2014 PAA Chairman & President's Letter

February 24, 2015

Dear Fellow Unitholders,

The theme of our June 5, 2014 Analyst Meeting was titled "Planning for Continued Industry Growth; Preparing for Periodic Disruptions – Positioned to Deliver Solid Results in Either Environment." During the meeting, we focused on potential challenges and opportunities facing the energy industry and the steps we were taking at Plains All American Pipeline, L.P. (PAA) to prepare for those potential developments. As it turned out, several aspects of this theme materialized in the second half of 2014 and continue to impact the energy sector thus far in 2015.

PAA 2014 Goals

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

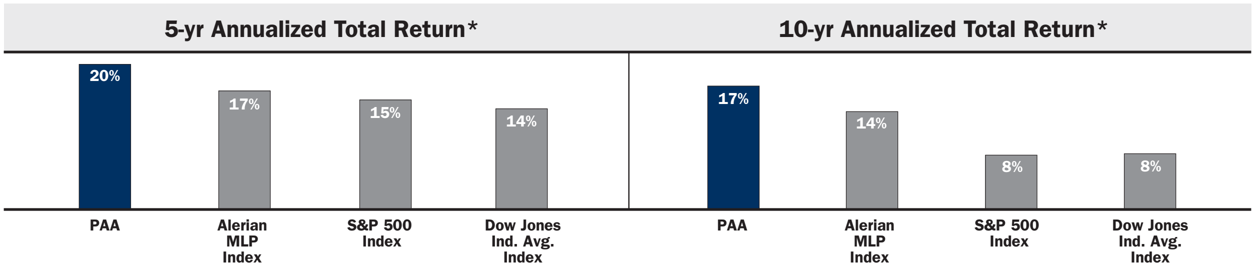
PAGP 2014 Goal

- ☑ **Increase November 2014 distribution level by ~25% over initial distribution rate included in PAGP's IPO prospectus**

We are pleased to report that, despite deteriorating industry conditions, 2014 was a year of solid execution for PAA. Plains achieved or outperformed each of its 2014 goals. Highlights from the year include the following:

1. We delivered operating and financial results that met or exceeded the midpoint of our guidance in each quarter of the year, delivering total adjusted EBITDA for 2014 of $2.2 billion, which was $50 million higher than our beginning-of-the-year midpoint guidance of $2.15 billion.
2. We generated approximately $1.6 billion of distributable cash flow and increased distributions to limited partners by 10%, resulting in annual distribution coverage of approximately 111% and PAA retaining approximately $152 million of cash flow in excess of distributions. Plains GP Holdings (PAGP) distribution per Class A share increased by 28% over the initial quarterly distribution rate included in PAGP's IPO prospectus.
3. We executed a $2.03 billion expansion capital program, consisting of over 100 individual projects, materially on time and within budget.
4. We closed a $1.08 billion strategic acquisition of a 50% interest in the BridgeTex Pipeline and in connection therewith completed a $1.73 billion PAGP secondary offering that significantly increased PAGP's public float while reducing Oxy's overhang in PAGP's publicly traded shares.

PAA delivered adjusted net income, adjusted net income per diluted unit and distributable cash flow per diluted unit in 2014 of $1.3 billion, $2.28 and $2.74, respectively. Primarily as a result of very favorable market conditions experienced in 2013, these performance metrics represent a year-over-year decrease of 8%, 26% and 10%, respectively. Overall, PAA unitholders realized a total return of 3.8% for 2014, which compares to total returns of 4.8%, 13.7% and 10% for the Alerian MLP Index, S&P 500 and Dow Jones Industrial Average, respectively. Although PAA's returns were below the referenced indices for 2014, as reflected in the accompanying chart, PAA has outperformed each index over the last five- and ten-year periods.



Annualized Total Return data as of 12/31/2014

Investing in the Future

Our 2014 expansion capital and acquisition expenditures totaled $3.1 billion and set the stage for continued growth for 2015 and beyond. Our organic growth activities included a wide range of small to medium-sized projects across our existing asset footprint that will grow our fee-based cash flow streams within our Transportation and Facilities segments, while expanding and extending our transportation footprint in many of the most active crude oil and NGL resource plays, including the Permian Basin in West Texas and New Mexico, the Eagle Ford area in South Texas, the Williston Basin (Bakken) in North Dakota, the DJ Basin in the Rockies and various areas in Western Canada.

In November 2014, we acquired a 50% interest in the BridgeTex Pipeline, a new crude oil pipeline that originates in Colorado City, Texas and extends to East Houston, with service to Texas City, Texas via a long term capacity lease. This strategic and opportunistic transaction is highly complementary to our existing Permian Basin operations and expands our market access to the Houston-area refining market. Throughout 2014, we also enhanced the interconnectivity of several pipeline systems and advanced a number of facility expansions throughout the U.S. and Canada that increased the flexibility and versatility of our overall asset base.

