PLAINS ALL AMERICAN PIPELINE

2013 PAA Chairman & President's Letter

February 27, 2014

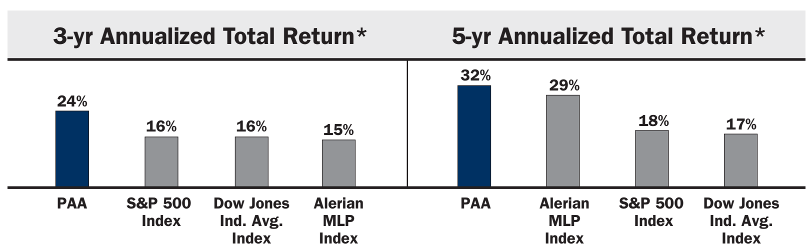
Dear Fellow Unitholders,

2013 was a year of record performance for Plains All American Pipeline, L.P (PAA). The Partnership delivered full-year adjusted EBITDA of $2.292 billion, exceeding our 2012 results by 9% or $185 million and exceeding the midpoint of our initial guidance by 13% or $267 million. The Partnership produced $1.65 billion of distributable cash flow and increased distributions to limited partners by 10.6%, while generating distribution coverage of approximately 143%. During the year, we invested $1.62 billion in organic growth capital, further strengthening our midstream presence in key U.S. and Canadian crude oil growth areas and positioning PAA for continued growth. We also ended the year very well positioned to finance our growth with a strong capital structure and $1.9 billion in committed liquidity.

The Partnership delivered adjusted net income, adjusted net income per diluted unit and diluted distributable cash flow per unit for 2013 of $1.466 billion, $3.10 and $3.03, respectively, representing an increase of 4%, a decrease of 7% and an increase of 2%, versus comparable 2012 results. Notably, these results included a 12% year-over-year increase in adjusted segment profit from our fee-based Transportation and Facilities segments, reflecting the benefit of capital projects completed during the last few years. In total, PAA unitholders realized a total return of 20% for 2013, which compares to total returns of 32%, 30% and 28% for the S&P 500, the Dow Jones Industrial Average and the Alerian MLP Index, respectively. For context, as reflected in the accompanying chart, PAA has outperformed each of the referenced indices over the last three- and five-year periods.

2013 Goals

- ☑ **Deliver operating and financial performance in line with or above guidance**
- ☑ **Successfully execute our 2013 capital program and set the stage for continued growth in 2014 and beyond**
- ☑ **Increase our November 2013 annualized distribution level by approximately 9-10% over the November 2012 level**
- ☑ **Selectively pursue strategic and accretive acquisitions**



** Through 12/31/2013*

The Environment in 2013 / PAA Performance

PAA entered 2013 with the expectation that continued favorable business fundamentals combined with our growth capital investments would drive growth for our fee-based Transportation and Facilities businesses. We incorporated this outlook into our annual guidance, along with the assumption that the volatile crude oil market conditions experienced in 2012 would moderate, prompting a return to baseline performance for our margin-based Supply & Logistics business. The goals we set for 2013 are listed in the call-out box to the left.

The fundamental environment for the U.S. and Canadian crude oil midstream sector during 2013 did indeed remain favorable. From 2009 through the end of 2012, U.S. and Canadian crude oil production overcame normal production declines and grew approximately 2.5 million barrels per day, reflecting over 30% growth. This production growth continued into 2013 with a cumulative year-over-year increase across a number of U.S. and Canadian crude oil resource plays of over 1 million barrels per day. These levels of crude oil production growth continue to provide attractive opportunities to expand our asset base and logistics activities. Additionally, rising crude oil supply in certain regions exceeded established takeaway capacity at various times during the year, giving rise to periodic volumetric bottlenecks and associated locational price differentials and enabling meaningful over-performance in our Supply & Logistics business.

In total, we are pleased to report that PAA achieved or meaningfully outperformed our 2013 goals:

1. We delivered operating and financial results above guidance in each quarter of the year, delivering total adjusted EBITDA for 2013 of approximately $2.292 billion, which was 13% higher than beginning-of-the-year midpoint guidance of $2.025 billion.

2. We executed a $1.62 billion organic growth capital program, materially on time and within budget. We also advanced a number of additional projects that underpin our current $1.7 billion capital program for 2014 and provide visibility for investments in 2015 and 2016.

3. We delivered distribution growth of 10.6% while generating distribution coverage of approximately 143%, equating to approximately $500 million of cash flow in excess of distributions.

4. We completed the acquisition of all of the outstanding publicly traded units of PAA Natural Gas Storage, L.P. (PNG) and one small acquisition in 2013, and we completed the divestiture of non-core refined product pipeline assets in the Rocky Mountain and Southwest regions.

Solid Growth

During 2013, we continued to strengthen and expand our base business, advancing a multi-billion project portfolio that provides strong visibility for future growth. Our 2013 organic growth capital program consisted of a large number of small to medium-sized projects spanning a range of infrastructure assets, including storage, rail and dock facilities, as well as gathering and longer-haul pipelines. These investments were focused primarily in areas of strong North American crude oil production growth – notably the Eagle Ford area (South Texas), the Permian Basin (West Texas/New Mexico), and the Mid-Continent, Rockies and Bakken regions of the U.S. and Western Canada.

