(c) the expiration date of such Letter of Credit is prior to 70 days after the date of issuance of such Letter of Credit;

(d) such Letter of Credit is used to secure the Cash and Carry Purchase by Borrower of Hedged Eligible Inventory pursuant to an LC-Backed Purchase Contract and is substantially in the form of Exhibit E hereto or such other form and terms as shall be acceptable to LC Issuer in its sole and absolute discretion;

(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; and

(f) 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 (f) (in the following Section 2.11 called the "LC Conditions") have been met as of the date of issuance, amendment, or extension of the expiration, of such Letter of Credit. Letters of Credit shall be issued in Dollars.

Section 2.11. 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 2.10 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 F, and 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 2.10 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 2.10 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 2.12. 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 plus the Applicable Margin 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 such 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 such 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 plus the Applicable Margin.

(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 the Borrower or any Lender from time to time, shall be conclusive, absent manifest error, as to the amounts thereof.

Section 2.13. 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 Lender in proportion to its Percentage Share, a Letter of Credit fee equal to the Letter of Credit Fee Rate applicable each day times the undrawn face amount of such Letter of Credit and (ii) to 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 undrawn face amount of such Letter of Credit. Each such fee will be calculated on the undrawn face amount of each Letter of Credit outstanding on each day at the above applicable rates and will be payable quarterly in arrears on the last day of each March, June, September and December. In addition, Borrower will pay to LC Issuer a minimum administrative issuance fee and such other fees and charges customarily charged by LC Issuer in respect of any issuance, amendment or negotiation of any Letter of Credit requested by Borrower in accordance with LC Issuer's published schedule of such charges effective as of the date of such amendment or negotiation.

Section 2.14. 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 not under any 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 Borrower 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 2.15. LC Collateral.

(a) LC Obligations in Excess of Maximum Facility Amount. If, after the making of all mandatory prepayments required under Section 2.8, the outstanding LC Obligations will exceed

the Maximum Facility Amount, Borrower will immediately deposit with LC Issuer an amount equal to such excess. LC Issuer will hold such amount as collateral security for such remaining LC Obligations (all such amounts held as collateral security for LC Obligations being herein collectively called "LC Collateral") and the other Obligations, respectively, and such collateral may be applied from time to time to any Matured LC Obligations or, if any Event of Default shall then exist, any other Obligations which are due and payable; provided, upon the reduction of such outstanding LC Obligations pursuant to the termination or cancellation of any Letter of Credit with respect thereto, LC Issuer shall release LC Collateral in an amount equal to the amount of such terminated or canceled Letter of Credit, and in the event the LC Obligations shall no longer exceed the Maximum Facility Amount LC Issuer shall release all such LC Collateral. 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 Obligations, 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 any 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 deposit with LC Issuer immediately an amount equal to the aggregate LC Obligations with respect to Letters of Credit which are then outstanding to be held as LC Collateral by LC Issuer as set forth above.

(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 Loans which are due and payable. With respect to any LC Collateral delivered pursuant to clause (b) above, 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 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. 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 provide such LC Collateral (whether 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 be considered past due Obligations owing hereunder, and LC Issuer is hereby authorized to exercise its respective rights to obtain such amounts.

ARTICLE III - - Payments to Lenders

Section 3.1. General Procedures. Borrower shall pay all amounts owing with respect to any Obligations (whether for principal, interest, fees, or otherwise) to Administrative Agent for the account of the Lender Party to whom such payment is owed in Dollars, without set-off, deduction or counterclaim (other than netting with respect to Loans being made on a particular date and repayment of prior Loans on such date as set forth in the last sentence of Section 2.1(d), in immediately available funds. Each payment under the Loan Documents 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 to a Lender Party 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.

(a) 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:

(i) 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 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);

(ii) then for the prepayment of amounts owing under the Loan Documents (other than principal on the Notes) if so specified by Borrower;

(iii) then for the prepayment of principal on the Notes, together with accrued and unpaid interest on the principal so prepaid, and then held as LC Collateral pursuant to Section 2.15; and

(iv) 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 accrued interest thereon in compliance with Sections 2.7 and 2.8, as applicable. All distributions of amounts described in any of subsections (ii), (iii), or (iv) 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 2.12(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 LIBOR 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 LIBOR Loan or Letter of Credit or otherwise due under this Agreement in respect of any LIBOR 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 LIBOR Loan or Letter of Credit (excluding those for which such Lender Party is fully compensated pursuant to adjustments made in the definition of LIBOR 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 LIBOR Loan or Letter of Credit, the result of which is to increase the cost to any Lender Party of funding or maintaining any LIBOR Loan or Letter of

Credit or to reduce the amount of any sum receivable by any Lender Party in respect of any LIBOR 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 LIBOR 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 180 days, after such Lender Party obtains actual knowledge thereof; provided, that (i) if such Lender Party fails to give such notice within 180 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 180 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 LIBOR 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 LIBOR Loan are not available to it, or (c) any Lender Party determines that the formula for calculating the LIBOR Rate does not fairly reflect the cost to such Lender Party of making or maintaining loans based on such rate, with respect to the transactions contemplated hereunder, then, upon notice by such Lender Party to Borrower and Administrative Agent, Borrower's right to elect LIBOR 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 LIBOR 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. With respect to any commitment of any Lender hereunder, Borrower agrees to indemnify each Lender Party extending credit pursuant thereto, and hold each such Lender Party 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, with respect to any commitment of any Lender hereunder, Borrower will indemnify each Lender Party extending credit pursuant thereto 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 such Lender Party to fund or maintain LIBOR Loans), as a result of (a) any payment or prepayment (whether or not authorized or required hereunder) of all or a portion of a LIBOR 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 Borrower, or (d) any Conversion (whether or not authorized or required hereunder) of all or any portion of any LIBOR Loan into a Base Rate Loan or into a different LIBOR 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. With respect to any commitment by any Lender hereunder, Borrower covenants and agrees with each Lender Party extending credit pursuant thereto that:

(a) Borrower will indemnify each such Lender Party against and reimburse each such Lender Party for all present and future stamp and other taxes, duties, levies, imposts, deductions, charges, costs, and withholdings whatsoever imposed, assessed, levied or collected on or in respect of this Agreement, any LIBOR 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 such Lender Party's Loans and Note, and all other amounts payable by Borrower to any such 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 such 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 LIBOR 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 LIBOR 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 such Lender Party, other than such a Lender Party (i) who is a US person for Federal income tax purposes or (ii) who has the Prescribed Forms on file with Administrative Agent (with copies provided to the relevant 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 such 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 Note 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 and any breakage costs with respect to any outstanding LIBOR Loans, but excluding principal and accrued interest on the Note being assigned) shall be paid in full to such Lender Party concurrently with such assignment, and (ii) the replacement Eligible Transferee shall purchase the Notes being assigned by paying to such Lender Party a price equal to the principal amount thereof plus accrued and unpaid interest. 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 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 Boston, Massachusetts, duly executed and delivered and in form, substance and date satisfactory to Administrative Agent, each of which was so executed and delivered:

(a) This Agreement and any other document that Lenders are to execute in connection herewith.

(b) Each Note and each Security Document.

(c) Certain certificates including:

(i) An "Omnibus Certificate" of the secretary or assistant secretary and any vice president of Plains Marketing GP Inc., which shall contain the names and signatures of the officers of such company 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 such company 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 Borrower and all amendments thereto, certified by the appropriate official of its jurisdiction of organization, and (3) a copy of the agreement of limited partnership of Borrower;

(ii) A certificate of the chief financial officer of Plains Marketing GP Inc., regarding satisfaction of Section 4.2; and

(d) A certificate (or certificates) of the due formation, valid existence and good standing of Borrower in Delaware, issued by the Delaware Secretary of State.

(e) Favorable opinions of Tim Moore, Esq., General Counsel for Borrower, substantially in the form set forth in Exhibit D-1, and Fulbright & Jaworski L.L.P., special Texas and New York counsel to Borrower, substantially in the form set forth in Exhibit D-2.

(f) Financial projections for Borrower through December 2004, in form and substance reasonably satisfactory to Administrative Agent.

(g) Consolidated financial statements of Borrower and its Subsidiaries as of September 30, 2003, together with a certificate by the chief financial officer of GP Inc. certifying such financial statements.

(h) Administrative Agent shall have received all documents and instruments which Administrative Agent has then requested (including opinions of legal counsel for Borrower 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 Borrower 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 and substance.

(i) Payment of all facility, agency and other fees required to be paid to Administrative Agent or Lender pursuant to any Loan Documents or any commitment agreement heretofore entered into.

(j) Evidence of the payment in full of all outstanding Indebtedness under the Existing Agreements, the release of all Liens securing such Indebtedness, and termination of the Existing Agreements.

Section 4.2. 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 Borrower 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, then in each such case, such other date.

(b) No Default or "Default" (as such term is used and defined in the PAA Credit Agreement) shall exist at the date of such Loan or the date of issuance of such Letter of Credit or shall result from such Loan or such issuance of such Letter of Credit.

ARTICLE V - Representations and Warranties

To confirm each Lender's understanding concerning Borrower and its businesses, properties and obligations, and to induce each Lender to enter into this Agreement, consider financing requests of Borrower hereunder, and in each Lender's sole and absolute discretion extend credit hereunder, Borrower represents and warrants to each Lender that:

Section 5.1. No Default No event has occurred and is continuing which constitutes a Default, except as has been waived in accordance with this Agreement.

Section 5.2. Organization and Good Standing. Borrower is duly organized or formed, validly existing and in good standing under the Laws of its jurisdiction of organization or formation, having all requisite corporate or similar powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Borrower is duly qualified, in good standing, and authorized to do business in all other jurisdictions 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 reasonably be expected to cause a Material Adverse Change.

Section 5.3. Authorization. Borrower has duly taken all action necessary to authorize the execution and delivery by it of the Loan Documents 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 Borrower of the Loan Documents, the performance by it of its obligations, and the consummation of the transactions contemplated thereby, do not and will not (i) violate any provision of (1) Law applicable to it, (2) its organizational documents or (3) any judgment, order or material license or permit applicable to or binding upon it, (ii) result in the acceleration of any Indebtedness owed by it or (iii) result in or require the creation of any consensual Lien upon any of its material assets or properties except as expressly contemplated in, or permitted by, the Loan Documents. Except as expressly contemplated in or permitted by the Loan Documents, disclosed in the Disclosure Schedule or disclosed pursuant to Section 6.4, no permit, consent, approval, authorization or order of, and no notice to or filing, registration or qualification with, any Tribunal is required on the part of Borrower pursuant to the provisions of any material Law applicable to it as a condition to its execution, delivery or performance of any Loan Document or (ii) to consummate any transactions contemplated by the Loan Documents.

Section 5.5. Enforceable Obligations. This Agreement is, and the other Loan Documents when duly executed and delivered will be, legal, valid and binding obligations of Borrower, 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 and general principles of equity.

Section 5.6. Initial Financial Statements. Borrower has heretofore delivered to each Lender true, correct and complete copies of the Initial Financial Statements. The Initial Financial Statements fairly present PAA's and Borrower's Consolidated financial position at the date thereof and the Consolidated results of PAA's and Borrower's operations for the periods thereof, and in the case of the annual Initial Financial Statements, Consolidated cash flows for the period thereof. Since the date of the annual Initial Financial Statements, no Material Adverse Change has occurred. All Initial Financial Statements described in clause (i) of that defined term were prepared in accordance with GAAP.

Section 5.7. Other Obligations and Restrictions. As of the closing date hereof, Borrower has no outstanding payment obligations of any kind (including contingent obligations, tax assessments and unusual forward or long-term commitments) which are, in the aggregate, material to Borrower or material with respect to Borrower's Consolidated financial condition and not reflected in the Initial Financial Statements, disclosed in the Disclosure Schedule or otherwise permitted under Section 7.1. Except as disclosed in the Disclosure Schedule, Borrower is not subject to or restricted by any franchise, contract, deed, charter restriction, or other instrument or restriction which would reasonably be expected to cause a Material Adverse Change.

Section 5.8. Full Disclosure. No certificate, statement or other information delivered herewith or heretofore by Borrower 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 (or if such information expressly relates or refers to an earlier date, as of such earlier date). All written information furnished after the date hereof by or on behalf of Borrower 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 in light of the circumstances in which made or based on reasonable estimates, in each case as of the date on which such information is stated or certified (or if such information expressly relates or refers to an earlier date, as of such earlier date). There is no fact known to Borrower that has not been disclosed to each Lender in writing which would reasonably be expected to 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 Borrower overtly threatened, against Borrower or affecting any Collateral (including, without limitation, any which challenge or otherwise pertain to Borrower's title to any Collateral) before any Tribunal which would reasonably be expected to cause a Material Adverse Change, and (ii) there are no outstanding judgments, injunctions, writs, rulings or orders by any such Tribunal against Borrower or, to the knowledge of Borrower, Borrower's stockholders, partners, directors or officers or affecting any Collateral which would reasonably be expected to cause a Material Adverse Change.

Section 5.10. ERISA Plans and Liabilities. All currently existing ERISA Plans are listed in the Disclosure Schedule or pursuant to Section 6.4. Except as disclosed in the Initial Financial Statements, in the Disclosure Schedule or pursuant to Section 6.4, no Termination Event has occurred with respect to any ERISA Plan and all ERISA Affiliates are in compliance with ERISA in all material respects, to the extent that the non-compliance therewith would not be reasonably expected to cause a Material Adverse Change. 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 $5,000,000.

Section 5.11. Compliance with Permits, Consents and Law. Except as set forth in the Disclosure Schedule or pursuant to Section 6.4, Borrower 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 would not reasonably be expected to cause a Material Adverse Change. Borrower 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 that non-compliance therewith would not reasonably be expected to cause a Material Adverse Change or such term, restriction or otherwise is being contested in good faith or a bona fide dispute exists with respect thereto.

Section 5.12. Environmental Laws. Except as set forth in the Disclosure Schedule or disclosed pursuant to Section 6.4, (i) Borrower and its Subsidiaries are conducting their businesses in material compliance with all applicable Laws, including Environmental Laws, and have and are in compliance with all licenses and permits required under any such Laws, unless failure to so comply or have such licenses and permits would not reasonably be expected to cause a Material Adverse Change; (ii) none of the operations or properties of Borrower or any of its Subsidiaries is the subject of federal, provincial or local investigation evaluating whether any material remedial action is needed to respond to a release of any Hazardous Materials into the environment or to the improper storage or disposal (including storage or disposal at offsite locations) of any Hazardous Materials, unless such remedial action would not reasonably be expected to cause a Material Adverse Change; and (iii) neither Borrower nor any of its Subsidiaries (and to the actual knowledge of Borrower, no other Person) has filed any notice under any Law indicating that Borrower or any of its Subsidiaries is responsible for the improper release into the environment, or the improper storage or disposal, of any material amount of any Hazardous Materials or that any Hazardous Materials have been improperly released, or are improperly stored or disposed of, upon any property of any such Person, other than of an alleged improper release, storage or disposal that would not reasonably be expected to cause a Material Adverse Change.

Section 5.13. Accounts; Title to Properties. All Accounts arising from with respect to contracts for the sale of Financed Eligible Hedged Inventory shall qualify as Approved Eligible Receivables, and Borrower has complied in all respects with the terms of each related contract for sale. Borrower 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 its business, other than such impediments that would not reasonably be expected to cause a Material Adverse Change.

Section 5.14. Government Regulation. Borrower is not 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

Borrower of Indebtedness, including Laws relating to common contract carriers or the sale of electricity, gas, steam, water or other public utility services. Borrower is not 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 5.15. Insider. Neither Borrower, nor any Person having "control" (as that term is defined in 12 U.S.C. § 375b(9) or in regulations promulgated pursuant thereto) of Borrower, is a "director" or an "executive officer" or "principal shareholder" (as those terms are defined in 12 U.S.C. § 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 5.16. Solvency. Upon giving effect to the issuance of the Notes, the execution of the Loan Documents by Borrower and the consummation of the transactions contemplated hereby, (i) Borrower will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws), and the sum of Borrower's absolute and contingent liabilities, including the Obligations or guarantees thereof, shall not exceed the fair market value of Borrower's assets, and (ii) Borrower's capital should be adequate for the businesses in which it is engaged and intends to be engaged. Borrower has not incurred (whether under the Loan Documents or otherwise), nor does Borrower intend to incur or reasonably foreseeably believes that it will incur, debts which will be beyond its ability to pay as such debts mature.

Section 5.17. Not a "Reportable Transaction". Borrower does not intend to treat the Borrowings and/or Letters of Credit and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event Borrower determines to take any action inconsistent with such intention, it will promptly notify the Administrative Agent thereof. If Borrower takes any action inconsistent with such intention, or if Borrower so notifies the Administrative Agent, then Borrower acknowledges that, as a result of such action or notice, one or more of the Lenders may treat its Loans and/or its interest in Letters of Credit as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and such Lender or Lenders will maintain the lists and other records required by such Treasury Regulation.

ARTICLE VI - Affirmative Covenants

To conform with the terms and conditions under which each Lender is willing to consider financing requests of Borrower hereunder and in each Lender's sole and absolute discretion extend credit to Borrower, and to induce each Lender to enter into this Agreement, consider financing requests of Borrower hereunder and in each Lender's sole and absolute discretion extend credit hereunder, Borrower covenants and agrees that so long as any Obligations or any commitment of any Participating Lender to extend credit hereunder remains outstanding, unless Majority Lenders, or all Lenders as required under Section 10.1, have previously agreed otherwise:

Section 6.1. Payment and Performance. Borrower will pay all amounts due from it pursuant to the provisions of 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 imposed on it pursuant to the provisions of such Loan Documents.

Section 6.2. Books, Financial Statements and Reports. Borrower will at all times maintain full and accurate books of account and records. Borrower will maintain a standard system of accounting, will maintain its Fiscal Year, and will furnish the following statements and reports to each Lender at Borrower's expense:

(a) Promptly upon the filing thereof, and in any event within ninety (90) days after the end of each Fiscal Year: (i) a copy of PAA's Form 10-K, which report shall include PAA's complete Consolidated financial statements together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an opinion, without material qualification, based on an audit using generally accepted auditing standards, by PricewaterhouseCoopers LLP, or other independent certified public accountants, stating that such Consolidated financial statements have been so prepared, and (ii) Borrower's complete unaudited Consolidated financial statements, prepared in reasonable detail in accordance with GAAP. These financial statements shall contain a Consolidated balance sheet as of the end of such Fiscal Year and Consolidated 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.

(b) Promptly upon the filing thereof, and in any event within sixty (60) days after the end of each of the first three Fiscal Quarters of each Fiscal Year: (i) a copy of PAA's Form 10-Q, which report shall include PAA's unaudited Consolidated balance sheet as of the end of such Fiscal Quarter and Consolidated statements of PAA'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) Borrower's unaudited Consolidated balance sheet as of the end of such. Fiscal Quarter and Consolidated statements of Borrower'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. In addition Borrower will, together with each such set of financial statements and each set of financial statements furnished under subsection (a) of this section, furnish a copy of the certificate delivered to the administrative agent and lenders under the PAA Credit Agreement pursuant to Section 6.2(b) thereof.

(c) Prompt notice of any publicly announced change in PAA's Debt Rating by either Standard & Poor's or Moody's.

Documents required to be delivered pursuant to Section 6.2(a)(i) or (b)(i) (to the extent any such documents are included in materials otherwise filed with the Securities and Exchange Commission) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which PAA posts such documents, or provides a link thereto, on PAA's website on the Internet at the website address listed in Section 10.3, and notifies Administrative Agent of such posting or link.

Section 6.3. Other Information and Inspections. In each case subject to the last sentence of this Section 6.3, Borrower will furnish to Administrative Agent any information which Administrative Agent or any Lender may from time to time reasonably request concerning any

covenant, provision or condition of the Loan Documents or any matter in connection with Borrower's businesses and operations. In each case subject to the last sentence of this Section 6.3, Borrower will permit representatives appointed by Administrative Agent (including independent accountants, auditors, agents, attorneys, appraisers and any other Persons), upon reasonable prior notice, to visit and inspect during normal business hours any of Borrower'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 Borrower 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 reasonable prior notice to Borrower, its representatives. Each of the foregoing inspections and examinations shall be made subject to compliance with applicable safety standards and the same conditions applicable to Borrower in respect of property of Borrower on the premises of Persons other than Borrower or an Affiliate of Borrower, and all information, books and records furnished or requested to be made, all information to be investigated or verified and all discussion conducted with any officer, employee or representative of Borrower shall be subject to any applicable attorney-client privilege exceptions which Borrower determines is reasonably necessary and compliance with conditions to disclosures under non-disclosure agreements between Borrower and Persons other than Borrower or an Affiliate of Borrower 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. Borrower will notify each Lender Party, not later than five (5) Business Days after any executive officer of Borrower 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 Borrower or of any default by Borrower under any indenture, mortgage, agreement, contract or other instrument to which it is a party or by which it or any of its properties is bound, if such acceleration or default would reasonably be expected to cause a Material Adverse Change,

(d) the occurrence of any Termination Event,

(e) any claim under any Environmental Law adverse to Borrower or of potential liability with respect to such claim, or any other adverse claim asserted against Borrower or with respect to Borrower's properties taken as a whole, in each case, which claim would reasonably be expected to cause a Material Adverse Change, and

(f) the filing of any suit or proceeding, or the assertion in writing of a claim against Borrower or with respect to Borrower's properties, which would reasonably be expected to cause a Material Adverse Change.

Upon the occurrence of any of the foregoing Borrower will take all necessary or appropriate steps to remedy promptly, if applicable, any such Material Adverse Change, Default, acceleration, default or Termination Event, to protect against any such adverse claim, to defend any such claim, suit or proceeding, and to resolve all controversies on account of any of the foregoing.

Section 6.5. Maintenance of Existence, Qualifications and Assets. Borrower (i) will maintain and preserve its existence and its rights (including permits, licenses and other authorizations required under Environmental Laws) and franchises in full force and effect, (ii) will qualify to do business in all states or jurisdictions where required by applicable Law, and (iii) keep all Collateral and its other material assets that are useful in and necessary to its business in good working order and condition (ordinary wear and tear and obsoleteness excepted) except, in each case (a) where the failure so to maintain, preserve, qualify or keep would not be reasonably expected to cause a Material Adverse Change, (b) as permitted in Section 7.3 or as a result of statutory conversions or (c) as a result of a release permitted pursuant to Section 6.9. Borrower will also notify Administrative Agent in writing at least twenty Business Days prior to the date that Borrower 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 to prepare the same.

Section 6.6. Payment of Taxes, etc. Borrower 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, and (c) maintain appropriate accruals and reserves for all of the foregoing as required by GAAP, except to the extent that (y) 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 or (z) such non-filing, non-payment or non-maintenance would not reasonably be expected to cause a Material Adverse Change.

Section 6.7. Insurance. In accordance with industry standards, Borrower will keep insured (by responsible and reputable insurance companies or associations) or self-insured, at the option of Borrower, in such amounts and against such risks as are usually insured by Persons engaged in the same or similar businesses and owning similar properties. The insurance coverages and amounts will be reasonably determined by Borrower, based on coverages carried by prudent owners of similar property, and may be maintained by PAA.

Section 6.8. Compliance with Agreements and Law. Borrower will strictly perform and comply with the terms of each contract for the sale of Hedged Eligible Inventory and will perform all other material obligations it is required to perform under the terms of each indenture, mortgage, deed of trust, security agreement, lease, franchise and other material agreement, contract or other instrument (including all contractual obligations and agreements with respect to environmental remediation or other environmental matters) to which it is a party or by which it or

any of its properties is bound to the extent that non-performance therewith would not reasonably be expected to cause a Material Adverse Change. Borrower will conduct its business and affairs in compliance, in all material respects, with all Laws (including Environmental Laws) applicable thereto to the extent non-compliance therewith would not reasonably be expected to cause a Material Adverse Change or such requirement of Law is being contested in good faith or a bona fide dispute exists with respect thereto.

Section 6.9. Agreement to Deliver Security Documents. Borrower will deliver, to further secure the Obligations whenever requested by Administrative Agent in its sole and absolute discretion, 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, subject to applicable Liens permitted pursuant to Section 7.1, in (i) all Financed Hedged Eligible Inventory, (ii) all Hedging Contracts covering Financed Hedged Eligible Inventory, (iii) all contracts for the sale of Financed Hedged Eligible Inventory and Accounts arising thereunder, and (iv) all proceeds of the foregoing.

Section 6.10. Perfection and Protection of Security Interests and Liens. Borrower 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 Borrower 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.

ARTICLE VII - Negative Covenants

To conform with the terms and conditions under which each Lender is willing to consider financing requests of Borrower hereunder and in each Lender's sole and absolute discretion extend credit to Borrower, and to induce each Lender to enter into this Agreement, consider financing requests of Borrower hereunder and in each Lender's sole and absolute discretion extend credit hereunder, Borrower covenants and agrees that so long as any Obligations or any commitment of any Participating Lender to extend credit hereunder remains outstanding, unless Majority Lenders, or all Lenders as required under Section 10.1, have previously agreed otherwise:

Section 7.1. Limitation on Liens. Borrower will not create, assume or permit to exist:

(i) any Lien upon any Collateral except (A) Liens created pursuant to the Security Documents, (B) Permitted Inventory Liens, (C) statutory Liens in respect of First Purchase Crude Payables, (D) Broker Liens on margin deposits with respect to Hedging Contracts, and (E) any other Liens expressly permitted to encumber such Collateral under any Security Document; or

(ii) any Lien on any Petroleum Products commingled with Financed Hedged Eligible Inventory, or on any sales contracts (and Accounts therefrom and proceeds thereof) covering Petroleum Products in addition to Financed Hedged Eligible Inventory, or with respect to any Hedging Contracts covering Financed Hedged Eligible Inventory, other than Broker Liens on

margin deposits with respect thereto, unless such lien creditor has agreed in writing that Administrative Agent's and Lenders' rights with respect to such Petroleum Products, sales contracts, Hedging Contracts and collateral rights related thereto are first and prior to such lien creditor's rights therein;

Section 7.2. Limitation on Mergers. Except as expressly provided in this section, Borrower will not (a) merge or consolidate or amalgamate with any Person, or liquidate, wind up or dissolve or (b) sell, transfer, lease, exchange or otherwise dispose of, in one transaction or a series of related transactions, all or substantially all of its business or property, whether now owned or hereafter acquired, to any Person; provided, Borrower may (A) merge into or consolidate or amalgamate with any Subsidiary of PAA; provided, Borrower is the surviving business entity and after giving effect thereto, no Default exists.

Section 7.3. Limitation on Sales of Collateral. Borrower will not sell, transfer, lease, exchange, alienate or dispose of any Collateral except in the ordinary course of business on ordinary trade terms.

Section 7.4. Limitation on New Businesses. Borrower will not materially or substantially engage directly or indirectly in any business or conduct any operations other than (i) marketing, gathering, transporting (by barge, pipeline, ship, truck or other modes of hydrocarbon transportation), terminalling, storing, producing, acquiring, developing, exploring for, exploiting, producing, processing, dehydrating and otherwise handling hydrocarbons, including, without limitation, constructing pipeline, platform, dehydration, processing and other energy-related facilities, (ii) any other business that generates gross income that constitutes "qualifying income" under Section 7704(d) of the Internal Revenue Code of 1986, as amended, or (iii) activities or services reasonably related or ancillary thereto including entering into hedging obligations to support those businesses.

Section 7.5. No Negative Pledges. Except as described in the Disclosure Schedule or pursuant to a Restriction Exception, the substance of which, in detail satisfactory to Administrative Agent, is promptly reported to Administrative Agent, Borrower will not, directly or indirectly, enter into, create, or consent to be bound to any contract or other consensual restriction that restricts the ability of Borrower to create or maintain Liens on its assets in favor of Administrative Agent, LC Issuer and Lenders to secure, in whole or part, the Obligations.

