

## 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 (other than our Canadian personnel who are employed by PMC (Nova Scotia) Company). 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 and LPG operations, PMC (Nova Scotia) Company).

Our general partner manages our operations and activities. Unitholders are limited partners and 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 us 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, our partnership agreement defines "Board of Directors" to mean the board of directors of Plains All American GP LLC, which is comprised of eight directors elected by the members of Plains All American GP LLC, and not by the unitholders. Four directors are designated by the four owners that hold 9% or greater of the outstanding membership interests of Plains All American GP LLC, one director is the Chairman and CEO and three independent directors are elected by majority vote of the membership owners of Plains All American GP LLC. Thus, the corporate governance of Plains All American GP LLC is, in effect, the corporate governance of our partnership, subject in all cases to any specific unitholder rights contained in our partnership agreement. Because we are a limited partnership, the new listing standards of the New York Stock Exchange do 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.

Non-management directors meet in executive session in connection with each regular board meeting. Each non-management director acts as presiding director at the regularly scheduled executive sessions, rotating alphabetically by last name.

Interested parties can communicate directly with non-management directors by mail in care of Tim Moore, General Counsel and Secretary or Sharon Spurlin, Director of Internal Audit, Plains All American Pipeline, L.P., 333 Clay Street, Suite 1600, Houston, Texas 77002. Such communications should specify the intended recipient or recipients. Commercial solicitations or communications will not be forwarded.

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 2004, the amount paid to LEC by Plains Marketing was approximately \$1.1 million (\$1.0 million 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 \$11 million to the Tetra subsidiary in 2004. Until July 2004, Mr. Symonds was also a director of Plains Resources Inc., with whom Plains Marketing has a marketing arrangement. We paid approximately \$28.3 million to Plains Resources in 2004, and recognized segment profit of approximately \$0.1 million. Mr. Symonds was not and 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 also have a governance committee that periodically reviews our governance guidelines. 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. Such a committee would consist of a minimum of two members, none of whom can be officers or employees of our general partner or directors, officers or employees of its affiliates nor owners of the general partner's interest. 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.

Our committee charters and governance guidelines, as well as our Code of Business Conduct and our Code of Ethics for Senior Financial Officers, are available on our website at [www.paalp.com](http://www.paalp.com).

### **Report of the Audit Committee**

The audit committee of Plains All American GP LLC 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 registered public accounting firm, PricewaterhouseCoopers LLP, are responsible for expressing an opinion on the conformity of the audited financial statements with generally accepted accounting principles and opinions on management's assessment and on the effectiveness of the Partnership's internal control over financial reporting. 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, 2004 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 are elected annually. 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 (as of 12/31/04)	Position with Our General Partner
Greg L. Armstrong <sup>(1)</sup> .....	46	Chairman of the Board, Chief Executive Officer and Director
Harry N. Pefanis.....	47	President and Chief Operating Officer
Phillip D. Kramer.....	48	Executive Vice President and Chief Financial Officer
George R. Coiner .....	54	Senior Group Vice President
W. David Duckett .....	49	President—PMC (Nova Scotia) Company
Mark F. Shires.....	47	Senior Vice President—Operations
Alfred A. Lindseth .....	35	Senior Vice President—Technology, Process & Risk Management
Lawrence J. Dreyfuss.....	50	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.)
James B. Fryfogle .....	53	Vice President—Lease Operations
Jim G. Hester.....	45	Vice President—Acquisitions
Tim Moore .....	47	Vice President, General Counsel and Secretary
Daniel J. Nerbonne .....	47	Vice President—Engineering
John F. Russell .....	56	Vice President—Pipeline Operations
Al Swanson .....	40	Vice President and Treasurer
Tina L. Val .....	35	Vice President—Accounting and Chief Accounting Officer
Troy E. Valenzuela .....	43	Vice President—Environmental, Health and Safety
John P. vonBerg.....	50	Vice President—Trading
David N. Capobianco <sup>(1)</sup> .....	35	Director and Member of Compensation Committee
Everardo Goyanes.....	60	Director and Member of Audit* Committee
Gary R. Petersen <sup>(1)</sup> .....	58	Director and Member of Compensation* Committee
John T. Raymond <sup>(1)</sup> .....	34	Director
Robert V. Sinnott <sup>(1)</sup> .....	55	Director and Member of Compensation Committee
Arthur L. Smith.....	52	Director and Member of Audit and Governance* Committees
J. Taft Symonds .....	65	Director and Member of Governance and Audit Committees

\* Indicates chairman of committee.

<sup>(1)</sup> The Amended and Restated Limited Liability Company Agreement of Plains All American GP LLC (as amended, 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. Capobianco has been designated by Plains Holdings Inc., which is owned by Vulcan Energy Corporation, of which he is Chairman of the board. 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. Sable Investments, L.P. is controlled by James M. Flores, a director of Vulcan Energy Corporation and also the Chairman, President and Chief Executive Officer of PXP. 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. See "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 Inc. 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. Mr. Armstrong is also a director of Varco International, Inc.

*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., 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, 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.

