

PART III

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

Partnership Management and Governance

As is the case with many publicly traded partnerships, we do not directly have officers, directors or employees. Our operations and activities are managed by the general partner of our general partner, Plains All American GP LLC, which employs our management and operational personnel. References to our general partner, unless the context otherwise requires, include Plains All American GP LLC. References to our officers, directors and employees are references to the officers, directors and employees of Plains All American GP LLC (or, in the case of our Canadian operations, PMC (Nova Scotia) Company).

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

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

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

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

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

Mr. J. Taft Symonds, a member of our Audit Committee, is a director and the non-executive Chairman of the Board of Tetra Technologies, Inc. ("Tetra"). A subsidiary of Tetra owns crude oil producing properties, from some of which Plains Marketing buys the production. We paid approximately \$7.9 million to the Tetra subsidiary in 2003. Mr. Symonds is also a director of Plains Resources Inc., with whom Plains Marketing has a marketing arrangement. We paid approximately \$25.7 million to Plains Resources in 2003, and recognized gross margin of approximately \$0.2 million. Mr. Symonds is not an officer of Tetra or Plains Resources, and does not participate in operational decision-making, including decisions concerning selection of crude oil purchasers or entering into sales or marketing arrangements.

We have a compensation committee, which reviews and makes recommendations regarding the compensation for the executive officers and administers our equity compensation plans for officers and key employees. We have a

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

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

Report of the Audit Committee

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

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

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

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

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

Everardo Goyanes, Chairman

Arthur L. Smith

J. Taft Symonds

Directors and Executive Officers

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

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

*Indicates chairman of committee

(1)

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

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

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

Mr. Pefanis was also President of several former midstream subsidiaries of Plains Resources until our formation in 1998.

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

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

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

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

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

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

Tim Moore has served as Vice President, General Counsel and Secretary since May 2000. In addition, he was Vice President, General Counsel and Secretary of Plains Resources from May 2000 to May 2001. Prior to joining Plains Resources, he served in various positions, including General Counsel—Corporate, with TransTexas Gas Corporation from 1994 to 2000. He previously was a corporate attorney with the Houston office of Weil, Gotshal & Manges LLP. Mr. Moore also has seven years of energy industry experience as a petroleum geologist.

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

Everardo Goyanes has served as a director of our general partner or former general partner since May 1999. Mr. Goyanes has been President and Chief Executive Officer of Liberty Energy Holdings LLC (an energy investment firm) since May 2000. From 1999 to May 2000, he was a financial consultant specializing in natural

resources. From 1989 to 1999, he was Managing Director of the Natural Resources Group of ING Barings Furman Selz (a banking firm). He was a financial consultant from 1987 to 1989 and was Vice President—Finance of Forest Oil Corporation from 1983 to 1987. Mr. Goyanes received a BA in Economics from Cornell University and a Masters degree in Finance (honors) from Babson Institute.

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

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

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

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

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

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

Name	Age	Position with Our General Partner/Canadian General Partner
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Management Team/Other Officers:

A. Patrick Diamond	31	Manager—Special Projects
Lawrence J. Dreyfuss	49	Vice President, Associate General Counsel and Assistant Secretary; Vice President, General Counsel and Secretary of PMC (Nova Scotia)

		Company (the general partner of Plains Marketing Canada, L.P.)
Al Swanson	40	Vice President and Treasurer
Troy Valenzuela	43	Vice President—Environmental, Health and Safety
John P. vonBerg	49	Vice President—Trading
Canadian Officers:		
D. Mark Alenius	44	Vice President and Chief Financial Officer of PMC (Nova Scotia) Company
Ralph R. Cross	49	Vice President—Business Development of PMC (Nova Scotia) Company
Ronald H. Gagnon	46	Vice President—Operations of PMC (Nova Scotia) Company
M.D. (Mike) Hallahan	43	Vice President—Crude Oil of PMC (Nova Scotia) Company
Ron F. Wunder	36	Vice President—LPG of PMC (Nova Scotia) Company

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

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

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

Troy Valenzuela has served as Vice President—Environmental, Health and Safety, or EH&S, since July 2002, and has had oversight responsibility for the environmental, safety and regulatory compliance efforts of the partnership and its predecessors for the last 10 years. He was Director of EH&S with Plains Resources from January 1996 to June 2002, and Manager of EH&S from July 1992 to December 1995. Prior to his time with Plains Resources, Mr. Valenzuela spent seven years with Chevron USA Production Company in various EH&S roles.

