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Plains All American Pipeline, L.P. Annual Report

2003

2003 goals

1 Perform

Deliver operating and financial performance in line with our guidance.

2 Strengthen

Preserve and enhance the strength of our balance sheet and credit profile.

3 Distribute

Increase our distribution to Unitholders by 2 to 4 percent, excluding the impact of significant acquisitions.

4 Grow

Make, on average, $200 to $300 million per year of accretive and strategic acquisitions.

In this report, we use the term "EBITDA". EBITDA means earnings before interest, income taxes, depreciation and amortization. EBITDA is not in accordance with generally accepted accounting principles (GAAP). When we present EBITDA in our corporate communications, we reconcile it to cash flow from operating activities and net income and typically exclude items impacting comparability between reporting periods. Such reconciliations are available on our website at www.paalp.com.

and accomplishments

Q1 Q2 Q3 Q4

operating & financial guidance exceeded

BBB– S&P credit ratings upgrade

- new credit facility
- 5.625% senior notes issuance
- extended average debt maturity to nine years
- 41% debt to capitalization at 12/31/03
- $597 million of liquidity at 12/31/03

4.7% increased annualized distribution to unitholders

44% total annual return to unitholders

Successfully completed a total of ten accretive acquisitions complementing our existing asset base and business strategy.

$160 million

Plains All American Pipeline, L.P. ("PAA") is a publicly traded master limited partnership ("MLP") engaged in interstate and intrastate crude oil transportation, and crude oil gathering, marketing, terminalling and storage as well as the marketing and storage of liquefied petroleum gas and other petroleum products. We are one of the largest midstream crude oil companies in North America, handling over 1.6 million barrels per day of physical crude oil through our extensive network of assets located in key producing basins and transportation gateways in the United States and Canada. Our business is comprised of two operating segments: (i) crude oil pipeline transportation operations and (ii) gathering, marketing, terminalling and storage operations.

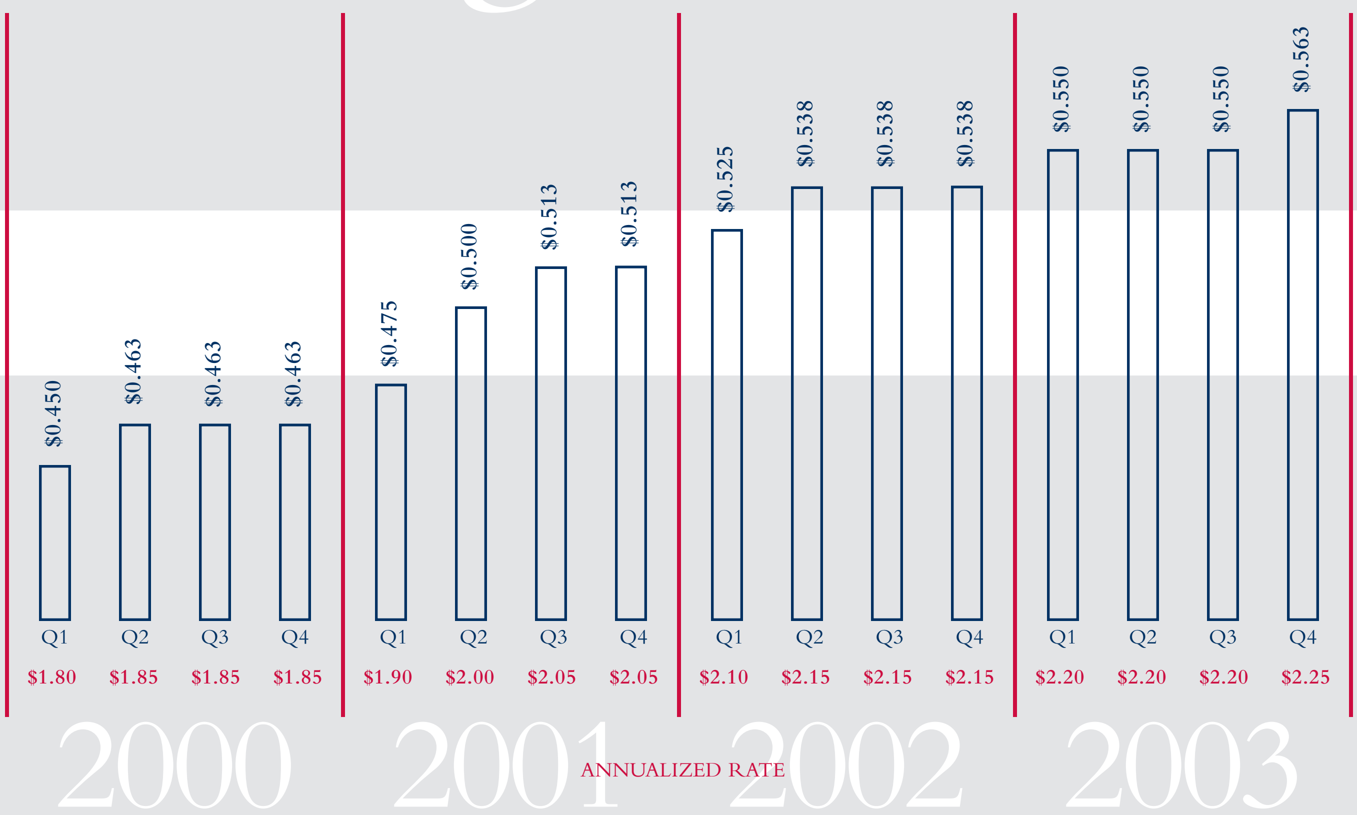
As an MLP, we make quarterly distributions of our available cash to our Unitholders. Since our initial public offering in 1998, we have increased our quarterly distribution by approximately 25% to its current level of $0.5625 per unit, or $2.25 per unit on an annualized basis. It is our goal to increase our distribution to Unitholders over time through a combination of organic and acquisition-oriented growth.