*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.

*James B. Fryfogle* has served as Vice President—Lease Operations since July 2004. Prior to joining us in January 2004, Mr. Fryfogle served as Manager of Crude Supply and Trading for Marathon Ashland Petroleum. Mr. Fryfogle had held numerous positions of increasing responsibility with Marathon Ashland Petroleum or its affiliates or predecessors since 1975.

*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.

*John F. Russell* has served as Vice President—Pipeline Operations since July 2004. Prior to joining PAA, Mr. Russell served as Vice President of Business Development & Joint Interest for ExxonMobil Pipeline Company. Mr. Russell had held numerous positions of increasing responsibility with ExxonMobil Pipeline Company or its affiliates or predecessors since 1974.

*Daniel J. Nerbonne* has served as Vice President—Engineering since February 2005. Prior to joining us, Mr. Nerbonne was General Manager of Portfolio Projects for Shell Oil Products US from January 2004 to January 2005 and served in various capacities, including General Manager of Commercial and Joint Interest, with Shell Pipeline Company or its predecessors from 1998. From 1980 to 1998 Mr. Nerbonne held numerous positions of increasing responsibility in engineering, operations, and business development, including Vice President of Business Development from December 1996 to April 1998, with Texaco Trading and Transportation or its affiliates.

*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 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.

*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.

*Troy E. 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 us and our predecessors for the last 12 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 1993 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.

*David N. Capobianco* has served as a director of our general partner since July 2004. Mr. Capobianco is Chairman of the board of directors of Vulcan Energy Corporation and a Managing Director of Vulcan Capital, an affiliate of Vulcan Inc., where he has been employed since April 2003. Previously, he served as a Vice President of Greenhill Capital from July 2001 to April 2003 and a Vice President of Harvest Partners from July 1995 to January 2001.

*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 Equus II Incorporated.

*John T. Raymond* has served as a director since June 2001. He has been a director and the Chief Executive Officer of Vulcan Energy Corporation since July 2004. Mr. Raymond has served as President and Chief Executive Officer of Plains Resources since December 2002. 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. Mr. Raymond also served as President and Chief Operating Officer of Plains Exploration and Production from December 2002 to March 2004. 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 Glacier Water Services, Inc. (a vended water company). Mr. Sinnott was previously a director of Plains Resources.

*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, Cabot Oil & Gas Corporation and Evergreen Resources, Inc. Mr. Smith holds the CFA designation. He serves on the board of non-profit Dress for Success Houston and the Board of Visitors for the Duke Nicholas School of the Environment and Earth Sciences. 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 is Chairman of the Board of Symonds Trust Co. Ltd. (an investment firm) and Chairman of the Board of Tetra Technologies, Inc. (an oilfield services firm). From 1978 to 2004 he was Chairman of the Board and Chief Financial Officer of Maurice Pincoffs Company, Inc. (an international marketing firm). Mr. Symonds was previously a director of Plains Resources. Mr. Symonds has a background in both investment and commercial banking, including merchant banking in New York, London and Hong Kong with Paine Webber Jackson & Curtis, Robert Fleming Group and Banque de la Societe Financiere Europeenne. He is a director of Intecorr International and President of the Houston Arboretum and Nature Center. Mr. Symonds received a BA from Stanford University and an MBA from Harvard.

#### **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 2004, except as follows: Mr. Valenzuela filed a late Form 4 related to the vesting of phantom units under the 1998 LTIP, Mr. VonBerg filed a one-day late Form 3, and Mr. Swanson and Paul G. Allen each timely filed a Form 5 reporting a transfer in 2004 (reportable on Form 4) of 1,109 units in connection with the vesting of an employee equity grant.

## Management Team/Canadian Officers

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 (as of 12/31/04)	Position with Our General Partner/ Canadian General Partner
<b>Management Team:</b>		
A. Patrick Diamond .....	32	Manager—Special Projects
<b>Canadian Officers:</b>		
D. Mark Alenius.....	45	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 .....	44	Vice President—Crude Oil of PMC (Nova Scotia) Company
Richard (Rick) Henson .....	50	Vice President—Corporate Services 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.

*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.



*Richard (Rick) Henson* joined PMC (Nova Scotia) Company in December 2004 as Vice President of Corporate Services. Mr. Henson was previously with Nova Chemicals Corporation, serving in various executive positions from 1999 through 2004, including Vice President, Petrochemicals and Feedstocks, and Vice President, Ethylene and Petrochemicals Business.

*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.

#### **Item 11. Executive Compensation**

The following table sets forth certain compensation information for our Chief Executive Officer and the four other most highly compensated executive officers in 2004 (the "Named Executive Officers"). We reimburse our general partner and its affiliates for expenses incurred on our behalf, including the costs of officer compensation. The Named Executive Officers have also received certain equity-based awards from our general partner, which awards (other than awards under the Long-Term Incentive Plans) are not subject to reimbursement by us. See "—Long-Term Incentive Plan" and "Certain Relationships and Related Transactions—Transactions with Related Parties."