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) Borrower 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) Borrower fails to pay any Obligation for which it is contractually liable (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) Borrower fails to duly observe, perform or comply with any covenant, agreement or provision of Section 6.4 or Article VII;

(d) Borrower fails (other than as referred to in subsections (a), (b) or (c) above) to duly observe, perform or comply with any of its obligations under 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;

(e) Any representation or warranty previously, presently or hereafter made in writing by or on behalf of Borrower 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;

(f) Borrower shall default in the payment when due of any principal of or interest on any of its other Indebtedness, or, as a result of an early termination event or similar event, on any net hedging obligations, in excess of $15,000,000 in the aggregate (other than such Indebtedness or hedging obligations the validity of which is being contested in good faith, by appropriate proceedings (if necessary) and for which adequate reserves with respect thereto are maintained on the books of Borrower as required by GAAP), or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness or hedging obligations shall occur for a period beyond the applicable grace, cure extension, forbearance or other similar period, 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 hedging obligations (or a trustee or agent on behalf of such holder or holders) to cause, as applicable, 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 an early termination event or similar event to occur and Borrower's related net hedging obligations in excess of $15,000,000 to become due and payable;

(g) Either (i) any "accumulated funding deficiency" (as defined in Section 412(a) of the Code) in excess of $5,000,000 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 $5,000,000 (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);

(h) Borrower, any Subsidiary of Borrower, Plains All American GP LLC, Plains AAP, L.P., PAA, or any "significant subsidiary" of PAA, as defined in Article 1, Rule 1-02 of

Regulation S-X, promulgated pursuant to the Securities Exchange Act of 1934 and the Securities Act of 1933, each as amended:

(i) has entered against it 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 any Collateral or 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;

(i) Borrower:

(i) has entered against it a final judgment for the payment of money in excess of $15,000,000 (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 longer period for which a stay of enforcement is allowed by applicable Law) 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

(ii) suffers a writ or warrant of attachment or any similar process to be issued by any Tribunal against any Collateral or all or any substantial part of its assets, and such writ or warrant of attachment or any similar process is not stayed or released within sixty days after the entry or levy thereof (or longer period for which a stay of enforcement is allowed by applicable Law) or after any stay is vacated or set aside;

(j) Any Change in Control occurs; or

(k) Any "Event of Default" shall occur, as such term is used and defined in the PAA Credit Agreement.

Upon the occurrence of an Event of Default described in subsection (h)(i), (h)(ii) or (h)(iii) of this section: all 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. 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, do either or both of the following: (1) terminate or suspend 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.

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 Borrower or to inspect the property (including the books and records) of Borrower; (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 Borrower 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 AND BORROWER'S USE OF LOAN PROCEEDS (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 Persons 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 Borrower or its 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 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, subject to Section 10.9. 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 Borrower shall not be entitled to rely on any such provision or assert any such provision in a claim or defense against any Lender (other than 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.

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, unless a Default has occurred and is continuing, 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.

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. 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 4.1(h)), (2) increase the maximum amount which such Lender has specified hereunder regarding consideration of financing requests, or extend the termination date of such Lender's agreement to consider financing requests, (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, or change Section 9.6 in a manner that would alter pro rata sharing of payments required thereby, (5) amend the definition herein of "Majority Lenders" or otherwise change the Percentage Shares which are required for Administrative Agent, Lenders or any of them to take any particular action under the Loan Documents, or (6) except as expressly provided herein or in any other Loan Document, release (i) Borrower from its obligation to pay such Lender's Note, (ii) any Collateral, or (iii) Borrower from the negative pledge covenant set forth in Section 7.5 hereof.

(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) no Lender Party has any fiduciary obligation toward Borrower with respect to any Loan Document or the transactions contemplated thereby, (iii) the relationship pursuant to the Loan Documents between Borrower, on one hand, and each Lender Party, on the other hand, is and shall be solely that of debtor and creditor, respectively, and (iv) no partnership or joint venture exists with respect to the Loan Documents between Borrower and any Lender Party.

(c) Representation by Lenders. Each Lender hereby represents that it will acquire its Notes 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. Borrower's 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. 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 right, power or privilege.

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 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 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 and Borrower's use of Loan proceeds (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.

(c) Interest. Borrower hereby promises to each Lender Party interest at the Default Rate on all Obligations to pay fees or to reimburse or indemnify any Lender Party which Borrower has promised to pay to such Lender Party pursuant to this Section 10.4 and which are not paid when due. Such interest shall accrue from the date such Obligations become due until they are paid.

Section 10.5. Parties in Interest; Assignments; Replacement Notes.

(a) 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 Borrower may not 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 Borrower 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 Lender of less than all of its Loans, LC Obligations and any commitment hereunder, each such assignment shall apply to a consistent percentage of all Loans and LC Obligations owing to the assignor Lender hereunder and to the same percentage of the unused portion of the assignor Lender's Percentage Share of the Maximum Loan Amount, so that after such assignment is made both the assignee Lender and the assignor Lender shall have a fixed (and not a varying) Percentage Share in its Loans and LC Obligations and be committed to make that Percentage Share of all future Loans and make that Percentage Share of all future participations in LC Obligations, and the Percentage Share of the Maximum Facility Amount of each of 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 G, 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 and total Percentage Shares of such assignor Lender and such assignee Lender and the revised Percentage Shares and total 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 3.7(d).

(d) Any Lender may at any time pledge all or any portion of its Loan and Note (and related rights under the Loan Documents including any portion of its Note) to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or enforcement thereof shall release any such Lender from its obligations under any of the Loan Documents; provided that all related costs, fees and expenses in connection with any such pledge 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), (y) and (z), with respect to assignments pursuant to clause (i) above, and subject to the following additional conditions (y) and (z) with respect to assignments pursuant to clause (ii) above:

(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 by both such assignor and assignee 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; and

(y) such assignee shall not be entitled to payment from Borrower 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 Lender that assigns or transfers to such assignee any of such Lender's Percentage Share of any commitment hereunder, assignee may become primarily liable for such commitment, but such assignment or transfer shall not relieve or release such Lender from such commitment.

(h) Upon receipt of an affidavit reasonably satisfactory to Borrower of an officer of any Lender as to the loss, theft, destruction or mutilation of its Note which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon cancellation of such Note, Borrower will execute and deliver, in lieu thereof, a replacement Note in the same principal amount thereof and otherwise of like tenor.

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 Borrower so identified when

delivered, provided, however, that this restriction shall not apply to (a) information which has at the time in question entered the public domain, other than as a result of a breach of this Section 10.6, (b) information which is required to be disclosed by Law (whether valid or invalid) of any Tribunal, (c) any disclosure to any Lender Party's Affiliates, auditors, attorneys or agents (provided each such Person first agrees to hold such information in confidence on the terms provided in this Section 10.6), (d) any disclosure 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 Person first agrees to hold such information in confidence on the terms provided in this section), or (e) any disclosure in the course of enforcing its rights and remedies during the existence of an Event of Default. Notwithstanding anything herein to the contrary, confidential information shall not include, and each Lender Party and Borrower may disclose and may permit to be disclosed to any and all Persons, without limitation of any kind, the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are or have been provided to such Lender Party or Borrower relating to such tax treatment and tax structure.

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. EACH 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 ADMINISTRATIVE 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, Borrower and any 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 create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be contracted for, charged, or received by applicable Law from time to time in effect. Neither Borrower 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 contracted for, charged, or received 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. Lender Parties expressly disavow any intention to contract for, charge, or receive excessive unearned interest or finance charges in the event the maturity of any Obligation is accelerated. If (a) the maturity of any Obligation is accelerated for any reason, (b) any Obligation is prepaid and as a result any amounts held to constitute interest are determined to be in excess of the legal maximum, or (c) any Lender or any other holder of any or all of the Obligations shall otherwise collect moneys which are determined to constitute interest which would otherwise increase the interest on any or all of the Obligations to an amount in excess of that permitted to be contracted for, charged or received by applicable Law then in effect, then all sums determined to constitute interest in excess of such legal limit shall, without penalty, be promptly applied to reduce the then outstanding principal of the related Obligations or, at such Lender's or holder's option, promptly returned to Borrower or other payor thereof upon such determination. In determining whether or not the interest paid or payable, under any specific circumstance, exceeds the maximum amount permitted under applicable Law, Lender Parties and Borrower (and any other payors thereof) shall to the greatest extent permitted under applicable Law, (i) characterize any non-principal payment as an expense, fee or premium rather than as interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread the total amount of interest throughout the entire contemplated term of the instruments evidencing the Obligations in accordance with the amounts outstanding from time to time

thereunder and the maximum legal rate of interest from time to time in effect under applicable Law in order to lawfully charge the maximum amount of interest permitted under applicable Law. In the event applicable Law provides for an interest ceiling under Chapter 303 of the Texas Finance Code (the "Texas Finance Code") as amended, to the extent that the Texas Finance Code is mandatorily applicable to any Lender, for that day, the ceiling shall be the "weekly ceiling" as defined in the Texas Finance Code, provided that if any applicable Law permits greater interest, the Law

permitting the greatest interest shall apply. In no event shall Chapter 346 of the Texas Finance Code apply to this Agreement or any other Loan Document, or any transactions or loan arrangement provided or contemplated hereby or thereby.

Section 10.9. Right of Offset. At any time and from time to time during the continuance of any Event of Default, each Lender is hereby authorized to offset against the Obligations then due and payable (without notice to Borrower), (a) any and all moneys, securities or other property (and the proceeds therefrom) of Borrower now or hereafter held or received by or in transit to any Lender from or for the account of Borrower, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final) of Borrower with any Lender, and (c) any other credits and claims of Borrower at any time existing against any Lender, including claims under certificates of deposit.

Section 10.10. 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 Borrower 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 10.11. 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 10.12. 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 10.13. Waiver of Jury Trial, Punitive Damages, etc. **BORROWER AND LENDER PARTIES MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HEREWITH OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR LENDERS TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND MAKE THE LOANS. 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 10.14. Replacement Credit Facility. Borrower states and acknowledges that this Agreement is entered into by it in replacement of that certain Second Amended and Restated Credit Agreement [Letter of Credit and Hedged Inventory Facility] dated July 2, 2002 (the "Expiring LC Facility"), among Borrower, Fleet National Bank as administrative agent and the lenders party thereto. Borrower further states, acknowledges and agrees that the preceding sentence does not and shall not alter or otherwise modify in any regard, directly or indirectly, expressly or impliedly or otherwise, (i) any termination of the Expiring LC Facility or, among other things, the termination of the Liens created to secure the Expiring LC Facility or (ii) the terms, provisions and conditions expressly set forth in, and contemplated by, this Agreement, or the transactions contemplated hereby, which in each case shall be governed solely by the terms, provisions and conditions of this Agreement and the other Loan Documents without regard to this Section 10.14; and for the avoidance of any doubt, such preceding sentence does not and shall not alter or modify in any regard, directly or indirectly, expressly or impliedly or otherwise, the discretionary and un-committed nature of the credit facility referred to herein.

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

Borrower: PLAINS MARKETING, L.P.

By: PLAINS MARKETING GP INC.,

its general partner

By: _____
Al Swanson, Treasurer

Address for Borrower:

333 Clay Street, Suite 1600
Houston, Texas 77002
Attention: Al Swanson
Telephone: (713) 646-4455
Fax: (713) 646-4564

PAA Website: www.paalp.com

FLEET NATIONAL BANK,
Administrative Agent, LC Issuer and a Lender

By: _____
Terrence Ronan, Managing Director

FLEET SECURITIES, INC.,
Lead Arranger and Book Manager

By: _____
Michael P. Hannon, Managing Director

BNP PARIBAS, a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

SOCIETE GENERALE, a Lender

By _____
Name:
Title:

SCHEDULE 1

LENDER SCHEDULE

Lender	Percentage Share of Maximum Facility Amount	Percentage Share(1)
Fleet National Bank	$ 100,000,000.00	50.000000%
BNP Paribas	$ 75,000,000.00	37.500000%
Societe Generale	$ 25,000,000.00	12.500000%
TOTALS	$ 200,000,000.00	100.000000%

(1) Rounded to six decimal places

LENDER INFORMATION

Lender	Contact	Domestic Lending Office	LIBOR Lending Office
Fleet National Bank	100 Federal Street Energy & Utilities MADE 10009H vice MADE 10008D Boston, Massachusetts 02110 Attn: Terrence Ronan Phone: 617-434-5472 Fax: 617-434-3652	100 Federal Street Boston, Massachusetts 02110	100 Federal Street Boston, Massachusetts 02110
BNP Paribas	787 7th Avenue New York, New York 10019 Attn: Ed Chin Phone: 212-841-2020 Fax: 212-841-2536	787 7th Avenue New York, New York 10019	787 7th Avenue New York, New York 10019
Societe Generale	1221 Avenue of the Americas New York, New York 10020 Attn: Jordan Nenoff Phone: 212-278-7407 Fax: 212-278-7417	1221 Avenue of the Americas New York, New York 10020	1221 Avenue of the Americas New York, New York 10020

SCHEDULE 3

SECURITY SCHEDULE

1. Security Agreement of even date herewith by Borrower in favor of Administrative Agent, for the benefit of Lenders, covering Hedged Eligible Inventory, Hedging Contracts, Petroleum Product sales contracts and Accounts therefrom and proceeds thereof as from time to time specified by Borrower (the "Security Agreement").

2. UCC-1 Financing Statement naming Borrower as debtor and Administrative Agent as secured party, covering the Collateral described in the Security Agreement.

SCHEDULE 4

PRICING GRID

Applicable Rating Level	Applicable Margin Base Rate Loans	Applicable Margin LIBOR Loans and LC Fee Rate
Level I	0.000%	0.375%
Level II	0.000%	0.500%
Level III	0.000%	0.750%
Level IV	0.000%	1.000%

SCHEDULE 5

CURRENTLY APPROVED PERSONS AND FACILITIES

EXHIBIT A

NOTE

$ New York, New York , 200

FOR VALUE RECEIVED, the undersigned, Plains Marketing, L.P., a Delaware limited partnership (herein called "Borrower"), hereby promises to pay to the order of (herein called "Lender"), the principal sum of ($), or, if greater or less, the aggregate unpaid principal amount of the Loans made under this Note by Lender to Borrower pursuant to the terms of the Credit Agreement (as hereinafter defined), together with interest on the unpaid principal balance thereof as hereinafter set forth, both principal and interest payable as herein provided in lawful money of the United States of America at the offices of Administrative Agent under the Credit Agreement, as from time to time may be designated by the holder of this Note.

This Note (a) is issued and delivered under that certain Credit Agreement dated November 21, 2003 among Borrower, Fleet National Bank, as Administrative Agent, and the lenders (including Lender) referred to therein (herein, as from time to time supplemented, amended or restated, called the "Credit Agreement"), and is a "Note" as defined therein, (b) is subject to the terms and provisions of the Credit Agreement, which contains provisions for payments and prepayments hereunder and acceleration of the maturity hereof upon the happening of certain stated events, and (c) is guaranteed by and entitled to the benefits of certain guaranties (as identified in the Credit Agreement). Payments on this Note shall be made and applied as provided herein and in the Credit Agreement. Reference is hereby made to the Credit Agreement for a description of certain rights, limitations of rights, obligations and duties of the parties hereto and for the meanings assigned to terms used and not defined herein and to the guaranties for a description of the nature and extent of the guarantee thereby provided and the rights of the parties thereto.

The principal amount of this Note shall bear interest and shall be due and payable from time to time as provided in the Credit Agreement with the remaining unpaid principal balance of this Note being due and payable in full on or before the Maturity Date. Accrued and unpaid interest hereon shall be due and payable on each Interest Payment Date as provided in the Credit Agreement and on the Maturity Date.

Notwithstanding the foregoing paragraph and all other provisions of this Note, in no event shall the interest payable hereon, whether before or after maturity, exceed the maximum interest which, under applicable Law, may be charged on this Note, and this Note is expressly made subject to the provisions of the Credit Agreement which more fully set out the limitations on how interest accrues hereon.

If this Note is placed in the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court or in any bankruptcy, receivership, debtor relief, probate or other court proceedings, Borrower and

all endorsers, sureties and guarantors of this Note jointly and severally agree to pay reasonable attorneys' fees and collection costs to the holder hereof in addition to the principal and interest payable hereunder.

Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment, notice of demand and of dishonor and nonpayment of this Note, protest, notice of protest, notice of intention to accelerate the maturity of this Note, declaration or notice of acceleration of the maturity of this Note, diligence in collecting, the bringing of any suit against any party and any notice of or defense on account of any extensions, renewals, partial payments or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

THIS NOTE AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW), EXCEPT TO THE EXTENT THE SAME ARE GOVERNED BY APPLICABLE FEDERAL LAW.

PLAINS MARKETING, L.P.

By: PLAINS MARKETING GP INC.,
its general partner

By: _____
Name:
Title:

EXHIBIT B-1

FINANCING REQUEST-INITIAL

Reference is made to that certain Credit Agreement dated November 21, 2003 among Plains Marketing, L.P. ("Borrower"), Fleet National Bank, as Administrative Agent, and certain financial institutions ("Lenders"). Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

Pursuant to the terms of the Agreement, Borrower hereby requests Lenders to finance Cash and Carry Purchases or storage of Hedged Eligible Inventory as set forth on the attached Schedule, by participating in Letters of Credit to secure such Cash and Carry Purchases and/or make Loans to finance such Cash and Carry Purchases or storage of such Hedged Eligible Inventory for the following:

Delivery Month: , 200

Sale/Purchase Month: , 200

Funding Date (Settlement Date for Delivery Month): , 200

Hedged Value of Hedged Eligible Inventory: $

Initial Financing Request (90% of Hedged Value): $

To induce Lenders to commit to finance such Cash and Carry Purchases or storage of such Hedged Eligible Inventory, Borrower hereby represents, warrants, acknowledges, and agrees to and with Administrative Agent and each Lender that:

(a) The officer or authorized agent of GP Inc. signing this instrument is the duly elected, qualified and acting officer or authorized agent of GP Inc. as indicated below such officer's signature hereto having all necessary authority to act for the Borrower.

(b) The representations and warranties of Borrower set forth in the Agreement and the other Loan Documents are true and correct on and as of the date hereof (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, then in each such case, such other date), with the same effect as though such representations and warranties had been made on and as of the date hereof.

(c) There does not exist on the date hereof any condition or event which constitutes a Default which has not been waived in writing as provided in Section 10.1(a) of the Agreement; nor will any such Default exist upon receipt and application of the financing requested hereby. Borrower will use all Letters of Credit and Loans hereby requested in compliance with Section 2.5 of the Agreement.

(d) The Facility Usage, after the issuance of Letters of Credit and/or the making of the requested Loans contemplated hereby, will not be in excess of the Maximum Facility Amount on the date requested for the issuance of such Letters of Credit or the making of such Loans.

(e) The Petroleum Products inventory described on the attached Schedule, when purchased by Borrower, will (i) qualify as Hedged Eligible Inventory as defined in the Agreement, (ii) be located at the Approved Locations set forth on the attached Schedule and (iii) be subject to the Hedging Contracts listed on the attached Schedule, with the Hedged Value set forth thereon. Borrower hereby grants a lien on and security interest in all Petroleum Products listed on the attached Schedule, the related Hedging Contracts specified thereon, to the extent such Hedging Contracts pertain or relate to such Petroleum Products, all sales contracts now or hereafter entered into with respect to such Petroleum Products, to the extent such sales contracts pertain or relate to such Petroleum Products, all Accounts arising therefrom, and all proceeds thereof, in favor of Administrative Agent for the benefit of Lenders, and expressly acknowledges and agrees that all such Petroleum Products, Hedging Contracts, sales contracts, Accounts and proceeds constitute "Collateral" as defined in the Security Agreement, and Borrower and Administrative Agent, by its acceptance hereof, hereby agree that the Security Agreement, and the definition of "Collateral" set forth therein, is hereby supplemented hereby.

(f) The Loan Documents have not been modified, amended or supplemented by any unwritten representations or promises, by any course of dealing, or by any other means not provided for in Section 10.1(a) of the Agreement. The Agreement and the other Loan Documents are hereby ratified, approved, and confirmed in all respects.

The officer or authorized agent of GP Inc. signing this instrument hereby certifies that, to the best of his knowledge after due inquiry, the above representations, warranties, acknowledgments, and agreements of Borrower are true, correct and complete in all material respects.

IN WITNESS WHEREOF, this instrument is executed as of , .

PLAINS MARKETING, L.P.

By: PLAINS MARKETING GP INC.,
its general partner

By: _____
Name:
Title:

EXHIBIT B-2

FINANCING REQUEST-FINAL

Reference is made to that certain Credit Agreement dated November 21, 2003 among Plains Marketing, L.P. ("Borrower"), Fleet National Bank, as Administrative Agent, and certain financial institutions ("Lenders"). Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

Pursuant to the terms of the Agreement and that certain Financing Request-Initial dated , 200 (the "Initial Request), Borrower hereby amends and supplements such Initial Request and the Schedule thereto as follows:

Delivery Month: , 200

Sale/Purchase Month: , 200

Funding Date (Settlement Date for Delivery Month): , 200

Sale Value of Hedged Eligible Inventory: $

Final Financing Request: $
(90% of lesser of (i) Sale Value and
(ii) 110% of Hedged Value as set forth in Initial Request)

[In addition, Borrower hereby requests each Participating Lender consent to financing its Percentage Share of an additional amount equal to the amount by which the Sale Value of such Financed Hedged Eligible Inventory as set forth on the attached Schedule exceeds 110% of the Hedged Value of such Financed Hedged Eligible Inventory as set forth in the Initial Request].

To induce Participating Lenders to make such Loans, Borrower hereby represents, warrants, acknowledges, and agrees to and with Administrative Agent and each Participating Lender that:

(a) The officer or authorized agent of GP Inc. signing this instrument is the duly elected, qualified and acting officer or authorized agent of GP Inc. as indicated below such officer's signature hereto having all necessary authority to act for the Borrower.

(b) The representations and warranties of Borrower set forth in the Agreement and the other Loan Documents are true and correct on and as of the date hereof (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, then in each such case, such other date), with the same effect as though such representations and warranties had been made on and as of the date hereof.

(c) There does not exist on the date hereof any condition or event which constitutes a Default which has not been waived in writing as provided in Section 10.1(a) of the Agreement; nor will any such Default exist upon receipt and application of the Loans requested hereby. Borrower will use the Loans hereby requested in compliance with Section 2.5 of the Agreement.

(d) The Facility Usage, after the making of the Loans requested hereby, will not be in excess of the Maximum Facility Amount on the date requested for the making of such Loans.

(e) The Petroleum Products inventory described on the attached Schedule (i) qualifies as Hedged Eligible Inventory as defined in the Agreement, (ii) is located at the Approved Locations set forth on the attached Schedule, (iii) is subject to the Hedging Contracts listed on the attached Schedule, (iv) is subject to the sales contracts listed on the attached Schedule, with the Sale Value set forth thereon. Borrower hereby grants a lien on and security interest in all Petroleum Products listed on the attached Schedule, the related Hedging Contracts specified thereon, to the extent such Hedging Contracts pertain or relate to such Petroleum Products, the sales contracts listed on the attached Schedule and all other sales contracts now or hereafter entered into with respect to such Petroleum Products, to the extent such sales contracts pertain or related to such Petroleum Products, all Accounts arising therefrom, and all proceeds thereof, in favor of Administrative Agent for the benefit of Lenders, and expressly acknowledges and agrees that all such Petroleum Products, Hedging Contracts, sales contracts, Accounts and proceeds constitute "Collateral" as defined in the Security Agreement, and Borrower and Administrative Agent, by its acceptance hereof, hereby agree that the Security Agreement, and the definition of "Collateral" set forth therein, is hereby supplemented hereby.

(f) The Loan Documents have not been modified, amended or supplemented by any unwritten representations or promises, by any course of dealing, or by any other means not provided for in Section 10.1(a) of the Agreement. The Agreement and the other Loan Documents are hereby ratified, approved, and confirmed in all respects.

The officer or authorized agent of GP Inc. signing this instrument hereby certifies that, to the best of his knowledge after due inquiry, the above representations, warranties, acknowledgments, and agreements of Borrower are true, correct and complete in all material respects.

IN WITNESS WHEREOF, this instrument is executed as of , .

PLAINS MARKETING, L.P.

By: PLAINS MARKETING GP INC.,
its general partner

By: _____
Name:
Title:

EXHIBIT B-3

BORROWING NOTICE

Reference is made to that certain Credit Agreement dated November 21, 2003 among Plains Marketing, L.P. ("Borrower"), Fleet National Bank, as Administrative Agent, and certain financial institutions ("Lenders"). Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

Pursuant to the terms of the Agreement and that certain Financing Request-Final dated , 200 (the "Final Request"), Borrower hereby requests the Participating Lenders set forth below to make Loans to Borrower in the aggregate principal amount of $ and specifies the Funding Date set forth below as the date Borrower desires for Lenders to make such Loans and for Administrative Agent to deliver to Borrower the proceeds thereof.

Delivery Month: , 200

Participating Lenders:

Funding Date (Settlement Date for Delivery Month): , 200

Type of Loan: [LIBOR Loans] [Base Rate Loans]

Length of Interest Rate for LIBOR Loan (1 month):

To induce Participating Lenders to make such Loans, Borrower hereby represents, warrants, acknowledges, and agrees to and with Administrative Agent and each Participating Lender that:

(a) The officer or authorized agent of GP Inc. signing this instrument is the duly elected, qualified and acting officer or authorized agent of GP Inc. as indicated below such officer's signature hereto having all necessary authority to act for the Borrower.

(b) The representations and warranties of Borrower set forth in the Agreement and the other Loan Documents, including the Final Request) are true and correct on and as of the date hereof (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, then in each such case, such other date), with the same effect as though such representations and warranties had been made on and as of the date hereof.

(c) There does not exist on the date hereof any condition or event which constitutes a Default which has not been waived in writing as provided in Section 10.1(a) of the Agreement; nor will any such Default exist upon receipt and application of the

Loans requested hereby. Borrower will use the Loans hereby requested in compliance with Section 2.5 of the Agreement.

(d) The Facility Usage, after the making of the Loans requested hereby, will not be in excess of the Maximum Facility Amount on the date requested for the making of such Loans.

(e) The Loans requested hereby will not be in excess of 90% of the lesser of (i) the Sale Value of the Hedged Eligible Inventory as set forth in the Final Request and (ii) 110% of Hedged Value as set forth in Initial Request (as defined in the Final Request).

(f) The Loan Documents have not been modified, amended or supplemented by any unwritten representations or promises, by any course of dealing, or by any other means not provided for in Section 10.1(a) of the Agreement. The Agreement and the other Loan Documents are hereby ratified, approved, and confirmed in all respects.

The officer or authorized agent of GP Inc. signing this instrument hereby certifies that, to the best of his knowledge after due inquiry, the above representations, warranties, acknowledgments, and agreements of Borrower are true, correct and complete in all material respects.

IN WITNESS WHEREOF, this instrument is executed as of , .

PLAINS MARKETING, L.P.

By: PLAINS MARKETING GP INC.,
its general partner

By: _____
Name:
Title:

EXHIBIT C

CONTINUATION/CONVERSION NOTICE

Reference is made to that certain Credit Agreement dated November 21, 2003 among Plains Marketing, L.P. ("Borrower"), Fleet National Bank, as Administrative Agent, and certain financial institutions ("Lenders"). Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

Borrower hereby requests a conversion or continuation of existing Loans into a new Borrowing pursuant to Section 2.4 of the Agreement as follows:

Existing Borrowing(s) of Loans to be Continued or Converted:

$ of LIBOR Loans with Interest Period ending

$ of Base Rate Loans

Aggregate amount of new Borrowing: $

Type of Loans in new Borrowing:

Date of Continuation or Conversion:

Length of Interest Period for LIBOR Loans
(1, 2, 3, 6, or 12 months): months

Borrower hereby represents, warrants, acknowledges, and agrees to and with each Lender that:

(a) The officer or authorized agent of GP Inc. signing this instrument is the duly elected, qualified and acting officer or authorized agent of GP Inc. as indicated below such officer's signature hereto having all necessary authority to act for the Borrower.

(b) There does not exist on the date hereof any condition or event which constitutes a Default which has not been waived in writing as provided in Section 10.1(a) of the Agreement; nor will any such Default exist upon receipt and application of the Loans requested hereby.

(c) The Loan Documents have not been modified, amended or supplemented by any unwritten representations or promises, by any course of dealing, or by any other means not provided for in Section 10.1(a) of the Agreement. The Agreement and the other Loan Documents are hereby ratified, approved, and confirmed in all respects.

The officer or authorized agent of GP Inc. signing this instrument hereby certifies that, to the best of his knowledge after due inquiry, the above representations, warranties, acknowledgments, and agreements of Borrower are true, correct and complete in all material respects.

IN WITNESS WHEREOF, this instrument is executed as of , .

PLAINS MARKETING, L.P.

By: PLAINS MARKETING GP INC.,
its general partner

By: _____
Name:
Title:

EXHIBIT D-1

OPINION OF IN-HOUSE COUNSEL TO BORROWER

EXHIBIT D-2

OPINION OF FULBRIGHT & JAWORSKI, L.L.P., COUNSEL TO BORROWER

EXHIBIT E

LETTER OF CREDIT APPLICATION AND AGREEMENT

EXHIBIT F

Irrevocable Standby Letter of Credit DATE:

BENEFICIARY CONFIRMING OUR CABLE OF TODAY

Credit Number:

Dear Sir or Madam:

BY ORDER OF:
PLAINS MARKETING, L.P.

HOUSTON, TX 77002

We hereby open in your favor our Irrevocable Standby Letter of Credit for the account of PLAINS MARKETING, L.P. for a sum of approximately US DOLLARS ( ) available by your draft(s) at SIGHT on OURSELVES effective and expiring at OUR COUNTERS on .

