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.

We have an audit committee that reviews our external financial reporting, engages our independent auditors and reviews the adequacy of our internal accounting controls, and a compensation committee, which reviews and makes recommendations regarding the compensation for the executive officers and administers our equity compensation plans. We have a finance committee that advises and assists management with respect to financial matters. We also have an interim corporate governance committee that is reviewing our governance practices 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.

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 were elected in June 2001 for an initial three-year term, 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	44	Chairman of the Board, Chief Executive Officer and Director
Harry N. Pefanis	45	President and Chief Operating Officer
Phillip D. Kramer	47	Executive Vice President and Chief Financial Officer
George R. Coiner	52	Senior Vice President
Mark F. Shires	45	Vice President—Operations
Jim G. Hester	43	Vice President—Acquisitions
Tim Moore	45	Vice President, General Counsel and Secretary
Alfred A. Lindseth	33	Vice President—Administration
Everardo Goyanes	58	Director and Member of Audit* and Conflicts Committees
Gary R. Petersen[1]	56	Director and Member of Compensation Committee*
John T. Raymond[1]	32	Director and Member of Finance Committee
Robert V. Sinnott[1]	53	Director and Member of Finance and Compensation Committees
Arthur L. Smith	50	Director and Member of Audit, Conflicts*, Interim Governance and Compensation Committees

J. Taft Symonds[1]	63	Director and Member of Finance*, Interim Governance and Audit Committee

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* Indicates chairman of committee

(1) Pursuant to the Amended and Restated Limited Liability Company Agreement of Plains All American GP LLC, 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 LLC, 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 Vice President since our formation. 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.

Mark F. Shires has served as Vice President—Operations since August 1999. He served as Manager of Operations from April 1999 until he was elected to his current position. 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 from May 1998 until April 1999. He previously served as President of Plains Terminal & Transfer Corporation, a former midstream subsidiary of Plains, from 1993 to 1996.

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 industry experience as a petroleum geologist.

Alfred A. Lindseth has served as Vice President—Administration since March 2001. He served as Risk Manager from March 2000 until he was elected to his current position. 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.

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 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. He was a financial consultant from 1987 to 1989 and was Vice President—Finance of Forest Oil Corporation from 1983 to 1987. Mr. Goyanes is also a director of Consort Group Limited, a privately held concern.

Gary R. Petersen has served as a director since June 2001. Mr. Petersen co-founded EnCap Investments L.L.C. (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, 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 Chief Executive Officer of John S. Herold, Inc. (an independent petroleum research firm), a position he has held since 1984. For the period from May 1998 to November 1998, he served as Chairman and Chief Executive Officer of Torch Energy Advisors Incorporated. He is also a director of Cabot Oil & Gas Corporation and Evergreen Resources, Inc.

J. Taft Symonds has served as a director since June 2001. He 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.

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	30	Manager—Special Projects
Lawrence J. Dreyfuss	48	Associate General Counsel and Assistant Secretary; General Counsel and Secretary of PMC (Nova Scotia) Company (the general partner of Plains Marketing Canada, L.P.)
Al Swanson	39	Treasurer
Troy Valenzuela	42	Vice President—Environmental, Health and Safety
Canadian Officers:		
W. David Duckett	48	Executive Vice President of PMC (Nova Scotia) Company
D. Mark Alenius	43	Vice President and Chief Financial Officer of PMC (Nova Scotia) Company
Ralph R. Cross	48	Vice President—Business Development of PMC (Nova Scotia) Company
John Kers	55	Vice President—Operations 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 a Financial Analyst from July 1994 to June 1997 and as an Associate from July 1997 to May 1999.

Lawrence J. Dreyfuss has served as Associate General Counsel and Assistant Secretary of our general partner since June 2001 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 Treasurer since May 2001. In addition, he held several 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.

W. David Duckett has been Executive Vice President of PMC (Nova Scotia) Company since July 2001. 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.

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.

John Kers has been Vice President of Operations for PMC (Nova Scotia) Company since November 2001. Mr. Kers was previously with Murphy Oil Co. Ltd. since 1980, where he served in various capacities, including most recently as Manager of Engineering.