In the Permian Basin, we completed a number of expansions to our systems, enhancing our ability to handle increasing production from the region. During the year, we announced our 310-mile, $440 million Cactus Pipeline and related storage, which are designed to transport both common stream sweet and medium sour crude oil from the Permian Basin to our joint venture pipeline in the Eagle Ford area where it is transported to refineries in the Three Rivers and Corpus Christi areas or to Houston and/or other coastal markets. Construction on the Cactus Pipeline is expected to begin in the second quarter of 2014 and to be placed into service in the first quarter of 2015. We also announced $400 to $500 million of pipeline projects within the Permian Basin that will increase our takeaway capacity from the Southern and Western portions of the Basin and provide additional outlets to connecting pipelines, including the Cactus Pipeline. In addition, we announced an expansion of the Eagle Ford joint venture pipeline from 300,000 barrels per day to 470,000 barrels per day to accommodate additional volumes expected from the Cactus Pipeline.

Additional significant 2013 investments included:

- The completion of our Eagle Ford joint venture pipeline system and related gathering system expansions.
- The completion of our Rainbow II pipeline that carries diluent from Edmonton, Alberta to our Nipisi terminal, which is blended with the heavy crude to enable its movement on our Rainbow pipeline system.
- The completion of portions of our Mississippian Lime pipeline in the Mid-Continent region and the initiation of pipeline expansions in Western Oklahoma.

We also continued to expand our ability to move crude oil via rail to address the need to transport rising production volumes in the central parts of North America to coastal markets. During 2013, we completed two new crude oil rail terminals, consisting of a loading terminal in Tampa, Colorado, servicing the D.J. Basin, and an unloading facility at Yorktown, Virginia. During 2014, we expect to complete construction of a rail unloading terminal in Bakersfield, California and the expansion of our loading terminals at Van Hook, North Dakota and Carr, Colorado. We are also constructing a rail loading facility in Saskatchewan, Canada and evaluating construction of crude oil rail loading facilities in Alberta, Canada. In total, our crude oil rail-related volumes increased to over 200,000 barrels per day in 2013. We expect these volumes to increase by approximately 50% in 2014, and we believe that the transportation of crude oil by rail will continue to play a meaningful role in the North American crude oil value chain for many years to come.

Although we've highlighted only a few of our larger growth projects and initiatives, on a cumulative basis, our expansion capital programs will significantly enhance and expand our presence and participation in the North American midstream crude oil and NGL value chain and provide substantial visibility for continued distribution growth.

Strategic Transactions

During 2013, the Plains family completed two strategic transactions. In October, our general partner completed an initial public offering (IPO) of Plains GP Holdings (NYSE: PAGP). In addition to providing a targeted level of liquidity and establishing a public value marker for our general partner owners, the offering provided approximately $3 billion of float for PAGP's public shareholders. PAGP now owns an approximate 21% economic interest in PAA's general partner and incentive distribution rights (IDRs). Furthermore, PAGP's "Up-C" structure provides a tax-efficient mechanism for PAGP to increase its ownership level in the future through potential sales of ownership interests by other owners of our general partner entities.

Importantly, in connection with the structuring of the PAGP IPO transaction, our general partner owners preserved their ability to make timely, appropriate adjustments to the IDRs to facilitate PAA's future growth through acquisitions. They also maintained very modest levels of debt at the general partner entity, helping preserve PAA's strong credit profile.

The second transaction was PAA's purchase of all of the outstanding publicly traded units of PNG. PAA took PNG public in May 2010. However, shortly thereafter, market conditions for natural gas storage deteriorated significantly and generally continued a downward trend throughout 2013. Despite strong support from PAA during this period and notwithstanding our view that the market conditions for natural gas storage will improve over the medium- to longer-term, it became apparent that the challenging near-term market conditions would make it very difficult for PNG to continue on a standalone basis.

Accordingly, in October 2013 we entered into an agreement with PNG in which we agreed to acquire (via merger) all of the outstanding publicly traded units of PNG. Under the terms of the agreement, PNG's public unitholders received 0.445 common units of PAA for each of their PNG common units. The transaction closed on December 31, 2013 and resulted in approximately 14.7 million additional common units being issued by PAA. In connection with the closing of the merger, the general partner owners agreed to reduce their IDRs by $12 million in both 2014 and 2015, $10 million in 2016 and $5 million per year thereafter.

With respect to other acquisitions, we remained active but disciplined during 2013. We actively pursued and reviewed a number of attractive acquisitions that would have complemented PAA's existing assets and business model; however, competition for these opportunities was intense as widespread access to low-cost capital and a desire among certain of our competitors to enter the crude oil infrastructure market drove sales prices meaningfully above our risk-adjusted value assessments. Despite the reduced number of acquisition closings relative to prior years, we remain focused on maintaining a strong financial position so that we will be ready for future acquisition opportunities when they arise.