DRAFTS MUST BE ACCOMPANIED BY:

1. COPY(IES) OF COMMERCIAL INVOICE(S) MARKED "UNPAID" ISSUED TO PLAINS MARKETING, L.P. COVERING CRUDE OIL DELIVERED IN , .

2. WARRANTY OF TITLE ISSUED TO PLAINS MARKETING, L.P. AND SIGNED BY AN AUTHORIZED REPRESENTATIVE OF CERTIFYING THAT "IN CONSIDERATION OF YOUR PAYMENT OF THE ATTACHED INVOICE, WE HEREBY EXPRESSLY WARRANT THAT WE HAD MARKETABLE TITLE TO SUCH MATERIAL, AND THAT WE HAD FULL RIGHT AND AUTHORITY TO TRANSFER AND EFFECT DELIVERY OF SUCH MATERIAL TO YOU OR YOUR ASSIGNS AND HEREBY AGREE TO PROTECT, INDEMNIFY AND HOLD PLAINS MARKETING, L.P. HARMLESS FROM AND AGAINST ANY AND ALL COSTS, DAMAGES, EXPENSES, AND CLAIMS, INCLUDING BUT NOT LIMITED TO REASONABLE ATTORNEY'S FEES, WHICH YOU MIGHT SUFFER OR INCUR ARISING OR RESULTING FROM ANY BREACH OF THE ABOVE WARRANTY."

3. A STATEMENT SIGNED BY AN AUTHORIZED REPRESENTATIVE OF STATING THAT: HEREBY CERTIFIES THAT INVOICED QUANTITIES OF

PRODUCT HAVE BEEN DELIVERED FREE AND CLEAR OF ALL LIENS AND ENCUMBRANCES TO PLAINS MARKETING, L.P. WHICH HAS FAILED TO PAY FOR THIS PRODUCT, AND THE MONIES HEREBY DRAWN ARE DUE AND PAYABLE.

SPECIAL CONDITIONS:

A. THIS LETTER OF CREDIT IS AVAILABLE FOR PAYMENT AT SIGHT BUT NOT PRIOR TO , .

B. THE AMOUNT AVAILABLE FOR DRAWING UNDER THIS LETTER OF CREDIT WILL BE REDUCED BY THE AMOUNT OF ANY PAYMENT(S) MADE OUTSIDE THIS LETTER OF CREDIT TO BY PLAINS MARKETING, L.P. FOR THIS PRODUCT IF SUCH PAYMENT(S) IS/ARE MADE THROUGH FLEET NATIONAL BANK, BOSTON, MA REFERENCING THIS LETTER OF CREDIT NUMBER.

C. ALL BANKING CHARGES OTHER THAN THOSE OF FLEET NATIONAL BANK ARE FOR THE ACCOUNT OF THE BENEFICIARY.

D. PARTIAL DRAWINGS AND PARTIAL SHIPMENTS ARE PERMITTED.

E. COMMERCIAL INVOICE(S) REFERENCED ABOVE IN EXCESS OF THE U.S. DOLLAR AMOUNT OF THIS LETTER OF CREDIT IS (ARE) ACCEPTABLE; HOWEVER, PAYMENT NOT TO EXCEED THE VALUE OF THIS LETTER OF CREDIT.

F. DOCUMENTS PRESENTED MORE THAN TWENTY-ONE DAYS AFTER THE TRANSPORT DATE BUT WITHIN THE VALIDITY OF THIS CREDIT ARE ACCEPTABLE.

Except so far as otherwise expressly stated herein, this letter of credit is subject to the "Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500."

We hereby agree that drafts drawn under and in compliance with the terms of this letter of credit will be duly honored if presented to the above-mentioned drawee bank on or before , .

The word "approximately", insofar as it refers to the amount of this credit, is to be construed as allowing a difference not to exceed 10% more or 10% less.

Kindly address all correspondence regarding this letter of credit to the attention of our Letter of Credit Operations, P.O. Box 1763, BOSTON, MA 02105, attention , mentioning our reference number as it appears above. Telephone inquiries can be made to at .

Very truly yours,

_____

EXHIBIT G

ASSIGNMENT AND ACCEPTANCE

Reference is made to that certain Credit Agreement dated as of November 21, 2003 (as from time to time amended, the "Agreement"), by and among Plains Marketing, L.P. ("Borrower"), Fleet National Bank, as Administrative Agent, and certain financial institutions ("Lenders"). Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

The "Assignor" and the "Assignee" referred to on Schedule 1 agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, without recourse and without representation or warranty except as expressly set forth herein, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Agreement and the other Loan Documents as of the date hereof equal to the percentage interest specified on Schedule 1 of all outstanding rights and obligations under the Agreement and the other Loan Documents with respect to the Loans and commitment, if any. After giving effect to such sale and assignment, the Assignee's amount of the Loans owing to the Assignee will be as set forth on Schedule 1.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or the performance or observance by Borrower of any of its obligations under the Loan Documents or any other instrument or document furnished pursuant thereto; and (iv) attaches the Note held by the Assignor and requests that Administrative Agent exchange such Note for [a new Note payable to the order of the Assignee] [new Notes in an amount equal to Assignee's Percentage Share of the Maximum Facility Amount assumed by the Assignee pursuant hereto and to the Assignor in an amount equal to its Percentage Share of the Maximum Facility Amount retained by the Assignor, if any], as specified on Schedule 1.

3. The Assignee (i) confirms that it has received a copy of the Agreement, together with copies of the financial statements referred to in Section 6.2 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon Administrative Agent, the Assignor or any other Lender 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 Agreement; (iii) confirms that it is an Eligible Transferee, (iv) appoints and authorizes Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Agreement as are delegated to Administrative Agent by the terms thereof, together with such powers and discretion

as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Agreement are required to be performed by it as a Lender; and (vi) attaches any U.S. Internal Revenue Service or other forms required under Section 10.5.

4. Following the execution of this Assignment and Acceptance, it will be delivered to Administrative Agent for acceptance and recording by Administrative Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by Administrative Agent, unless otherwise specified on Schedule 1.

5. Upon such acceptance and recording by Administrative Agent, as of the Effective Date, (i) the Assignee shall be a party to the Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Agreement.

6. Upon such acceptance and recording by Administrative Agent, from and after the Effective Date, Administrative Agent shall make all payments under the Agreement and the Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and commitment fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Agreement and the Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the Laws of the State of New York.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

SCHEDULE 1 to ASSIGNMENT AND ACCEPTANCE

Assignee's Percentage Share of Maximum Facility Amount:	$	
Assignee's Percentage Share:		%
Aggregate outstanding principal amount of Loans assigned:	$	
Principal amount of Note payable to Assignee:	$	
Principal amount of Note payable to Assignor (if retained):	$	]

Effective Date (if other than date of acceptance
by Administrative Agent: * , 200

[NAME OF ASSIGNOR], as Assignor

By: _____
Title:

Dated: , 200

[NAME OF ASSIGNEE], as Assignee

By: _____
Title:

Domestic Lending Office:
LIBOR Lending Office:

---

* This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to Administrative Agent.

Accepted this day of , 200

FLEET NATIONAL BANK

By: _____
Title:

[Approved this day of , 200

[PLAINS MARKETING, L.P.
By: PLAINS MARKETING GP INC., its general partner

By: _____
Title:

EXHIBIT 10.22

CREDIT AGREEMENT
[US/Canada Facilities]

PLAINS ALL AMERICAN PIPELINE, L.P., as US Borrower,

PMC (NOVA SCOTIA) COMPANY, as Canadian Borrower,
PLAINS ALL AMERICAN PIPELINE, L.P., as Guarantor,

FLEET NATIONAL BANK, as Administrative Agent,

and CERTAIN FINANCIAL INSTITUTIONS, as US Lenders

$425,000,000 Revolving Credit Facility

$170,000,000 Revolving Credit Facility

PLAINS MARKETING CANADA, L.P., as Canadian Working Capital Borrower,
PLAINS ALL AMERICAN PIPELINE, L.P., as Guarantor,

THE BANK OF NOVA SCOTIA, as Canadian Administrative Agent,

and CERTAIN FINANCIAL INSTITUTIONS, as Canadian Lenders

$30,000,000 Canadian Revolving Credit Facility

FLEET SECURITIES, INC., as Lead Arranger and Book Manager,

WACHOVIA BANK, NATIONAL ASSOCIATION and BANK ONE, NA
as Co-Syndication Agents, and

BANK OF AMERICA, N.A. and FORTIS CAPITAL CORP., as Co-Documentation Agents,

November 21, 2003

TABLE OF CONTENTS

Schedules and Exhibits:

CREDIT AGREEMENT
[US/Canada Facilities]

THIS CREDIT AGREEMENT [US/Canada Facilities] is made as of November 21, 2003, by and among PLAINS ALL AMERICAN PIPELINE, L.P., a Delaware limited partnership ("US Borrower"), PMC (NOVA SCOTIA) COMPANY, a Nova Scotia unlimited liability company ("Canadian Borrower"), and PLAINS MARKETING CANADA, L.P., an Alberta limited partnership ("Canadian Working Capital Borrower"), FLEET NATIONAL BANK, as administrative agent (in such capacity, "Administrative Agent"), WACHOVIA BANK, NATIONAL ASSOCIATION and BANK ONE, NA, as co-syndication agents (in such capacity, "Co-Syndication Agents"), BANK OF AMERICA, N.A. and FORTIS CAPITAL CORP., as co-documentation agents (in such capacity, "Co-Documentation Agents"), and THE BANK OF NOVA SCOTIA, as Canadian Administrative Agent (in such capacity, "Canadian Administrative Agent") and FLEET SECURITIES, INC., as lead arranger and book manager (in such capacity, "Lead Arranger and Book Manager") and the Lenders referred to below. In consideration of the mutual covenants and agreements contained herein the parties hereto agree as follows:

W I T N E S S E T H

In consideration of the mutual covenants and agreements contained herein and in consideration of the loans which may hereafter by made by Lenders and the Letters of Credit which may be made available by LC Issuer and Canadian LC Issuer to US Borrower, Canadian Borrower, and Canadian Working Capital Borrower and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, 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:

"Acquisition Period" means the period beginning, at the election of US Borrower, with the funding date of the purchase price for a Specified Acquisition and ending on the earliest of (a) the third following Fiscal Quarter end, (b) US Borrower's receipt of proceeds of a Specified Equity Offering; and (c) US Borrower's election in writing to terminate such Acquisition Period (provided, at the time of such election, the Debt Coverage Ratio shall not, on a pro forma basis, exceed 4.50 to 1.00); provided, however, if the Debt Coverage Ratio exceeds 4.50 to 1.00 at the end of the Fiscal Quarter ending next following such funding date, then the Acquisition Period shall be deemed to have commenced as of such funding date; provided, further, during any Acquisition Period, no additional Acquisition Period shall commence, nor shall such Acquisition Period be extended, by any subsequent Specified Acquisition until the current Acquisition Period shall have expired and US Borrower shall be in compliance with Section 7.8(ii).

"Administrative Agent" means Fleet National Bank, 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 to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agent" means (i) with respect to US Loans, Administrative Agent, (ii) with respect to Canadian Loans, Canadian Administrative Agent, and (iii) their respective successors in such capacity.

"Aggregate Percentage Share" means, with respect to a Lender, the percentage obtained by dividing (a) the sum of (i) such Lender's Lender Commitment plus (ii) if such Lender has no outstanding Canadian Commitment, the outstanding principal amount of US Loans to Canadian Borrower by such Lender (if any), divided by (b) the sum of (i) the Commitment plus (ii) the outstanding principal amount of US Loans to Canadian Borrower by all Lenders with no outstanding Canadian Commitment.

"Agreement" means this Credit Agreement.

"All American" means All American Pipeline, L.P., a Texas limited partnership.

"Applicable Lending Office" means, for each Lender and for each Type of Loan, the "Lending Office" of such Lender (or of an Affiliate of such Lender) designated for such Type of Loan on the Lender Schedule or such other office of such Lender (or an Affiliate of such Lender) as such Lender may from time to time specify to Administrative Agent or Canadian Administrative Agent, as applicable, and US Borrower by written notice in accordance with the terms hereof as the office by which its Loans of such Type are to be made and maintained.

"Applicable Margin" means, as to any Type of Loan, the percent per annum set forth on the Pricing Grid as the "Applicable Margin" for such Type of Loan, based on the Applicable Rating Level in effect on such date. Changes in the Applicable Margin will occur automatically without prior notice as changes in the Applicable Rating Level occur. Administrative Agent will give notice promptly to Borrowers, Canadian Administrative Agent and Lenders of changes in the Applicable Margin.

"Applicable Rating Level" means for any day, the level set forth below that corresponds to the PAA Debt Rating by the Ratings Agencies applicable on such day; provided, in the event the PAA Debt Rating by the Ratings Agencies differs by one level, the higher PAA Debt Rating shall apply; provided further, in the event the PAA Debt Rating by the Ratings Agencies differs by more than one level, the PAA Debt Rating one level above the lower PAA Debt Rating shall apply; provided, notwithstanding the foregoing, the Applicable Rating Level for the period from the date hereof through and including February 21, 2004 shall be Level III. As used in this definition, "≥" means a rating equal to or more favorable than and "<" means a rating less favorable than.

Rating Level	S&P	Moody's
Level I	≥ BBB+	≥ Baa1
Level II	BBB	Baa2
Level III	BBB-	Baa3
Level IV	< BBB-	< Baa3

If either of the Rating Agencies shall not have in effect a PAA Debt Rating or if the rating system of either of the Rating Agencies shall change, or if either of the Rating Agencies shall cease to be in the business of rating corporate debt obligations, US Borrower and Majority 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 PAA Debt Rating by the remaining Rating Agency.

"BA Discount Rate" means, in respect of a BA being accepted by a Canadian Lender on any date, (i) for a Canadian Lender that is listed in Schedule I to the *Bank Act* (Canada), the average bankers' acceptance rate as quoted on Reuters CDOR page (or such other page as may, from time to time, replace such page on that service for the purpose of displaying quotations for bankers' acceptances accepted by leading Canadian financial institutions) at approximately 10:00 a.m. (Toronto, Ontario time) on such drawdown date for bankers' acceptances having a comparable maturity date as the maturity date of such BA (the "CDOR Rate"); or, if such rate is not available at or about such time, the average of the bankers' acceptance rates (expressed to five decimal places) as quoted to the Canadian Administrative Agent by the Schedule I BA Reference Banks as of 10:00 a.m. (Toronto, Ontario time) on such drawdown date for bankers' acceptances having a comparable maturity date as the maturity date of such BA; and (ii) for a Canadian Lender that is listed in Schedule II to the *Bank Act* (Canada) or a Canadian Lender that is listed in Schedule III to the *Bank Act* (Canada) that is not subject to the restrictions and requirements referred to in subsection 524 (2) of the *Bank Act* (Canada), the rate established by the Canadian Administrative Agent to be the lesser of (A) the CDOR Rate plus 10 Basis Points and (B) the average of the bankers' acceptance rates (expressed to five decimal places) as quoted to the Canadian Administrative Agent by the Schedule II BA Reference Banks as of 10:00 a.m. (Toronto, Ontario time) on such drawdown date for bankers' acceptances having a comparable maturity date as the maturity date of such BA.

"BA Equivalent Advance" means a Canadian Advance provided hereunder by a Canadian Lender in lieu of accepting and purchasing a BA pursuant to Section 2.16(f).

"Bankers' Acceptance" or "BA" means a non-interest bearing bill of exchange on a Canadian Lender's usual form (or a bill of exchange within the meaning of the Bill of Exchange Act Canada), or a depository bill within the meaning of the Depository Bills and Notes Act (Canada), denominated in Canadian Dollars, drawn by or on behalf of Canadian Working Capital Borrower, for a term selected by Canadian Working Capital Borrower of either one, two, three or six months (as reduced or extended by Canadian Administrative Agent, acting reasonably, to allow the maturity thereof to fall on a Business Day) payable in Canada, and accepted by a Canadian Lender in accordance with this Agreement.

"Bankruptcy and Insolvency Act (Canada)" means the *Bankruptcy and Insolvency Act*, S.C. 1992, c. 27, including the regulations made and, from time to time, in force under that Act.

"Base Rate" means the higher of (i) the variable per annum rate of interest so designated from time to time by Administrative Agent as its "prime rate", or (ii) the Federal Funds Rate plus one-half percent (0.5%) per annum. The "prime rate" is a reference rate and does not necessarily represent the lowest or best rate being charged to any customer. Changes in the Base Rate resulting from changes in the "prime rate" shall take place immediately without notice or demand of any kind.

"Base Rate Loan" means a US Loan to US Borrower or to Canadian Borrower which does not bear interest at a rate based upon the LIBOR Rate.

"Borrowers" means, collectively, US Borrower, Canadian Borrower, and Canadian Working Capital Borrower, and their successors and assigns, in each case, so long as it is permitted to borrow hereunder or request the issuance of a Letter of Credit; "Borrower" means, individually, any of such Persons.

"Borrowing" means a borrowing of new Loans of a single Type pursuant to Section 2.2 or a Continuation or Conversion of existing Loans into a single Type (and, in the case of LIBOR Loans, with the same Interest Period) pursuant to Section 2.3 or the acceptance or purchase by Canadian Lenders of Bankers' Acceptances issued by Canadian Working Capital Borrower under Section 2.16.

"Borrowing Notice" means a written or telephonic request, or a written confirmation, made by a Borrower which meets the requirements of Section 2.2.

"Business Day" means: (i) with respect to Canadian Obligations a Canadian Business Day, and (ii) with respect to all other Obligations, a US Business Day.

"Canadian Administrative Agent" means The Bank of Nova Scotia.

"Canadian Advances" has the meaning given to such term in Section 2.1(c).

"Canadian Borrower" means PMC (Nova Scotia) Company, a Nova Scotia unlimited liability company.

"Canadian Business Day" means any day, other than a Saturday, Sunday or day which shall be in the Provinces of Ontario, Quebec or Alberta a legal holiday or day on which banking institutions are required or authorized to close.

"Canadian Commitment " means $170,000,000, as such Canadian Commitment may be increased from time to time pursuant to Section 2.1(d) or reduced from time to time pursuant to Section 2.5(b)(iv). Each US Lender's Canadian Commitment shall be the amount set forth on the Lender Schedule, as such US Lender's Canadian Commitment may be increased from time to time pursuant to Section 2.1(d).

"Canadian Commitment Fee Rate" means, on any day, the rate per annum set forth on the Pricing Grid as the "Canadian Commitment Fee Rate" based on the Applicable Rating Level on

such date. Changes in the applicable Canadian Commitment Fee Rate will occur automatically without prior notice as changes in the Applicable Rating Level occur. Administrative Agent will give notice promptly to Canadian Borrower and US Lenders of any change (and its effective date) in the Applicable Rating Level and the applicable Canadian Commitment Fee Rate.

"Canadian Commitment Period" means the period from and including the date hereof until the Canadian Conversion Date (or, if earlier, the day on which the obligations of US Lenders to make US Loans to Canadian Borrower hereunder pursuant to Section 2.1(b) and the obligation of US LC Issuer to issue US Letters of Credit at the request of Canadian Borrower pursuant to Section 2.11 has been terminated or the day on which any of the Canadian Notes first becomes due and payable in full).

"Canadian Conversion Date" means November 20, 2004, or such later day to which the Canadian Conversion Date is extended pursuant to Section 2.6.

"Canadian Dollars" and "C$" means the lawful currency of Canada.

"Canadian Facility Usage" means, at the time in question, the aggregate amount of US Loans to Canadian Borrower pursuant to Section 2.1(b) and US LC Obligations with respect to US Letters of Credit issued at the request of Canadian Borrower pursuant to Section 2.11 outstanding at such time.

"Canadian LC Issuer" means The Bank of Nova Scotia in its capacity as the issuer of Canadian Letters of Credit hereunder, and its successors in such capacity. Canadian Administrative Agent may, with the consent of Canadian Working Capital Borrower and the Canadian Lender in question, appoint any Canadian Lender hereunder as a Canadian LC Issuer in place of or in addition to The Bank of Nova Scotia.

"Canadian LC Obligations" means, at the time in question, the sum of all Matured Canadian LC Obligations plus the maximum amounts which Canadian LC Issuer might then or thereafter be called upon to advance under all Canadian Letters of Credit then outstanding.

"Canadian Lenders" means each signatory hereto designated as a Canadian Lender, and the successors and permitted assigns of each such party as holder of a Canadian Working Capital Note.

"Canadian Lender Parties" means Canadian Administrative Agent, Canadian LC Issuer, and Canadian Lenders.

"Canadian Letter of Credit" means any letter of credit issued by Canadian LC Issuer hereunder at the application of Canadian Working Capital Borrower pursuant to Section 2.11.

"Canadian Letter of Credit Fee Rate" means, on any day, the rate per annum set forth on the Pricing Grid as the "Canadian LC Fee Rate" based on the Applicable Rating Level on such date. Changes in the applicable Canadian Letter of Credit Fee Rate will occur automatically without prior notice as changes in the Applicable Rating Level occur. Administrative Agent will give notice promptly to Canadian Administrative Agent of any change (and its effective date) in the Applicable Rating Level, and Canadian Administrative Agent will in turn give notice

promptly to Canadian Working Capital Borrower and Canadian Lenders of such change in the Applicable Rating Level and the applicable Canadian Letter of Credit Fee Rate.

"Canadian Loans" has the meaning given such term in Section 2.1(c) hereof.

"Canadian Notes" has the meaning given such term in Section 2.1(b) hereof.

"Canadian Obligations" means all Liabilities from time to time owing by any Restricted Person to any Lender Party under or pursuant to any of the Canadian Advances, Canadian Working Capital Notes and Canadian Letters of Credit, including all Canadian LC Obligations owing thereunder, or under or pursuant to any guaranty of the obligations of Canadian Working Capital Borrower under the Loan Documents. "Canadian Obligation" means any part of the Canadian Obligations.

"Canadian Prime Rate" means on any day a fluctuating rate of interest per annum equal to the higher of (i) the rate of interest per annum most recently announced by Canadian Administrative Agent as its reference rate for Canadian Dollar commercial demand loans made to a Person in Canada; and (ii) Canadian Administrative Agent's discount rate for Bankers' Acceptances having a maturity of one month plus one-half percent (0.5%) per annum. Changes in the Canadian Prime Rate resulting from changes in the foregoing described reference rate or discount rate shall take place immediately without notice or demand of any kind.

"Canadian Prime Rate Loan" means a Canadian Loan which bears interest at a rate based upon the Canadian Prime Rate.

"Canadian Term Loan" has the meaning given it in Section 2.7.

"Canadian Term Loan Maturity Date" means the date which is five years and one day after the Canadian Conversion Date.

"Canadian US Dollar Base Rate" means for a day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the rate of interest per annum most recently established by Canadian Administrative Agent as its reference rate for US Dollar commercial loans made to a Person in Canada. Any change in the Canadian US Dollar Base Rate due to a change in the Canadian Administrative Agent's reference rate shall be effective on the effective date of such change.

"Canadian Working Capital Borrower" means Plains Marketing Canada, L.P., an Alberta limited partnership.

"Canadian Working Capital Commitment" means the Dollar Equivalent of $30,000,000, as such Canadian Working Capital Commitment may be increased from time to time pursuant to Section 2.1(d) or reduced from time to time pursuant to Section 2.5(b)(iv). The Dollar Equivalent of each Canadian Lender's Canadian Working Capital Commitment shall be the amount set forth on the Lender Schedule, as such Canadian Lender's Working Capital Commitment may be increased from time to time pursuant to Section 2.1(d).

"Canadian Working Capital Commitment Fee Rate" means, on any day, the rate per annum set forth on the Pricing Grid as the "Canadian Working Capital Commitment Fee Rate" based on the Applicable Rating Level on such date. Changes in the applicable Canadian Working Capital Commitment Fee Rate will occur automatically without prior notice as changes in the Applicable Rating Level occur. Administrative Agent will give notice promptly to Canadian Administrative Agent of any change (and its effective date) in the Applicable Rating Level, and Canadian Administrative Agent will in turn give notice promptly to Canadian Working Capital Borrower and Canadian Lenders of such change in the Applicable Rating Level and the applicable Canadian Working Capital Commitment Fee Rate.

"Canadian Working Capital Commitment Period" means the period from and including the date hereof until the Canadian Working Capital Maturity Date (or, if earlier, the day on which the obligation of Canadian Lenders to make Canadian Advances hereunder and the obligation of Canadian LC Issuer to issue Canadian Letters of Credit hereunder has been terminated or the day on which any of the Canadian Working Capital Notes first becomes due and payable in full).

"Canadian Working Capital Facility Usage" means, at the time in question, the Dollar Equivalent of the aggregate amount of Canadian Advances to Canadian Working Capital Borrower pursuant to Section 2.1(c) and Canadian LC Obligations.

"Canadian Working Capital Maturity Date" means November 21, 2007.

"Canadian Working Capital Notes" has the meaning given such term in Section 2.1(c) hereof.

"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 Petroleum Products for physical storage or in storage or in transit in pipelines which has been hedged by either a NYMEX contract, an OTC contract or a contract for physical delivery.

"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 the federal government of Canada or an instrumentality or agency thereof and entitled to the full faith and credit of the United States of America or the federal government of Canada, as the case may be;

(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, state or provincial bank or trust company which is organized under the Laws of the United States of America or any state therein, or the federal government of Canada or any province 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) Qualifying Directors cease for any reason to constitute collectively a majority of the members of the board of directors of GP LLC (the "Board") then in office;

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

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

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

(v) US Borrower shall cease to own, directly or indirectly, all of the outstanding partnership or equity interests in Canadian Borrower and Canadian Working Capital Borrower, if after giving effect thereto, such Canadian Borrower or Canadian Working Capital Borrower has any outstanding Obligations or any Lender shall have any outstanding Commitment thereto.

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

"Co-Agent" shall have the meaning given that term in Section 9.10.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, together with all rules and regulations promulgated with respect thereto.

"Commitment" means the sum of (a) the Canadian Commitment, plus (b) the US Commitment, plus (c) the Canadian Working Capital Commitment, in each case as of the time of determination.

"Companies' Creditors Arrangement Act (Canada)" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, including the regulations made and from time to time in force under that Act.

"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 period, the sum of (1) the Consolidated Net Income during such period, plus (2) all interest expense that 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) that 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, plus (5) up to $20,000,000 of any cash payments and related payroll taxes made by US Borrower prior to June 30, 2004 pursuant to the Plains All American GP LLC 1998 Long-Term Incentive Plan as in effect on the date hereof in lieu of delivery of units due certain holders of such Long-Term Incentive Plan, minus (6) all non-cash items of income which were included in determining such Consolidated Net Income.

"Consolidated Funded Indebtedness" means as of any date, the sum of the following (without duplication): (i) the outstanding principal amount of all Indebtedness which is classified as "long-term indebtedness" on a consolidated balance sheet of US Borrower and its Consolidated Subsidiaries (excluding Unrestricted Subsidiaries) prepared as of such date in accordance with GAAP (subject to year-end audit adjustments with respect to non-year end periods) 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) the outstanding principal amount of Indebtedness for borrowed money of US Borrower and its Consolidated Subsidiaries (excluding Unrestricted Subsidiaries) outstanding under a revolving credit, term or similar agreement (and renewals and extensions thereof); and (iii) the outstanding principal amount of Indebtedness in respect of Capital Leases of US Borrower and its Consolidated Subsidiaries (excluding Unrestricted Subsidiaries); provided, however, Consolidated Funded Indebtedness shall not, if otherwise applicable, include (x) Indebtedness in respect of letters of credit, (y) Indebtedness incurred to finance Cash and Carry Purchases or (z) margin deposits.

"Consolidated Net Income" means, for any period, US Borrower's and its Subsidiaries' (excluding Unrestricted Subsidiaries) gross revenues for such period, including any cash dividends or distributions actually received from any other Person during such period, minus US Borrower's and its Subsidiaries' (excluding Unrestricted 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 US Borrower or any of its Subsidiaries (excluding Unrestricted Subsidiaries) has an ownership interest. Consolidated Net Income shall not include (i) any gain or loss from the sale of assets, (ii) any extraordinary gains or losses, or (iii) any non-cash gains or losses resulting from mark to market activity as a result of the implementation of SFAS 133 or EITF 98-10. In addition, Consolidated Net Income shall not include the cost or proceeds of purchasing or selling options which are used to hedge future activity, until the period in which such hedged future activity occurs.