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 2002. Plains Resources filed a late Form 4 for a transaction in 2002, except that each of Messrs. Sinnott and Smith filed an amended Form 4 to correct an otherwise timely filed Form 4.

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. 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. See Item 13. "Certain Relationships and Related Transactions."

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 2002 (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 2000 and 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.”

Name and Principal Position	Year	Annual Compensation		Other Compensation (2)
		Salary	Bonus	
Greg L. Armstrong	2002	$330,000	$600,000	$ 11,000[3]
Chairman and CEO	2001	165,000[1]	450,000	[1][3]
	2000	[1]	[1]	[1][3]
Harry N. Pefanis	2002	$235,000	$475,000	$ 11,000[3]
President and COO	2001	117,500[1]	350,000	[1][3]
	2000	[1]	[1]	[1][3]
Phillip D. Kramer	2002	$200,000	$275,000	$ 11,000[3]
Executive V.P. and CFO	2001	100,000[1]	100,000	[1][3]
	2000	[1]	[1]	[1][3]
George R. Coiner	2002	$200,000	$451,000[4]	$ 11,000[3]
Senior Vice President	2001	175,000	431,100[5]	10,500[3]
	2000	175,000	500,700[6]	10,500[3]
Mark F. Shires	2002	$175,000	$225,000[7]	$ 11,000[3]
Vice President—Operations	2001	173,333	175,000[7]	10,500[3]
	2000	155,000	220,000[7]	10,500[3]

(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. For the year 2000, the equivalent amounts were $165,000,

$212,000 and $96,000, respectively. See Item 13. "Certain Relationships and Related Transactions—Transactions with Related Parties."

(2) Executive officers have received equity-based awards from our general partner and former general partner and its affiliates. Other than awards under the general partner's Long-Term Incentive Plan, we do not fund these awards. Other than awards to non-employee directors, no awards have vested to date under our Long-Term Incentive Plan. For a description of awards granted to date under the Long-Term Incentive Plan as well as awards under other equity-based plans, see "—Long-Term Incentive Plan" and Item 13. "Certain Relationships and Related Transactions—Transactions with Related Parties."

(3) Prior to 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.

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

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

(6) Includes quarterly bonuses aggregating $300,700 and an annual bonus of $200,000. The annual bonus is payable 60% in 2001, 20% in 2002 and 20% in 2003.

(7) Annual bonus payable 60% in the year after the year earned, then 20% and 20% in each of the two years following.

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

Prior to the consummation of the General Partner Transition, Messrs. Armstrong and Pefanis were employed pursuant to employment agreements with Plains Resources. Both now 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 for employees and directors of our general partner and its affiliates who perform services for us. The Long-Term Incentive Plan consists of two components, a restricted unit plan and a unit option plan. The Long-Term Incentive Plan 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. Our general partner's board of directors in its discretion may terminate the Long-Term Incentive Plan at any time with respect to any common units for which a grant has not yet been made. Our general partner's board of directors also has the right to alter or amend the Long-Term Incentive Plan or any part of the plan from time to time, including increasing the number of common units with respect to which awards may be granted; provided, however, that no

change in any outstanding grant may be made that would materially impair the rights of the participant without the consent of such participant.

Restricted Unit Plan. A restricted unit is a "phantom" unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit. As of February 21, 2003, aggregate outstanding grants of approximately 1,047,000 restricted units have been made to employees, officers and directors of our general partner. 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. Restricted units granted to employees during the subordination period, although additional vesting criteria may sometimes apply, will vest only after, and in the same proportions as, the conversion of the subordinated units to common units. Grants made to non-employee directors of our general partner are eligible to vest prior to termination of the subordination period.

If a grantee terminates employment or membership on the board for any reason, the grantee's restricted units will be automatically forfeited unless, and to the extent, the Compensation Committee provides otherwise. Common units to be delivered upon the vesting of rights may be common units acquired by 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, we may issue up to 975,000 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 restricted units, the total number of common units outstanding will increase. Following the subordination period, the Compensation Committee, in its discretion, may grant tandem distribution equivalent rights with respect to restricted units.