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

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

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

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

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

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

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities and Exchange Act of 1934 requires directors, officers and persons who beneficially own more than ten percent of a registered class of our equity securities to file with the SEC and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of such equity securities. Such persons are also required to furnish us with copies of all Section 16(a) forms that they file. Based solely upon a review of the copies of Forms 3, 4 and 5 furnished to us, or written representations from certain reporting persons that no Forms 5 were required, we believe that our officers and directors complied with all filing requirements with respect to transactions in our equity securities during 2003, except as follows: Mr. Petersen filed an Amended Form 4 to amend two previous Forms 4 that were otherwise timely filed. Mr. Petersen reported two acquisitions of indirect beneficial ownership of 1,250 units on June 8, 2002 and June 8, 2003, respectively, by the transfer of such units to EnCap Energy Capital Fund III, L.P., which is controlled by EnCap Investments L.P., of which Mr. Petersen is a Managing Director. Mr. Petersen disclaims beneficial ownership of such units.

Item 11. Executive Compensation

Summary Compensation Table

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

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation
		Salary	Bonus	Other Compensation	LTIP Payout
Greg L. Armstrong Chairman and CEO	2003	\$ 330,000	\$ 1,000,000	\$ 12,000 ⁽²⁾	\$ —
	2002	330,000	600,000	11,000 ⁽¹⁾⁽²⁾	
	2001	165,000 ⁽¹⁾	450,000		
Harry N. Pefanis President and COO	2003	\$ 235,000	\$ 800,000	\$ 12,000 ⁽²⁾	\$ 452,400
	2002	235,000	475,000	11,000 ⁽¹⁾⁽²⁾	
	2001	117,500 ⁽¹⁾	350,000		
Phillip D. Kramer Executive V.P. and CFO	2003	\$ 200,000	\$ 500,000	\$ 12,000 ⁽²⁾	\$ —

		2002		200,000		275,000		11,000 ⁽²⁾ ₍₁₎₍₂₎	
		2001		100,000 ⁽¹⁾		100,000			
George R. Coiner									
Senior Vice President		2003	\$	200,000	\$	719,600 ⁽³⁾ ₍₄₎	\$	12,000 ⁽²⁾ ₍₂₎	\$
		2002		200,000		451,000 ⁽⁵⁾		11,000 ⁽²⁾	226,200
		2001		175,000		430,100		10,500	
W. David Duckett ⁽⁶⁾									
President—PMC (Nova Scotia) Company		2003	\$	190,658	\$	724,883	\$	—	—
		2002	\$	163,891	\$	270,070	\$	—	—
		2001	\$	80,020	\$	15,182	\$	—	—

(1)

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

(2)

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

(3)

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

(4)

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

(5)

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

(6)

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

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

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

our general partner ceasing to own more than 50% of our general partner. If Mr. Armstrong's employment is terminated because of his death, a lump sum payment will be paid to his designee equal to his annual salary plus his highest annual bonus, multiplied by the lesser of (i) the number of years (including fractional years) remaining on the agreement and (ii) two. Under the agreement, Mr. Armstrong will be reimbursed for any excise tax due as a result of compensation (parachute) payments.

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

Long-Term Incentive Plan

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

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

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

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

in February 2004, and we anticipate that another approximately 473,000 additional phantom units will vest in May 2004, subject to the satisfaction of service period requirements.