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation	All Other Compensation
		Salary	Bonus	LTIP Payout	
Greg L. Armstrong..... Chairman and CEO	2004	\$330,000	\$1,800,000	\$1,692,600	\$13,930 <sup>(1)</sup>
	2003	330,000	1,000,000	—	12,930
	2002	330,000	600,000	—	11,930
Harry N. Pefanis..... President and COO	2004	\$235,000	\$1,500,000	\$1,674,600	\$13,875 <sup>(1)</sup>
	2003	235,000	800,000	452,400	12,875
	2002	235,000	475,000	—	11,875
Phillip D. Kramer..... Executive V.P. and CFO	2004	\$200,000	\$850,000	\$1,209,000	\$13,745 <sup>(1)</sup>
	2003	200,000	500,000	—	12,745
	2002	200,000	275,000	—	11,745
George R. Coiner..... Senior Group Vice President	2004	\$200,000	\$1,061,000 <sup>(2)</sup>	\$1,643,138	\$13,730 <sup>(1)</sup>
	2003	200,000	719,600 <sup>(2)</sup>	226,200	12,730
	2002	200,000	451,000 <sup>(2)</sup>	—	11,651
W. David Duckett <sup>(3)</sup> ..... President—PMC (Nova Scotia Company)	2004	\$204,161	\$933,505 <sup>(4)</sup>	\$—	\$26,541 <sup>(5)</sup>
	2003	190,658	724,883 <sup>(4)</sup>	—	—
	2002	163,891	270,070 <sup>(4)</sup>	—	—

(1) Our general partner matches 100% of employees' contributions to its 401(k) Plan in cash, subject to certain limitations in the plan. Includes \$13,000 in such contributions for 2004. The remaining amount represents premium payments on behalf of the Named Executive Officer for group term life insurance. The amount shown does not include the value of perquisites and other benefits because they do not exceed \$50,000 in the aggregate.

(2) Includes quarterly bonuses aggregating \$561,000, \$469,600 and \$361,000 and an annual bonus of \$500,000, \$250,000 and \$90,000 for 2004, 2003 and 2002, respectively. The annual bonuses are payable 60% at the time of award and 20% in each of the two succeeding years. For the quarterly bonuses, Mr. Coiner participates in a quarterly bonus arrangement based on EBITDA from our commercial activities during the quarter. Other participants include approximately 73 employees in the marketing and business development group. For 2004, the quarterly bonus pool totaled approximately \$4.4 million.

(3) 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.

- (4) The 2004 bonus amount includes \$798,151 under a bonus program established at the time of the CANPET acquisition and \$135,354 under a special 2004 retention bonus associated with the CANPET acquisition. Under the bonus program at PMC (Nova Scotia) Company established at the time of the CANPET purchase, all employees of PMC (Nova Scotia) Company are eligible to participate. The plan is based on EBITDA, and includes a quarterly bonus pool consisting of 4% of quarterly EBITDA and an annual bonus pool consisting of 6% of EBITDA.
- (5) Employer contributions to PMC (Nova Scotia) Company savings plan.

### **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 initial three-year term of Mr. Armstrong's employment agreement commenced on June 30, 2001, and is automatically extended for one year on June 30 of each year (such that the term is reset to three years) 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 provided for a base salary of \$330,000 per year, subject to annual review. In February 2005, the annual salary was increased to \$375,000. 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 highest annual 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 initial three-year term of Mr. Pefanis' employment agreement commenced on June 30, 2001, and is automatically extended for one year on June 30 of each year (such that the term is reset to three years) 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 provided for a base salary of \$235,000 per year, subject to annual review. In February 2005, the annual salary was increased to \$300,000. 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.

### **1998 Long-Term Incentive Plan**

Our general partner has adopted the Plains All American GP LLC 1998 Long-Term Incentive Plan (the "1998 LTIP") for employees and directors of our general partner and its affiliates who perform services for us. Awards contemplated by the 1998 LTIP include phantom units and unit options. The 1998 LTIP currently permits the grant of phantom units and unit options covering an aggregate of 1,425,000 common units delivered upon vesting of such phantom units or unit options. No options have been granted under the plan. The plan is administered by the Compensation Committee of our general partner's board of directors. Our general partner's board of directors has the right to alter or amend the 1998 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.

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, over the term of the plan we may issue new common units to satisfy delivery obligations under the grants. When we issue new common units upon vesting of grants, the total number of common units outstanding increases.

*Phantom Units.* A phantom unit 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). A substantial number of phantom units have vested in 2003 and 2004. As of December 31, 2004, giving effect to vested grants, grants of approximately 134,000 unvested phantom units under the 1998 LTIP remain outstanding 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, including tandem distribution equivalent rights with respect to phantom units.

Other than grants to directors (discussed below), none of the phantom units vested until November 2003. Since that time, approximately 927,000 phantom units have vested. Including grants to directors, approximately 418,000 units have been purchased and delivered or issued in satisfaction of vesting, after payment of cash-equivalents and netting for taxes. As a result of the vesting of these awards, we recognized an expense of approximately \$28.8 million during 2003 and an additional expense of approximately \$7.9 million during 2004.