The restricted units (other than director grants) will vest only after, and in the same proportion as, any conversion of subordinated units into common units. As discussed below, subordinated units will convert at the end of the subordination period (as defined in the partnership agreement). After conversion of the subordinated units, most of the restricted units are subject to an additional 90-day waiting period before vesting occurs. Certain of the restricted unit grants contain additional vesting requirements tied to the Partnership achieving targeted distribution thresholds, generally $2.10, $2.30 and $2.50 per unit (annualized).

The subordination period (as defined in the partnership agreement) will end if certain financial tests are met for three consecutive four-quarter periods (the "testing period"), but no sooner than December 31, 2003. During the first quarter after the end of the subordination period, all of the subordinated units will convert into common units. Early conversion of a portion of the subordinated units may occur if the testing period is satisfied before December 31, 2003. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook—Vesting of Unit Grants under LTIP and Conversion of Subordinated Units."

Under generally accepted accounting principles, we are required to recognize an expense when the financial tests for conversion of subordinated units and required distribution levels are met. The financial tests involve GAAP accounting concepts as well as complex and esoteric cash receipts and disbursement concepts that are indexed to the minimum quarterly distribution rate of $1.80 per limited partner unit. Because of this complexity, it is difficult to forecast when the vesting of these restricted units will occur. However, at the current annualized distribution level of $2.15 per unit, assuming the subordination conversion test is met, the costs associated with the vesting of up to approximately 845,000 units would be incurred or accrued in the second half of 2003 or the first quarter of 2004. At an annualized distribution level of $2.30 to $2.49, the number of units would be approximately 935,000. At an annualized distribution level at or above $2.50, the number of units would be approximately 1,025,000. Our ability to continue to meet the requirements for conversion and vesting is subject to a number of economic and operational contingencies. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Factors Related to Our Business" and "Forward Looking Statements."

We are currently planning to issue units to satisfy the first 975,000 vested and delivered (after any units withheld for taxes), and to purchase units in the open market to satisfy any vesting obligations in excess of that amount. Issuance of units would result in a non-cash compensation expense, while a purchase of units would result in a cash charge to compensation expense. In addition, the "company match" portion of payroll taxes, plus the value of any units withheld for taxes, would result in a cash charge. The amount of the charge to expense will depend upon the unit price on the date vesting occurs.

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 (Messrs. Goyanes, Sinnott and Smith) were each granted 5,000 restricted units. These units vested and were paid in connection with the consummation of the General Partner Transition. Additional grants of 5,000 restricted 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 vesting took place on June 8, 2002. See "—Compensation of Directors."

The following table shows the restricted units granted to the Named Executive Officers, as well as executive officers and directors as a group.

Name	LTIP Restricted Units[1]		Value as of Fiscal Year End[2]
Greg L. Armstrong	70,000	$	1,708,000
Harry N. Pefanis	70,000	$	1,708,000
Phillip D. Kramer	50,000	$	1,220,000
George R. Coiner	67,500	$	1,647,000
Mark F. Shires	50,000	$	1,220,000
Directors and officers as a group	420,000	$	10,248,000

(1) The units granted to officers will vest only after, and in the same proportion as, any conversion of subordinated units into common units. In addition, with respect to certain of the grants underlying these units, vesting is contingent upon the Partnership achieving specified distribution thresholds. For such grants, 25% of the units have no distribution requirement, 25% require an annualized per unit distribution of $2.10 (already achieved), 25% require an annualized distribution level of $2.30 and 25% require an annualized distribution level of $2.50. These additional vesting conditions apply to 10,000 of the units granted to Mr. Pefanis, 37,500 of the units granted to Mr. Coiner, 20,000 of the units granted to Mr. Shires, all of the units granted to Messrs. Armstrong and Kramer, and 252,500 of the units granted to officers and directors as a group.
(2) Calculated as if vested and delivered, at a market value of $24.40 at the market close, on December 31, 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. Unit options granted during the subordination period will become exercisable automatically upon, and in the same proportions as, the conversion of the subordinated units to common units, unless a later vesting date is provided.

Upon exercise of a unit option, 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 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 Long-Term Incentive Plan 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 paid an annual retainer fee of $30,000, 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 $20,000 annually, and the other members of the Audit Committee receive $11,000 annually.