Financing Our Growth

Throughout the year, we remained proactive in financing our growth. We retained approximately $500 million of cash flow in excess of distributions, raised $477 million of equity capital through our continuous equity offering program and issued $700 million of 10-year senior notes. We also extended the maturity dates of our $1.6 billion senior unsecured revolving credit facility and our $1.4 billion senior secured hedged inventory facility to 2018 and 2016, respectively. Additionally, we established an unsecured commercial paper program that is backed by our credit facilities and allows PAA to issue up to $1.5 billion of commercial paper.

As a result of these collective financing activities, we ended the year with a strong balance sheet, credit metrics favorable to our targeted credit profile and approximately $1.9 billion of committed liquidity. Additionally, we have effectively prefunded the equity component of our 2014 capital program. As a result, absent significant acquisition activity, we do not foresee the need to access the equity markets via overnight or other marketed transactions in 2014. Furthermore, due to our strong financial position, we have the capacity to complete a multi-billion-dollar, debt-financed acquisition and remain within our targeted credit metrics.

Looking Ahead

Going forward, we expect to continue to benefit from the nearly $6 billion of growth and acquisition capital we have invested over the past two years and the incremental $1.7 billion of organic growth capital investment planned for 2014. The midpoint of our February 2014 financial guidance for adjusted EBITDA is $2.15 billion. We also announced that we are targeting to grow our distribution per common unit in 2014 by 10% over our 2013 distribution exit rate while generating distribution coverage of approximately 110%. This guidance is underpinned by an expected 15% year-over-year increase in adjusted EBITDA from our fee-based segments, and an assumed return to baseline-type market conditions for our margin-based Supply & Logistics segment. The net result is a 6% decrease in the midpoint of our adjusted EBITDA guidance for 2014 relative to 2013 actual results. That said, should market conditions remain similar to those experienced in much of 2013, there is upside potential to our guidance.

With respect to crude oil markets, we believe the investments the industry has made in pipeline takeaway capacity from various producing regions will reduce volumetrically driven locational crude oil price differentials in 2014 relative to 2013. That said, production growth in North America is heavily weighted toward light sweet crude oil and condensate, and our projections indicate that supply of these products will exceed the current capability of North American refineries to efficiently handle them. As a result, we foresee the potential for quality differentials in various regions to become more prevalent as these oversupplied crude varieties seek optimal markets. In addition, because incremental capacity in various segments of the North American crude oil transportation system is limited, we believe potential operational disruptions could result in periods of pronounced volatility.

Although our 2014 plan and extended financial forecasts incorporate steady growth in U.S. and Canadian crude oil production, we believe global oil and petroleum products supply and demand balances are such that the potential exists for a disruption that could lead to lower-than-forecasted rates of growth in North American crude oil production. Due to restrictions on U.S. crude oil exports, the pricing of potentially oversupplied light sweet crude oil and condensate could be discounted and production growth may be impacted.

However, we believe PAA and PAGP are well positioned for the current environment and most potential developments. In anticipation of potential crude oil quality imbalances, we have made and continue to make investments to better position PAA to provide flexible solutions and react to changes in market conditions and potential regional imbalances. Additionally, we have deliberately reduced our overall financial leverage and maintained a high level of liquidity and distribution coverage.

Looking beyond 2014, we believe the advancement of PAA's organic growth program and solid execution of our business strategy will enable PAA and PAGP to continue to deliver attractive distribution growth. Should the industry encounter adverse developments, we believe PAA's strong balance sheet and flexible asset base and business model will allow us to withstand any reasonable industry headwinds, capitalize on volatile market conditions, and be positioned to move decisively on any resulting acquisition opportunities.

Consistent with prior years, our 2014 goals are provided in the insert to the right. We look forward to updating you on our progress toward achieving these goals throughout the year.

On behalf of PAA, PAGP, our boards of directors and our 4,900 employees throughout North America, we sincerely thank you for your continued trust and support.

PAA 2014 Goals

1. **Deliver operating and financial performance in line with or above guidance**
2. **Successfully execute 2014 capital program and set the stage for continued growth in 2015 and beyond**
3. **Increase November 2014 annualized distribution level by 10% over the November 2013 level**
4. **Selectively pursue strategic and accretive acquisitions**

PAGP 2014 Goal

1. **Increase November 2014 distribution by approximately 25% over initial distribution rate included in IPO prospectus**

Greg L. Armstrong
Chairman & CEO

Harry N. Pefanis
President & COO

Note: This letter contains forward-looking statements, including statements about the plans, strategies and prospects of PAA and PAGP. Factors that could cause actual results to differ materially from management's expectations are disclosed in PAA's and PAGP's most recent filings with the Securities and Exchange Commission. This letter also contains non-GAAP financial measures. A reconciliation of these measures to the most directly comparable GAAP measures is available on the Non-GAAP Reconciliations tab of the Investor Relations section of our website at www.plainsallamerican.com.