Our common units are traded on the New York Stock Exchange under the symbol "PAA." We are headquartered in Houston, Texas.

total return to unitholders

64%	47%	2%	44%

historical distribution growth



Chairman and President's Letter

By almost any measure, 2003 was a very productive and rewarding year for Plains All American and its stakeholders. Not only were we able to meet or exceed each of the goals that we set out at the beginning of the year, but we did it while absorbing unforeseen costs and time requirements associated with various corporate governance initiatives, homeland security mandates and other challenges. The Partnership was able to overcome these hurdles and entered 2004 positioned to continue its multi-year track record of improving its operating and financial results and growing its distribution to Unitholders.

2003 REVIEW At the beginning of 2003, we established four very specific goals for the year. These goals were to: (1) deliver operating and financial performance in line with our guidance; (2) preserve and enhance the strength of our balance sheet and credit profile; (3) increase our distribution to Unitholders by 2 to 4 percent, excluding significant acquisitions; and (4) make, on average, $200 to $300 million of accretive and strategic acquisitions per year.

Our operating results for 2003 exceeded the operating and financial guidance that we provided at the beginning of the year – even excluding contributions from acquisitions not included in our original guidance. Our reported results for 2003 included the impact of certain items that affected comparability between periods, the majority of which were identified at the beginning of the year but were not quantifiable in advance. Excluding the items affecting comparability, EBITDA for 2003 was up 33 percent over 2002 levels.

These results were achieved while simultaneously strengthening the Partnership's overall capital structure and maintaining substantial liquidity through the continued execution of our financial growth strategy. During the year, we successfully syndicated a new $950 million credit facility that significantly reduced our incremental borrowing costs by reducing our LIBOR-based credit spread by over 100 basis points. We raised approximately $250 million of equity capital in three separate transactions, each at a successively higher price. In addition, we accessed the debt capital markets by issuing ten-year senior notes at an effective yield of 5.7 percent and a credit spread of 125 basis points over treasuries – an improvement in credit spread of 270 basis points over our inaugural debt offering 14 months before. As a result of these actions, we were well within our targeted credit metrics and had approximately $600 million of available liquidity at December 31, 2003. Moreover, we extended the average life of our debt to nine years, have no final debt maturities until 2007 and have locked in attractive interest rates on a substantial portion of our debt.