In 2000, Messrs. Goyanes, Sinnott and Smith, as directors of our former general partner, received a grant of 5,000 restricted units each under our Long-Term Incentive Plan. The restricted 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 restricted units in 2002. The units vest and are payable in 25% increments annually on each anniversary of June 8, 2001. The first vesting occurred on June 8, 2002.

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

Beneficial Ownership of Partnership Units

The following table sets forth the beneficial ownership of 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 21, 2003.

Name of Beneficial Owner	Common Units	Percentage of Common Units	Class B Common Units	Percentage of Class B Units	Subordinated Units	Percentage of Subordinated Units	Percentage of Total Units
Plains Resources Inc.[1]	6,626,008	17.3%	1,307,190	100.0%	4,471,026[2]	44.60%	25.02%
Plains Holdings Inc.[1]	6,626,008	17.3%	1,307,190	100.0%	4,471,026[2]	44.60%	25.02%
Goldman, Sachs & Co.[3]	2,446,566	6.4%	—	—	—	—	4.1%
Sable Holdings, L.P.[4]	—	—	—	—	1,943,423	19.40%	3.92%
KAFU Holdings, L.P.[5]	—	—	—	—	1,595,322	15.90%	3.22%
E-Holdings III, L.P.[6]	—	—	—	—	874,540	8.70%	1.76%
Greg L. Armstrong	102,606[7]	[8]	—	—	47,343[9]	[8]	[8]
Harry N. Pefanis	72,975[7]	[8]	—	—	18,352[9]	[8]	[8]
George R. Coiner	44,026[7]	[8]	—	—	10,625[9]	[8]	[8]
Phillip D. Kramer	30,500[7]	[8]	—	—	20,992[9]	[8]	[8]
Mark F. Shires	—[7]	—	—	—	5,000	[8]	—
Everardo Goyanes	5,600	[8]	—	—	—	—	[8]
Gary R. Petersen[6]	1,350	[8]	—	—	—	—	[8]
John T. Raymond	1,250	—	—	—	97,171[10]	[8]	[8]
Robert V. Sinnott[5]	11,250	[8]	—	—	—	—	[8]
Arthur L. Smith	11,250	[8]	—	—	—	—	[8]
J. Taft Symonds	11,250	[8]	—	—	—	—	[8]
All directors and executive officers as a group (14 persons)	293,724[7]	[8]	—	—	217,229[9]	2.20%	1.03%

(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 and subordinated units is Plains Holdings LLC, a wholly owned subsidiary of Plains Holdings Inc. The address of Plains Resources Inc., Plains Holdings Inc. and Plains Holdings LLC is 500 Dallas, Suite 700, Houston, Texas 77002.
(2) Includes 14,104 subordinated 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) The address for Goldman, Sachs & Co. and its parent, the Goldman Sachs Group, Inc., is 85 Broad Street, New York, New York 10004. Goldman, Sachs & Co., a broker/dealer, and its parent, the Goldman Sachs Group, Inc., are deemed to have shared voting power and shared disposition power over 2,446,566 common units owned by their customers.
(4) Subordinated 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. Sable Holdings, L.P. is controlled by James M. Flores. Mr. Flores is the Executive Chairman of Plains Resources and the Chairman and Chief Executive Officer of Plains Exploration & Production Co. The address for Sable Holdings, L.P. is 500 Dallas, Suite 700, Houston, Texas 77002.
(5) The general partner of KAFU Holdings, L.P. is Kayne Anderson Capital Advisors, the general partner of which is Kayne Anderson Investment Management, Inc., of which Robert V. Sinnott is a Vice President. Mr. Sinnott disclaims any deemed beneficial ownership of units held by KAFU Holdings, L.P. Mr. Sinnott owns a 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.
(6) E-Holdings III, L.P. is an affiliate of EnCap Investments L.L.C. of which Gary R. Petersen is a Managing Director. Mr. Petersen disclaims any deemed beneficial ownership of units owned by E-Holdings III, L.P. The address for E-Holdings III, L.P. is 1100 Louisiana, Suite 3150, Houston, Texas 77002.
(7) Does not include units granted under the Long-Term Incentive Plan, none of which will vest within 60 days of the date hereof. See Item 11. "Executive Compensation—Long-Term Incentive Plan."
(8) Less than one percent.
(9) Includes the following vested, unexercised options to purchase subordinated units. Mr. Armstrong: 18,750; Mr. Pefanis: 13,750; Mr. Coiner: 10,625; Mr. Kramer: 11,250; Mr. Shires: 5,000; directors and officers as a group: 66,875. See Item 13. "Certain Relationships and Related Transactions—Transactions with Related Parties—Performance Option Plan."
(10) Units contributed to Sable Holdings, L.P. in exchange for an indirect limited partner interest. Mr. Raymond has the right to reacquire such units. See Note (4) above.