In February, we announced a $1.85 billion expansion capital plan for 2015. A significant portion of this plan encompasses projects announced throughout 2014. These include:

- Diamond Pipeline – an approximately $900 million project to construct a new ~440-mile crude oil pipeline from our Cushing, Oklahoma terminal to Valero's Memphis refinery (targeting completion in 2017);

- Indigo Pipeline System – an approximately $500 million project to construct a new ~80-mile, two-line system in western Alberta, Canada that will transport diluent along one line and blended heavy crude along the other and connect the Peace River production area to our Rainbow pipeline system; and

- Red River Pipeline – a project to construct a new ~400-mile pipeline from our Cushing, Oklahoma terminal to Longview, Texas (targeting completion in 2016).

Importantly, all three of these projects are underpinned by ship-or-pay contracts or similar arrangements that protect our investment. The balance of our 2015 capital program is comprised of 2014 carryover activities and several smaller projects that provide attractive diversity to our project portfolio. We also continue to develop and advance additional projects that could be added to the program throughout the coming year.

The Current Environment and the Forward View

Within a few months following our June Analyst meeting, commodity prices began to decrease. Currently, crude oil and natural gas liquids prices are fluctuating at levels approximately 50% below mid-2014 levels and various basis differentials have compressed meaningfully. Natural gas prices have also declined by 30% or more from mid-2014 levels.

This steep and rapid drop in commodity prices has significantly reduced the level of cash flow producers have available to reinvest in exploration and production activities, and in response, most producers have significantly reduced their 2015 capital budgets. The magnitude of such budget reductions varies among producers, but in general it appears the average reduction is upwards of 40% for the most significant North American producers, and the US land rig count has already declined approximately 35%.

PAA is not immune to the adverse impacts of a major step change in commodity prices, especially one that is accompanied by a similar change in producers' activity levels. However, as highlighted during our June 2014 Analyst Meeting, we have minimal direct exposure to commodity prices, our strategy contemplates challenging conditions and our business model and asset base have been purposefully structured to generate solid results in almost any commodity price environment. Additionally, because of our preparation for market disruptions, we believe we are well positioned to weather the challenges and take advantage of resulting opportunities associated with the current low-price environment. Examples include:

- We have consistently exercised financial discipline with respect to managing our capital structure and liquidity position, and we entered 2015 with a strong balance sheet, credit metrics that are consistent with or favorable to our targeted levels and $3.6 billion of committed liquidity;

- We have secured customer commitments that underpin a significant portion of our recent and ongoing expansion capital projects, which limits our downside risk by securing a minimum acceptable financial return on such investments during a challenging industry cycle, while preserving meaningful upside should market conditions improve; and

- We have remained disciplined in our approach to acquisitions -- passing on opportunities rather than basing our valuations on what we regard as overly optimistic assumptions with respect to future commodity price, volume throughput and margin levels.

While the duration of the current down-cycle is unknown, we believe the expected cash flow growth associated with our ongoing expansion capital program will position PAA for solid performance for the next several years. In early February, we furnished financial and operating guidance that targets a midpoint for 2015 adjusted EBITDA of $2.35 billion, representing an approximate 7% increase over our 2014 results. We also announced that we are targeting a distribution growth per PAA limited partner unit in 2015 of 7% while generating distribution coverage of approximately 1:1. The corresponding distribution growth target for PAGP is 21%. Given the challenging industry environment, we believe that achieving our guidance and distribution objectives will serve to reinforce the resiliency of our business model, the diversity of our asset base and the strength of our project portfolio.

Our confidence in the North American crude oil resource base and its ultimate development remains high. We will remain active with respect to acquisitions and believe our synergies, commercial expertise and financial flexibility should prove to be more advantageous in this environment than what we have experienced over the last several years. On balance, we believe PAA continues to represent an attractive risk-to-reward proposition that compares very favorably to our large-cap MLP peer group.

PAA is also well positioned organizationally for the long-term. Over the last several years, we have deliberately expanded the breadth and depth of our management team – adding and developing bright, young, energetic and high-integrity talent and rotating many of them through various roles in the organization. As a result, we believe PAA's management team is strong and positioned to perpetuate the PAA organization for many years to come.

Our 2015 goals are provided in the insert to the right. We look forward to updating you as we progress toward achieving these goals throughout the year.

On behalf of PAA, PAGP, our boards of directors and our 5,300 employees throughout North America, we sincerely thank you for your continued trust and support.

PAA 2015 Goals

1. **Deliver operating and financial performance in line with or above guidance**
2. **Successfully execute our 2015 capital program and set the stage for continued growth in 2016 and beyond**
3. **Increase PAA November 2015 annualized distribution by 7% over the November 2014 distribution level**
4. **Selectively pursue strategic and accretive acquisitions**

PAGP 2015 Goal

1. **Increase PAGP November 2015 annualized distribution by 21% over the November 2014 distribution level**

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.