"Consolidated Tangible Net Worth" means the remainder of (i) all Consolidated assets, as determined in accordance with GAAP, of US Borrower and its Subsidiaries (excluding Unrestricted Subsidiaries) minus (ii) the sum of (a) US Borrower's Consolidated liabilities, as determined in accordance with GAAP, (b) the book value of any equity interests in any of US Borrower's Subsidiaries (excluding Unrestricted Subsidiaries) which equity interests are owned by a Person other than US Borrower or a Wholly Owned Subsidiary of US Borrower; and (c) the net book value of all assets that would be treated as intangible under GAAP, including goodwill, trademarks, trade names and service marks. The effect of any increase or decrease of net worth in any period as a result of items of income or loss not reflected in the determination of net income but reflected in the determination of comprehensive income (to the extent provided under GAAP as in effect on the date hereof) shall be excluded in determining Consolidated Tangible Net Worth.

"Contango Credit Agreement" means that certain Uncommitted Senior Secured Discretionary Contango Facility Credit Agreement of even date herewith among Plains Marketing, Fleet National Bank, as administrative agent, and the lenders named therein.

"Continue", "Continuation" and "Continued" shall refer to (i) the continuation pursuant to Section 2.3 of a LIBOR Loan as a LIBOR Loan from one Interest Period to the next Interest Period and (ii) a rollover of a Banker's Acceptance at maturity.

"Continuation/Conversion Notice" means a written or telephonic request, or a written confirmation, made by a Borrower which meets the requirements of Section 2.3.

"Convert, "Conversion" and "Convert" refers to a conversion pursuant to Section 2.3 of one Type of US Loan into another Type of US Loan, or of one Type of Canadian Advance into another Type of Canadian Advance.

"Debt Coverage Ratio" shall have the meaning given that term in Section 7.8.

"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, two percent (2%) per annum plus:

(a) the LIBOR Rate plus the Applicable Margin then in effect for each LIBOR Loan (up to the end of the applicable Interest Period),

(b) the Base Rate plus the Applicable Margin then in effect for each Base Rate Loan,

(c) the Canadian Prime Rate plus the Applicable Margin for each Canadian Prime Rate Loan, or

(d) the Canadian US Dollar Base Rate plus the Applicable Margin for each Canadian US Dollar 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 the applicable 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 such applicable Borrower has been notified otherwise by Administrative Agent upon the instruction by Majority Lenders.

"Depository Bills and Notes Act (Canada)" means the *Depository Bills and Notes Act* (Canada), R.S.C. 1998, c. 13, including the regulations made and, from time to time, in force under that Act.

"Disclosure Schedule" means Schedule 2 hereto.

"Discount Proceeds" means, in respect of each Bankers' Acceptance, funds in an amount which is equal to:

$$\frac{\text{Face Amount}}{1 + \frac{(\text{Rate} \times \text{Term})}{365}}$$

(where "Face Amount" is the principal amount of the Bankers' Acceptance being purchased, "Rate" is the BA Discount Rate divided by 100 and "Term" is the number of days in the term of the Bankers' Acceptance.)

"Distribution" means (a) any dividend or other distribution (whether in cash or other property, but excluding dividends or other distributions payable in equity interests in US Borrower) with respect to any equity interest of US Borrower, (b) any payment (whether in cash or other property, but excluding dividends or other distributions payable in equity interests in US Borrower), including any sinking fund or similar deposit, on account of the retirement, redemption, purchase, cancellation, termination or other acquisition for value of any equity interest of US Borrower or (c) any other payment by US Borrower to any holder of equity interests of US Borrower with respect to such equity interests held thereby other than payments made with equity interests in US Borrower.

"Dollar Equivalent" of any amount of any currency at any date means (i) if such currency is Dollars, the amount of such currency, or (ii) if such currency is Canadian Dollars, the equivalent in Dollars of such amount of such currency based upon the rate of exchange for such conversion as quoted by the Bank of Canada at approximately 12:00 noon, Toronto time (or, if not so quoted, the spot rate of exchange quoted for wholesale transactions made by Administrative Agent) on the date on or as of which such amount is to be determined.

"Dollars" and "$" means the lawful currency of the United States of America, except where otherwise specified.

"Eligible Transferee" means a Person which either (a) is a Lender, or (b) is consented to as an Eligible Transferee by Administrative Agent (and, as to the Canadian Working Capital Commitment, Canadian Administrative Agent) and, so long as no Default or Event of Default is continuing, by the relevant Borrower, which consents in each case will not be unreasonably withheld; provided no Person organized outside the United States may be an Eligible Transferee with respect to any US Obligations if US Borrower or Canadian Borrower (or, prior to the effectiveness of any such transfer, US Borrower notifies the Administrative Agent that any other Restricted Person) would be required to pay withholding taxes on interest or principal owed to such Person; provided further, no Person organized outside Canada may be an Eligible Transferee with respect to any Canadian Obligations if Canadian Working Capital Borrower (or, prior to the effectiveness of any such transfer, US Borrower notifies the Canadian Administrative Agent that any other Restricted Person) 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.

"Event of Default" has the meaning given to such term in Section 8.1.

"Existing Agreements" means (i) that certain Second Amended and Restated Credit Agreement [Revolving Credit Facility] dated July 2, 2002 among Plains Marketing and certain Affiliates, Fleet National Bank, as administrative agent, and the agents and lenders named

therein, and (ii) that certain Second Amended and Restated Credit Agreement [Letter of Credit and Hedged Inventory Facility] dated July 2, 2003 among Plains Marketing and certain Affiliates, Fleet National Bank, as administrative agent, and the agents and lenders named therein.

"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.

"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 US Borrower 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 US Borrower or with respect to US Borrower 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 US Borrower or of US Borrower and its Consolidated Subsidiaries.

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

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

"Guarantors" means, as of the date hereof, US Borrower and all of its Subsidiaries, other than 3794865 Canada Ltd., Plains LPG Services GP LLC, Plains LPG Services, L.P. and Atchafalaya Pipeline, L.L.C. (excluding US Borrower with respect to the US Commitment, Canadian Borrower with respect to the Canadian Commitment, and Canadian Working Capital Borrower with respect to the Canadian Working Capital Commitment) 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 US Borrower which now or hereafter executes and delivers a guaranty to Administrative Agent pursuant to Section 6.9.

"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.

"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.

"Income Tax Act (Canada)" means the *Income Tax Act*, R.S.C. 1985 c. 1 (fifth supplement), including the regulations made and, from time to time, in force under that Act.

"Indebtedness" of any Person means each of the following:

(a) its obligations for the repayment of borrowed money,

(b) its obligations to pay the deferred purchase price of property or services (excluding trade account payables arising in the ordinary course of business), other than contingent purchase price or similar obligations incurred in connection with an acquisition and not yet earned or determinable,

(c) its obligations evidenced by a bond, debenture, note or similar instrument,

(d) its obligations, as lessee, constituting principal under Capital Leases,

(e) its direct or contingent reimbursement obligations with respect to the face amount of letters of credit pursuant to the applications or reimbursement agreements therefor,

(f) its obligations for the repayment of outstanding banker's acceptances, whether matured or unmatured,

(g) its obligations under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing if the obligation under such synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing is considered indebtedness for borrowed money for tax purposes but is classified as an operating lease in accordance with GAAP (excluding, to the extent included herein, operating leases entered into in the ordinary course of business), or

(h) its obligations under guaranties of any obligations of any other Person described in the foregoing clauses (a) through (g).

"Initial Financial Statements" means (i) the audited Consolidated financial statements of US Borrower as of December 31, 2002, and (ii) the unaudited consolidating balance sheet and income statement of US Borrower as of September 30, 2003.

"Interest Act (Canada)" means the *Interest Act*, R.S.C. 1985, c. I-15, including the regulations made and, from time to time, in force under that Act.

"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 US Borrower and its Subsidiaries (excluding Unrestricted Subsidiaries) and all other items required to be eliminated in the course of the preparation of Consolidated financial statements of US Borrower and its Subsidiaries (excluding Unrestricted Subsidiaries) in accordance with GAAP): (a) all interest and commitment fees in respect of Indebtedness of US Borrower or any of its Subsidiaries (excluding Unrestricted 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 in respect of letters of credit issued for the account of US Borrower 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 beginning December 31, 2003, and (b) with respect to each LIBOR 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 or Canadian Administrative Agent, as applicable, 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 LIBOR 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 (and, as to US Loans, ending on a date less than 30 days thereafter as may be specified by US Borrower or Canadian Borrower, if such lesser period is available for each US Lender), as US Borrower or Canadian 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 US Loan to US Borrower that would end after the US Maturity Date, or for a US Loan to Canadian Borrower that would end after the Canadian Conversion 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.

"Judgment Interest Act (Alberta)" means the *Judgment Interest Act*, S.A. 1984 c. J-O.5, including the regulations made and, from time to time, in force under that Act.

"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 Canada or any state, province, or political subdivision thereof or of any foreign country or any department, state, province or other political subdivision thereof.

"LC Application" means any application for (i) a US Letter of Credit hereafter made by US Borrower or Canadian Borrower to US LC Issuer, or (ii) a Canadian Letter of Credit hereafter made by Canadian Working Capital Borrower to Canadian LC Issuer.

"LC Issuer" means: (i) with respect to US Letters of Credit, US LC Issuer, (ii) with respect to Canadian Letters of Credit, Canadian LC Issuer, and (iii) their respective successors in such capacity.

"LC Obligations" means: (i) with respect to US Lenders, US LC Obligations, and (ii) with respect to Canadian Lenders, Canadian LC Obligations.

"Lender Commitment" means, with respect to a Lender, the sum of (a) the greater of (i) such Lender's US Commitment and (ii) such Lender's Percentage Share of the US Facility Usage, plus (b) the greater of (i) such Lender's Canadian Commitment and (ii) such Lender's Percentage Share of the Canadian Facility Usage, plus (c) the greater of (i) such Lender's Canadian Working Capital Commitment, and (ii) such Lender's Percentage Share of the Canadian Working Capital Facility Usage, in each case as of the time of determination.

"Lender Parties" means all Agents, all LC Issuers and all Lenders.

"Lenders" means (i) with respect to US Loans, US Lenders, (ii) with respect to Canadian Loans, Canadian Lenders, and (iii) collectively, US Lenders and Canadian Lenders.

"Lender Schedule" means Schedule 1 hereto.

"Letter of Credit" means a US Letter of Credit or a Canadian Letter of Credit.

"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.

"LIBOR Loan" means a US Loan that bears interest at a rate based upon the LIBOR Rate.

"LIBOR Rate" means, as applicable to any LIBOR Loan within a Borrowing and with respect to the related Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) as determined on the basis of offered rates for deposits in Dollars, for a period of time comparable to such Interest Period which appears on Telerate Page 3750 (or any successor page) as of 11:00 a.m. London time on the day that is two Business Days preceding the first day of such LIBOR Loan; provided, however, if the rate described above does not appear on the Telerate system on any applicable interest determination date, the LIBOR Rate shall be the rate (rounded upwards as described above, if necessary) for deposits in dollars for a period

substantially equal to such Interest Period on the Reuters Page "LIBOR" (or such other page as may replace the LIBOR Page on that service for the purpose of displaying such rates), as of 11:00 a.m. (London time), on the date that is two Business Days prior to the beginning of such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBOR Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/1000 of 1%). If both the Telerate and Reuters system are unavailable, then the LIBOR Rate for that date will be determined on the basis of the offered rates for deposits in Dollars for a period of time comparable to such Interest Period which are offered by four major banks in the London interbank market at approximately 11:00 a.m. London time, on the day that is two (2) Business Days preceding the first day of such LIBOR Loan as selected by Administrative Agent. The principal London office of each of the four major London banks will be requested to provide a quotation of its Dollar deposit offered rate. If at least two such quotations are provided, the rate for that date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that date will be determined on the basis of the rates quoted for loans in Dollars to leading European banks for a period of time comparable to such Interest Period offered by major banks in New York City at approximately 11:00 a.m. New York City time, on the day that is two Business Days preceding the first day of such LIBOR Loan. In the event that Administrative Agent is unable to obtain any such quotation as provided above, it will be deemed that the LIBOR Rate pursuant to such LIBOR Loan cannot be determined. In the event that the Board of Governors of the Federal Reserve System shall impose a Reserve Percentage with respect to LIBOR deposits of any Lender, then for any period during which such Reserve Percentage shall apply, the LIBOR Rate shall be equal to the amount determined above divided by an amount equal to 1 minus the Reserve Percentage. "Reserve Percentage" means the maximum aggregate reserve requirement (including all basic, supplemental, marginal, special, emergency and other reserves) which is imposed on member banks of the Federal Reserve System against "Euro-currency Liabilities" as defined in Regulation D. Without limiting the effect of the foregoing, the Reserve Percentage 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 LIBOR Rate is to be determined, or (b) any category of extensions of credit or other assets which include LIBOR Loans. The LIBOR Rate for any LIBOR Loan shall change whenever the Reserve Percentage changes.

"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.

"Loan Documents" means this Agreement, the Notes, the Letters of Credit, the LC Applications, the BAs, 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).

"Loans" means, collectively, the US Loans and the Canadian Loans.

"Majority Lenders" means Lenders whose Aggregate Percentage Shares equal or exceed fifty-one percent (51%).

"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) US Borrower's Consolidated financial condition, (b) US Borrower's Consolidated operations, properties or prospects, considered as a whole, (c) US Borrower's, Canadian Borrower's, or Canadian Working Capital Borrower's ability to timely pay its Obligations, or (d) the enforceability of the material terms of any Loan Document.

"Matured Canadian LC Obligations" means all amounts paid by Canadian LC Issuer on drafts or demands for payment drawn or made under or purported to be under any Canadian Letter of Credit and all other amounts due and owing to Canadian LC Issuer under any LC Application for any such Canadian Letter of Credit, to the extent the same have not been repaid to Canadian LC Issuer (with the proceeds of Canadian Loans or otherwise).

"Matured US LC Obligations" means all amounts paid by US LC Issuer on drafts or demands for payment drawn or made under or purported to be under any US Letter of Credit and all other amounts due and owing to US LC Issuer under any LC Application for any such US Letter of Credit, to the extent the same have not been repaid to US LC Issuer (with the proceeds of US Loans or otherwise).

"Moody's" means Moody's Investor Service, Inc., or its successor.

"Net Proceeds" means with respect to any Bankers' Acceptance, the Discount Proceeds less the amount equal to the applicable Stamping Fee Rate multiplied by the face amount of such Bankers' Acceptance.

"Notes" means, collectively, the US Notes, the Canadian Notes and the Canadian Working Capital Notes.

"Obligations" means, collectively, the US Obligations, the Canadian Obligations and all other Liabilities from time to time owing by any Restricted Person to any Lender Party under or pursuant to any of the Loan Documents. "Obligation" means any part of the Obligations.

"PAA Debt Rating" means the rating then in effect by a Rating Agency with respect to the long term senior unsecured non-credit enhanced debt of US Borrower.

"Percentage Share" means:

(a) with respect to US Loans to US Borrower and US Lenders, the percentage shown as each US Lender's "US Percentage Share" on the Lender Schedule,

(b) with respect to US Loans to Canadian Borrower and US Lenders:

(i) prior to the Canadian Conversion Date and prior to any cancellation of any such US Lender's Canadian Commitment pursuant to Section 2.6(c)(ii), the percentage shown as each US Lender's "Canadian Percentage Share" on the Lender Schedule,

(ii) prior to the Canadian Conversion Date, but following any reduction of the Canadian Commitment pursuant to Section 2.6(c)(ii): (x) with respect to US Lenders with a continuing Canadian Commitment, (I) for purposes of Section 2.1(b), 2.5(b)(ii), 2.12(a) and 2.12(c), a percentage equal to such US Lender's Canadian Commitment shown on the Lender Schedule divided by the aggregate Canadian Commitment following such reduction, and (II) for all other purposes, a percentage equal to such US Lender's Canadian Commitment shown on the Lender Schedule divided by the sum of the aggregate Canadian Commitment plus the aggregate outstanding principal amount of US Loans to Canadian Borrower by US Lenders with no continuing Canadian Commitment, and (y) with respect to US Lenders with no continuing Canadian Commitment, a percentage equal to such US Lender's US Loans to Canadian Borrower divided by the sum of the aggregate Canadian Commitment plus the aggregate outstanding principal amount of US Loans to Canadian Borrower by US Lenders with no continuing Canadian Commitment, and

(iii) on and after the Canadian Conversion Date, as to each US Lender, a percentage equal to the outstanding principal amount of such US Lender's US Loans to Canadian Borrower divided by the aggregate outstanding principal amount of all US Lenders' US Loans to Canadian Borrower, and

(c) with respect to Canadian Advances and Canadian Lenders, the percentage shown as each Canadian Lender's "Canadian Working Capital Percentage Share" on the Lender Schedule.

"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.

"Petroleum Products" means crude oil, condensate, natural gas, natural gas liquids (NGL's), liquefied petroleum gases (LPG's), refined petroleum products or any blend thereof.

"Plains Marketing" means Plains Marketing, L.P., a Delaware limited partnership.

"Pricing Grid" means Schedule 3 attached hereto.

"Rating Agency" means either S&P or Moody's.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect.

"Restricted Person" means any of US Borrower and each Subsidiary of US Borrower, including but not limited to Plains Marketing, All American, Canadian Borrower, Canadian Working Capital Borrower and each Subsidiary of Plains Marketing, All American, Canadian Borrower, and Canadian Working Capital Borrower, but excluding, for the avoidance of doubt, Unrestricted Subsidiaries.

"Restriction Exception" means (i) any applicable Law or any instrument governing Indebtedness or equity interests, or any applicable Law or any other agreement relating to any property, assets or operations of a Person whose capital stock or other equity interests are acquired, in whole or part, by a Restricted Person pursuant to an acquisition (whether by merger, consolidation, amalgamation or otherwise), as such instrument or agreement is in effect at the time of such acquisition (except with respect to Indebtedness incurred in connection with, or in contemplation of, such acquisition), or such applicable Law is then or thereafter in effect (as applicable), which is not applicable to the acquiring Restricted Person, or the property, assets or operations of the acquiring Restricted Person, other than the acquired Person, or the property, assets or operations of such acquired Person or such acquired Person's Subsidiaries; provided that in the case of Indebtedness, the incurrence of such Indebtedness is not prohibited hereunder, or (ii) provisions with respect to the disposition or distribution of assets in joint venture agreements or other similar agreements entered into in the ordinary course of business.

"S&P" means Standard & Poor's Ratings Group (a division of McGraw Hill, Inc.) or its successor.

"Schedule I BA Reference Banks" means the Lenders listed in Schedule I to the *Bank Act* (Canada) as are, at such time, designated by Canadian Administrative Agent, with the prior consent of Canadian Working Capital Borrower (acting reasonably), as the Schedule I BA Reference Banks.

"Schedule II BA Reference Banks" means the Lenders listed in Schedule II to the *Bank Act* (Canada) as are, at such time, designated by Canadian Administrative Agent, with the prior consent of Canadian Working Capital Borrower (acting reasonably,) as the Schedule II BA Reference Banks.

"Significant Restricted Persons" means Borrowers, Plains Marketing, All American and Subsidiaries of US Borrower that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Exchange Act of 1934 and the Securities Act of 1933, each as amended.

"Specified Acquisition" means one or more acquisitions of assets or entities or operating lines or divisions in any rolling 12-month period for an aggregate purchase price of not less than $50,000,000.

"Specified Equity Offering" means one or more issuances of equity by US Borrower for aggregate net cash proceeds of not less than fifty percent (50%) of the aggregate purchase price of the Specified Acquisition.

"Stamping Fee Rate" means the rate per annum set forth on the Pricing Grid as the "Stamping Fee Rate" based on the Applicable Rating Level on such date, provided that during a Default Rate Period, the Stamping Fee Rate shall be increased by two percent (2%). Changes in the applicable Stamping Fee Rate will occur automatically without prior notice as changes in the Applicable Rating Level occur and shall be effective with respect to BA's issued on and after such change, but shall not apply with respect to any outstanding BA's. Administrative Agent will give notice promptly to Canadian Administrative Agent of any change (and its effective date) in the Applicable Rating Level, and Canadian Administrative Agent will in turn give notice promptly to Canadian Working Capital Borrower and Canadian Lenders of such change in the Applicable Rating Level and the applicable Stamping Fee Rate.

"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 any Restricted Person for purposes of any Loan Document except as provided in Section 7.10.

"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.

"364-Day Credit Agreement" means that certain 364-Day Credit Agreement of even date herewith among US Borrower, Fleet National Bank, as administrative agent, and the lenders named therein.

"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, the Dominion of Canada, 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 Base Rate Loans, LIBOR Loans, Canadian Prime Rate Loans, Canadian US Dollar Base Rate Loans, or BAs.

"Unrestricted Subsidiary" shall have the meaning given it in Section 7.10.

"US Borrower" means Plains All American Pipeline, L.P., a Delaware limited partnership.

"US Business Day" means any day, other than a Saturday, Sunday or day which shall be in the Commonwealth of Massachusetts (and, as to US Loans to Canadian Borrower, in the province of Alberta) a legal holiday or day on which banking institutions are required or authorized to close. Any Business Day in any way relating to LIBOR Loans (such as the day on which an Interest Period begins or ends) must also be a day on which commercial banks settle payments in London.

"US Commitment" means $425,000,000, as such US Commitment may be increased from time to time pursuant to Section 2.1(d) or reduced from time to time pursuant to Section 2.5(b)(iv). Each US Lender's US Commitment shall be the amount set forth on the Lender Schedule, as such US Lender's US Commitment may be increased from time to time pursuant to Section 2.1(d).

"US Commitment Fee Rate" means, on any day, the rate per annum set forth on the Pricing Grid as the "US Commitment Fee Rate" based on the Applicable Rating Level on such date. Changes in the applicable US Commitment Fee Rate will occur automatically without prior notice as changes in the Applicable Rating Level occur. Administrative Agent will give notice promptly to US Borrower and US Lenders of changes in the US Commitment Fee Rate.

"US Commitment Period" means the period from and including the date hereof until the US Maturity Date (or, if earlier, the day on which the obligation of US Lenders to make US Loans to US Borrower hereunder pursuant to Section 2.1(a) and the obligation of US LC Issuer to issue US Letters of Credit at the request of US Borrower pursuant to Section 2.11 has been terminated or the day on which any of the US Notes first becomes due and payable in full).

"US Facility Usage" means, at the time in question, the aggregate amount of US Loans to US Borrower pursuant to Section 2.1(a) and US LC Obligations with respect to US Letters of Credit issued at the request of US Borrower pursuant to Section 2.11 outstanding at such time.

"US LC Issuer" means Fleet National Bank, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity. Administrative Agent may, with the consent of US Borrower and the US Lender in question, appoint any US Lender hereunder as a US LC Issuer in place of or in addition to Fleet National Bank.

"US 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.

"US Lender Parties" means Administrative Agent, US LC Issuer and US Lenders.

"US Lenders" means each signatory hereto designated as a US Lender, and the successors and permitted assigns of each such party as holder of a US Note or Canadian Note.

"US Letter of Credit" means any letter of credit issued by US LC Issuer hereunder at the application of US Borrower or Canadian Borrower pursuant to Section 2.11.

"US Letter of Credit Fee Rate" means, on any day, the rate per annum set forth on the Pricing Grid as the "US LC Fee Rate" based on the Applicable Rating Level on such date. Changes in the applicable US Letter of Credit Fee Rate will occur automatically without prior notice as changes in the Applicable Rating Level occur. Administrative Agent will give notice promptly to US Borrower and Lenders of changes in the US Letter of Credit Fee Rate.

"US Loans" means (i) loans by US Lenders to US Borrower pursuant to Section 2.1(a), (ii) loans by US Lenders to Canadian Borrower pursuant to Section 2.1(b), and (iii) Canadian Term Loans.

"US Maturity Date" means November 21, 2007.

"US Notes" has the meaning given such term in Section 2.1(a) hereof.

"US Obligations" means all Liabilities from time to time owing by any Restricted Person to any Lender Party under or pursuant to any of the US Notes, Canadian Notes or US Letters of Credit, including all US LC Obligations owing thereunder or under or pursuant to any guaranty of the obligations of US Borrower or Canadian Borrower or under the Loan Documents. "US Obligation" means any part of the US Obligations.

"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.

"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.

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.

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. References to an "officer" or "officers" of the General Partner or any Restricted Person shall mean and include officers of such Person or the controlling management entity of such Person as provided in such Person's organizational documents, as applicable.

Section 1.5. Calculations and Determinations. All calculations under the Loan Documents of interest chargeable with respect to LIBOR 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 LIBOR Rate, BA Discount Rate, Business Day, Interest Period, or Reserve Percentage) 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). US Loans to US Borrower. Subject to the terms and conditions hereof, each US Lender agrees to make US Loans to US Borrower upon US Borrower's request from time to time during the US Commitment Period, provided that (a) subject to Sections 3.3, 3.4 and 3.6, all US Lenders are requested to make US 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 US Loans, the US Facility Usage does not exceed the US Commitment determined as of the date on which the requested US Loans are to be made, and (c) after giving effect to such US Loans the US Loans by each US Lender to US Borrower plus the existing US LC Obligations of such US Lender with respect to US Letters of Credit issued at the request of US Borrower pursuant to Section 2.11 does not exceed such US Lender's US Commitment. The aggregate amount of all US Loans in any Borrowing must be equal to $2,000,000 or any higher integral multiple of $250,000. The obligation of US Borrower to repay to each US Lender the aggregate amount of all US Loans made by such US Lender to US Borrower, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such US Lender's "US Note") made by US Borrower payable to the order of such US Lender in

the form of Exhibit A-1 with appropriate insertions. The amount of principal owing on any US Lender's US Note at any given time shall be the aggregate amount of all US Loans theretofore made by such US Lender to US Borrower minus all payments of principal theretofore received by such US Lender on such US Note. Interest on each US Note shall accrue and be due and payable as provided herein and therein. Each US Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the US Maturity Date. Subject to the terms and conditions of this Agreement, US Borrower may borrow, repay, and reborrow under this Section 2.1(a). US Borrower may have no more than seven Borrowings of LIBOR Loans outstanding at any time. All payments of principal and interest on the US Loans made pursuant to this Section 2.1(a) shall be made in Dollars.

(b) US Loans to Canadian Borrower. Subject to the terms and conditions hereof, each US Lender agrees to make loans to Canadian Borrower upon Canadian Borrower's request from time to time during the Canadian Commitment Period, provided that (a) subject to Sections 3.3, 3.4 and 3.6, all US Lenders are requested to make US 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 US Loans, the Canadian Facility Usage does not exceed the Canadian Commitment determined as of the date on which the requested US Loans are to be made, and (c) after giving effect to such US Loans the US Loans by each US Lender to Canadian Borrower plus the existing US LC Obligations of such US Lender with respect to US Letters of Credit issued at the request of Canadian Borrower pursuant to Section 2.11 does not exceed such US Lender's Canadian Commitment. The aggregate amount of all US Loans in any Borrowing must be equal to $2,000,000 or any higher integral multiple of $250,000. The obligation of Canadian Borrower to repay to each US Lender the aggregate amount of all US Loans made by such US Lender to Canadian Borrower, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such US Lender's "Canadian Note") made by Canadian Borrower payable to the order of such US Lender in the form of Exhibit A-2 with appropriate insertions. The amount of principal owing on any US Lender's Canadian Note at any given time shall be the aggregate amount of all US Loans theretofore made by such US Lender to Canadian

Borrower minus all payments of principal theretofore received by such US Lender on such Canadian Note. Interest on each Canadian Note shall accrue and be due and payable as provided herein and therein. Each Canadian Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the Canadian Term Loan Maturity Date. Subject to the terms and conditions of this Agreement, Canadian Borrower may borrow, repay, and reborrow under this Section 2.1(b). Canadian Borrower may have no more than seven Borrowings of LIBOR Loans outstanding at any time. All payments of principal and interest on the US Loans made pursuant to this Section 2.1(b) shall be made in Dollars.