Our commitment to financial discipline was recognized and rewarded by the ratings agencies. In February 2003, Plains All American received an investment grade rating of BBB- from Standard and Poor's and, in December 2003, was placed on review for possible upgrade to investment grade status by Moody's. Also, as a result of refinancing our secured credit facilities, both agencies removed the notching between our senior unsecured and senior implied credit ratings, thereby resulting in an upgrade of our 7.75% senior notes.

We raised our distribution level on two separate occasions by a total of $0.10 per unit to $2.25 per unit on an annualized basis, or 4.7 percent over the 2002 year-end level of $2.15 per unit. In early February 2004, we satisfied the final requirements of the multi-year subordination tests under our partnership agreement and caused the conversion of our subordinated units into common units, thus adding simplicity and flexibility to our capital structure.

The acquisition environment was ripe in 2003 and we completed a total of ten accretive and strategic transactions for aggregate consideration of $160 million. Most of these transactions were of the "bolt-on" variety and complemented our existing operations in their respective areas. Although not completed in 2003, we also entered into a definitive agreement in December to acquire entities owning interests in the Capline pipeline system and related systems from Shell for approximately $158 million. We are excited about this transaction and look forward to integrating these assets into our operations and their contributions to our financial results.

Without question, 2003 was an outstanding year for the Partnership and we are pleased that our Unitholders were commensurately rewarded. In 2003, the Partnership generated a total return to investors of approximately 44 percent by paying out a total of $2.19 in cash distributions on a unit that appreciated in value from $24.40 to $32.46 per unit. While it is unlikely that any entity can sustain such a high rate of return on an annual basis, we believe Plains All American continues to offer our investors an attractive and competitive total return proposition. Tangible evidence of this belief is provided by the fact that several members of our board and management as well as owners of our general partner have expressed their confidence in our future by making significant investments in the Partnership, resulting in a strategic alignment of interests with our Unitholders.

OUTLOOK FOR THE FUTURE Looking forward, we are excited about our prospects for 2004 and beyond. Management has always maintained a focus on fundamentals and high standards of performance. Therefore, it should come as no surprise that our goals for 2004 are very similar to those that we established and achieved in 2003. Specifically, our goals for 2004 are to:

1 Deliver operating and financial performance in line with our guidance;

2 Improve our credit rating and preserve the strength of our balance sheet and credit profile;

3 Increase our distribution to Unitholders by approximately five percent; and

4 Position the Partnership for continued growth by executing our organic expansion projects and pursuing our target of averaging $200 to $300 million per year of accretive and strategic acquisitions.

We believe that we are well positioned to achieve these goals and to solidify Plains All American's position as one of the premier midstream companies in North America. In that regard, we recently issued our financial guidance for 2004 on Form 8-K in which we are targeting a 14 percent increase in EBITDA for 2004. Such forecast includes ten months contribution from the Capline acquisition, which closed March 1, 2004.

We look forward to the opportunities and challenges of 2004 and beyond and we encourage you to monitor our progress and our results by visiting our newly redesigned corporate website at www.paalp.com.

On behalf of Plains All American Pipeline and its 1,300 plus loyal and dedicated employees, we thank you for your continued support.

Sincerely,

GREG L. ARMSTRONG
Chairman and Chief Executive Officer

HARRY N. PEFANIS
President and Chief Operating Officer

Strategically Positioning our Partnership

10 accretive acquisitions that complement our existing asset base and business strategy

1 — Red River Pipeline

2 — Iatan Gathering System

3 — Alto Storage Facility

4 — Mesa Pipeline (8.8%)

5 — El Paso South Louisiana Assets

6 — Iraan-to-Midland Pipeline

7 — ArkLaTex Pipeline

8 — South Saskatchewan Pipeline

9 — Atchafalaya Pipeline (33%)

10 — Atchafalaya Pipeline (33%)

Industry Fundamentals

U.S. is dependent on foreign crude oil.