The issuance of the common units upon vesting of phantom units 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.

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 three vestings took place on June 8 of 2002, 2003 and 2004. See "—Compensation of Directors."

The following table shows the vesting of phantom units granted under the 1998 LTIP to the Named Executive Officers.

Name	Total Units	2003 Vesting		2004 Vesting		Remaining Unvested Grants <sup>(2)</sup>	
		Units	Value <sup>(1)</sup>	Units	Value <sup>(1)</sup>	Units	Value <sup>(3)</sup>
Greg L. Armstrong.....	70,000	—	—	52,500	\$1,692,600	17,500	\$660,450
Harry N. Pefanis.....	70,000	15,000	\$452,400	52,500	\$1,674,600	2,500	\$94,350
Phillip D. Kramer.....	50,000	—	—	37,500	\$1,209,000	12,500	\$471,750
George R. Coiner.....	67,500	7,500	\$226,200	50,625	\$1,643,138	9,375	\$353,813
W. David Duckett.....	—	—	—	—	—	—	—

(1) As of vesting dates.

(2) With respect to remaining grants, vesting is contingent upon our achieving a specified distribution threshold of \$2.50 annualized. Amounts shown do not include grants approved in 2005.

(3) As if vested on December 31, 2004, at a market closing price of \$37.74 per unit.

*Unit Option Plan.* The unit option plan under our 1998 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.

### **2005 Long-Term Incentive Plan**

In January 2005, our unitholders approved the 2005 Plains All American GP LLC Long-Term Incentive Plan (the "2005 LTIP"). The 2005 LTIP provides for awards to our employees and directors. Awards contemplated by the 2005 LTIP include phantom units, restricted units, unit appreciation rights and unit options, as determined by the Compensation Committee (each an "Award"). Up to 3,000,000 units may be issued in satisfaction of Awards. Certain Awards may also include, in the discretion of the Compensation Committee, a "distribution equivalent right," or "DER," that entitles the grantee to a cash payment, either while the Award is outstanding or upon vesting, equal to any cash distributions paid on a unit while the Award is outstanding.

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, over the term of the plan we may issue new common units to satisfy delivery obligations under the grants. When we issue new common units upon vesting of grants, the total number of common units outstanding increases.

The Compensation Committee and Board of Directors have approved grants under the 2005 LTIP of phantom units with associated DERs to the Named Executive Officers as follows: Mr. Armstrong—300,000 phantom units; Mr. Pefanis—200,000 phantom units; Mr. Kramer—100,000 phantom units; Mr. Coiner—80,000 phantom units; and Mr. Duckett—75,000 phantom units. The phantom units for Messrs Armstrong and Pefanis will vest incrementally solely upon achievement by the Partnership of annualized distributions of \$2.60, \$2.80 and \$3.00 per unit and continued employment of at least 2, 4 and 5 years, respectively and any phantom units unvested after seven years will be forfeited. The phantom units granted to Messrs Kramer, Coiner and Duckett are also subject to incremental vesting upon attainment of similar distribution thresholds and similar minimum years of continued employment, provided however that any remaining unvested units will fully vest after six years.

The issuance of the common units upon vesting of phantom units 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.

### **Other Equity Grants**

Certain other employees and officers have also received grants of equity not associated with the LTIP's described above, and for which we have no direct cost or reimbursement obligations. For example, in 2001 our general partner established a Performance Option Plan funded by common units owned by the general partner. See "Certain Relationships and Related Transactions—Transactions with Related Parties."

New tax rules concerning deferred compensation became effective January 1, 2005. We intend to operate all of our equity plans, and make any amendments thereto that may be necessary, for the plans and awards granted thereunder to comply with this new law.

### **Compensation of Directors**

Each director of our general partner who is not an employee of our general partner is reimbursed for any travel, lodging and other out-of-pocket expenses related to meeting attendance or otherwise related to service on the board (including, without limitation, reimbursement for continuing education

expenses). Each non-employee director is currently paid an annual retainer fee of \$45,000. 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. (EnCap III), which is controlled by EnCap Investments L.P., of which Mr. Petersen is a Managing Director. Mr. Capobianco assigns any compensation he receives in his capacity as a director to Vulcan Capital.

Except as described below, each non-employee director has received an LTIP award of 5,000 units in the aggregate. These units vest annually in 25% increments, subject to an automatic re-grant of the amount vested, such that the director will always have outstanding an award of 5,000 units. For Mr. Peterson and Mr. Capobianco, a cash equivalent payment will be made to EnCap III and Vulcan Capital, respectively, upon any vesting. The units vest in full upon the death or disability (as determined by the board) of the director. For any "independent" directors (as defined in the Third Amended and Restated Limited Liability Company Agreement of Plains All American GP LLC, as amended, and currently including Messrs. Goyanes, Smith and Symonds), the units will also vest full if such director (i) retires (no longer with full-time employment and no longer serving as an officer or director of any public company) or (ii) is removed from the Board or is not reelected to the Board, unless such removal or failure to reelect is for "good cause," as defined in the letter granting the phantom units.