(c) Canadian Advances. Subject to the terms and conditions hereof, each Canadian Lender agrees to extend credit to Canadian Working Capital Borrower by (i) advancing funds to Canadian Working Capital Borrower specified in a Borrowing Notice (herein called such Canadian Lender's "Canadian Loans") and (ii) accepting and purchasing drafts of Bankers' Acceptances issued under this Agreement by Canadian Working Capital Borrower specified in a Borrowing Notice (herein called such Canadian Lender's "Bankers' Acceptances"; each Canadian Lender's Canadian Loans and Bankers' Acceptances are herein collectively called such Canadian Lender's "Canadian Advances") upon Canadian Working Capital Borrower's request from time to time during the Canadian Working Capital Commitment Period, provided that (a) subject to Sections 3.3, 3.4, and 3.6, all Canadian Lenders are requested to make Canadian Advances of the same Type in accordance with their respective Percentage Shares and as part of the same Borrowing, (b) after giving effect to such Canadian Advances, the Canadian Working Capital Facility Usage does not exceed the Canadian Working Capital Commitment determined as of the date on which the requested Canadian Advances are to be made, and (c) after giving effect to such Canadian Advances the Canadian Advances by each Canadian Lender plus the existing Canadian LC Obligations of such Canadian Lender does not exceed such Canadian Lender's Canadian Working Capital Commitment. The aggregate amount of all Canadian Loans in any Borrowing advanced in Canadian Dollars must be equal to C$500,000 or any higher integral multiple of C$100,000. The obligation of Canadian Working Capital Borrower to repay to each Canadian Lender the aggregate amount of all Canadian Loans made by such Canadian Lender to Canadian Working Capital Borrower, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Canadian Lender's "Canadian Working Capital Note") made by Canadian Working Capital Borrower payable to the order of such Canadian Lender in the form of Exhibit A-3 with appropriate insertions. The amount of principal owing on any Canadian Lender's Canadian Working Capital Note at any given time shall be the aggregate amount of all Canadian Loans theretofore made by such Canadian Lender minus all payments of principal theretofore received by such Canadian Lender on such Canadian Working Capital Note. Interest on each Canadian Working Capital Note shall accrue and be due and payable as provided herein and therein. Each Canadian Lender's Canadian Working Capital Note shall be due and payable as provided herein and therein and shall be due and payable in full on the Canadian Working Capital Maturity Date. Subject to the terms and conditions of this Agreement, Canadian Working Capital Borrower may borrow, repay, and reborrow under this Section 2.1(c). Canadian Working Capital Borrower may have no more than seven Borrowings of BA's collectively outstanding at any time. All payments of principal and interest on the Canadian Loans shall be made in the currency in which such corresponding Canadian Loan was funded. All Canadian Loans shall be made in Canadian Dollars, or, upon the written request of Canadian Working Capital Borrower, in Dollars. The aggregate amount of all Canadian Loans in any Borrowing advanced in Dollars must be equal to $500,000 or any higher integral multiple of $100,000.

(d) Increase in Commitments. US Borrower shall have the right, without the consent of the Lenders but with the prior approval of the Administrative Agent, not to be unreasonably withheld, to cause from time to time an increase in the Commitments by adding to this Agreement one or more additional Lenders or by allowing one or more Lenders to increase their respective Commitments; provided however (i) no Event of Default shall have occurred hereunder which is continuing, (ii) no such increase shall result in the aggregate Commitment hereunder to exceed $750,000,000, and (iii) no Lender's Commitment shall be increased without such Lender's consent. Upon any increase in the aggregate Commitment pursuant to the immediately preceding sentence, the Lenders hereby authorize the Administrative Agent and the Borrowers to make non-ratable borrowings and prepayments of the Loans, and if any such prepayment requires the payment of LIBOR Loans, Borrowers shall pay any required amounts pursuant to Section 3.6 other than on the last day of the applicable Interest Period, in order to ensure that the Loans of the Lenders shall be outstanding on a ratable basis in accordance with their respective Percentage Shares and that the Commitments shall be as set forth in the Lenders Schedule and no such borrowing or prepayment shall violate any provisions of this Agreement.

Section 2.2. Requests for Loans. A requesting Borrower must give to the appropriate Agent written notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing. Each such notice constitutes a "Borrowing Notice" hereunder and must:

(a) specify (i) as to US Loans (A) the aggregate amount of any such Borrowing and the date on which Base Rate Loans are to be advanced, or (B) the aggregate amount of any such Borrowing of new LIBOR Loans, the date on which such LIBOR 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, or (ii) as to Canadian Loans (A) the aggregate amount of any such Borrowing of new Canadian Prime Rate Loans (if Canadian Dollar-denominated Loans) or Canadian US Dollar Base

Rate Loans (if Dollar-denominated Loans) and the date on which such Canadian Loans are to be advanced, or (i) the aggregate amount of any such Borrowing by way of Bankers' Acceptances (subject to Section 2.16(f)), and the date on which such Bankers' Acceptances are to be accepted and the maturity of such Bankers' Acceptances;

(b) be received by the appropriate Agent not later than 11:00 a.m., Boston, Massachusetts time or Toronto, Canada time, as the case may be, on (i) the day on which any such Base Rate Loans are to be made, (ii) the third Business Day preceding the day on which any such LIBOR Loans are to be made or any such Bankers' Acceptances are to be issued; and

(c) if any requested Borrowing or portion thereof is to be utilized exclusively for working capital purposes (such Borrowing or such portion being called a "Working Capital Borrowing"), such Borrower shall specify in the Borrowing Notice that such Borrowing or such portion is a Working Capital Borrowing. In addition, any repayment of a 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 appropriate Agent at the time of such repayment.

Each such written request or confirmation must be made in the form and substance of the "US Borrowing Notice" attached hereto as Exhibit B-1 or the "Canadian Borrowing Notice" attached hereto as Exhibit B-2, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by such Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Borrowing Notice, the appropriate Agent shall give each US Lender or Canadian Lender, as the case may be, prompt notice of the terms thereof. If all conditions precedent to such new Loans have been met, each US Lender or Canadian Lender, as the case may be, will on the date requested promptly remit to the appropriate Agent at its office in Boston, Massachusetts or Toronto, Canada, as the case may be, the amount of such Lender's new 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, such Agent shall promptly make such Loans available to the requesting Borrower. Unless an Agent shall have received prompt notice from a Lender that such Lender will not make available to such Borrower such Lender's new Loan, such Agent may in its discretion assume that such Lender has made such Loan available to such Agent in accordance with this section, and such Agent may if it chooses, in reliance upon such assumption, make such Loan available to such Borrower. If and to the extent such Lender shall not so make its new Loan available to such Agent, such Lender and requesting Borrower severally agree to pay or repay to such 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 such Borrower until the date such amount is paid or repaid to such Agent, with interest at (i) as to US Loans, the Federal Funds Rate, and as to Canadian Loans, the "Bank Rate" as set by the Bank of Canada, as quoted on Reuters page BOCFAD, 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 such Borrower is making such repayment. If neither such Lender nor such Borrower pays or repays to such Agent such amount within such three-day period, such Agent shall be entitled to recover from such 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 such 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. All Borrowings of US Loans shall be advanced in Dollars. All Borrowings of Canadian Loans shall be advanced in Canadian Dollars, or, upon the written request of Canadian Working Capital Borrower, in Dollars in an amount equal to the Dollar Equivalent of such requested Canadian Loan.

Section 2.3. Continuations and Conversions of Existing Loans. US Borrower or Canadian Borrower may make the following elections with respect to US Loans already outstanding: (i) to Convert, in whole or in part, Base Rate Loans to LIBOR Loans, (ii) to Convert, in whole or in part, LIBOR Loans to Base Rate Loans on the last day of the Interest Period applicable thereto, and (iii) to Continue, in whole or in part, LIBOR Loans beyond the expiration of such Interest Period by designating a new Interest Period to take effect at the time of such expiration. Subject to the terms of Section 2.17 with respect to Bankers' Acceptances, Canadian Working Capital Borrower may make the following elections with respect to Canadian Advances already outstanding: (i) to Convert any Type of Canadian Advance to any other Type of Canadian Advance, provided that any such Conversion of a Bankers' Acceptance must be made on the date of maturity thereof; and (ii) to rollover any existing Bankers' Acceptance by designating the new maturity date applicable thereto. In making such elections, such Borrower

may combine existing US Loans to such Borrower or Canadian Advances to such Borrower made pursuant to separate Borrowings into one new Borrowing or divide existing US Loans to such Borrower or Canadian Advances to such Borrower made pursuant to one Borrowing into separate new Borrowings, provided that such Borrower may have no more than seven Borrowings of LIBOR Loans or seven BA's outstanding at any time. To make any such election, such Borrower must give to the appropriate Agent written notice (or telephonic notice promptly confirmed in writing) of any such Conversion or Continuation of existing Loans or Canadian Advances, with a separate notice given for each new Borrowing. Each such notice constitutes a "Continuation/Conversion Notice" hereunder and must:

(i) specify the existing US Loans or Canadian Advances which are to be Continued or Converted;

(ii) specify (A) the aggregate amount of any Borrowing of Base Rate Loans, Canadian Prime Rate Loans or Canadian US Dollar Base Rate Loans into which such existing US Loans or Canadian Advances, as the case may be, are to be Continued or Converted and the date on which such Continuation or Conversion is to occur, (B) the aggregate amount of any Borrowing of LIBOR Loans into which such existing US 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 LIBOR Loans), and the length of the applicable Interest Period, or (C) the amount of any Borrowing of Bankers' Acceptances into which such existing Canadian Advances are to be Continued or Converted, the date on which such Continuation or Conversion is to occur, and the maturity of such Bankers' Acceptances; and

(iii) be received by the appropriate Agent not later than 11:00 a.m. Boston, Massachusetts time or Toronto, Canada time, as the case may be, on (i) the day on which any such Continuation or Conversion to Base Rate Loans, Canadian Prime Rate Loans or Canadian US Dollar Base Rate Loans is to occur, or (ii) the third Business Day preceding the day on which any such Continuation or Conversion to LIBOR Loans or Bankers' Acceptances is to occur.

Each such written request or confirmation must be made in the form and substance of the "US Continuation/Conversion Notice" attached hereto as Exhibit C-1 or the "Canadian Continuation/Conversion Notice" attached hereto as Exhibit C-2, as appropriate, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by the requesting Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Continuation/Conversion Notice, the appropriate Agent shall give each US Lender or Canadian Lender, as the case may be, prompt notice of the terms thereof. Each Continuation/Conversion Notice shall be irrevocable and binding on the requesting Borrower. During the continuance of any Default, neither US Borrower nor Canadian Borrower may make any election to Convert existing US Loans into LIBOR Loans or Continue existing US Loans as LIBOR Loans beyond the expiration of their respective and corresponding Interest Period then in effect, nor may Canadian Working Capital Borrower make any election to Convert existing Canadian Advances into Bankers' Acceptances or to rollover existing Bankers' Acceptances into new Bankers' Acceptances. If (due to the existence of a Default or for any other reason) any Borrower fails to timely and properly give any Continuation/Conversion Notice with respect to a Borrowing of existing LIBOR Loans or Bankers' Acceptances at least three days

prior to the end of the Interest Period applicable to such LIBOR Loans or the maturity of such Bankers' Acceptance, any such LIBOR 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, and any such Bankers' Acceptances, to the extent not prepaid at such maturity, shall automatically be Converted into Canadian Prime Rate Loans at such maturity. No new funds shall be repaid by any Borrower or advanced by any Lender in connection with any Continuation or Conversion of existing US Loans or Canadian Advances 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 such already outstanding US Loans or Canadian Advances.

Section 2.4. Use of Proceeds. Borrowers shall use all Loans and Canadian Advances to (a) refinance outstanding indebtedness under the Existing Agreements, and (b) finance capital expenditures of any Restricted Person, pay reimbursement obligations of Letters of Credit, provide working capital for operations and for other general business purposes, including acquisitions. Borrowers shall use all Letters of Credit for its and its Subsidiaries' general corporate purposes including in relation to the purchase or exchange by Borrowers of Petroleum Products. In no event shall the funds from any Loans, Canadian Advances or any Letters 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. Borrowers represent and warrant that they are not engaged principally, or as one of their 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) Interest Rates.

(i) Each US Loan shall bear interest as follows: (A) unless the Default Rate shall apply, each Base Rate Loan shall bear interest on each day outstanding at the Base Rate plus the Applicable Margin in effect on such day, and each LIBOR Loan shall bear interest on each day during the related Interest Period at the related LIBOR Rate plus the Applicable Margin in effect on such day, and (B) during a Default Rate Period, all US Loans shall bear interest on each day outstanding at the applicable Default Rate.

(ii) Each Canadian Loan shall bear interest as follows: (A) unless the Default Rate shall apply, each Canadian Prime Rate Loan shall bear interest on each day outstanding at the Canadian Prime Rate plus the Applicable Margin in effect on such day, and each Canadian US Dollar Base Rate Loan shall bear interest on each day outstanding at the Canadian US Dollar Base Rate plus the Applicable Margin in effect on such day, and (B) during a Default Rate Period, all Canadian Loans shall bear interest on each day outstanding at the applicable Default Rate.

(iii) If an Event of Default based upon Section 8.1(a), Section 8.1(b) or, with respect to any Borrower, based upon Section 8.1(h)(i), (h)(ii) or (h)(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 applicable Default Rate.

(iv) The interest rate shall change whenever the applicable Base Rate, LIBOR Rate, Canadian Prime Rate, Canadian US Dollar Base Rate or Applicable Margin changes. In no event shall the interest rate on any Loan exceed the Highest Lawful Rate.

(b) Commitment Fees; Reduction of Commitments.

(i) In consideration of each US Lender's commitment to make US Loans to US Borrower pursuant to Section 2.1(a), US Borrower will pay to Administrative Agent for the account of each US Lender a commitment fee determined on a daily basis equal to the US Commitment Fee Rate in effect on such day times such US Lender's Percentage Share of the unused portion of the US Commitment on each day during the US Commitment Period, determined for each such day by deducting from the amount of the US Commitment at the end of such day the US Facility Usage.

(ii) In consideration of each US Lender's commitment to make US Loans to Canadian Borrower pursuant to Section 2.1(b), Canadian Borrower will pay to Administrative Agent for the account of each US Lender a commitment fee determined on a daily basis equal to the Canadian Commitment Fee Rate in effect on such day times such US Lender's Percentage Share of the unused portion of the Canadian Commitment on each day during the Canadian Commitment Period, determined for each such day by deducting from the amount of the Canadian Commitment at the end of such day the Canadian Facility Usage.

(iii) In consideration of each Canadian Lender's commitment to make Canadian Loans to Canadian Working Capital Borrower pursuant to Section 2.1(c), Canadian Borrower will pay to Canadian Administrative Agent for the account of each Canadian Lender a commitment fee determined on a daily basis equal to the Canadian Working Capital Commitment Fee Rate in effect on such day times such Canadian Lender's Percentage Share of the unused portion of the Canadian Working Capital Commitment on each day during the Canadian Working Capital Commitment Period, determined for each such day by deducting from the amount of the Canadian Working Capital Commitment at the end of such day the Canadian Working Capital Facility Usage.

(iv) Each such commitment fee shall be due and payable in arrears on the last day of each Fiscal Quarter and at the end of the US Commitment Period, Canadian Commitment Period, and Canadian Working Capital Commitment Period, as the case may be. Each Borrower shall have the right from time to time to permanently reduce the US Commitment, Canadian Commitment or Canadian Working Capital Commitment, as the case may be, provided that (A) notice of such reduction is given not less than 2 Business Days prior to such reduction, (B) the resulting US Commitment, Canadian Commitment or Canadian Working Capital Commitment is not less than the US Facility Usage, Canadian Facility Usage or Canadian Working Capital Facility Usage, respectively, and (C) each partial reduction shall be in an amount at least equal to $500,000 and in multiples of $100,000 in excess thereof.

(c) Stamping Fees. In consideration of each Canadian Lender's commitment to accept or participate in Bankers' Acceptances under this Agreement, Canadian Working Capital Borrower

will pay to Canadian Administrative Agent for the account of such Canadian Lender the Stamping Fee Rate multiplied by the face amount of each Bankers' Acceptance accepted by such Canadian Lender under this Agreement calculated for the number of days in the term of such Bankers' Acceptance. Such fee shall be due and payable on the date on which such Bankers' Acceptances are accepted and shall be deducted from the Discount Proceeds paid to Canadian Working Capital Borrower. Such fee shall be non-refundable, notwithstanding any reduction in the Stamping Fee Rate during the term of such Bankers' Acceptances.

(d) Agents' Fees. In addition to all other amounts due to Administrative Agent under the Loan Documents, US Borrower will pay fees to Administrative Agent as described in the fee letter dated October 20, 2003 between Administrative Agent and US Borrower. In addition to all other amounts due to Canadian Administrative Agent under the Loan Documents, Canadian Working Capital Borrower will pay fees to Canadian Administrative Agent as described in the agency fee agreement between Canadian Administrative Agent and Canadian Working Capital Borrower.

Section 2.6. Extension of Canadian Conversion Date.

(a) Canadian Borrower may, at its option and from time to time during the Canadian Commitment Period, request an offer to extend the Canadian Commitment Period by delivering to Administrative Agent a written request made by Canadian Borrower to each US Lender with a portion of the Canadian Commitment to issue an offer to Canadian Borrower extending the Canadian Commitment Period for a further 364 days not more than sixty days and not less than thirty days prior to the then current Canadian Conversion Date. Administrative Agent shall forthwith provide a copy of the request to each such US Lender. Upon receipt from Administrative Agent of such request, each such US Lender shall, within twenty days after the date of such US Lender's receipt of such request from Administrative Agent, either:

(i) notify Administrative Agent of its acceptance of the request and the terms and conditions, if any, upon which such US Lender is prepared to extend the Canadian Conversion Date; or

(ii) notify Administrative Agent that such request has been denied, such notice to forthwith be forwarded by Administrative Agent to Canadian Borrower to allow Canadian Borrower to seek a replacement lender (any such US Lender giving notice of such denial is herein called a "Non-Accepting Lender"). The failure of a US Lender to so notify Administrative Agent within such twenty day period shall be deemed to be notification by such US Lender to Administrative Agent that such US Lender has denied such request.

(b) Following any US Lender or US Lenders (including any replacement lender that has agreed to become a US Lender hereunder and to accept all or a portion of the Canadian Commitments of Non-Accepting Lenders and such extension request) notice to Administrative Agent under Section 2.6(a) that such US Lender or US Lenders accept such request, such acceptance having common terms and conditions, Administrative Agent shall deliver to Canadian Borrower such offer incorporating the said terms and conditions. Such offer shall be open for acceptance by Canadian Borrower until the fifth Business Day immediately preceding the then current Canadian Conversion Date. Upon written notice by Canadian Borrower to

Administrative Agent accepting such offer and agreeing to the terms and conditions, if any, specified therein (the date of such notice of acceptance being called the "Extension Date"), the Canadian Conversion Date shall be extended to the date 364 days from the Extension Date and the terms and conditions specified in such offer shall be immediately effective.

(c) Upon Canadian Borrower's acceptance of US Lenders' offer to extend the Canadian Commitment Period pursuant to Section 2.6(b) above, Canadian Borrower shall be entitled to choose any of the following in respect of each Non-Accepting Lender prior to the Extension Date, provided that if Canadian Borrower does not make an election prior to such Canadian Conversion Date, Canadian Borrower shall be deemed to have irrevocably elected to exercise the provisions of Section 2.6(c)(ii)(B):

(i) replace the Non-Accepting Lender by reaching satisfactory arrangements with one or more existing US Lenders or new US Lenders, for the purchase, assignment and assumption of the US Obligations owing by Canadian Borrower and Canadian Commitment of such Non-Accepting Lender, and such Non-Accepting Lender shall be obligated to sell and/or assign such US Obligations owing by Canadian Borrower and Canadian Commitment in accordance with the terms hereof;

(ii) the Non-Accepting Lender's obligation to make new US Loans to Canadian Borrower and participate in US Letters of Credit issued hereunder at the request of Canadian Borrower shall be canceled as of the Extension Date, the Canadian Commitment shall be reduced by the amount so canceled, and either (A) on or prior to the Extension Date the Canadian Borrower shall repay in full all US Obligations owing by Canadian Borrower to such Non-Accepting Lender, or (B) all US Obligations owing by Canadian Borrower to such Non-Accepting Lender shall convert to a term loan maturing on the date five years and one day after the date of such conversion.

In connection with any such replacement of a US Lender pursuant to Section 2.6(c)(i) above, the Canadian Borrower shall pay all costs that would have been due to such Lender Party pursuant to Section 3.6 if such US Lender's Canadian Advances had been prepaid at the time of such replacement.

(d) Canadian Borrower understands that the consideration of any request constitutes an independent credit decision which each US Lender retains the absolute and unfettered discretion to make and that no commitment in this regard is hereby given by a US Lender and that any offer to extend the Canadian Conversion Date may be on such terms and conditions in addition to those set out herein as the extending US Lenders stipulate.

(e) Upon the conversion of any Lender's US Loan to Canadian Borrower to a term loan pursuant to Section 2.6(c)(ii)(B) above or to a Canadian Term Loan pursuant to Section 2.7 below, Canadian Borrower will pay to such Lender a conversion fee equal to one-quarter percent (0.25%) of the outstanding principal amount of such US Loan as of such conversion, due and payable on the date of such conversion.

Section 2.7. Conversion to Canadian Term Loan. Unless there is an extension of the Canadian Commitment Period in accordance with Section 2.6, effective at 11:59 p.m. Boston, Massachusetts time on the day immediately preceding the Canadian Conversion Date, and

provided that no Event of Default shall have occurred and be continuing, (i) each US Lender's obligation to make new US Loans to Canadian Borrower and US LC Issuer's obligation to issue US Letters of Credit hereunder at the request of Canadian Borrower shall be canceled automatically, (ii) each US Lender's US Loans to Canadian Borrower shall become term loans ("Canadian Term Loans") maturing on the Canadian Term Loan Maturity Date and (iii) Canadian Borrower shall pay to such US Lenders the conversion fee set forth in Section 2.6(e) above..

Section 2.8. Optional Prepayments.

(a) US Loans. US Borrower or Canadian Borrower may, upon three Business Days' notice, as to LIBOR Loans, or same Business Day's notice, as to Base Rate Loans, to Administrative Agent (and Administrative Agent will promptly give notice to the other US Lenders) from time to time and without premium or penalty prepay the US Loans, in whole or in part, so long as the aggregate amounts of all partial prepayments of principal on the US Loans equals $2,500,000 or any higher integral multiple of $250,000. Upon receipt of any such notice, Administrative Agent shall give each US Lender prompt notice of the terms thereof.

(b) Canadian Loans. Canadian Working Capital Borrower may, upon three Business Days' notice to Canadian Administrative Agent (and Canadian Administrative Agent will promptly give notice to the other Canadian Lenders) from time to time and without premium or penalty prepay the Canadian Loans, in whole or in part, so long as the aggregate amounts of all partial prepayments of principal on the Canadian Loans equals $2,500,000 or any higher integral multiple of $250,000. No BA may be prepaid hereunder except in accordance with Section 2.19.

(c) Accrued and Unpaid Interest. Each prepayment of principal of a Loan 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.

(d) Prepayment. Following notice by any Borrower pursuant to Section 2.8(a) or (b) above, such Borrower shall make such prepayment, and the prepayment amount specified in such notice shall be due and payable, on the date specified in such notice.

Section 2.9. Mandatory Prepayments.

(a) US Loans to US Borrower. If at any time the US Facility Usage exceeds the US Commitment (whether due to a reduction in the US Commitment in accordance with this Agreement, or otherwise), US Borrower shall immediately upon demand prepay the principal of the US Loans made to US Borrower in an amount at least equal to such excess.

(b) US Loans to Canadian Borrower. If at any time the Canadian Facility Usage exceeds the Canadian Commitment (whether due to a reduction in the Canadian Commitment in accordance with this Agreement, or otherwise), Canadian Borrower shall immediately upon demand prepay the principal of the US Loans made to Canadian Borrower in an amount at least equal to such excess.

(c) Canadian Loans. Except to the extent permitted by Section 2.9(e), if the Canadian Working Capital Facility Usage ever exceeds the Canadian Working Capital Commitment, Canadian Working Capital Borrower shall immediately on demand prepay the principal of the Canadian Advances in an amount at least equal to such excess. Any such excess shall be applied first to outstanding Canadian Loans, and then to prepay BA's in accordance with Section 2.19.

(d) Working Capital Borrowings. For an economically meaningful period of time in each Fiscal Year, as reasonably determined by GP LLC, the aggregate outstanding principal balance of all Working Capital Borrowings shall be reduced to a relatively small amount as may be reasonably specified by GP LLC.

(e) Currency Fluctuations. Notwithstanding any other provision of this Agreement, Canadian Administrative Agent shall have the right to calculate the outstanding Canadian Working Capital Facility Usage for all purposes including making a determination from time to time of the available undrawn portion of the Canadian Working Capital Commitment. If following such calculation, Canadian Administrative Agent determines that the Canadian Working Capital Facility Usage is greater than 105% of the Canadian Working Capital Commitment, then Canadian Administrative Agent shall so advise Canadian Working Capital Borrower and Canadian Working Capital Borrower shall repay, on the earlier of five Business Days after such advice and the next applicable Interest Payment Date immediately following such advice, an amount sufficient to eliminate such excess, together with all accrued interest on the amount so paid. Any such excess shall be applied first to outstanding Canadian Loans, and then to prepay BA's in accordance with Section 2.19.

(f) Canadian Income Tax. Except as otherwise provided in Section 8.1, notwithstanding anything to the contrary contained herein, in no event shall Canadian Borrower be required to repay 25% or more of the principal amount (as defined in the Income Tax Act (Canada)) of any US Loan to Canadian Borrower prior to five years and a day after the date on which such US Loan is made.

(g) Accrued and Unpaid Interest. 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 2.10. Letters of Credit. Subject to the terms and conditions hereof, US Borrower and Canadian Borrower may during the US Commitment Period and Canadian Commitment Period, respectively, request US LC Issuer to issue, amend, or extend the expiration date of, one or more US Letters of Credit, and Canadian Working Capital Borrower may during the Canadian Working Capital Commitment Period request Canadian LC Issuer to issue, amend, or extend the expiration date of, one or more Canadian Letters of Credit, provided that, after taking such Letter of Credit into account:

(a) (i) as to a US Letter of Credit requested by US Borrower, the US Facility Usage does not exceed the US Commitment at such time, (ii) as to a US Letter of Credit requested by Canadian Borrower, the Canadian Facility Usage does not exceed the Canadian Commitment at such time, or (iii) as to a Canadian Letter of Credit, the

Canadian Working Capital Facility Usage does not exceed the Canadian Working Capital Commitment;

(b) 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) (A) as to a US Letter of Credit requested by US Borrower, the end of the US Commitment Period, (B) as to a US Letter of Credit requested by Canadian Borrower, the Canadian Conversion Date, or (C) as to a Canadian Letter of Credit, the end of the Canadian Working Capital Commitment Period;

(c) such Letter of Credit is to be used for general corporate purposes of such requesting 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;

(d) 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;

(e) the form and terms of such Letter of Credit are acceptable to LC Issuer in its sole and absolute discretion; and

(f) all other conditions in this Agreement to the issuance of such Letter of Credit have been satisfied.

The appropriate LC Issuer will honor any such request if the foregoing conditions (a) through (f) (in the following Section 2.11 called the "LC Conditions") have been met as of the date of issuance, amendment, or extension of the expiration, of such Letter of Credit. The outstanding letters of credit issued by either LC Issuer under the Existing Agreements shall be deemed to be Letters of Credit issued hereunder; each 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. Any requesting Borrower may request that any Letter of Credit be issued in Dollars or in Canadian Dollars, and, subject to the terms and conditions hereof, LC Issuers will honor such requests.

Section 2.11. Requesting Letters of Credit. The requesting Borrower must make written application for any Letter of Credit at least two Business Days before the date on which such Borrower desires for the appropriate LC Issuer to issue such Letter of Credit. By making any such written application, unless otherwise expressly stated therein, such Borrower shall be deemed to have represented and warranted that the LC Conditions described in Section 2.10 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 F-1, as to US Letters of Credit, and Exhibit F-2, as to Canadian Letters of Credit, and the terms and provisions of which are hereby incorporated herein by reference (or in such other form as may mutually be agreed upon by such LC Issuer and such Borrower). If all LC Conditions for a Letter of Credit have been met as described in Section 2.10 on any Business Day before 11:00 a.m. Boston, Massachusetts time or Toronto, Canada time, as the case may be, such LC Issuer will issue such Letter of Credit on the same Business Day at such LC Issuer's office in Boston, Massachusetts or Toronto, Canada, as the case may be. If the LC Conditions are met as described in Section 2.10

on any Business Day on or after 11:00 a.m. at such LC Issuer's office in Boston, Massachusetts or Toronto, Canada, local time, such LC Issuer will issue such Letter of Credit on the next succeeding Business Day at such LC Issuer's office in Boston, Massachusetts or Toronto, Canada, as the case may be. If any provisions of any LC Application conflict with any provisions of this Agreement, the provisions of this Agreement shall govern and control.

Section 2.12. Reimbursement and Participations.