We paid cash in lieu of issuing units for approximately 111,000 of the phantom units that have vested to date. We have issued approximately 156,000 new common units (after netting for taxes) in satisfaction of vesting. We anticipate paying cash for approximately 201,000 of the phantom units expected to vest in May, as well as approximately 181,000 new common units (after netting for taxes) in connection with such vesting. As a result of the vesting of these awards, we recognized an expense of approximately \$7.4 million as of September 30, 2003 and an expense of approximately \$28.8 million as of December 31, 2003. Based on a probability assessment combined with an amortization of service period, we anticipate recognizing an expense of \$1.9 million and \$0.6 million in the first and second quarters of 2004.

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

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

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

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

(1)

As of vesting date.

(2)

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

(3)

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

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

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

cost of the unit options will be borne by us. If we issue new common units upon exercise of the unit options, the total number of common units outstanding will increase, and our general partner will remit to us the proceeds received by it from the optionee upon exercise of the unit option.

Other Equity Grants

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

Compensation of Directors

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

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

Reimbursement of Expenses of our General Partner and its Affiliates

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

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

Beneficial Ownership of Limited Partner Units

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

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

(1)

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

(2)

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

(3)

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

(4)

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

(5)

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

(6)

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

(7)

Less than one percent.

(8)

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

- (9) See note 1 to the table of Directors and Executive Officers under "—Directors and Executive Officers." Mr. Petersen disclaims any deemed beneficial ownership of any units owned by E-Holdings III, L.P. or other affiliates of EnCap Investments L.P. beyond his pecuniary interest. The address for E-Holdings III, L.P. is 1100 Louisiana, Suite 3150, Houston, Texas 77002.
- (10) Units include 97,171 units contributed to Sable Holdings, L.P. by John T. Raymond in exchange for a limited partner interest. Mr. Raymond has the right to reacquire such units. See note 1 to the table of Directors and Executive Officers under "—Directors and Executive Officers." Mr. Raymond disclaims any deemed beneficial ownership of any units (other than the 97,171 units mentioned above) held by Sable Holdings, L.P. or its affiliates or Plains Resources or its affiliates.
- (11) See note 1 to the table of Directors and Executive Officers under "—Directors and Executive Officers." Mr. Sinnott disclaims any deemed beneficial ownership of any units held by KAFU Holdings, L.P. or its affiliates, other than through his 4.5% limited partner interest in KAFU Holdings, L.P. The address for KAFU Holdings, L.P. is 1800 Avenue of the Stars, 2nd Floor, Los Angeles, California 90067.

Beneficial Ownership of General Partner Interest

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

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

Table continued on following page.

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

- (1) Plains Resources Inc. is the sole stockholder of Plains Holdings Inc., which owns 44% of the equity of our general partner. Sable Investments, L.P. has entered into a voting agreement with Plains Holdings Inc.

pursuant to which Sable has agreed to exercise Sable's right to designate a director under the Amended and Restated Limited Liability Company Agreement of Plains All American GP LLC by designating its director in accordance with instructions from Plains Holdings. See Note 1 to the Directors and Executive Officers table under "—Directors and Executive Officers." The agreement is limited to such designations and the obligation to vote in favor of such designee.

(2)

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

(3)

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

(4)

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

(5)

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

On November 20, 2003, Plains Resources (which owns all of the equity of Plains Holdings Inc.) announced that it had received a proposal from Vulcan Capital, along with James C. Flores and John T. Raymond, to acquire all of Plains Resources' outstanding stock for \$14.25 per share in cash. Vulcan Capital is an investment vehicle for investor Paul G. Allen. Plains Resources also announced that its board of directors had formed a special committee to evaluate the proposal. On December 1, 2003, Vulcan and Messrs. Allen, Flores and Raymond filed a Schedule 13D with the Securities and Exchange Commission in connection with the proposed buyout. On February 19, 2004, Plains Resources announced that the special committee of its board of directors had recommended that the board of directors accept a revised offer of \$16.75 per share. The February 19 announcement further indicated that Plains Resources' board of directors had accepted the special committee's recommendation, approved a merger agreement and recommended that shareholders vote in favor of the transaction. Prior to the November announcement, we have received assurances from Mr. Flores, Mr. Raymond and representatives of Vulcan that if the proposed buyout is consummated, there is no intent to merge or otherwise combine the interests of Plains Holdings Inc. and Sable Investments, L.P. We cannot predict whether the stockholders of Plains Resources will approve the transaction or whether a competing transaction may be offered or considered.