#### **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. Our 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. See "Certain Relationships and Related Transactions."

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

##### **Beneficial Ownership of Limited Partner Interest**

Our 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 the Chief Executive Officer and the four other most highly compensated executive officers in 2004 (the "Named Executive

Officers") of our general partner and by all directors and executive officers as a group as of February 25, 2005.

Name of Beneficial Owner	Common Units	Percentage of Common Units <sup>(1)</sup>
Paul G. Allen.....	13,688,400 <sup>(2)</sup>	20.2%
Vulcan Energy Corporation.....	12,390,120 <sup>(3)</sup>	18.3%
Richard Kayne/Kayne Anderson Capital Advisors, L.P.....	5,470,321 <sup>(4)</sup>	8.1%
Greg L. Armstrong.....	213,992 <sup>(5)(6)(7)</sup>	(8)
Harry N. Pefanis.....	145,027 <sup>(6)(7)</sup>	(8)
George R. Coiner.....	54,276 <sup>(6)(7)</sup>	(8)
Phillip D. Kramer.....	89,600 <sup>(6)(7)</sup>	(8)
W. David Duckett.....	119,541 <sup>(6)</sup>	(8)
David N. Capobianco.....	— <sup>(9)</sup>	(8)
Everardo Goyanes.....	7,450	(8)
Gary R. Petersen.....	5,700 <sup>(10)</sup>	(8)
John T. Raymond.....	403,117 <sup>(11)</sup>	(8)
Robert V. Sinnott.....	13,750 <sup>(12)</sup>	(8)
Arthur L. Smith.....	10,000	(8)
J. Taft Symonds.....	18,750	(8)
All directors and executive officers as a group (23 persons).....	1,250,769 <sup>(6)(7)</sup>	1.8%

(1) Limited partner units constitute 98% of our equity, with the remaining 2% held by our general partner. Amounts shown include the 575,000 units issued in a private placement on February 25, 2005 to Plains Holdings II Inc. 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 the indirect ownership by Vulcan Energy Corporation of a portion of our general partner, Mr. Allen may be deemed to beneficially own approximately 20.7% of our total equity. Mr. Allen disclaims any deemed beneficial ownership, beyond his pecuniary interest, in any of our partner interests held by Vulcan Energy Corporation or any of its affiliates.

(2) Mr. Allen owns approximately 88.38% of the outstanding shares of common stock of Vulcan Energy Corporation. Vulcan Energy Corporation is the indirect sole stockholder of Plains Holdings Inc. See Note 3 below. Mr. Allen also controls Vulcan Capital Private Equity I LLC ("Vulcan LLC"), which is the record holder of 1,298,280 common units. The address for Mr. Allen, Vulcan Energy Corporation and Vulcan LLC is 505 Fifth Avenue S, Suite 900, Seattle, Washington 98104. Mr. Allen disclaims any deemed beneficial ownership, beyond his pecuniary interest, in any of our partner interests held by Vulcan Energy or any of its affiliates.

(3) Vulcan Energy Corporation is the indirect sole stockholder of Plains Holdings Inc., our former general partner. The common units are owned by Plains Holdings Inc. and its wholly owned subsidiary, Plains Holdings II Inc. The address for Plains Holdings Inc. and Plains Holdings II Inc. is 700 Louisiana, Suite 4150, Houston, Texas 77002.

(4) Richard A. Kayne is President, Chief Executive Officer and Director of Kayne Anderson Investment Management, Inc., which is the general partner of Kayne Anderson Capital Advisors, L.P. ("KACALP"). Various accounts (including KAFU Holdings, L.P., which owns a portion of our general partner) under the management or control of KACALP own 5,234,591 common units. Mr. Kayne may be deemed to beneficially own such units. In addition, Mr. Kayne directly owns or has sole voting and dispositive power over 235,730 common units. Mr. Kayne disclaims beneficial ownership of any of our partner interests other than units held by him or interests attributable to him by virtue of his interests in the accounts that own our partner interests. The address for Mr. Kayne and Kayne Anderson Investment Management Inc. is 1800 Avenue of the Stars, 2nd Floor, Los Angeles, California 90067.

(5) 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. Mr. Armstrong disclaims any beneficial ownership of such units beyond his rights as a grantee under the plan. See Item 13. "Certain Relationships and Related Transactions—Transactions with Related Parties—Performance Option Plan."

(6) Does not include unvested phantom units granted under the 1998 LTIP or the 2005 LTIP, none of which will vest within 60 days of the date hereof. See "Executive Compensation—1998 Long-Term Incentive Plan."

(7) Includes the following vested, unexercised options to purchase common units under the Performance Option Plan.  
Mr. Armstrong: 37,500; Mr. Pefanis: 27,500; Mr. Coiner: 21,250; Mr. Kramer: 22,500; directors and officers as a group:  
161,875.