(a) Reimbursement or Borrowing by Borrower. Each Matured US LC Obligation shall constitute a loan by US LC Issuer to US Borrower, to the extent such Borrower requested such Letter of Credit. US Borrower promises to pay to US LC Issuer, or to US LC Issuer's order, on demand, the full amount of each Matured US LC Obligation with respect to Letters of Credit requested by US Borrower, together with interest thereon (i) at the Base Rate plus the Applicable Margin to and including the second Business Day after the Matured US LC Obligation is incurred and (ii) at the Default Rate on each day thereafter. With respect to any Matured US LC Obligation with respect to Letters of Credit requested by Canadian Borrower, unless payment thereof is otherwise made to or to the order of US LC Issuer, Canadian Borrower shall be deemed to have requested a Base Rate Loan at 10:59 a.m., Toronto, Canada time, on the date US LC Issuer pays such Matured US LC Obligation, without regard to the minimum and multiples specified in Section 2.1(b) or any conditions set forth in Section 4.2, and each US Lender agrees upon notice by US LC Issuer of such payment of such Matured US LC Obligation to fund its Percentage Share of such deemed Base Rate Loan, notwithstanding the failure of any condition set forth in Section 2.1(b) or 4.2 to be satisfied. Canadian Borrower and US Lenders agree that the proceeds of such Base Rate Loans, and any interest accrued thereon, shall be paid directly to US LC Issuer and applied to such Matured US LC Obligation. Each Matured Canadian LC Obligation shall constitute a loan by Canadian LC Issuer to Canadian Working Capital Borrower. Canadian Working Capital Borrower promises to pay to Canadian LC Issuer, or to Canadian LC Issuer's order, on demand, the full amount of each Matured Canadian LC Obligation, together with interest thereon (i) at the Canadian Prime Rate plus the Applicable Margin to and including the second Business Day after the Matured Canadian 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 the appropriate Borrower may, during the interval between the making thereof and the honoring thereof by the LC Issuer thereof, request US Lenders or Canadian Lenders, as the case may be, to make US Loans or Canadian Advances to such Borrower in the amount of such draft or demand, which US Loans or Canadian Advances shall be made concurrently with such LC Issuer's payment of such draft or demand and shall be immediately used by such LC Issuer to repay the amount of such resulting Matured US LC Obligation or Matured Canadian LC Obligation. Such a request by a 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), (b) or (c), the amount of such US Loans or Canadian Advances shall be considered, but the amount of the Matured US LC Obligation or Matured Canadian LC Obligation, as the case may be, to be concurrently paid by such US Loans or such Canadian Advances shall not be considered.

(c) Participation by Lenders. US LC Issuer and Canadian LC Issuer irrevocably agree to grant and hereby grants to each US Lender or Canadian Lender, respectively, and — to induce US

LC Issuer and Canadian LC Issuer to issue US Letters of Credit and Canadian Letters of Credit hereunder — each US Lender (other than, with respect to US Letters of Credit issued at the request of Canadian Borrower, US Lenders with no continuing Canadian Commitment) and each Canadian Lender respectively irrevocably agrees to accept and purchase and hereby accepts and purchases from US LC Issuer or Canadian LC Issuer, respectively, on the terms and conditions hereinafter stated and for such Lender's own account and risk an undivided interest equal to such US Lender's or such Canadian Lender's Percentage Share of such LC Issuer's obligations and rights under each US Letter of Credit or Canadian Letter of Credit, respectively, issued hereunder and the amount of each Matured US LC Obligation or Matured Canadian LC Obligation, respectively, paid by such LC Issuer thereunder. Each US Lender and each Canadian Lender unconditionally and irrevocably agrees with US LC Issuer and Canadian LC Issuer, respectively, that, if a Matured US LC Obligation or Matured Canadian LC Obligation is paid under any Letter of Credit for which such LC Issuer is not reimbursed in full by the Borrower that requested such Letter of Credit in accordance with the terms of this Agreement and the related LC Application (including any reimbursement by means of concurrent Loans or Canadian Advances or by the application of funds held by Agents and applied to LC Obligations as they mature), such US Lender or Canadian Lender shall (in all circumstances and without set-off or counterclaim) pay to US LC Issuer or Canadian LC Issuer, respectively, on demand, in immediately available funds at such LC Issuer's address for notices hereunder, such US Lender's or such Canadian Lender's Percentage Share of such respective Matured US LC Obligation or Matured Canadian LC Obligation (or any portion thereof which has not been reimbursed by such Borrower). Each Lender's obligation to pay an LC Issuer pursuant to the terms of this subsection is irrevocable and unconditional. If any amount required to be paid by any Lender to an LC Issuer pursuant to this subsection is paid by such Lender to such LC Issuer within three Business Days after the date such payment is due, such 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, as to US Lenders, and at the "Bank Rate" as set by the Bank of Canada, as quoted on Reuters page BOCFAD, as to Canadian Lenders. If any amount required to be paid by any Lender to an LC Issuer pursuant to this subsection is not paid by such Lender to such LC Issuer within three Business Days after the date such payment is due, such 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, as to US Lenders, or at the Canadian Prime Rate, as to Canadian Lenders, plus in each case the Applicable Margin.

(d) Distributions to Participants. Whenever an LC Issuer has in accordance with this section received from any Lender payment of such Lender's Percentage Share of any Matured US LC Obligation or Matured Canadian LC Obligation, if such LC Issuer thereafter receives any payment of such Matured US LC Obligation or Matured Canadian LC Obligation or any payment of interest thereon (whether directly from the Borrower that requested such Letter of Credit or otherwise, and excluding only interest for any period prior to such LC Issuer's demand that such Lender make such payment of its Percentage Share), such LC Issuer will distribute to such Lender its Percentage Share of the amounts so received by such LC Issuer; provided, however, that if any such payment received by an LC Issuer must thereafter be returned by such LC Issuer, such Lender shall return to such LC Issuer the portion thereof which such 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 an LC Issuer to the appropriate Borrower or any US Lender from time to time, shall be conclusive, absent manifest error, as to the amounts thereof.

Section 2.13. Letter of Credit Fees.

(a) US Letter of Credit Fees. In consideration of US LC Issuer's issuance of any US Letter of Credit, US Borrower or Canadian Borrower requesting such Letter of Credit agrees to pay (i) to Administrative Agent for the account of each US Lender in proportion to its Percentage Share, a US Letter of Credit fee equal to the US Letter of Credit Fee Rate applicable each day times the undrawn face amount of such US Letter of Credit and (ii) to such US 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 undrawn face amount of such US Letter of Credit.

(b) Canadian Letter of Credit Fees. In consideration of Canadian LC Issuer's issuance of any Canadian Letter of Credit, Canadian Borrower agrees to pay (i) to Canadian Administrative Agent for the account of each Canadian Lender in proportion to its Percentage Share, a Canadian Letter of Credit fee equal to the Canadian Letter of Credit Fee Rate applicable each day times the undrawn face amount of such Canadian Letter of Credit and (ii) to such Canadian 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 undrawn face amount of such Canadian Letter of Credit.

(c) Each such fee will be calculated on the undrawn face amount of each Letter of Credit outstanding on each day at the above applicable rates and will be payable quarterly in arrears on the last day of each March, June, September and December. In addition, each Borrower will pay to an LC Issuer a minimum administrative issuance fee and such other fees and charges customarily charged by such LC Issuer in respect of any issuance, amendment or negotiation of any Letter of Credit requested by such Borrower in accordance with such LC Issuer's published schedule of such charges effective as of the date of such amendment or negotiation.

Section 2.14. No Duty to Inquire.

(a) Drafts and Demands. Each 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. No LC Issuer is under any 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 an LC Issuer to any such beneficiary when requested by any such purported officer, representative or agent is hereby authorized and approved. Each 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 any Borrower, or if the amount of any Letter of Credit is increased at the request of any 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 the 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, the LC Issuer thereof shall have no duty to determine the proper identity of anyone appearing as transferee of such Letter of Credit, nor shall such 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 such LC Issuer to any purported transferee or transferees as determined by such LC Issuer is hereby authorized and approved, and each 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 2.15. Creation of Bankers' Acceptances. Upon receipt of a Borrowing Notice requesting a Borrowing by way of Bankers' Acceptances, and subject to the provisions of this Agreement, each Canadian Lender shall accept, in accordance with its Percentage Share of the

requested Borrowing from time to time such Bankers' Acceptances as Canadian Working Capital Borrower shall request provided that:

(a) Bankers' Acceptances shall be issued on a Business Day;

(b) each Bankers' Acceptance shall have a term of one, two, three or six months (excluding days of grace), as selected by Canadian Working Capital Borrower in the relevant Borrowing Notice provided that each Bankers' Acceptance shall mature on a Business Day;

(c) the face amount of each Bankers' Acceptance shall be not less than C$500,000 and in multiples of C$100,000 for any amounts in excess thereof; and

(d) each Bankers' Acceptance shall be in a form acceptable to the Canadian Administrative Agent.

Section 2.16. Terms of Acceptance by Canadian Lenders.

(a) Delivery and Payment. Subject to Sections 2.17 and 2.18 and only if a valid appointment pursuant to Section 2.16(d) is not in place, Canadian Working Capital Borrower shall pre-sign and deliver to each Canadian Lender bankers' acceptance drafts in sufficient quantity to meet Canadian Working Capital Borrower's requirements for anticipated Borrowings by way of Bankers' Acceptances. Canadian Working Capital Borrower shall, at its option, provide for payment to Canadian Administrative Agent for the benefit of Canadian Lenders of each Bankers' Acceptance on the date on which a Bankers' Acceptance matures, either by payment of the full face amount thereof or through utilization of a Conversion to another Type of Borrowing in accordance with this Agreement, or through a combination thereof. Canadian Working Capital Borrower waives presentment for payment of Bankers' Acceptances by Canadian Lenders and shall not claim from Canadian Lenders any days of grace for the payment at maturity of Bankers' Acceptances. Any amount owing by Canadian Working Capital Borrower in respect of any Bankers' Acceptance which is not paid in accordance with the foregoing, shall, as and from the date on which such Bankers' Acceptance matures, be deemed to be outstanding hereunder as a Canadian Prime Rate Loan.

(b) No Liability. Canadian Administrative Agent and Canadian Lenders shall not be liable for any damage, loss or improper use of any bankers' acceptance draft endorsed in blank except for any loss arising by reason of Canadian Administrative Agent or a Canadian Lender failing to use the same standard of care in the custody of such bankers' acceptance drafts as Canadian Administrative Agent or such Canadian Lender use in the custody of their own property of a similar nature.

(c) Bankers' Acceptances Purchased by Canadian Lenders. Each Canadian Lender shall purchase Bankers' Acceptances accepted by it for an amount equal to the Discount Proceeds.

(d) Power of Attorney. To facilitate the procedures contemplated in this Agreement, Canadian Working Capital Borrower appoints each Canadian Lender from time to time as the attorney-in-fact of Canadian Working Capital Borrower to execute, endorse and deliver on behalf of Canadian Working Capital Borrower drafts or depository bills in the form or forms prescribed

by such Canadian Lender for Bankers' Acceptances denominated in Canadian Dollars. Each Bankers' Acceptance executed and delivered by a Canadian Lender on behalf of Canadian Working Capital Borrower shall be as binding upon such Canadian Working Capital Borrower as if it had been executed and delivered by a duly authorized officer of such Canadian Working Capital Borrower. The foregoing appointment shall cease to be effective, in respect of any Canadian Lender regarding Canadian Working Capital Borrower, three Business Days following receipt by such Canadian Lender of a written notice from Canadian Working Capital Borrower revoking such appointment (which notice shall be copied to the Canadian Administrative Agent); provided that any such revocation shall not affect Bankers' Acceptances previously executed and delivered by such Canadian Lender pursuant to such appointment.

(e) Pro-Rata Treatment of Canadian Advances.

(i) Each Canadian Advance shall be made available by each Canadian Lender and all repayments and reductions in respect thereof shall be made and applied in a manner so that the Canadian Advances outstanding hereunder to each Canadian Lender will, to the extent possible, thereafter be pro rata in accordance with such Canadian Lender's Percentage Share. The Canadian Administrative Agent is authorized by Canadian Working Capital Borrower and each Canadian Lender to determine, in its sole and unfettered discretion, the portion of each Canadian Advance and each Type of Canadian Advance to be made available by each Canadian Lender and the application of repayments and reductions of Canadian Advances to give effect to the provisions of this section, provided that no Canadian Lender shall, as a result of any such determination, have a Percentage Share of the Canadian Advances which is in excess of its Percentage Share of the Canadian Working Capital Commitment.

(ii) In the event it is not practicable to allocate Bankers' Acceptances to each Canadian Lender such that the aggregate amount of Bankers' Acceptances required to be purchased by such Canadian Lender hereunder is in a whole multiple of C$100,000, the Canadian Administrative Agent is authorized by each Canadian Working Capital Borrower and each Canadian Lender to make such allocation as the Canadian Administrative Agent determines in its sole and unfettered discretion may be equitable in the circumstances and, if the aggregate amount of such Bankers' Acceptances is not a whole multiple of C$100,000, then the Canadian Administrative Agent may allocate (on a basis considered by it to be equitable) the excess of such Canadian Advance over the next lowest whole multiple of C$100,000 to one Canadian Lender, which shall purchase a Bankers' Acceptance with a face amount equal to the excess and having the same term as the corresponding Bankers' Acceptances. In no event shall the portion of the outstanding Borrowings by way of Bankers' Acceptances of a Canadian Lender exceed such Canadian Lenders' Percentage Share of the aggregate Borrowings by way of Bankers' Acceptances by more than C$100,000 as a result of such exercise of discretion by the Canadian Administrative Agent.

(f) BA Equivalent Advances. Each Canadian Lender may, in lieu of accepting a BA on the date of any Borrowing, make a BA Equivalent Advance. The amount of each BA Equivalent Advance shall be equal to the Discount Proceeds (with reference to the applicable BA Discount Rate) which would be realized from a hypothetical sale of those BAs which, but for this subsection, would have been sold to such Canadian Lender. If such Canadian Lender does not

otherwise have a BA Discount Rate applicable to it, the applicable BA Discount Rate will be calculated as though such Canadian Lender was listed on Schedule II of the *Bank Act* (Canada). Any BA Equivalent Advance shall be made on the relevant date of any Borrowing, and shall remain outstanding for the term of the corresponding BA. On the maturity date of the corresponding BA, such BA Equivalent Advance shall be repaid in an amount equal to the face amount of a draft that would have been accepted by such Canadian Lender if such Canadian Lender had accepted and purchase BA hereunder. Each BA Equivalent Advance made pursuant to this subsection shall be deemed to be a BA accepted and purchased by such Canadian Lender pursuant to the terms hereof, and except in this subsection, any reference to a BA shall include such BA Equivalent Advance.

Section 2.17. General Procedures for Bankers' Acceptances.

(a) Continuations. In the case of a Continuation of maturing Bankers' Acceptances, each Canadian Lender in order to satisfy the continuing liability of Canadian Working Capital Borrower to the Canadian Lender for the face amount of the maturing Bankers' Acceptances, shall retain for its own account the Net Proceeds of each new Bankers' Acceptance issued by it in connection with such Continuation; and Canadian Working Capital Borrower shall, on the maturity date of the maturing Bankers' Acceptances, pay to Canadian Administrative Agent for the benefit of Canadian Lenders an amount equal to the difference between the face amount of the maturing Bankers' Acceptances and the aggregate Net Proceeds of the new Bankers' Acceptances.

(b) Conversion from Canadian Prime Rate Loans or Canadian US Dollar Base Rate Loans. In the case of a Conversion from a Borrowing of Canadian Prime Rate Loans or Canadian US Dollar Base Rate Loans into a Borrowing by way of Bankers' Acceptances to be accepted by a Canadian Lender pursuant to Section 2.16, such Canadian Lender, in order to satisfy the continuing liability of Canadian Working Capital Borrower to it for the principal amount of the Canadian Prime Rate Loans or Canadian US Dollar Base Rate Loans being converted, shall retain for its own account the Discount Proceeds of each new Bankers' Acceptance issued by it in connection with such Conversion; and Canadian Working Capital Borrower shall, on the date of issuance of the Bankers' Acceptances, pay to Canadian Administrative Agent for the benefit of Canadian Lenders an amount equal to the difference between the aggregate principal amount of the Canadian Prime Rate Loans or Canadian US Dollar Base Rate Loans being converted owing to the Canadian Lenders and the aggregate Discount Proceeds of such Bankers' Acceptances.

(c) Authorization. Canadian Working Capital Borrower hereby authorizes each Canadian Lender to complete, stamp, hold, sell, rediscount or otherwise dispose of all Bankers' Acceptances accepted by it pursuant to this section in accordance with the instructions provided by Canadian Working Capital Borrower pursuant to Section 2.3, as applicable.

(d) Depository Notes. The parties agree that in the administering of Bankers' Acceptances, each Canadian Lender may avail itself of the debt clearing services offered by a clearing house for depository notes pursuant to the Depository Bills and Notes Act (Canada) and that the procedures set forth in Article II be deemed amended to the extent necessary to comply with the requirements of such debt clearing services.

Section 2.18. Execution of Bankers' Acceptances. The signatures of any authorized signatory on Bankers' Acceptances which are authorized and requested hereunder by the Canadian Working Capital Borrower may, at the option of Canadian Working Capital Borrower, be reproduced in facsimile and such Bankers' Acceptances bearing such facsimile signatures shall be binding on Canadian Working Capital Borrower as if they had been manually signed by

such authorized signatory. Notwithstanding that any person whose signature appears on any Bankers' Acceptance as a signatory may no longer be an authorized signatory of Canadian Working Capital Borrower at the date of issuance of a Bankers' Acceptance, and notwithstanding that the signature affixed may be a reproduction only, such signature shall, unless prior to its use the Canadian Working Capital Borrower has notified the Canadian Administrative Agent in writing to contrary, nevertheless be valid and sufficient for all purposes as if such authority had remained in force at the time of such issuance and as if such signature had been manually applied, and any such Bankers' Acceptance so signed shall be binding on Canadian Working Capital Borrower.

Section 2.19. Prepayment of Bankers' Acceptances. Any amounts received by Canadian Administrative Agent to be applied to outstanding Bankers' Acceptances, whether pursuant to an Event of Default and acceleration of the Obligations under Section 8.1 or a prepayment as permitted or required under Section 2.8 or 2.9, shall be deposited into an escrow account maintained by and in the name of Canadian Administrative Agent for the benefit of Canadian Lenders for set-off against such outstanding Bankers' Acceptances as they mature, and pending such application shall bear interest at the rate declared by Canadian Administrative Agent from time to time as that payable by it in respect of deposits for such amount and for such period relative to the maturity date of such Bankers' Acceptances, as applicable. Upon the repayment of all such outstanding Bankers' Acceptances, any amounts remaining (including accrued interest) will (i) during the continuance of an Event of Default, be subject to such remedies as each Lender Party may have hereunder or under applicable Law, or (ii) otherwise, be released to Canadian Borrower.

ARTICLE III - Payments to Lenders

Section 3.1. General Procedures.

(a) Each Restricted Person shall pay all amounts owing by such Restricted Person with respect to any US Obligations (whether for principal, interest, fees, or otherwise) to Administrative Agent for the account of the US Lender Party to whom such payment is owed in Dollars, without set-off, deduction or counterclaim, and in immediately available funds and each Restricted Person shall pay all amounts owing by such Restricted Person with respect to any Canadian Obligations (whether for principal, interest, fees, or otherwise) to Canadian Administrative Agent for the account of the Canadian Lender Party to whom such payment is owed in Canadian Dollars (or with respect to Canadian Loans funded in Dollars, in Dollars), without set-off, deduction or counterclaim, and in immediately available funds. If any payment is received on account of any US Obligation in any currency other than Dollars (whether voluntarily or pursuant to any order or judgment or the enforcement thereof or the realization of any security or the liquidation of any Person or otherwise howsoever), such payment shall constitute a discharge of the liability of a Restricted Person hereunder and under the other Loan Documents in respect of such US Obligation only to the extent of the amount of Dollars which the relevant Lender Parties are able to purchase with the amount of the other currency received by it on the Business Day next following such receipt by the Administrative Agent in accordance

with its normal procedures and after deducting any premium and costs of exchange. If any payment is received on account of any Canadian Obligation in any currency other than Canadian Dollars (whether voluntarily or pursuant to any order or judgment or the enforcement thereof or the realization of any security or the liquidation of any Person or otherwise howsoever), such payment shall constitute a discharge of the liability of a Restricted Person hereunder and under the other Loan Documents in respect of such Canadian Obligation only to the extent of the amount of Canadian Dollars which the relevant Lender Parties are able to purchase with the amount of the other currency received by it on the Business Day next following such receipt by Canadian Administrative Agent in accordance with its normal procedures and after deducting any premium and costs of exchange. Each payment under the Loan Documents must be received by the relevant Agent not later than noon, Boston, Massachusetts time or Toronto, Ontario time, as the case may be, on the date such payment becomes due and payable. Any payment received by the relevant 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 to a US Lender Party 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 US Note. Each Payment under a Loan Document to a Canadian Lender Party 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 in Canadian Administrative Agent's Canadian Working Capital Note.

(b) When Administrative Agent collects or receives money on account of the US Obligations, Administrative Agent shall distribute all money so collected or received, and each US Lender Party shall apply all such money so distributed, as follows:

(i) first, for the payment of all US Obligations which are then due (and if such money is insufficient to pay all such US Obligations, first to any reimbursements due Administrative Agent under Section 10.4 and then to the partial payment of all other US Obligations then due in proportion to the amounts thereof, or as US Lender Parties shall otherwise agree);

(ii) then for the prepayment of amounts owing under the Loan Documents (other than principal on the US Notes and Canadian Notes) if so specified by US Borrower;

(iii) then for the prepayment of principal on the US Notes and Canadian Notes, together with accrued and unpaid interest on the principal so prepaid, or held by US LC Issuer and applied to US LC Obligations as they mature; and

(iv) last, for the payment or prepayment of any other US Obligations.

All payments applied to principal or interest on any US Note or Canadian 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 accrued interest thereon in compliance with Sections 2.8 and 2.9, as applicable. All distributions of amounts described in any of subsections (ii), (iii), or (iv) above shall be made by Administrative Agent pro rata to each US Lender Party then owed US Obligations described in such subsection in proportion to all amounts owed to all US Lender

Parties which are described in such subsection; provided that if any US Lender then owes payments to US LC Issuer for the purchase of a participation under Section 2.12(c) or to Administrative Agent under Section 9.4, any amounts otherwise distributable under this section to such US Lender shall be deemed to

belong to US 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 US Lender.

(c) When Canadian Administrative Agent collects or receives money on account of the Canadian Obligations, other than as provided in Section 3.9, Canadian Administrative Agent shall distribute all money so collected or received, and each Canadian Lender Party shall apply all such money so distributed, as follows:

(i) first, for the payment of all Canadian Obligations which are then due (and if such money is insufficient to pay all such Canadian Obligations, first to any reimbursements due Canadian Administrative Agent under 10.4 and then to the partial payment of all other Canadian Obligations then due in proportion to the amounts thereof, or as Canadian Lender Parties shall otherwise agree);

(ii) then for the prepayment of amounts owing under the Loan Documents (other than principal on the Canadian Working Capital Notes) if so specified by Canadian Working Capital Borrower;

(iii) then for the prepayment of principal on the Canadian Working Capital Notes, together with accrued and unpaid interest on the principal so prepaid, or held by Canadian LC Issuer and applied to Canadian LC Obligations as they mature; and

(iv) last, for the payment or prepayment of any other Canadian Obligations.

All payments applied to principal or interest on any Canadian Working Capital 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 accrued interest thereon in compliance with Sections 2.8 and 2.9, as applicable. All distributions of amounts described in any of subsections (ii), (iii), or (iv) above shall be made by Canadian Administrative Agent pro rata to each Canadian Lender Party then owed Canadian Obligations described in such subsection in proportion to all amounts owed to all Canadian Lender Parties which are described in such subsection; provided that if any Canadian Lender then owes payments to Canadian LC Issuer for the purchase of a participation under Section 2.12(c) or to Canadian Administrative Agent under Section 9.4, any amounts otherwise distributable under this section to such Canadian Lender shall be deemed to belong to Canadian LC Issuer, or Canadian Administrative Agent, respectively, to the extent of such unpaid payments, and Canadian Administrative Agent shall apply such amounts to make such unpaid payments rather than distribute such amounts to such Canadian 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, the relevant Borrower will pay to the relevant 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, in Banker's Acceptances, or commitments under this Agreement.

Section 3.3. Increased Cost of LIBOR 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 LIBOR Loan or Letter of Credit or otherwise due under this Agreement in respect of any LIBOR 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 LIBOR Loan or any Letter of Credit (excluding those for which such Lender Party is fully compensated pursuant to adjustments made in the definition of LIBOR 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 LIBOR Loan or Letter of Credit, the result of which is to increase the cost to any Lender Party of funding or maintaining any LIBOR 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 LIBOR Loan or Letter of Credit by an amount deemed by such Lender Party to be material,

then such Lender Party shall promptly notify relevant Agent and relevant 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) relevant Borrower shall, within five Business Days after demand therefor by such Lender Party, pay such amount to relevant Agent for the account of such Lender Party and (ii) relevant Borrower may elect, by giving to relevant Agent and such Lender Party not less than three Business Days' notice, to Convert all (but not less than all) of any such LIBOR Loans into Base Rate Loans.

Section 3.4. Notice; Change of Applicable Lending Office. A Lender Party shall notify the relevant 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 180 days, after such Lender Party obtains actual knowledge

thereof; provided, that (i) if such Lender Party fails to give such notice within 180 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 180 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 the relevant 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 LIBOR Loans, accept BA's 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 LIBOR Loan are not available to it, or (c) any Lender Party determines that the formula for calculating the LIBOR Rate does not fairly reflect the cost to such Lender Party of making or maintaining loans based on such rate, in each case with respect to the relevant Commitment hereunder, then, upon notice by such Lender Party to the relevant Borrower and the relevant Agent, such Borrower's right to elect LIBOR Loans from such Lender Party or issue BA's (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 LIBOR Loans of such Lender Party which are then outstanding and all BA's which are then outstanding or are then the subject of any Borrowing Notice and which cannot lawfully or practicably be maintained, funded or accepted shall immediately become or remain, or shall be funded as, Base Rate Loans of such Lender Party. With respect to each Commitment, the relevant Borrower thereunder agrees to indemnify each Lender Party extending credit pursuant thereto, and hold each such Lender Party 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, with respect to each Commitment, the relevant Borrower thereunder will indemnify each Lender Party extending credit pursuant thereto 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 such Lender Party to fund or maintain LIBOR Loans), as a result of (a) any payment or prepayment (whether or not authorized or required hereunder) of all or a portion of a LIBOR 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 LIBOR Loan into a Base Rate Loan or into a different LIBOR 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. With respect to each Commitment, the relevant Borrower thereunder covenants and agrees with each Lender Party extending credit pursuant thereto that:

(a) Such Borrower will indemnify each such Lender Party against and reimburse each such Lender Party for all present and future stamp and other taxes, duties, levies, imposts, deductions, charges, costs, and withholdings whatsoever imposed, assessed, levied or collected on or in respect of this Agreement, any LIBOR Loans, any BA's or Letters of Credit (whether or not legally or correctly imposed, assessed, levied or collected) including all taxes imposed pursuant to Part XIII of the Income Tax Act (Canada) and any withholding or other taxes imposed on any Lender Party under Canadian Law, excluding, however, any taxes imposed on or measured by the overall net income of any 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 such Lender Party's Loans and Notes, and all other amounts payable by such Borrower to any such 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 the relevant Borrower. In the event of any such Borrower being compelled by Law to make any such deduction or withholding from any payment to any such Lender Party, such 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 any such Borrower should make any deduction or withholding as aforesaid, such 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 any such Borrower is ever required to pay any Reimbursable Tax with respect to any LIBOR Loan, such Borrower may elect, by giving to the relevant Agent and such Lender Party not less than three Business Days' notice, to Convert all (but not less than all) of any such LIBOR Loan into a Base Rate Loan, but such election shall not diminish such Borrower's obligation to pay all Reimbursable Taxes.

(d) Notwithstanding the foregoing provisions of this section, such 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 or Canada (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 such Lender Party, other than such a Lender Party (i) who is a US

person for Federal income tax purposes or (ii) who has the Prescribed Forms on file with Administrative Agent (with copies provided to the relevant 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 such 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 such Lender Party providing the forms or statements, (y) the Code, or (z) any applicable rules or regulations thereunder, permit such 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 — each 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 the relevant Borrower, provided that: (i) all Obligations of such Borrower owing to such Lender Party being replaced (including such increased costs and any breakage costs with respect to any outstanding LIBOR Loans, 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 Notes 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 the relevant Borrower, Administrative Agent, such Lender Party and the replacement Eligible Transferee shall otherwise comply with Section 10.5. Notwithstanding the foregoing rights of each Borrower under this section, however, Borrowers may not replace any Lender Party which seeks reimbursement for increased costs under Section 3.2 through 3.7 unless such Borrower is at the same time replacing all Lender Parties which are then seeking such compensation.

Section 3.9. Currency Conversion and Indemnity.