Equity Compensation Plan Information

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

* As of December 31, 2003

- (1) Our general partner has adopted and maintains a Long Term Incentive Plan for our officers, employees and directors. As originally instituted by our former general partner prior to our IPO, the LTIP contemplated awards of up to 975,000 phantom units. Upon vesting, these awards could be satisfied either by (i) primary issuance of units by us or (ii) cash settlement or purchase of units by our general partner with the cost reimbursed by us. In 2000, the LTIP was amended, as provided in the plan, without unitholder approval to increase the maximum awards to 1,425,000 phantom units; however, we can issue no more than 975,000 new units to satisfy the awards. Any additional units must be purchased by our general partner in the open market or in private transactions and be reimbursed by us. In November 2003, we issued 18,412 units in satisfaction of vesting under the LTIP. The number of units (956,588) presented in column (a) subtracts the units issued in November and assumes that all remaining grants will be satisfied by the issuance of new units upon vesting. In fact, a substantial number of phantom units that vested in February of 2004 were satisfied without the issuance of units. These phantom units were settled in cash or withheld for taxes. See Item 11. "Executive Compensation—Long-Term Incentive Plan." Any units not issued upon vesting can become "available for future issuance" under column (c).
- (2) Phantom unit awards under the LTIP vest without payment by recipients. See Item 11. "Executive Compensation—Long-Term Incentive Plan—Restricted Unit Plan."
- (3) In accordance with Item 201(d) of Regulation S-K, this column (c) excludes the securities disclosed in column (a). However, as discussed in footnote (1) above, any phantom units represented in column (a) that are not satisfied by the issuance of units become "available for future issuance." After giving effect to the vesting of phantom units in February 2004 and the anticipated vesting in May of 2004, we estimate that there will be approximately 211,000 phantom units outstanding and approximately 427,000 units available for future issuance (excluding phantom units outstanding). See Item 11. "Executive Compensation—Long-Term Incentive Plan."
- (4) Although awards for units may from time to time be outstanding under the portion of the LTIP not approved by unitholders, all of these awards must be satisfied out of units purchased by our general partner and reimbursed by us. None will be satisfied by "units issued upon exercise/vesting."
- (5) Awards for up to 450,000 phantom units may be granted under the portion of the LTIP not approved by unitholders; however, no common units are "available for future issuance" under the plan, because all such awards must be satisfied with cash or out of units purchased by our general partner and reimbursed by us.
- (6) Our general partner has adopted and maintains a Performance Option Plan for officers and key employees pursuant to which optionees have the right to purchase units from the general partner. The units that will be sold under the plan were contributed to the general partner by certain of its owners in connection with the General Partner Transition without economic cost to the Partnership. Thus, there will be no units "issued upon exercise/vesting of outstanding options." Approximately 375,000 unit options have been granted out of the 450,000 units originally available under the plan. See footnote (8) below and Item 13. "Certain Relationships and Related Parties—Performance Option Plan."
- (7) The current strike price for all outstanding options under the Performance Option Plan is \$17.30 per unit. The strike price decreases as distributions are paid. Future grants may include different pricing elements. See Item 13. "Certain Relationships and Related Parties—Performance Option Plan."
- (8) In connection with the General Partner Transition, certain of the investors in our general partner contributed 450,000 subordinated units (now converted into common units) to our general partner to fund the Performance Option Plan. Options for approximately 372,000 units are currently outstanding and approximately 75,000 units are available for future option grants.

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

Transactions—Transactions with Related Parties—Performance Option Plan."