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 effective ownership of Plains AAP, L.P. (after giving effect to proportionate ownership of its 1% general partner, Plains All American GP LLC) is as follows: Plains Holdings Inc.—44%; Sable Investments, L.P.—20%; KAFU Holdings, L.P.—16.418%; E-Holdings III, L.P.—9%; PAA Management, L.P.—4%; First Union Investors, Inc.—3.382%; Mark E. Strome—2.134%; and Strome Hedgecap Fund, L.P.—1.066%. In addition, John T. Raymond has the right to acquire a 1% interest in the general partner interest from Sable Investments, L.P.

PAA Management, L.P. is owned by certain members of senior management, including Messrs. Armstrong, Pefanis, Kramer, Coiner and Shires.

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
Equity compensation plans approved by unitholders:			
1998 Long Term Incentive Plan	975,000 [(1)]	N/A[(2)]	0
Equity compensation plans not approved by unit holders:			
1998 Long Term Incentive Plan	[(1)(3)]	N/A[(2)]	[(4)]
Performance Option Plan	[(5)]	$ 19.07[(6)]	[(7)]

(1) Our general partner has adopted and maintains a Long Term Incentive Plan for our officers, employees and directors. See Item 11. "Executive Compensation—Long-Term Incentive Plan." As originally instituted by our former general partner prior to our IPO, the LTIP contemplated awards of up to 975,000 units. Upon vesting, these awards could be satisfied either by (i) primary issuance of units by us or (ii) 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 units; however, we can issue no more than 975,000 units to satisfy the awards. Any additional units must be purchased by our general partner and reimbursed by us.
(2) Restricted unit awards under the LTIP vest without payment by recipients. See Item 11. "Executive Compensation—Long-Term Incentive Plan—Restricted Unit Plan."
(3) Although awards for approximately 72,000 units are 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."
(4) Awards for approximately 355,500 additional units may be granted under the portion of the LTIP not approved by unitholders; however, none are "available for future issuance." All awards must be satisfied out of units purchased by our general partner and reimbursed by us.
(5) Our general partner has adopted and maintains a Performance Option Plan for officers and key employee pursuant to which optionees have the right to purchase subordinated units from the general partner, up to the 450,000 units available under the plan. The subordinated units that will be sold under the plan were contributed to the general partner by certain of its owners. Thus, there will be no units "issued upon exercise/vesting of outstanding options." Approximately 375,000 unit options have been granted under the plan. See Item 13. "Certain Relationships and Related Parties—Performance Option Plan."
(6) The current strike price for all outstanding options under the plan is $19.07 per subordinated 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."
(7) The general partner owns 450,000 subordinated units contributed by the general partner's investors to fund the plan. Approximately 75,000 units are not subject to existing option grants.

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	$ 90,000	$ 1,837	$ 91,837	2.0%
$2.00	$100,000	$ 3,758	$103,758	3.6%
$2.20	$110,000	$ 7,092	$117,092	6.1%
$2.40	$120,000	$10,425	$130,425	8.0%
$2.60	$130,000	$13,758	$143,758	9.6%
$2.80	$140,000	$20,425	$160,425	12.7%
$3.00	$150,000	$30,425	$180,425	16.9%

(1) In thousands.
(2) Assumes 50,000,000 units outstanding. Actual number of units outstanding as of the date hereof are 49,577,748. 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. In the year 2000, we reimbursed our former general partner $63.8 million, of which $165,000, $212,000 and $96,000 were allocated for Messrs. Armstrong, Pefanis and Kramer.