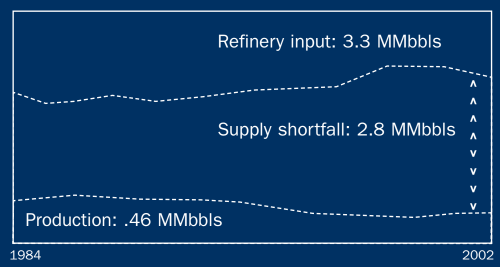
< 5%
OF WORLD POPULATION

consumes 27%
OF WORLD OIL PRODUCTION

supplies only 42%
OF DAILY NEEDS FROM DOMESTIC SOURCES

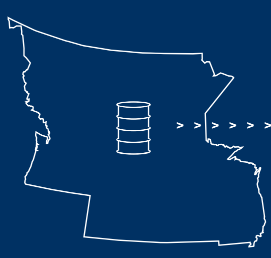
Crude oil production in U.S. Midwest (PADD II)
continues to decline while refinery demand remains stable to increasing.

production
↓50%

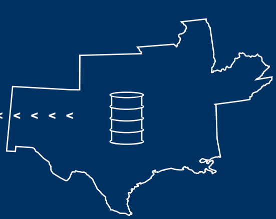


demand
↑20%

Incremental barrels into PADD II must come from the
South through Cushing or Capline or from the North through Canada.