- (8) Less than one percent.
- (9) The Amended and Restated Limited Liability Company Agreement of Plains All American GP LLC (the "LLC Agreement") specifies that certain of the owners of our general partner have the right to designate a member of our board of directors. Mr. Capobianco has been designated by Plains Holdings Inc., a wholly owned subsidiary of Plains Resources, of which he is a director and Vice President. Mr. Capobianco is also the Chairman and a Vice President of Vulcan Energy Corporation. Mr. Capobianco has the right to receive a performance-based fee based on the performance of the holdings of Vulcan Energy Corporation. Mr. Capobianco disclaims any deemed beneficial ownership of our partner interests held by Vulcan Energy Corporation or any of its affiliates beyond his pecuniary interest therein, if any. Mr. Capobianco owns an equity interest in, and has an indirect right to receive a performance-based fee based on the performance of the holdings of, Vulcan Capital Private Equity I LLC. Mr. Capobianco disclaims any deemed beneficial ownership of the units held by Vulcan Capital Private Equity I LLC beyond his pecuniary interest therein, if any.
- (10) Pursuant to the LLC Agreement, 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. Petersen disclaims any deemed beneficial ownership of any of our partner interests 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.
- (11) Pursuant to the LLC Agreement, Mr. Raymond has been designated one of our directors by Sable Investments, L.P. Sable Investments, L.P. is controlled by James M. Flores, a director of Vulcan Energy Corporation and also the Chairman and Chief Executive Officer of Plains Exploration and Production Company ("PXP"). Mr. Raymond owns approximately 2% of the outstanding shares of common stock of Vulcan Energy Corporation. Mr. Raymond is a director and the Chief Executive Officer of Vulcan Energy Corporation. Mr. Raymond disclaims any deemed beneficial ownership of any units held by Sable Holdings, L.P. or its affiliates or Vulcan Energy Corporation or its affiliates.
- (12) Pursuant to the LLC Agreement, Mr. Sinnott has been designated one of our directors by KAFU Holdings, L.P., which is controlled by Kayne Anderson Investment Management, Inc., of which he is a Vice President. 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 Plains All American GP LLC, its 1% general partner).

<u>Name and Address of Owner</u>	<u>Percentage Ownership of Plains AAP</u>
Paul G. Allen <sup>(1)</sup> ..... 505 Fifth Avenue S, Suite 900 Seattle, Washington 98104	44.000%
Vulcan Energy Corporation <sup>(2)</sup> ..... 777 Walker, Suite 2400 Houston, TX 77002	44.000%
Sable Investments, L.P. .... 700 Milam, Suite 3100 Houston, TX 77002	20.000%
KAFU Holdings, L.P. <sup>(3)</sup> ..... 1800 Avenue of the Stars, 2nd Floor Los Angeles, CA 90067	16.418%
E-Holdings III, L.P. <sup>(4)</sup> ..... 1100 Louisiana, Suite 3150 Houston, TX 77002	9.000%
PAA Management, L.P. <sup>(5)</sup> ..... 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) Mr. Allen owns approximately 88.38% of the outstanding shares of common stock of Vulcan Energy Corporation. Vulcan Energy Corporation, through its wholly owned subsidiary, Plains Holdings Inc., owns 44% of the equity of our general partner. Mr. Allen disclaims any deemed beneficial ownership, beyond his pecuniary interest, in any of our partner interests held by Vulcan Energy Corporation or any of its affiliates.

(2) Mr. Capobianco disclaims any deemed beneficial ownership of the interests held by Vulcan Energy Corporation beyond his pecuniary interest therein, if any. Mr. Raymond disclaims any deemed beneficial ownership of the interests held by Vulcan Energy Corporation or any of its affiliates other than through his approximately 2% ownership interest of the outstanding shares of common stock of Vulcan Energy Corporation.

(3) 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) 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 26%), Pefanis (approximately 14.5%), Kramer (approximately 9.5%), Coiner (approximately 9.5%) and Duckett (approximately 4.5%). Other than Mr. Armstrong, no directors own any interest in PAA Management, L.P. Directors and executive officers as a group own approximately 95% 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.

### 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 .....	133,625 <sup>(1)</sup>	N/A <sup>(2)</sup>	460,101 <sup>(1)(3)</sup>
2005 Long Term Incentive Plan .....	— <sup>(4)</sup>	N/A <sup>(2)</sup>	— <sup>(3)</sup>
Equity compensation plans not approved by unitholders:			
1998 Long Term Incentive Plan .....	<sup>(1)(5)</sup>	N/A <sup>(2)</sup>	<sup>(6)</sup>
Performance Option Plan.....	<sup>(7)</sup>	15.91 <sup>(8)</sup>	<sup>(9)</sup>

\* As of December 31, 2004.