Plains Resources currently owns an effective 44% of our general partner interest. 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;

- 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 all of Plains Resources equity production for a fee of $0.20 per barrel. The Marketing Agreement will terminate upon a "change of control" of Plains Resources or our general partner. The fee is subject to adjustment every three years based on then-existing market conditions. For the year ended December 31, 2002, Plains Resources produced approximately 30,700 barrels per day that were subject to the Marketing Agreement. We paid approximately $247.7 million for such production and recognized gross margin of approximately $1.8 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. On December 18, 2002, Plains Resources completed a spin-off of one of its subsidiaries, Plains Exploration and Production ("PXP") to its shareholders. PXP is a successor participant to this marketing agreement; and

- 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.

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. Of this amount, 75,000 common units were allocated to each of Messrs. Armstrong and Pefanis, 50,000 common units were allocated to Mr. Coiner and 30,000 were allocated to Mr. Kramer. Under these grants, the common units vested based on attaining a targeted operating surplus for a given year. Of the 400,000 units subject to the transaction grant agreements, 69,444 units vested in 2000 for 1999's operating results and 133,336 units vested in 2001 for 2000's operating results. The remainder (197,220 units) vested in connection with the consummation of the General Partner Transition. Distribution equivalent rights were paid in cash at the time of the vesting of the associated common units. The values of the units and associated distribution equivalent rights that vested under the Transaction Grant Agreements for all grantees in 2001, 2000 and 1999 were $5.7 million, $3.1 million and $1.0 million respectively. 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 Long-Term Incentive Plan consists of two components, a restricted unit plan and a unit option plan. The Long-Term Incentive Plan 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 21, 2003, aggregate outstanding grants of approximately 1,047,000 restricted units have been made 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 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, 42,500 and 20,000 were granted to Messrs. Armstrong, Pefanis, Kramer, Coiner and Shires, respectively, and approximately 278,000 to executive officers as a group. Such 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 21, 2003, the purchase price was $19.07 per unit. The terms of future grants may differ from the existing grants. Because the subordinated 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 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 with a value equal to the spread on the unvested options. Approximately 51,000 subordinated units were subject to such grants, with 34,511 granted to executive officers, including 8,548, 4,602 and 9,742 to Messrs. Armstrong, Pefanis and Kramer. The subordinated 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 are provided by Plains Resources, we have no obligation to reimburse the general partner for the cost of such units.

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 W. David Duckett, who is the Executive Vice President of PMC (Nova Scotia) Company, the general partner of Plains Marketing Canada, L.P. Mr. Duckett owns a 22% interest in Pivotal. Mr. Duckett, as an owner of CANPET, will also receive a portion of the proceeds from any contingent payment of purchase price for the CANPET assets. See Items 1 and 2. "Business and Properties—Major Acquisitions and Dispositions—CANPET Energy Group, Inc."

Other

Goldman, Sachs & Co., which owns approximately 6% of our common units, was the lead underwriter for our August 2002 offering of units. The total underwriting commissions paid in connection with this offering were approximately $6.3 million.

Item 14. ***Controls and Procedures***

In connection with our periodic reporting under the Exchange Act, we have established "disclosure controls and procedures," which we refer to as our "DCP". Management (including our Chief Executive Officer and Chief Financial Officer) has evaluated the effectiveness of the design and operation of our DCP within the last 90 days, and has found our DCP to be effective in producing the timely recording, processing, summarization and reporting of information, and in accumulating and communicating such information to management to allow for timely decisions with regard to required disclosure.

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the last date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

We have recently commenced an effort to consolidate our various internal auditing activities into a centralized function, and hired a director of internal auditing in September 2002 to oversee that function. As we consolidate these activities, we will make any additional enhancements to our controls and procedures that are deemed appropriate.

Our Chief Executive Officer and Chief Financial Officer have furnished their certifications pursuant to 18 U.S.C. § 1350 to the SEC as correspondence in connection with the filing of this report.