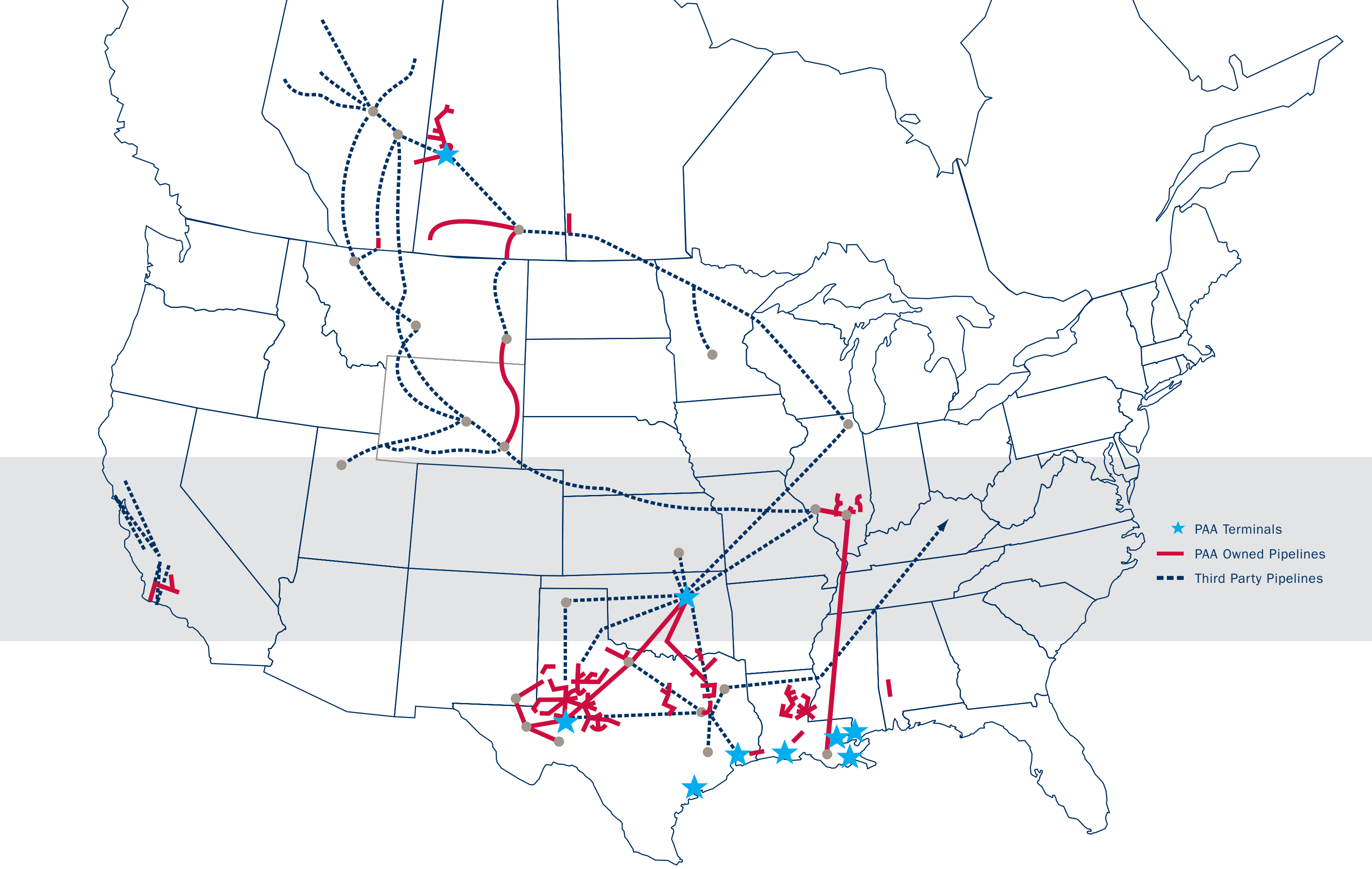


PADD II



Canadian crude oil production is expected to increase by 0.5 MMbpd in the next 2–5 years.

Pipeline logistics from the Gulf Coast indicate that Cushing and Capline are the most logical routes from the South.



the Big picture

Plains All American Pipeline enters 2004 as one of the top midstream crude oil companies in North America, owning approximately 7,000 miles of crude oil pipelines, approximately 24 million barrels of terminalling and storage capacity and a full complement of truck transportation and injection assets. On average, we handle over 1.6 million barrels per day of physical crude oil through our extensive network of assets located in major oil producing regions of the United States and Canada.

We have deliberately configured our assets to provide a counter-cyclical balance between our gathering and marketing activities and our terminalling and storage activities. By combining these balanced capabilities with our relatively stable, fee-based pipeline assets, we can generate consistent earnings and cash flow during all phases of the crude oil price cycle. We believe our ability to consistently generate stable financial results in an industry that is highly cyclical differentiates us from our peers and offers an excellent risk versus return proposition for our stakeholders.

We believe we are better positioned than any other crude oil midstream entity to optimize our position in and around our existing assets and to expand our asset base by continuing to consolidate, rationalize and optimize the North American crude oil infrastructure. We have an experienced and cohesive management team with extensive knowledge of the crude oil industry and a proven track record of successfully integrating acquisitions. We also have what we believe is one of the premier crude oil industry assets in our Cushing Terminal as well as several complementary assets that enhance the value and competitive position of that asset. In addition, we have an exceptionally strong balance sheet and credit profile that will enable us to capitalize on opportunities while maintaining a solid credit profile.

On top of all of those attributes, we also see medium to long-term market dynamics in the crude oil industry shifting in a manner that will play to the strength of our asset base and business model – a proven model that is designed to deliver stable results in cyclical and volatile markets.

The shift we foresee is to an increasingly more volatile market that will be subject to more frequent short-term swings in market prices and shifts in market structure. We believe these price swings and shifts in market structure could be much more pronounced than we have seen in the 20 or so years since crude oil was deregulated and began trading on the NYMEX. Specific factors and conditions that we believe will cause this shift include:

- **The continuing convergence of worldwide crude oil supply and demand lines.** While we believe world crude oil production capacity will continue to exceed world crude oil demand for the next several years, the surplus is at its lowest level in the last 20 years. In the United States alone, we now import almost 60 percent of our crude oil needs from foreign sources.

- **Inventories.** For the last several years, companies have been under pressure to keep crude oil inventory levels low, a situation we believe has contributed to the increased price volatility experienced over the last five years. We believe these volatile conditions will be further exacerbated by an anticipated reduction in actual physical storage capacity in the United States between now and 2009. The Department of Transportation ("DOT") has adopted rules that require all storage tanks in the United States that are subject to DOT jurisdiction be brought up to API 653 standards by 2009 or, alternatively, be taken out of service. We believe these rules will impact storage tanks in a manner similar to the effect government mandated emissions and product specification requirements had on refineries over the past ten plus years – several will shut down, while a few will expand.