- (1) As originally instituted by our former general partner prior to our initial public offering, the 1998 LTIP contemplated issuance of up to 975,000 common units to satisfy awards of 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 1998 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. As of December 31, 2004, we have issued approximately 381,000 common units in satisfaction of vesting under the 1998 LTIP. The number of units presented in column (a) 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 2003 and 2004 were satisfied without the issuance of units. These phantom units were settled in cash or withheld for taxes. See "1998 Long-Term Incentive Plan." Any units not issued upon vesting will become "available for future issuance" under column (c).
- (2) Phantom unit awards under the 1998 LTIP vest without payment by recipients. See "1998 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." See "1998 Long-Term Incentive Plan."
- (4) The 2005 Long Term Incentive Plan was approved by our unitholders in January 2005. Accordingly, there were no outstanding awards as of December 31, 2004. In February 2005, the Board of Directors and Compensation Committee approved grants of approximately 1,900,000 phantom units. The 2005 LTIP contemplates issuance or delivery of up to 3,000,000 units to satisfy awards under the plan.
- (5) Although awards for units may from time to time be outstanding under the portion of the 1998 LTIP not approved by unitholders, all of these awards must be satisfied in cash or out of units purchased by our general partner and reimbursed by us. None will be satisfied by "units issued upon exercise/vesting."
- (6) Awards for up to 413,750 phantom units may be granted under the portion of the 1998 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.

(7)

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 transfer of a majority of our general partner interest in 2001 (the "General Partner Transition") without economic cost to the Partnership. Thus, there will be no

units "issued upon exercise/vesting of outstanding options." Approximately 391,000 unit options have been granted out of the 450,000 units originally available under the plan. See footnote (9) below and "—Other Equity Grants."

- (8) As of December 31, 2004, the strike price for all outstanding options under the Performance Option Plan was \$15.91 per unit. The strike price decreases as distributions are paid. Future grants may include different pricing elements. See "—Other Equity Grants."
- (9) 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 388,000 units are currently outstanding and approximately 59,000 units are available for future 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). 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 <sup>(1)(2)</sup>	Distribution to GP <sup>(1)(2)(3)</sup>	Total Distribution <sup>(1)</sup>	GP Percentage of Total Distribution
\$1.80.....	\$126,000	\$2,571	\$128,571	2.0%
\$1.98.....	\$138,600	\$4,795	\$143,395	3.3%
\$2.45.....	\$171,500	\$15,762	\$187,262	8.4%
\$2.60.....	\$182,000	\$19,262	\$201,262	9.6%
\$2.80.....	\$196,000	\$28,595	\$224,595	12.7%
\$3.00.....	\$210,000	\$42,595	\$252,595	16.9%

(1) In thousands.

(2) Assumes 70,000,000 units outstanding. Actual number of units outstanding as of December 31, 2004 was 67,293,108. 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

As of December 31, 2004 Vulcan Energy owned an effective 44% of our general partner interest, as well as approximately 18.3% of our outstanding limited partner units. Mr. John Raymond, one of our directors, is a director and the Chief Executive Officer of Vulcan Energy. Mr. Raymond was designated as a member of our board by Sable

Investments, L.P., which is controlled by Mr. James C. Flores. Mr. Flores is a director of Vulcan Energy, and is the Chairman and Chief Executive Officer of Plains Exploration and Production Company ("PXP"). We have ongoing relationships with Plains

Resources, a wholly owned subsidiary of Vulcan Energy. These relationships include but are not limited to:

- a separation agreement entered into in 2001 in connection with the transfer of interests in our general partner 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 indemnified, and maintains liability insurance (through June 8, 2007) 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 of Plains Resources equity production for a fee of \$0.20 per barrel. The fee is subject to adjustment in November 2006 based on then-existing market conditions. For the year ended December 31, 2004, Plains Resources produced approximately 2,000 barrels per day that were subject to the Marketing Agreement. We paid approximately \$28.3 million for such production and recognized segment profit of approximately \$0.1 million under the terms of that agreement. In our opinion, these purchases were made at prevailing market prices. 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. 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 recent purchase of Plains Resources by Vulcan Energy would have constituted a change of control under both the Marketing Agreement and the Omnibus Agreement. In July 2004, we amended and restated the Marketing Agreement and the Omnibus Agreement to except the Vulcan transaction from the change of control provisions.
- Plains Resources has agreed to pay \$150,000 in plaintiff's attorney's fees in connection with the settlement of certain litigation in which we are a defendant. See Item 3. "Legal Proceedings"

On December 18, 2002, Plains Resources completed a spin-off of one of its subsidiaries, PXP, to its shareholders. PXP is a successor participant to the Plains Resources Marketing agreement. For the year ended December 31, 2004, PXP produced approximately 22,000 barrels per day that were subject to the Marketing Agreement. We paid approximately \$328.3 million for such production and recognized segment profit of approximately \$1.4 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. In July 2004, we amended and restated the Marketing Agreement to, among other things, reflect the change in parties as a result of the spin-off. We sell PXP's crude under sales contracts that range from one year to seven years in length. In October 2004, we further amended the PXP Marketing Agreement to exclude any

newly acquired properties and to adjust the marketing fee to \$0.15 per barrel for any new contracts entered into after January 1, 2005.