Item 13. *Certain Relationships and Related Transactions*

Our General Partner

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

Our general partner owns the 2% general partner interest and all of the incentive distribution rights. Our general partner is entitled to receive incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement. Under the quarterly incentive distribution provisions, generally our general partner is entitled, without duplication, to 15% of amounts we distribute in excess of \$0.450 (\$1.80 annualized) per unit, 25% of the amounts we distribute in excess of \$0.495 (\$1.98 annualized) per unit and 50% of amounts we distribute in excess of \$0.675 (\$2.70 annualized) per unit. The following table illustrates the allocation of aggregate distributions at different per-unit levels:

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

(1)

In thousands.

(2)

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

(3)

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

Transactions with Related Parties

General

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

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

- a separation agreement entered into in connection with the General Partner Transition pursuant to which (i) Plains Resources has indemnified us for (a) claims relating to securities laws or regulations in connection with the upstream or midstream businesses, based on alleged acts or omissions occurring on or prior to June 8, 2001, or (b) claims related to the upstream business, whenever arising, and (ii) we have indemnified Plains Resources for claims related to the midstream business, whenever arising. Plains Resources also has agreed to indemnify and maintain liability insurance for the individuals who were, on or before June 8, 2001, directors or officers of Plains Resources or our former general partner.
- a Pension and Employee Benefits Assumption and Transition Services Agreement that provided for the transfer to our general partner of the employees of our former general partner and certain headquarters employees of Plains Resources.
- an Omnibus Agreement that provides for the resolution of certain conflicts arising from the fact that we and Plains Resources conduct related businesses, including certain non-compete obligations of Plains Resources.
- a Marketing Agreement with Plains Resources that provides for the marketing of Plains Resources' equity crude oil production (including its subsidiaries that conduct exploration and production activities.). Under the Marketing Agreement, we purchase for resale at market prices the majority of Plains Resources equity production for a fee of \$0.20 per barrel. The fee is subject to adjustment every three years based on then-existing market conditions. For the year ended December 31, 2003, Plains Resources produced approximately 2,000 barrels per day that were subject to the Marketing Agreement. We paid approximately \$25.7 million for such production and recognized gross margin of approximately \$0.2 million under the terms of that agreement. In our opinion, these purchases were made at prevailing market prices. In November 2001, the agreement automatically extended for an additional three-year period. Because Plains Resources divested itself of most of its producing properties at the end of 2002, we do not expect material amounts of crude oil to be subject to this agreement. We are in the process of negotiating an amended agreement to reflect the separation of Plains Resources and one of its subsidiaries, discussed below. As currently in effect, the Marketing Agreement (as well as the Omnibus Agreement described above) will terminate upon a "change of control" of Plains Resources or our general partner. The recently announced buyout of Plains Resources stock would constitute a change of control; however, we received assurances prior to the initial announcement that neither Plains Resources nor the buyout group intend for the agreement (or the substance of the Omnibus Agreement) to terminate.

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

Transaction Grant Agreements

In connection with our initial public offering, our former general partner, at no cost to us, agreed to transfer, subject to vesting, approximately 400,000 of its affiliates' common units (including distribution equivalent rights attributable to such units) to certain key officers and employees of our former general partner and its affiliates, including Messrs. Armstrong, Pefanis, Coiner and Kramer. Approximately 70,000 units vested in 2000, and the remainder in 2001. The value of the units and associated distribution equivalent rights that vested under the Transaction Grant Agreements for all grantees in 2001 was \$5.7 million. Although we recorded noncash compensation expenses with respect to these vestings, the compensation expense incurred in connection with these

grants was funded by our former general partner, without reimbursement by us.

Long-Term Incentive Plan

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

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

Performance Option Plan

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

Stock Option Replacement

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

CANPET Energy Group Inc.

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

David Duckett, the President of PMC (Nova Scotia) Company, the general partner of Plains Marketing Canada, L.P., owns approximately 37.8% of CANPET, and will receive a proportionate share of the proceeds from any contingent payment of purchase price for the CANPET assets.

Tank Car Lease and CANPET

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

Other

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

Item 14. *Principal Accountant Fees and Services*

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

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

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

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