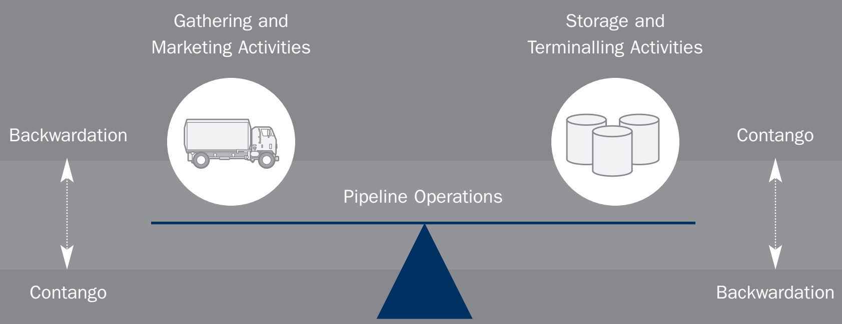
  Notably, a significant number of storage tanks in the United States are well over 70 years old and were built with outdated technology that we believe will make it economically impractical to bring many of these tanks up to API 653 standards. As an example, we estimate that approximately 75 percent of the 26 million barrels of capacity in Cushing, Oklahoma are in excess of 25 years of age and that nearly 33 percent, or approximately nine million barrels, are in excess of 70 years.

- **Battle for market share.** In addition to these two important factors, a battle for the coveted United States market appears to be shaping up as new North American supplies are being brought to market starting as early as late 2004. These supplies will seek to displace current foreign crude imports.

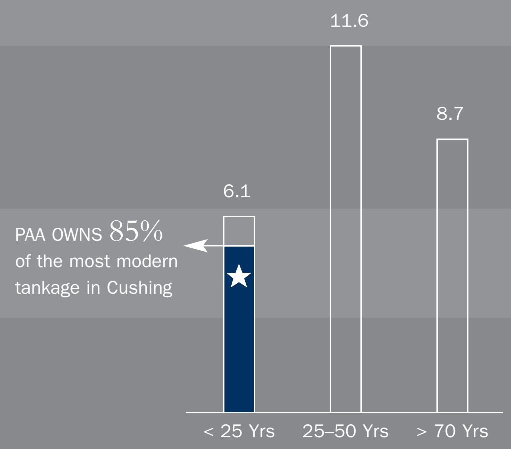
  To the North, Canada's oil sands production is forecasted to increase somewhere between 400,000 and 700,000 barrels per day over the next two to five years. To the South, deepwater Gulf of Mexico production is projected to increase by over 500,000 barrels per day in the next eighteen months to two years. Although some of this incremental supply will satisfy incremental demand or replace domestic depletion, overall we anticipate that this increase in North American production will displace at least 500,000 barrels per day and perhaps as much as one million barrels per day that is currently being imported from other countries. In addition, these new supplies are also adding a fair number of additional grades and varying qualities of crude into the overall mix. We anticipate these foreign crude suppliers will not give up their market share without a fight. As a result, we expect to see significant crude-on-crude competition, especially in the grades and differentials to market indices.

We believe these macro and micro factors are on a collision course that may significantly increase the frequency and perhaps even the severity of movements in outright price, inter-month spreads and basis differentials between grades of crude oil. The overall narrowing of the supply/demand gap and overall reduction in inventories and inventory storage capacity means that even relatively minor interruptions can cause significant price swings. These interruptions can be geo-political, weather related or associated with man-made or natural catastrophes. They can even be derived from unexpected declines in production or even delays in or acceleration of new production coming on stream. In addition, due to the waterborne nature of most imports, the apparent potential for a shortage in the crude oil tanker market could exacerbate these tight conditions. At the same time, on a micro scale, the inefficiencies caused by an increased number of grades and increased North American volumes will create profit opportunities.