### ***1998 Long-Term Incentive Plan***

Our general partner maintains the 1998 LTIP for employees and directors of our general partner and its affiliates who perform services for us. The 1998 LTIP consists of two components, a restricted unit plan and a unit option plan. The 1998 LTIP permits the grant of restricted units and unit options covering delivery of an aggregate of 1,425,000 common units. No options have been granted under the plan. 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 (or cash equivalent) upon the vesting of the phantom unit. As of December 31, 2004, approximately 418,000 common units have been issued, or purchased and delivered, upon vesting and grants of approximately 134,000 phantom units remain outstanding to employees, officers and directors of our general partner. See "Management—Executive Compensation."

### ***2005 Long-Term Incentive Plan***

In January 2005, our unitholders approved the 2005 LTIP. The 2005 LTIP provides for awards to our employees and directors. Awards contemplated by the 2005 LTIP include phantom units, restricted units, unit appreciation rights and unit options, as determined by the Compensation Committee (each an "Award"). Up to 3,000,000 units may be issued in satisfaction of Awards. Certain Awards may also include DERs, in the discretion of the Compensation Committee. In February 2005, our Board of Directors and Compensation Committee approved grants of approximately 1,900,000 phantom units (a substantial portion of which include DERs) under the 2005 LTIP. See "Management—Executive Compensation."

### ***Performance Option Plan***

In 2001, 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 391,000 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 346,000 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 in 2002, and 25% of the options vested. The second level was reached in 2004, and an incremental 25% of the options vested. 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 December 31, 2004, the purchase price was \$15.91 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.

The American Jobs Creation Act of 2004 (the "Jobs Act") includes, among other things, provisions with respect to deferred compensation. These provisions, which became effective as of January 1, 2005, can impose substantial tax penalties with respect to employee options that have an exercise price of less than the value of the underlying security at the date of grant. We are currently assessing the effect of

the Jobs Act on the options and the Performance Option Plan, and anticipate amending the terms of the outstanding, unvested options and the Performance Option Plan or taking other appropriate action to conform to the requirements of the Jobs Act and avoid or minimize any tax penalty.

### ***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, which are now common units pursuant to 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 vested 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 administered 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 had 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. On April 30, 2004, we satisfied the deferred payment with the issuance of approximately 385,000 common units (representing approximately \$13.1 million in value as of the date of issuance) and the payment of \$6.5 million in cash. In addition, an incremental \$3.7 million in cash was paid for the distributions that would have been paid on the common units had they been outstanding since the effective date of the acquisition. 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 received a proportionate share of the proceeds from the contingent payment of purchase price for the CANPET assets.

### ***Tank Car Lease and CANPET***

In connection with the CANPET 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.

### ***Class B Common Units***

In May 1999, we sold 1,307,190 unregistered Class B common units (the "Class B common units") to our general partner at the time, Plains All American Inc., a wholly owned subsidiary of Plains Resources Inc., pursuant to Rule 4(2) of the Securities Act. We received \$19.125 per Class B common unit, a price equal to the then-market value of our common units for total proceeds of approximately \$25 million. We used the net proceeds from the offering to defray costs associated with our acquisition of Scurlock Permian LLC and certain other pipeline assets from Marathon Ashland Petroleum LLC. In



January 2005, our common unitholders approved a change in the terms of the Class B Common units such that they were immediately convertible into an equal number of Common Units at the option of the holders, and in February 2005, all of the Class B common units converted.

***Class C Common Units***

In April 2004, we sold 3,245,700 unregistered Class C common units (the "Class C common units") to a group of investors comprised of affiliates of Kayne Anderson Capital Advisors, Vulcan Capital and Tortoise Capital pursuant to Rule 4(2) under the Securities Act. For more detailed information with respect to our relationship with Kayne Anderson Capital Advisors and Vulcan Capital, see "Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters." We received \$30.81 per Class C common unit, an amount which represented 94% of the average closing price of our common units for the twenty trading days immediately ending and including March 26, 2004. Net proceeds from the private placement, including the general partner's proportionate capital contribution and expenses associated with the sale, were approximately \$101.0 million. We used the net proceeds from the offering to repay indebtedness under our revolving credit facility incurred in connection with the Link acquisition. In January 2005, our common unitholders approved a change in the terms of the Class C Common units such that they were immediately convertible into an equal number of Common Units at the option of the holders, and in February 2005, all of the Class C common units converted.

***Other***

An affiliate of Kayne Anderson Investment Management, Inc. participated in our December 2003 and July 2004 equity offerings. In the aggregate for both offerings, it earned approximately \$672,000 in commissions for its participation.

**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 the aggregate fees billed for professional services rendered by our independent auditor (in thousands):

	Year Ended December 31,	
	2004	2003
Audit fees .....	\$1,995	\$852
Audit-related fees .....	160	147
Tax fees .....	825	401
All other fees .....	590	315
Total .....	<u>\$3,570</u>	<u>\$1,715</u>

Expenditures classified as "Audit fees" above include those related to our annual audit (including internal control evaluation and reporting), 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 audits of our benefit plans and carve-out audits of acquired companies. "Tax fees" are related to tax processing as well as the preparation of Forms K-1 for our unitholders. "All other fees" primarily consist of those associated with due diligence performed on potential acquisitions.