(a) If, for the purpose of obtaining or enforcing judgment in any court in any jurisdiction, it becomes necessary to convert into a particular currency (the "Judgment Currency") any amount due under a Loan Document in the currency in which it was effected (the "Agreed Currency") then the conversion shall be made on the basis of the rate of exchange prevailing on the Business Day preceding the date such judgment is given and in any event each Restricted Person obligated to pay such Obligation shall be obligated to pay the relevant Lender Parties any deficiency in accordance with Section 3.9(b). For the foregoing purposes "rate of exchange" means the rate at which the relevant Agent, as applicable, in accordance with its normal banking procedures is able on the relevant date to purchase the Agreed Currency with the Judgment Currency after deducting any premium and costs of exchange.

(b) If any Lender Party receives any payment or payments on account of the liability of a Restricted Person under the Loan Documents pursuant to any judgment or order in any currency other than the Agreed Currency (an "Other Currency"), and the amount of the Agreed Currency which the relevant Lender Party is able to purchase on the Business Day next following such receipt with the proceeds of such payment or payments in accordance with its normal procedures and after deducting any premiums and costs of exchange is less than the amount of the Agreed Currency due in respect of such Obligations immediately prior to such judgment or order, then the Borrower owing such Obligation on demand shall, and such Borrower hereby agrees to, indemnify and save such Lender Party harmless from and against any loss, cost or expense arising out of or in connection with such deficiency. The agreement of indemnity provided for in this Section 3.9(b) shall constitute an obligation separate and independent from all other obligations contained in this Agreement, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Lender Parties or any of them from time to time, and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

ARTICLE IV - Conditions Precedent to Lending

Section 4.1. Documents to be Delivered. No Lender has any obligation to make its first Loan, and no LC Issuer has any 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, each of which was so executed and delivered:

(a) This Agreement and any other document that Lenders are to execute in connection herewith.

(b) Each Note and the guaranty of each Guarantor.

(c) Certain certificates including:

(i) An "Omnibus Certificate" of the secretary or assistant secretary and any vice president of GP LLC, which shall contain the names and signatures of the officers of GP LLC 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 GP LLC 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 US Borrower and all amendments thereto, certified by the appropriate official of its jurisdiction of organization, and (3) a copy of the agreement of limited partnership of US Borrower;

(ii) An "Omnibus Certificate" of the secretary or assistant secretary and any vice president of Plains Marketing GP Inc., which shall contain the names and signatures of the officers of such company 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 such company 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 Significant Restricted Person, other than those Significant Restricted Persons whose charter documents are attached to the certificates described in Section 4.1(c)(i) above or Section 4.1(c)(iii) below and all amendments thereto, certified by the appropriate official of its jurisdiction of organization, and (3) a copy of any bylaws or agreement of limited partnership of such Significant Restricted Persons;

(iii) An "Omnibus Certificate" of the secretary or assistant secretary and any vice president of Canadian Borrower, which shall contain the names and signatures of the officers of Canadian Borrower 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 Canadian Borrower 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 Canadian Borrower and Canadian Working Capital Borrower and all amendments thereto, certified by the appropriate official of its jurisdiction of organization, and (3) a copy of the bylaws of Canadian Borrower and the agreement of limited partnership of Canadian Working Capital Borrower; and

(iv) A certificate of the chief financial officer of GP LLC, regarding satisfaction of Section 4.2.

(d) A certificate (or certificates) of the due formation, valid existence and good standing of each Significant Restricted Person in its respective jurisdiction of organization, issued by the appropriate authorities of such jurisdiction.

(e) Favorable opinions of Tim Moore, 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, and Bennett Jones LLP, special Canadian Counsel for Restricted Persons, substantially in the form set forth in Exhibit E-3.

(f) Financial projections for US Borrower and its Subsidiaries through December 2006, in form and substance reasonably satisfactory to Administrative Agent.

(g) Consolidated financial statements of US Borrower and its Subsidiaries as of September 30, 2003, reflecting compliance with Sections 7.8 and 7.9, together with a certificate by the chief financial officer of GP LLC certifying such financial statements.

(h) No Material Adverse Change shall have occurred since December 31, 2002.

(i) Administrative Agent shall have received all documents and instruments which Administrative Agent has then requested (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 Borrowers 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 and substance.

(j) Payment of all commitment, facility, agency and other fees required to be paid to any Agent or Lender pursuant to any Loan Documents or any commitment agreement heretofore entered into.

(k) Evidence of the payment in full of all outstanding Indebtedness under the Existing Agreements, the release of all Liens securing such Indebtedness, and termination of the Existing Agreements.

Section 4.2. Additional Conditions Precedent. No Lender has any obligation to make any Loan (including its first), and no LC Issuer has any 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, then in each such case, such other date.

(b) No Default shall exist at the date of such Loan or the date of issuance of such Letter of Credit or result from such Loan or such issuance of such Letter of Credit.

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, each of US Borrower and, with respect to itself and its Subsidiaries, the other Borrowers represents and warrants to each Lender that:

Section 5.1. No Default. No event has occurred and is continuing which constitutes a Default, except as has been waived in accordance with this Agreement.

Section 5.2. Organization and Good Standing. Each Significant Restricted Person is duly organized or formed, validly existing and in good standing under the Laws of its jurisdiction of organization or formation, having all requisite corporate or similar powers required to carry on its

business and enter into and carry out the transactions contemplated hereby. Each Significant Restricted Person is duly qualified, in good standing, and authorized to do business in all other jurisdictions 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 reasonably be expected to 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. Each Borrower is duly authorized to borrow funds hereunder.

Section 5.4. No Conflicts or Consents. The execution and delivery by each Restricted Person of the Loan Documents to which it is a party, the performance by it of its obligations, and the consummation of the transactions contemplated thereby, do not and will not (i) violate any provision of (1) Law applicable to it, (2) its organizational documents or (3) any judgment, order or material license or permit applicable to or binding upon it, (ii) result in the acceleration of any Indebtedness owed by it or (iii) result in or require the creation of any consensual Lien upon any of its material assets or properties except as expressly contemplated in, or permitted by, the Loan Documents. Except as expressly contemplated in or permitted by the Loan Documents, disclosed in the Disclosure Schedule or disclosed pursuant to Section 6.4, no permit, consent, approval, authorization or order of, and no notice to or filing, registration or qualification with, any Tribunal is required on the part of any Restricted Person a party thereto pursuant to the provisions of any material Law applicable to it as a condition to its execution, delivery or performance of any Loan Document or (ii) to consummate any transactions contemplated by the Loan Documents.

Section 5.5. Enforceable Obligations. This Agreement is, and the other Loan 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 and general principles of equity.

Section 5.6. Initial Financial Statements. US Borrower has heretofore delivered to each Lender true, correct and complete copies of the Initial Financial Statements. The Initial Financial Statements fairly present US Borrower's Consolidated financial position at the date thereof and the Consolidated results of US Borrower's operations for the periods thereof, and in the case of the annual Initial Financial Statements, Consolidated cash flows for the period thereof. Since the date of the annual Initial Financial Statements, no Material Adverse Change has occurred. All Initial Financial Statements described in clause (i) of that defined term were prepared in accordance with GAAP.

Section 5.7. Other Obligations and Restrictions. As of the closing date hereof, no Restricted Person has any outstanding payment obligations of any kind (including contingent obligations, tax assessments and unusual forward or long-term commitments) which are, in the aggregate, material to US Borrower or material with respect to US Borrower's Consolidated financial condition and not reflected in the Initial Financial Statements, disclosed in the Disclosure Schedule or otherwise permitted under Section 7.1. Except as 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 would reasonably be expected to 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 (or if such information expressly relates or refers to an earlier date, as of such earlier date). 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 in light of the circumstances in which made or based on reasonable estimates, in each case as of the date on which such information is stated or certified (or if such information expressly relates or refers to an earlier date, as of such earlier date). There is no fact known to any Restricted Person that has not been disclosed to each Lender in writing which would reasonably be expected to 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 overtly threatened, against any Restricted Person before any Tribunal which would reasonably be expected to 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, to the knowledge of US Borrower, any Restricted Person's stockholders, partners, directors or officers which would reasonably be expected to cause a Material Adverse Change.

Section 5.10. ERISA Plans and Liabilities. All currently existing ERISA Plans are listed in the Disclosure Schedule or pursuant to Section 6.4. Except as disclosed in the Initial Financial Statements, in the Disclosure Schedule or pursuant to Section 6.4, no Termination Event has occurred with respect to any ERISA Plan and all ERISA Affiliates are in compliance with ERISA in all material respects, to the extent that the non-compliance therewith would not be reasonably expected to cause a Material Adverse Change. 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 $5,000,000.

Section 5.11. Compliance with Permits, Consents and Law. Except as set forth in the Disclosure Schedule or pursuant to Section 6.4, each Restricted Person 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 would not reasonably be expected to 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 that non-compliance therewith would not reasonably be

expected to cause a Material Adverse Change or such term, restriction or otherwise is being contested in good faith or a bona fide dispute exists with respect thereto.

Section 5.12. Environmental Laws. Except as set forth in the Disclosure Schedule or disclosed pursuant to Section 6.4, (i) US Borrower and its Subsidiaries are conducting their businesses in material compliance with all applicable Laws, including Environmental Laws, and have and are in compliance with all licenses and permits required under any such Laws, unless failure to so comply or have such licenses and permits would not reasonably be expected to cause a Material Adverse Change; (ii) none of the operations or properties of US Borrower or any of its Subsidiaries is the subject of federal, provincial or local investigation evaluating whether any material remedial action is needed to respond to a release of any Hazardous Materials into the environment or to the improper storage or disposal (including storage or disposal at offsite locations) of any Hazardous Materials, unless such remedial action would not reasonably be expected to cause a Material Adverse Change; and (iii) neither US Borrower nor any of its Subsidiaries (and to the actual knowledge of US Borrower, no other Person) has filed any notice under any Law indicating that any Restricted Person is responsible for the improper release into the environment, or the improper storage or disposal, of any material amount of any Hazardous Materials or that any Hazardous Materials have been improperly released, or are improperly stored or disposed of, upon any property of any such Person, other than of an alleged improper release, storage or disposal that would not reasonably be expected to cause a Material Adverse Change.

Section 5.13. US Borrower's Subsidiaries. US Borrower has no Subsidiary and owns no stock in any other corporation or association except as listed in the Disclosure Schedule or disclosed after the closing date hereof to Administrative Agent in writing. No Restricted Person is a member of any general or limited partnership, limited liability company, joint venture or association of any type whatsoever except those listed in the Disclosure Schedule or disclosed after the closing date hereof to Administrative Agent in writing. US Borrower owns, directly or indirectly, the equity interest in each of its Subsidiaries which is indicated in the Disclosure Schedule.

Section 5.14. Title to Properties. 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, other than such impediments that would not reasonably be expected to cause a Material Adverse Change.

Section 5.15. Government Regulation. Neither any 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 any 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 5.16. Insider. No Restricted Person, nor any Person having "control" (as that term is defined in 12 U.S.C. § 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. § 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 5.17. Solvency. Upon giving effect to the issuance of the Notes, the execution of the Loan Documents by Borrowers and each Guarantor and the consummation of the transactions contemplated hereby, (i) each Borrower and each Guarantor will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws), and the sum of each Borrower's and each Guarantor's absolute and contingent liabilities, including the Obligations or guarantees thereof, shall not exceed the fair market value of such Restricted Person's assets, and (ii) each Borrower's and each Guarantor's capital should be adequate for the businesses in which such Restricted Person is engaged and intends to be engaged. Neither any Borrower nor any other Restricted Person has incurred (whether under the Loan Documents or otherwise), nor does any Restricted Person intend to incur or reasonably foreseeably believes that it will incur, debts which will be beyond its ability to pay as such debts mature.

Section 5.18. Not a "Reportable Transaction". No Borrower intends to treat the Borrowings and/or Letters of Credit and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event any Borrower determines to take any action inconsistent with such intention, it will promptly notify the Administrative Agent thereof. If any Borrower takes any action inconsistent with such intention, or if any Borrower so notifies the Administrative Agent, then such Borrower acknowledges that, as a result of such action or notice, one or more of the Lenders may treat its Loans and/or Canadian Advances and/or its interest in Letters of Credit as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and such Lender or Lenders will maintain the lists and other records required by such Treasury Regulation.

ARTICLE VI - Affirmative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Borrowers, and to induce each Lender to enter into this Agreement and extend credit hereunder, each of US Borrower and, with respect to itself and its Subsidiaries, the other Borrowers, covenants and agrees 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 from it pursuant to the provisions of 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 imposed on it pursuant to the provisions of such Loan Documents.

Section 6.2. Books, Financial Statements and Reports. Each Restricted Person will at all times maintain full and accurate books of account and records. US Borrower 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 US Borrower's expense:

(a) Promptly upon the filing thereof, and in any event within ninety (90) days after the end of each Fiscal Year, a copy of US Borrower's Form 10-K, which report shall include US Borrower's complete Consolidated financial statements together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an opinion, without material qualification, based on an audit using generally accepted auditing standards, by PricewaterhouseCoopers LLP, or other independent certified public accountants selected by General Partner, stating that such Consolidated financial statements have been so prepared. These financial statements shall contain a Consolidated balance sheet as of the end of such Fiscal Year and Consolidated 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.

(b) Promptly upon the filing thereof, and in any event within sixty (60) days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a copy of US Borrower's Form 10-Q, which report shall include US Borrower's unaudited Consolidated balance sheet as of the end of such Fiscal Quarter and Consolidated statements of US Borrower'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. In addition US Borrower 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, principal accounting officer or treasurer 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 7.8 and 7.9 and stating that, to the best of his knowledge, 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 Form 8-K's filed by US Borrower with any securities exchange, the Securities and Exchange Commission or any similar governmental authority.

(d) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent by US Borrower to its unit holders and all registration statements filed by US Borrower with any securities exchange, the Securities and Exchange Commission or any similar governmental authority.

(e) Prompt notice of any publicly announced change in PAA's Debt Rating by either Standard & Poor's or Moody's.

Documents required to be delivered pursuant to Section 6.2(a), (b), (c) or (d), (to the extent any such documents are included in materials otherwise filed with the Securities and Exchange Commission) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which the Borrower posts such documents, or provides a link thereto, on

the Borrower's website on the Internet at the website address listed in Section 10.3, and notifies Administrative Agent of such posting or link.

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 Administrative Agent any information which Administrative Agent or any Lender may from time to time reasonably request concerning any covenant, provision or condition of the Loan Documents or any matter in connection with any Restricted Person's 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), upon reasonable prior notice, 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 reasonable prior notice to US Borrower, its representatives. Each of the foregoing inspections and examinations 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 made, all information to be investigated or verified and all discussion 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. US Borrower will notify each Lender Party, not later than five (5) Business Days after any executive officer of US Borrower 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 would reasonably be expected to cause a Material Adverse Change,

(d) the occurrence of any Termination Event,

(e) any claim under any Environmental Law adverse to a Restricted Person or of potential liability with respect to such claim, or any other adverse claim asserted against any Restricted Person or with respect to any Restricted Person's properties taken as a

whole, in each case, which claim would reasonably be expected to cause a Material Adverse Change, and

(f) the filing of any suit or proceeding, or the assertion in writing of a claim against any Restricted Person or with respect to any Restricted Person's properties, which would reasonably be expected to cause a Material Adverse Change.

Upon the occurrence of any of the foregoing the applicable Restricted Person will take all necessary or appropriate steps to remedy promptly, if applicable, any such Material Adverse Change, Default, acceleration, default or Termination Event, to protect against any such adverse claim, to defend any such claim, suit or proceeding, and to resolve all controversies on account of any of the foregoing.

Section 6.5. Maintenance of Existence, Qualifications and Assets. Each Significant Restricted Person (i) will maintain and preserve its existence and its rights (including permits, licenses and other authorizations required under Environmental Laws) and franchises in full force and effect, (ii) will qualify to do business in all states or jurisdictions where required by applicable Law, and (iii) keep all of its material assets that are useful in and necessary to its business in good working order and condition (ordinary wear and tear and obsoleteness excepted) except, in each case (a) where the failure so to maintain, preserve, qualify or keep would not be reasonably expected to cause a Material Adverse Change, (b) as permitted in Section 7.3 or as a result of statutory conversions or (c) as a result of a release permitted pursuant to Section 6.9. US Borrower will notify Administrative Agent in writing of any changes in its or any other Significant Restricted Person's name or the location of its or any other Significant Restricted Person's chief executive office or principal place of business.

Section 6.6. Payment of Taxes, etc. Each Significant 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, and (c) maintain appropriate accruals and reserves for all of the foregoing as required by GAAP, except to the extent that (y) 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 or (z) such non-filing, non-payment or non-maintenance would not reasonably be expected to cause a Material Adverse Change.

Section 6.7. Insurance. In accordance with industry standards, each Significant Restricted Person will keep insured (by responsible and reputable insurance companies or associations) or self-insured, at the option of US Borrower or such Significant Restricted Person, in such amounts and against such risks as are usually insured by Persons engaged in the same or similar businesses and owning similar properties. The insurance coverages and amounts will be reasonably determined by US Borrower, based on coverages carried by prudent owners of similar property, and with respect to each Restricted Person, may be maintained by the US Borrower.

Section 6.8. Compliance with Agreements and Law. Each Significant 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, franchise and other material agreement, contract or other instrument (including all contractual obligations and agreements with respect to environmental remediation or other environmental matters) to which it is a party or by which it or

any of its properties is bound to the extent that non-performance therewith would not reasonably be expected to cause a Material Adverse Change. Each Restricted Person will conduct its business and affairs in compliance, in all material respects, with all Laws (including Environmental Laws) applicable thereto to the extent non-compliance therewith would not reasonably be expected to cause a Material Adverse Change or such requirement of Law is being contested in good faith or a bona fide dispute exists with respect thereto.

Section 6.9. Guaranties of Subsidiaries. Each Significant Restricted Person that has outstanding Indebtedness (other than guarantees hereunder) shall execute and deliver to Administrative Agent an absolute and unconditional guaranty of the timely repayment of the Obligations (in each case for which such Person is not a borrower, account party or similar primary and direct obligor), which guaranty shall be reasonably satisfactory to Administrative Agent in form and substance; provided, with respect to any such Person that is not a Wholly Owned Subsidiary of US Borrower, for which consent or approval of third parties is required for the delivery of such guaranty, such Person shall not be required to deliver such guaranty, but shall use its commercially reasonable best efforts, as determined by Administrative Agent, to deliver such guaranty. Notwithstanding any provision contained herein, in no event shall any Unrestricted Subsidiary be required to execute and deliver any guaranty for, or in respect of, the Obligations, or any part thereof. US Borrower will cause each of its Subsidiaries required to deliver a guaranty pursuant to this Section 6.9 to deliver to Administrative Agent, simultaneously with its delivery of such a guaranty, written evidence satisfactory to Administrative Agent that such Subsidiary has taken all corporate, limited liability company or partnership action necessary to duly approve and authorize its execution, delivery and performance of such guaranty. US Borrower may at any time request the release of one or more Guarantors from their guaranty of the Obligations (other than the guaranty by US Borrower of the Obligations of Canadian Borrower and Canadian Working Capital Borrower), and each such Guarantor shall be so released upon such request, provided, no Default then exists and either (a) such Guarantor has no outstanding Indebtedness or guaranties of Indebtedness (other than guaranties hereunder) or (b) the request is in contemplation of the sale or disposition of such Subsidiary (including all or substantially all of its assets). Each Agent, as applicable, is authorized to execute and deliver to US Borrower evidence of any such release, as reasonably requested by, and at the expense of, US Borrower.

ARTICLE VII - Negative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to each of Borrowers and to induce each Lender to enter into this Agreement and make the Loans, each of US Borrower and, with respect to itself and its Subsidiaries, the other Borrowers, covenants and agrees 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. Subsidiary Indebtedness. No Subsidiary of US Borrower will incur any Indebtedness other than:

(a) the Obligations;

(b) Guaranties by Guarantors of Indebtedness of US Borrower or any other Restricted Person (i) arising under the 364-Day Credit Agreement or (ii) if arising under any other agreement, the incurrence of which did not result in a Default or an Event of Default;

(c) Indebtedness of Plains Marketing pursuant to the Contango Credit Agreement in an aggregate principal amount not to exceed at any time outstanding $300,000,000;

(d) Indebtedness of any Restricted Person owing to another Restricted Person;

(e) Indebtedness of any Subsidiary described in clause (b) of the definition of "Indebtedness" that is determinable but not yet earned; provided, US Borrower reasonably contemplates that such Indebtedness will be repaid from the proceeds of one or more advances made by US Borrower to such Subsidiary;

(f) Indebtedness of a Subsidiary acquired (including acquisition by merger, consolidation or amalgamation) after the date hereof by a Restricted Person, which Indebtedness was incurred by such Subsidiary before the time of such acquisition, merger, consolidation or amalgamation, and was not created in contemplation thereof; provided, that contemporaneously with such acquisition, merger, consolidation or amalgamation, and so long as no adverse tax and/or regulatory consequences are caused thereby, such Subsidiary shall be a Guarantor subject to the provisions of Section 6.9; and

(g) Indebtedness not otherwise described in the foregoing clauses (a) through (f) owing by any one or more Guarantors in an aggregate principal amount not to exceed at any time outstanding the greater of (A) $100,000,000 and (B) fifteen percent (15%) of Consolidated Tangible Net Worth.

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 securing (i) on a pari passu basis, both (x) the Obligations and (y) the Liabilities of any Restricted Person arising under the 364-Day Credit Agreement, and (ii) if required, any related interest hedge rate agreements;

(b) Liens securing Indebtedness of Plains Marketing under the Contango Credit Agreement at any one time outstanding not in excess of $300,000,000 on (i) Petroleum Products subject to Cash and Carry Purchases financed pursuant to the Contango Credit Agreement, (ii) hedging contracts covering such Petroleum Products, (iii) contracts for the purchase or sale of such Petroleum Products and accounts receivable arising therefrom, and (iv) all proceeds of the foregoing;

(c) 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;

(d) pledges or deposits of cash or securities under worker's compensation, unemployment insurance or other social security legislation;

(e) carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlord's, or other like Liens (including without limitation, Liens on property of any Restricted Person 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, if necessary, by appropriate proceedings, and for which adequate reserves are maintained on the books of any Restricted Person in accordance with GAAP;

(f) Liens on cash and Cash Equivalents 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;

(g) 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;

(h) 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;

(i) Liens in respect of operating leases;

(j) Liens upon any property or assets directly or indirectly 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 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;

(k) 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;

(l) 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;

(m) 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;

(n) 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;

(o) Liens securing obligations in an aggregate principal amount not to exceed at any time outstanding 10% of US Borrower's Consolidated Tangible Net Worth; and

(p) Liens related to the extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancings, refundings or replacements), in whole or in part, of clauses (a), (b) and (o) of this Section 7.2; provided, however, that such Liens shall not cover or secure any additional Indebtedness.

Section 7.3. Limitation on Mergers. Except as expressly provided in this section, no Significant Restricted Person (other than (i) a Guarantor for whom a release has been requested pursuant to an event described in clause (b) of Section 6.9 and otherwise is so released, or (ii) such other Significant Restricted Person, other than a Borrower, that is the subject of any such event described in such clause (b) of Section 6.9) will (a) merge or consolidate or amalgamate with any Person, or liquidate, wind up or dissolve or (b) sell, transfer, lease, exchange or otherwise dispose of, in one transaction or a series of related transactions, all or substantially all of its business or property, whether now owned or hereafter acquired, to any Person; provided, any such Significant Restricted Person, other than a Borrower, may (A) merge into or consolidate or amalgamate with, and such business and property may be disposed of to:

(i) any other Subsidiary of US Borrower; provided, if such Significant Restricted Person or such Subsidiary is a Guarantor, a Guarantor is the surviving or transferee (as applicable) business entity,

(ii) any Borrower, so long as such Borrower is the surviving or transferee (as applicable) business entity and after giving effect thereto, no Default exists, or

(iii) any other Person pursuant or incidental to, or in connection with, any contemporaneous or substantially contemporaneous acquisition, provided that for purposes of this clause (iii) such merging, amalgamating, consolidating or transferor Significant Restricted Person is not a Borrower, Guarantor or a Wholly Owned Subsidiary of US Borrower, other than a Wholly Owned Subsidiary that was formed, acquired or created solely for purposes of such acquisition or otherwise conducted no operations and owned no assets, other than of an inconsequential amount and

(B) dissolve, liquidate or wind up if such dissolution, liquidation and winding up results from dispositions not prohibited by this Agreement.

Section 7.4. Limitation on New Businesses. No Restricted Person will materially or substantially engage directly or indirectly in any business or conduct any operations other than (i) marketing, gathering, transporting (by barge, pipeline, ship, truck or other modes of hydrocarbon transportation), terminalling, storing, producing, acquiring, developing, exploring for, exploiting,

producing, processing, dehydrating and otherwise handling hydrocarbons, including, without limitation, constructing pipeline, platform, dehydration, processing and other energy-related facilities,, (ii) any other business that generates gross income that constitutes "qualifying income" under Section 7704(d) of the Internal Revenue Code of 1986, as amended, or (iii) activities or services reasonably related or ancillary thereto, including entering into hedging obligations to support those businesses.

Section 7.5. Transactions with Affiliates. No Restricted Person will engage in any material transaction with any of its Affiliates except as follows: (a) transactions among US Borrower and its Subsidiaries or between Subsidiaries of US Borrower; (b) if and to the extent any of them constitute transactions with Affiliates, transactions governed by the Crude Oil Marketing Agreement among Plains Resources Inc., Plains Illinois Inc., Stocker Resources, L.P., Arguello Inc., Calumet Florida Inc. (and successors of each) and Plains Marketing dated November 23, 1998 or the Omnibus Agreement between Plains Resources Inc., US Borrower, Plains Marketing, All American and Plains All American Inc. (and successors of each) dated November 23, 1998, as amended and in effect; (c) any employment, equity award, equity option or equity appreciation agreement or plan entered into by US Borrower or any of its Subsidiaries in the ordinary course of business of US Borrower or such Subsidiary; (d) transactions effected in accordance with the terms of agreements as in effect on the closing date hereof; (e) customary compensation, indemnification and other benefits made available to officers, directors or employees of US Borrower, any of its Subsidiaries or GP LLC, including reimbursement or advancement of out-of-pocket expenses and provisions of officers' and directors' liability insurance; (f) transactions as contemplated by US Borrower's agreement of limited partnership; and (g) transactions 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 7.6. Limitation on Distributions. US Borrower shall not declare or pay any Distribution so long as any Default or Event of Default has occurred and is continuing or would result therefrom.

Section 7.7. Restricted Contracts. Except as expressly provided for in the Loan Documents and as described in the Disclosure Schedule or pursuant to a Restriction Exception, the substance of which, in detail satisfactory to Administrative Agent, is promptly reported to Administrative Agent, 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 US Borrower, including but not limited to Canadian Borrower, Canadian Working Capital Borrower and any Subsidiary of such Persons to: (a) pay dividends or make other distributions to US Borrower, Canadian Borrower, or Canadian Working Capital Borrower, (b) redeem equity interests held in it by US Borrower, Canadian Borrower, or Canadian Working Capital Borrower, (c) repay loans and other indebtedness owing by it to US Borrower, Canadian Borrower, or Canadian Working Capital Borrower, or (d) transfer any of its assets to US Borrower, Canadian Borrower, or Canadian Working Capital Borrower.

Section 7.8. Debt Coverage Ratio. At the end of any Fiscal Quarter, the Debt Coverage Ratio will not be greater than the amount set forth below for the applicable time set forth below:

(i) During an Acquisition Period: 5.25 to 1.0

(ii) Other than an Acquisition Period: 4.50 to 1.0

As used herein, "Debt Coverage Ratio" means the ratio of (a) Consolidated Funded Indebtedness to (b) Consolidated EBITDA, for the four Fiscal Quarter period (or other period specified below) most recently ended prior to the date of determination for which financial statements contemplated by Section 6.2(a) or (b) are available to US Borrower; provided, for purposes of this Section 7.8, if, since the beginning of the four Fiscal Quarter period ending on the date for which Consolidated EBITDA is determined, any Restricted Person shall have made any asset disposition or acquisition, shall have consolidated or merged with or into any Person (other than another Restricted Person), or shall have made any disposition or acquisition of a Restricted Person or disposition or acquisition of any partial ownership interest in any other Person, Consolidated EBITDA shall be calculated giving pro forma effect thereto as if the disposition, acquisition, consolidation or merger had occurred on the first day of such period; provided, with respect to any Person not constituting a Subsidiary of US Borrower, such pro forma calculation of Consolidated EBITDA, with respect to any such Person, shall be limited to not more than 75% of (i) such Restricted Person's ownership interest in such Person times (ii) the difference of such Person's (A) Consolidated EBITDA minus (B) Interest Expense and capital expenditures. Such pro forma calculations shall be determined (i) in good faith by the chief financial officer of US Borrower, and (ii) without giving effect to any anticipated or proposed change in operations, revenues, expenses or other items included in the computation of Consolidated EBITDA, except cost reductions specifically identified at the time of disposition, acquisition, consolidation or merger that are attributable to personnel reductions, non-recurring maintenance and environmental costs and allocated corporate overhead.