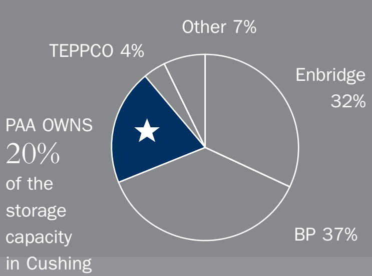
COUNTER CYCLICAL BALANCE IN ACTION

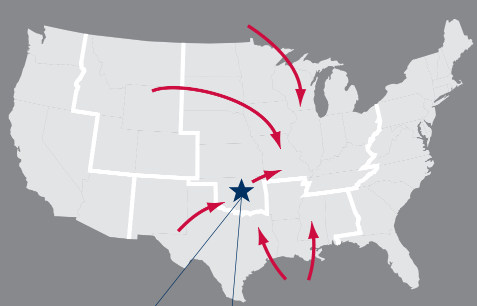


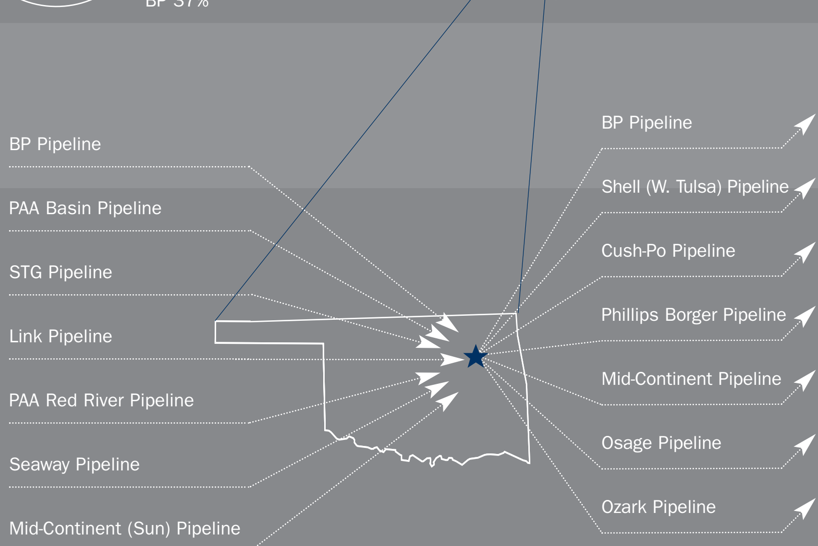
AGE OF CUSHING TANKAGE
(in millions of barrels)



CURRENT OWNERSHIP OF CUSHING CAPACITY







INTERCONNECTED
to all major incoming and outgoing pipelines

Sixteen 270,000 barrel tanks

Four 150,000 barrel tanks

Fourteen 100,000 barrel tanks

Manifold & pumping system

We believe our business model and assets are well positioned to benefit from these industry dynamics. During 2003, we further strengthened our position by expanding our asset base through acquisitions and internal growth projects. Throughout the year we completed ten acquisitions for a total of $160 million. Many of these acquisitions were of the "bolt-on" variety and enable us to realize additional synergies with our existing operations while enhancing the services we can offer to our customers. On the project side, we continued to build out our infrastructure along and around the assets we acquired from Shell in August 2002 by completing the construction of two 100,000-barrel crude oil storage tanks along the Permian Basin Gathering System and three 80,000-barrel tanks at our Midland tank farm. In addition, we made significant progress in implementing our post-acquisition capital program on the Red River Pipeline asset that we acquired earlier in 2003.

The momentum we established in 2003 has carried over into 2004, as we continue to pursue projects designed to optimize crude oil flows in the areas in which we operate. In January 2004, we announced that we would proceed with the Phase IV expansion of our Cushing Terminal. Under the Phase IV expansion, we will construct approximately 1.1 million barrels of additional tankage at the facility. The Phase IV expansion project will expand the total capacity of the facility to 6.3 million barrels and should be completed during the third quarter of 2004. In February 2004, we announced our decision to proceed with the expansion of the segment of the Basin Pipeline System that traverses from Colorado City, Texas, to Cushing, Oklahoma, where it interconnects to our Cushing Terminal, other storage facilities and major pipelines bound for the Mid-Continent and Midwest regions of the United States. The expansion project increases capacity on the segment by 15 percent, positions us to handle increased volumes if market conditions warrant and represents a good long-term investment for the Partnership. In addition, we have initiated a 29-mile pipeline construction project that will connect the Iatan Gathering System, which we acquired from Navajo in March 2003, to the Basin system at Colorado City. This project will reduce the cost of getting volumes into the Basin system.

On March 1, 2004, we completed the $158 million acquisition of interests in the Capline and Capwood pipeline systems. In addition to being a great stand-alone asset, we fully expect Capline will serve as the primary platform for our future growth and consolidation of Gulf Coast crude oil infrastructure assets.

We do not intend to stop there.

We believe that we are continuing to differentiate Plains All American from our peer group by combining a proven business strategy and a solid platform of strategically located assets with a deep bench of management talent and our specialized knowledge of the crude oil industry to address the favorable supply/demand fundamentals and industry dynamics that provide the compelling investment thesis for our Partnership. We believe that our business model, and the industrial logic behind it, is just as valid today as it was in the early 1990s when we began this business. We truly believe that the actions we are taking today are building a business that will thrive for many years to come.

www.paalp.com

Whether you are an investor or a customer, our newly redesigned website contains a wealth of information about our Partnership, including our history, vision, strategy, management, assets and operations. The site also contains our press releases, investor presentations, conference call transcripts, SEC filings, an extensive list of investor questions and answers, and an online form where you can sign up to receive our corporate communications via e-mail. Our website also allows our investors to access their K-1 tax information online. In addition, our royalty owners and producer customers can now access their crude oil statements and check stubs online using our new PlainsNet Customer Support System.

Partnership Information

Directors of Plains All American GP LLC

The General Partner of Plains AAP, L.P., The General Partner of Plains All American Pipeline, L.P.

Greg L. Armstrong
Chairman of the Board and
Chief Executive Officer
Plains All American GP LLC

Everardo Goyanes
President and Chief Executive Officer
Liberty Energy Holdings

Gary R. Petersen
Managing Director
EnCap Investments L.L.C.

John T. Raymond
President and Chief Executive Officer
Plains Resources Inc.

Robert V. Sinnott
Senior Managing Director
Kayne Anderson Capital Advisors, L.P.

Arthur L. Smith
Chairman and Chief Executive Officer
John S. Herold, Inc.

J. Taft Symonds
Chairman
Maurice Pincoffs Company, Inc.

Senior Management Team of Plains All American GP LLC

The General Partner of Plains AAP, L.P., The General Partner of Plains All American Pipeline, L.P.

Greg L. Armstrong
Chairman of the Board and
Chief Executive Officer

Harry N. Pefanis
President and Chief Operating Officer

Phillip D. Kramer
Executive Vice President and
Chief Financial Officer

George R. Coiner
Senior Group Vice President

Alfred A. Lindseth
Senior Vice President - Technology,
Process & Risk Management

Mark F. Shires
Senior Vice President - Operations

Lawrence J. Dreyfuss
Vice President and
Associate General Counsel

Jim G. Hester
Vice President - Acquisitions

Tim Moore
Vice President, General Counsel and
Secretary

Al Swanson
Vice President and Treasurer

Tina L. Val
Vice President - Accounting and
Chief Accounting Officer

Troy E. Valenzuela
Vice President - Environmental,
Health and Safety

John vonBerg
Vice President - Trading

A. Patrick Diamond
Manager - Special Projects

Canadian Management Team of PMC (Nova Scotia) Company

W. David Duckett
President

D. Mark Alenius
Vice President and Chief Financial Officer

Ralph R. Cross
Vice President - Business Development

Ronald H. Gagnon
Vice President - Operations

M.D. (Mike) Hallahan
Vice President - Crude Oil

Ron F. Wunder
Vice President - LPG

Unitholder Information

The common units, excluding the Class B common units, are listed and traded on the New York Stock Exchange under the symbol "PAA."

The following table sets forth the high and low sales prices for the common units as reported on the New York Stock Exchange Composite Tape for the period indicated:

	2003 High	2003 Low	2002 High	2002 Low
1st Quarter	$ 26.90	$ 24.20	$ 26.79	$ 23.60
2nd Quarter	$ 31.48	$ 24.65	$ 27.30	$ 24.60
3rd Quarter	$ 32.49	$ 29,10	$ 26.38	$ 19.54
4th Quarter	$ 32.82	$ 29.76	$ 24.44	$ 22.04

Transfer Agent

American Stock Transfer & Trust
59 Maiden Lane
New York, New York 10038-4502
800.937.5449

Form 10-K

Additional copies of the Partnership's annual report on Form 10-K to the Securities and Exchange Commission for the year ended December 31, 2003 are available free of charge on request to:

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