Section 7.9. Interest Coverage Ratio. The ratio of (a) Consolidated EBITDA to (b) Interest Expense for each four Fiscal Quarter period ending on or after the date hereof will not be less than 2.75 to 1.0.

Section 7.10. Unrestricted Subsidiaries. So long as no Default or Event of Default has occurred and is continuing, and after giving effect to such designation, no Default or Event of Default would result therefrom, US Borrower or any Wholly Owned Subsidiary of US Borrower may designate one or more Subsidiaries that are not Borrowers or Guarantors (each such Subsidiary, and each of its Subsidiaries, each an "Unrestricted Subsidiary"), which Unrestricted Subsidiaries shall be subject to the following:

(a) No Unrestricted Subsidiary shall be deemed to be a "Restricted Person" or a "Subsidiary" of US Borrower 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 7.10.

(b) No Restricted Person shall guarantee or otherwise become liable in respect of any Indebtedness of, grant any Lien on any of its property to secure any Indebtedness of or other obligation of, or provide any other form of credit support to, any Unrestricted Subsidiary, and no Restricted Person shall enter into any contract or agreement with any Unrestricted Subsidiary,

except on terms no less favorable to such Restricted Person, as applicable, than could be obtained in a comparable arm's length transaction with a non-Affiliate of such Restricted Person.

(c) Borrowers shall at all times maintain, as between Restricted Persons and Unrestricted Subsidiaries, the separate existence of each Unrestricted Subsidiary.

(d) Restricted Persons shall notify each Lender Party, not later than five (5) Business Days after any executive officer of Restricted Persons has knowledge of, any claim, including any claim under any Environmental Law, or any notice of potential liability under any Environmental Law, asserted against any Unrestricted Subsidiary or with respect to any Unrestricted Subsidiary's properties that would reasonably be expected to result in a Material Adverse Change, stating that such notice is being given pursuant to this Section 7.10.

US Borrower may designate any Unrestricted Subsidiary to become a Restricted Person if a Default or Event of Default is not continuing, such designation would not result in a Default or an Event of Default, and immediately thereafter such Subsidiary has no outstanding Indebtedness. Immediately thereafter, US Borrower shall promptly notify the Administrative Agent of such designation and provide to it an officer's certificate that such designation was made in compliance with this Section 7.10.

Section 7.11. No Negative Pledges. Except as described in the Disclosure Schedule or pursuant to a Restriction Exception, the substance of which, in detail satisfactory to Administrative Agent, is promptly reported to Administrative Agent, no Restricted Person will, directly or indirectly, enter into, create, or consent to be bound to any contract or other consensual restriction that restricts the ability of any Restricted Person to create or maintain Liens on its assets in favor of Agents, LC Issuers and Lenders to secure, in whole or part, the Obligations.

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 Borrower fails to pay the principal component of any Loan made to it or any reimbursement obligation of it 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 for which it is contractually liable (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 Restricted Person fails to duly observe, perform or comply with any covenant, agreement or provision of Section 6.4 or Article VII;

(d) Any Restricted Person fails (other than as referred to in subsections (a), (b) or (c) above) to duly observe, perform or comply with any of its obligations under 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 US Borrower;

(e) 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;

(f) Any Restricted Person shall default in the payment when due of any principal of or interest on any of its other Indebtedness, or any net hedging obligations, in excess of the Dollar Equivalent of $15,000,000 in the aggregate (other than such Indebtedness or hedging obligations the validity of which is being contested in good faith, by appropriate proceedings (if necessary) and for which adequate reserves with respect thereto are maintained on the books of such Restricted Person as required by GAAP), or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness or hedging obligations shall occur for a period beyond the applicable grace, cure extension, forbearance or other similar period, 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 hedging obligations (or a trustee or agent on behalf of such holder or holders) to cause, as applicable, 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 an early termination event or similar event to occur and such Restricted Person's related net hedging obligations in excess of the Dollar Equivalent of $15,000,000 to become due and payable;

(g) Either (i) any "accumulated funding deficiency" (as defined in Section 412(a) of the Code) in excess of $5,000,000 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 $5,000,000 (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);

(h) GP LLC, General Partner, or any Significant Restricted Person:

(i) has entered against it 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, the Bankruptcy and Insolvency Act (Canada) or the Companies' Creditors Arrangement Act (Canada), 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, the Bankruptcy and Insolvency Act (Canada) or the Companies' Creditors Arrangement Act (Canada), 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

(i) Any Significant Restricted Person:

(i) has entered against it a final judgment for the payment of money in excess of the Dollar Equivalent of $15,000,000 (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 longer period for which a stay of enforcement is allowed by applicable Law) 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

(ii) 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, and such writ or warrant of attachment or any similar process is not stayed or released within sixty days after the entry or levy thereof (or longer period for which a stay of enforcement is allowed by applicable Law) or after any stay is vacated or set aside;

(j) Any Change in Control occurs.

Upon the occurrence of an Event of Default described in subsection (h)(i), (h)(ii) or (h)(iii) of this section: (a) with respect to US Borrower, all of the Obligations or (b) with respect to any other Borrower, all of such Borrower's 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 each 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 any LC Issuer to issue Letters of Credit hereunder to or for the account of such Borrower 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 any Borrower or any other Restricted Person, do either or both of the following: (1) terminate or suspend any obligation of Lenders to make Loans hereunder and any obligation of any 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 each Borrower and each Restricted Person who at any time ratifies or approves this Agreement. If the Obligations or any part thereof become immediately due and payable pursuant to the foregoing, then, unless all Lenders otherwise specifically elect to the contrary (which election may thereafter be retracted by any 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 each Borrower shall be obligated to immediately pay to the appropriate LC Issuer an amount equal to the aggregate LC Obligations which are then outstanding with respect to Letters of Credit issued by such LC Issuer at the request of such Borrower, to be held by such LC Issuer and applied to such LC Obligations as they mature.

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 - Agents

Section 9.1. Appointment and Authority.

(a) 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 US Note or Canadian 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 any Borrower of any communication calling for action on the part of Lenders or upon notice from any Borrower or any Lender to Administrative Agent of any Default or Event of Default, Administrative Agent shall promptly notify each other Lender thereof.

(b) Each Lender Party hereby irrevocably authorizes Canadian Administrative Agent, and Canadian 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 Canadian Administrative Agent by the terms hereof or thereof, together with all other powers reasonably incidental thereto. The relationship of Canadian 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 Canadian Administrative Agent a trustee or other fiduciary for any Lender Party or any holder of any participation in a Canadian Working Capital Note nor to impose on Canadian 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 Canadian Administrative Agent, Canadian 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 Canadian 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 Canadian Administrative Agent from any Borrower of any communication calling for action on the part of Lenders or upon notice from

any Borrower or any Lender to Canadian Administrative Agent of any Default or Event of Default, Canadian Administrative Agent shall promptly notify each other Lender thereof.

Section 9.2. Exculpation, Agent's Reliance, Etc. Neither any 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, each Agent (a) may treat the payee of any Note as the holder thereof until such Agent receives written notice of the assignment or transfer thereof in accordance with this Agreement, signed by such payee and in form satisfactory to such Agent; (b) may consult with legal counsel (including counsel for any 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 US Borrower, Canadian Borrower, and Canadian Working Capital 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 EACH AGENT (TO THE EXTENT NOT REIMBURSED BY US BORROWER, CANADIAN BORROWER, OR CANADIAN WORKING CAPITAL BORROWER WITHIN TEN (10) DAYS AFTER DEMAND) FROM AND AGAINST SUCH LENDER'S AGGREGATE 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 SUCH AGENT GROWING OUT OF, RESULTING FROM OR IN ANY OTHER WAY ASSOCIATED WITH THE LOAN DOCUMENTS AND THE TRANSACTIONS AND EVENTS (INCLUDING THE ENFORCEMENT THEREOF) AT ANY TIME ASSOCIATED THEREWITH OR CONTEMPLATED THEREIN AND ANY

BORROWER'S USE OF LOAN PROCEEDS (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 ANY AGENT, provided only that no Lender shall be obligated under this section to indemnify any Agent for that portion, if any, of any liabilities and costs which is proximately caused by such Agent's own individual gross negligence or willful misconduct, as determined in a final judgment. Cumulative of the foregoing, each Lender agrees to reimburse each Agent promptly upon demand for such Lender's Aggregate Percentage Share of any costs and expenses to be paid to such Agent by US Borrower, Canadian Borrower, and Canadian Working Capital Borrower under Section 10.4(a) to the extent that such Agent is not timely reimbursed for such expenses by such Persons as provided in such section. As used in this section the term "Agent" shall refer not only to the Persons 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, each Agent shall have the same rights and obligations as any Lender and may exercise such rights as though it were not an Agent. Each 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 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 of banker's lien, set off, or counterclaim against US Borrower, Canadian Borrower, or Canadian Working Capital Borrower or otherwise, obtain payment of a portion of the aggregate Obligations owed to it which, taking into account all distributions made by either Agent under Section 3.1, causes such Lender Party to have received more than it would have received had such payment been received by either 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 such 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. Each of US Borrower, Canadian Borrower, and Canadian Working Capital Borrower expressly consents to the foregoing arrangements, subject to Section 10.11. 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 either Agent in good faith determines that it is uncertain about how to distribute to Lender Parties any funds which it has received, or whenever either Agent in good faith determines that there is any dispute among Lender Parties about how such funds should be distributed, such Agent may choose to defer distribution of the funds which are the subject of such uncertainty or dispute. If either Agent in good faith believes that the uncertainty or dispute will not be promptly resolved, or if either Agent is otherwise required to invest funds pending distribution to Lender Parties, such 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 any Agent for distribution to Lender Parties (other than to the Person who is Administrative Agent in its separate capacity as a Lender Party, or the Person who is Canadian Administrative Agent in its separate capacity as a Lender Party) shall be held by such Agent pending such distribution solely as such Agent for such Lender Parties, and such 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 contained in Section 9.6 or the right to reasonably approve a successor Agent under Section 9.9). Lender Parties may waive or amend such provisions as they desire without any notice to or consent of any Borrower or any other Restricted Person.

Section 9.9. Resignation.

(a) Administrative Agent may resign at any time by giving written notice thereof to Lenders and US 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 US Borrower, unless a Default has occurred and is continuing, 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.

(b) Canadian Administrative Agent may resign at any time by giving written notice thereof to Lenders and Canadian 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 Canadian Administrative Agent, subject to the approval of Canadian Working Capital Borrower, unless a Default has occurred and is continuing, which approval will not be unreasonably withheld. A successor must be appointed for any retiring Canadian Administrative

Agent, and such Canadian Administrative Agent's resignation shall become effective when such successor accepts such appointment. If, within sixty days after the date of the retiring Canadian Administrative Agent's resignation, no successor Canadian Administrative Agent has been appointed and has accepted such appointment, then the retiring Canadian Administrative Agent may appoint a successor Canadian Administrative Agent. Each Canadian Administrative Agent shall be a commercial bank organized or licensed to conduct a banking or trust business under the Laws of the Dominion of Canada or of any province thereof. Upon the acceptance of any appointment as Canadian Administrative Agent hereunder by a successor Canadian Administrative Agent, the retiring Canadian Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Canadian 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 Canadian Administrative Agent under the Loan Documents.

Section 9.10. Other Agents. Neither the Co-Syndication Agents nor the Co-Documentation Agent ("Co-Agents"), in such capacities, shall have any duties or responsibilities or incur any liabilities in such agency capacities (as opposed to its capacity as a Lender) under or in connection with this Agreement or under any of the other Loan Documents. The relationship between Borrowers on the one hand, and the Co-Agents and the Agents, on the other hand, shall be solely that of borrower and lender. None of the Co-Agents shall have any fiduciary responsibilities to any Borrower or any of their respective Affiliates. None of the Co-Agents undertakes any responsibility to any Borrower or any of their respective Affiliates to review or inform any such Person of any matter in connection with any phase of such Person's or such Affiliate's business or operations.

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. 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 a Borrower, by such Borrower, (ii) if such party is Administrative Agent, Canadian Administrative Agent, US LC Issuer, or Canadian LC Issuer, by such party, and (iii) if such party is a Lender, by such Lender or by relevant 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 10.12). 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 4.1(i)), (2) increase the maximum amount which such Lender is committed hereunder to lend, or extend the termination date of such Lender's commitment 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, or change Section 9.6 in a manner that would alter pro rata sharing of payments required thereby, (5) amend the definition herein of "Majority Lenders" or otherwise change the Aggregate Percentage Shares which are required for Administrative Agent, Canadian Administrative Agent, Lenders or any of them to take any particular action under the Loan Documents, or (6) except as expressly provided herein or in any other Loan Document, release (i) any Borrower from its obligation to pay such Lender's Note, (ii) any Guarantor from its guaranty of such payment or (iii) any Restricted Person from the negative pledge covenant set forth in Section 7.11 hereof.

(b) Acknowledgments and Admissions. Each 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) no Lender Party has any fiduciary obligation toward such Borrower with respect to any Loan Document or the transactions contemplated thereby, (iii) the relationship pursuant to the Loan Documents between such 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, and (iv) no partnership or joint venture exists with respect to the Loan Documents between any Restricted Person and any Lender Party.

(c) Representation by Lenders. Each Lender hereby represents that it will acquire its Notes 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.

(e) Annual Rates of Interest. For the purposes of the *Interest Act* (Canada), whenever interest payable pursuant to this Agreement is calculated on the basis of a period other than a calendar year (in this Section 10.1(e), the "Interest Period"), each rate of interest determined pursuant to such calculation expressed as an annual rate is equivalent to such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the Interest Period.

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 Borrowers are terminated. 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 right, power or privilege.

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 each 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 Borrowers and Restricted Persons at the address of Borrowers 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 the relevant Agent.

Section 10.4. Payment of Expenses; Indemnity.

(a) Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, each 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) such 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, each 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 and consultants engaged in connection with the Loan Documents.

(b) Indemnity. Each 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 the Loan Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein and any Borrower's use of Loan proceeds (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 any 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.

(c) Interest. Each Borrower hereby promises to each Lender Party interest at the Default Rate on all Obligations to pay fees or to reimburse or indemnify any Lender Party which such Borrower has promised to pay to such Lender Party pursuant to this Section 10.4 and which are not paid when due. Such interest shall accrue from the date such Obligations become due until they are paid.

Section 10.5. Joint and Several Liability; Parties in Interest; Assignments; Replacement Notes.

(a) All Obligations which are incurred by two or more Restricted Persons shall be their joint and several obligations and liabilities of such Restricted Persons. 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 any Borrower nor any Affiliates of any 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 any Borrower or any Affiliate of any 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 such 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 the relevant Borrower; provided, however, that no liability shall arise if any such Lender fails to give such notice to such 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 US Lender or Canadian Lender of less than all of its Loans, LC Obligations, and Commitments, each such assignment shall apply to a consistent percentage of all Loans and LC Obligations owing to the assignor Lender hereunder and to the same percentage of the unused portion of the assignor Lender's Commitments, so that after such assignment is made both the assignee Lender and the assignor Lender shall have a fixed (and not a varying) Percentage Share in its Loans and LC Obligations and be committed to make that Percentage Share of all future Loans and make that Percentage Share of all future participations in LC Obligations, and the Percentage Share of such US Commitment, Canadian Commitment or Canadian Working Capital Commitment of each of 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 (and, as to assignments of Canadian Obligations, Canadian 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 G, 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) the relevant Borrower shall issue new Notes to such assignor and assignee upon return of the old Notes to the relevant 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 the relevant Borrower and each Lender a revised Schedule 1 hereto showing the revised Percentage Shares and total Percentage Shares of such assignor Lender and such assignee Lender and the revised Percentage Shares and total Percentage Shares of all other Lenders.

(iii) Each assignee US 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 US Borrower with the "Prescribed Forms" referred to in Section 3.7(d).

(iv) Each assignee Canadian Lender shall be a financial institution that is (i) not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada); or (ii) an "authorized foreign bank" as defined in section 2 of the *Bank Act* (Canada) and in subsection 248(1) of the *Income Tax Act* (Canada), that is not subject to the restrictions and requirements referred to in subsection 524(2) of the *Bank Act* (Canada) and which will receive all amounts paid or credited to it under its Canadian Loans and Canadian Working Capital Note in respect of its "Canadian banking business" for the purposes of paragraph 212(13.3)(a) of the *Income Tax Act* (Canada).

(d) Any Lender may at any time pledge all or any portion of its Loan and Note (and related rights under the Loan Documents including any portion of its Note) to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or enforcement thereof shall release any such Lender from its obligations under any of the Loan Documents; provided that all related costs, fees and expenses in connection with any such pledge 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 the relevant Borrower, Agent and each other Lender Party that such assignee understands and agrees to the terms hereof, including Article IX hereof.

(f) Administrative Agent (and with respect to Canadian Obligations, Canadian 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 Borrowers 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 Borrowers 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), (y) and (z), with respect to assignments pursuant to clause (i) above, and subject to the following additional conditions (y) and (z) with respect to assignments pursuant to clause (ii) above:

(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 by both such assignor and assignee 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 Lender that assigns or transfers to such assignee any of such Lender Commitment, assignee may become primarily liable for such Commitment, but such assignment or transfer shall not relieve or release such Lender from such Commitment.

(h) Upon receipt of an affidavit reasonably satisfactory to Borrower of an officer of any Lender as to the loss, theft, destruction or mutilation of its Note which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon cancellation of such Note, Borrower will execute and deliver, in lieu thereof, a replacement Note in the same principal amount thereof and otherwise of like tenor.

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 (a) information which has at the time in question entered the public domain, other than as a result of a breach of this Section 10.6, (b) information which is required to be disclosed by Law (whether valid or invalid) of any Tribunal, (c) any disclosure to any Lender Party's Affiliates, auditors, attorneys or agents (provided each such Person first agrees to hold such information in confidence on the terms provided in this Section 10.6), (d) any disclosure 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 Person first agrees to hold such information in confidence on the terms provided in this section), or (e) any disclosure in the course of enforcing its rights and remedies during the existence of an Event of Default. Notwithstanding anything herein to the contrary, confidential information shall not include, and each Lender Party and Restricted Person may disclose and may permit to be disclosed to any and all Persons, without limitation of any kind, the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are or have been provided to such Lender Party or Restricted Person relating to such tax treatment and tax structure.

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. EACH BORROWER HEREBY AGREES THAT ANY LEGAL ACTION OR PROCEEDING AGAINST SUCH 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, EACH BORROWER ACCEPTS AND CONSENTS FOR ITSELF AND IN RESPECT TO ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. EACH 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, EACH BORROWER HEREBY IRREVOCABLY DESIGNATES AND APPOINTS CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK 12207, AS AGENT OF SUCH BORROWER TO RECEIVE SERVICE OF ALL PROCESS BROUGHT AGAINST SUCH BORROWER WITH RESPECT TO ANY SUCH PROCEEDING IN ANY SUCH COURT IN NEW YORK, SUCH SERVICE BEING HEREBY**

ACKNOWLEDGED BY SUCH 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 THE RELEVANT BORROWER AT ITS ADDRESS SET FORTH BELOW, BUT THE FAILURE OF SUCH BORROWER TO RECEIVE SUCH COPIES SHALL NOT AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS AS AFORESAID. EACH 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 ANY BORROWER IN

THE COURTS OF ANY OTHER JURISDICTION. IF FOR ANY REASON CORPORATION SERVICE COMPANY SHALL RESIGN OR OTHERWISE CEASE TO ACT AS ANY BORROWER'S AGENT, EACH 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 ADMINISTRATIVE 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. Waiver of Judgment Interest Act (Alberta). To the extent permitted by Law, the provisions of the Judgment Interest Act (Alberta) shall not apply to the Canadian Notes, the Canadian Working Capital Notes, and the other Loan Documents and are hereby expressly waived by Canadian Borrower and Canadian Working Capital Borrower.

Section 10.9. Deemed Reinvestment Not Applicable. For the purposes of the Interest Act (Canada), the principle of deemed reinvestment of interest shall not apply to any interest calculation under the Loan Documents, and the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

Section 10.10. Limitation on Interest. Lender Parties, Restricted Persons and any 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 create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be contracted for, charged, or received 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 contracted for, charged, or received 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. Lender Parties expressly disavow any intention to contract for, charge, or receive excessive unearned interest or finance charges in the event the maturity of any Obligation is accelerated. If (a) the maturity of any Obligation is accelerated for any reason, (b) any Obligation is prepaid and as a result any amounts held to constitute interest are determined to be in excess of the legal maximum, or (c) any Lender or any other holder of any or all of the Obligations shall otherwise collect moneys which are determined to constitute interest which would otherwise increase the interest on any or all of the Obligations to an amount in excess of that permitted to

be contracted for, charged or received by applicable Law then in effect, then all sums determined to constitute interest in excess of such legal limit shall, without penalty, be promptly applied to reduce the then outstanding principal of the related Obligations or, at such Lender's or holder's option, promptly returned to Borrower or other payor thereof upon such determination. In determining whether or not the interest paid or payable, under any specific circumstance, exceeds the maximum amount permitted under applicable Law, Lender Parties and Restricted Persons (and any other payors thereof) shall to the greatest extent permitted under applicable Law, (i) characterize any non-principal payment as an expense, fee or premium rather than as interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread the total amount of interest throughout the entire contemplated term of the instruments evidencing the Obligations in accordance with the amounts outstanding from time to time thereunder and the maximum legal rate of interest from time to time in effect under applicable Law in order to lawfully charge the maximum amount of interest permitted under applicable Law. In the event applicable Law provides for an interest ceiling under Chapter 303 of the Texas Finance Code (the "Texas Finance Code") as amended, to the extent that the Texas Finance Code is mandatorily applicable to any Lender, for that day, the ceiling shall be the "weekly ceiling" as defined in the Texas Finance Code, provided that if any applicable Law permits greater interest, the Law permitting the greatest interest shall apply. In no event shall Chapter 346 of the Texas Finance Code apply to this Agreement or any other Loan Document, or any transactions or loan arrangement provided or contemplated hereby or thereby. In no event shall the aggregate "interest" (as defined in section 347 of the Criminal Code (Canada)) payable under the Loan Documents exceed the maximum effective annual rate of interest on the "credit advanced" (as defined in that section) permitted under that section and, if any payment, collection or demand pursuant to this Agreement in respect of "interest" (as defined in that section) is determined to be contrary to the provisions of that section, such payment, collection or demand shall be deemed to have been made by mutual mistake of Borrowers, Agents and Lenders and the amount of such excess payment or collection shall be refunded to the relevant Borrower. For purposes of the Canadian Notes and the Canadian Working Capital Notes, the effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term applicable thereto on the basis of annual compounding of the lawfully permitted rate of interest and, in the event of dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by Canadian Administrative Agent shall be *prima facie* evidence, for the purposes of such determination.

Section 10.11. Right of Offset. At any time and from time to time during the continuance of any Event of Default, each Lender is hereby authorized to offset against the Obligations then due and payable (without notice to any Restricted Person), (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.

Section 10.12. Termination; Limited Survival. In its sole and absolute discretion US 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 10.13. 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 10.14. 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 10.15. Waiver of Jury Trial, Punitive Damages, etc. **RESTRICTED PERSONS AND LENDER PARTIES MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HEREWITH OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR LENDERS TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND MAKE THE LOANS. EACH 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.

US BORROWER:

PLAINS ALL AMERICAN PIPELINE, L.P.

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

By: PLAINS ALL AMERICAN GP LLC,
its general partner

By: /s/ Al Swanson
Al Swanson, Treasurer

CANADIAN BORROWER:

PMC (NOVA SCOTIA) COMPANY

By: /s/ Al Swanson
Al Swanson, Treasurer

CANADIAN WORKING CAPITAL BORROWER:

PLAINS MARKETING CANADA, L.P.

By: PMC (Nova Scotia) Company,
its general partner

By: /s/ Al Swanson
Al Swanson, Treasurer

GUARANTOR:

PLAINS ALL AMERICAN PIPELINE, L.P.

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

By: PLAINS ALL AMERICAN GP LLC,
its general partner

By: /s/ Al Swanson
Al Swanson, Treasurer

Address for Borrowers and Guarantors:

333 Clay Street, Suite 1600
Houston, Texas 77002
Attention: Al Swanson
Telephone: (713) 646-4455
Fax: (713) 646-4564
Website: www.paalp.com

FLEET NATIONAL BANK,
Administrative Agent, LC Issuer and a Lender

By: /s/ Terrence Ronan
Terrence Ronan, Managing Director

FLEET SECURITIES, INC.,
Lead Arranger and Book Manager

By: /s/ Michael P. Hannon
Michael P. Hannon, Managing Director

WACHOVIA BANK NATIONAL
ASSOCIATION,
Co-Syndication Agent and a Lender

By: _____
Name:
Title:

BANK ONE, NA,
Co-Syndication Agent and a Lender

By: _____
Name:
Title:

BANK OF AMERICA, N.A.,
Co-Documentation Agent and a Lender

By: _____
Name:
Title:

FORTIS CAPITAL CORP.
Co-Documentation Agent and a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

BNP PARIBAS,
Senior Managing Agent and a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

BNP PARIBAS (CANADA), a Canadian Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA,
Senior Managing Agent and a Lender

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA,
as Canadian Administrative Agent

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION,
Senior Managing Agent and a Lender

By: _____
Name:
Title:

WELLS FARGO BANK TEXAS, N.A.,
Senior Managing Agent and a Lender

By: _____
Name:
Title:

CITICORP USA, INC., a Lender

By _____
Name:
Title:

SUNTRUST BANK, a Lender

By _____
Name:
Title:

SUMITOMO MITSUI BANKING
CORPORATION, a Lender

By _____
Name:
Title:

UFJ BANK LTD., NEW YORK BRANCH,
a Lender

By _____
Name:
Title:

COMERICA BANK,
a Lender

By: _____
Name:
Title:

COMERICA BANK, CANADA BRANCH
a Canadian Lender

By: _____
Name:
Title:

ROYAL BANK OF CANADA, a Lender

By _____
Name:
Title:

UNION BANK OF CALIFORNIA, N.A.,
a Lender

By: _____
Name:
Title:

UNION BANK OF CALIFORNIA, N.A.,
CANADA BRANCH, a Lender

By: _____
Name:
Title:

SOCIETE GENERALE, a Lender

By _____
Name:
Title:

SOUTHWEST BANK OF TEXAS, N.A.,
a Lender

By: _____
Name:
Title:

UBS LOAN FINANCE LLC, a Lender

By _____
Name:
Title:

UBS AG CANADA BRANCH, a Canadian Lender

By _____
Name:
Title:

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-91141, 333-54118, 333-74920) and Form S-3 (Nos. 333-59224, 333-68446) of Plains All American Pipeline, L.P. of our report dated February 26, 2004 relating to the consolidated financial statements for the year ended December 31, 2003 which appears in this Annual Report on Form 10K.

PricewaterhouseCoopers LLP

Houston, TX
February 26, 2004

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PLAINS ALL AMERICAN PIPELINE, L.P.

I, Greg L. Armstrong, certify that:

1. I have reviewed this annual report on Form 10-K of Plains All American Pipeline, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [intentionally omitted pursuant to SEC Release No. 34-47986];

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2004

/s/ GREG L. ARMSTRONG
Greg L. Armstrong
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PLAINS ALL AMERICAN PIPELINE, L.P.

I, Phil Kramer, certify that:

1. I have reviewed this annual report on Form 10-K of Plains All American Pipeline, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) [intentionally omitted pursuant to SEC Release No. 34-47986];

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2004

/s/ PHIL KRAMER
Phil Kramer
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF PLAINS ALL AMERICAN PIPELINE, L.P.
PURSUANT TO 18 U.S.C. § 1350

I, Greg L. Armstrong, Chief Executive Officer of Plains All American Pipeline, L.P. (the "Company"), hereby certify that:

(i) the accompanying report on Form 10-K for the period ending December 31, 2003 and filed with the Securities and Exchange Commission on the date hereof (the "Report") by the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GREG L. ARMSTRONG
Name: Greg L. Armstrong
Date: February 27, 2004

EXHIBIT 32.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF PLAINS ALL AMERICAN PIPELINE, L.P.
PURSUANT TO 18 U.S.C. § 1350

I, Phil Kramer, Chief Financial Officer of Plains All American Pipeline, L.P. (the "Company"), hereby certify that:

(i) the accompanying report on Form 10-K for the period ending December 31, 2003 and filed with the Securities and Exchange Commission on the date hereof (the "Report") by the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ PHIL KRAMER
Name: Phil Kramer
Date: February 27, 2004