All of our credit facilities contain prohibitions on distributions on, or purchases or redemptions of, units if any default or event of default is continuing. In addition, our facilities contain various covenants limiting our ability to:

- incur indebtedness;
- grant liens;
- sell assets in excess of certain limitations;
- engage in transactions with affiliates;
- make investments;
- enter into hedging contracts; and
- enter into a merger, consolidation or sale of assets.

Each of our facilities treats a change of control as an event of default. In addition, the terms of our letter of credit and borrowing facility and our bank credit agreement require lenders' consent prior to the payment of distributions to unitholders and require us to maintain:

- a current ratio of 1.0 to 1.0, as defined in our credit agreement;
- a debt coverage ratio which is not greater than 5.0 to 1.0;
- an interest coverage ratio which is not less than 3.0 to 1.0;
- a fixed charge coverage ratio which is not less than 1.25 to 1.0; and
- debt to capital ratio of not greater than 0.60 to 1.0.

The terms of the Plains Scurlock bank credit agreement requires Plains Scurlock to maintain at the end of each quarter:

- a debt coverage ratio of 6.0 to 1.0 from October 1, 1999 through June 30, 2000; 5.0 to 1.0 from July 1, 2000 through June 30, 2001; and 4.0 to 1.0 thereafter; and
- an interest coverage ratio of 2.0 to 1.0 from October 1, 1999 through June 30, 2000 and 2.5 to 1.0 thereafter.

In addition, the Plains Scurlock bank credit agreement contains limitations on the Plains Scurlock operating partnership's ability to make distributions to us if its indebtedness and current liabilities exceed certain levels as well as the amount of expansion capital it may expend.

In December 1999, our general partner loaned us $114.0 million. This subordinated debt is due not later than November 30, 2005. Proceeds from the notes were used for working capital requirements created by the unauthorized trading losses (see Note 3). The notes are subordinated in right of payment to all existing senior indebtedness and bear interest at the same LIBOR rate as our letter of credit and borrowing facility. Interest on the notes is payable monthly, but payment of interest requires the permission of certain of our lenders. Any interest not paid when due is added to the principal of the notes, at the option of our general partner.

At December 31, 1999, we had interest rate collar agreements aggregating a notional principal amount of $215.0 million which hedge the interest rate on our underlying debt obligations. These instruments are based on LIBOR rates before the applicable margins and generally provide for a floor of 5% and a ceiling of 6.5% for $90.0 million of debt and a floor of 6.1% and a ceiling of 8% for $125.0 million of debt.

The aggregate amount of maturities of all long-term indebtedness for the next five years is: 2000 – $50.6 million, 2001– $0.6 million, 2002 – $3.2 million, 2003 – $0.7 million and 2004 – $80.0 million.

Note 7 — Partnership Capital and Distributions

Partner's capital consists of 24,356,429 common units, including 1,307,190 Class B common units, representing a 69.4% limited partner interest, (a subsidiary of our general partner owns 6,904,795 of such common units), 10,029,619 Subordinated units owned by a subsidiary of our general partner representing a 28.6% limited partner interest and a 2% general partner interest. In the aggregate, our general partner's interests represent an effective 54.0% ownership of our equity at December 31, 1999.

All of the subordinated units and 20,059,239 of the common units were issued in connection with our November 1998 initial public offering. In October 1999, we completed a public offering of an additional 2,990,000 common units representing limited partner interests at $18.00 per unit. Net proceeds, including our general partners' contribution, from the offering were approximately $51.3 million after deducting underwriters' discounts and commissions and offering expenses of approximately $3.1 million. These proceeds were used to reduce outstanding debt. The Class B common units were issued in May 1999 to our general partner at $19.125 per unit for total proceeds of $25.0 million in connection with the Scurlock acquisition (see Note 4).

Subject to the consent of our lenders, we will distribute 100% of our available cash within 45 days after the end of each quarter to unitholders of record and to our general partner. Available cash is generally defined as all of our cash and cash equivalents on hand at the end of each quarter less reserves established by our general partner for future requirements. Distributions of available cash to holders of subordinated units are subject to the prior rights of holders of common units to receive the minimum quarterly distribution ("MQD") for each quarter during the subordinated period (which will not end earlier than December 31, 2003) and to receive any arrearages in the distribution of the MQD on the common units for the prior quarters during the subordinated period. The MQD is $0.45 per unit ($1.80 per unit on an annual basis). Upon expiration of the subordination period, all subordinated units will be converted on a one-for-one basis into common units and will participate pro rata with all other common units in future distributions of available cash. Under certain circumstances, up to 50% of the subordinated units may convert into common units prior to the expiration of the subordination period. Common units will not accrue arrearages with respect to distributions for any quarter after the subordination period and subordinated units will not accrue any arrearages with respect to distributions for any quarter.

If quarterly distributions of available cash exceed the MQD or the Target Distribution Levels (as defined), our general partner will receive distributions which are generally equal to 15%, then 25% and then 50% of the distributions of available cash that exceed the MQD or Target Distribution Level. The Target Distribution Levels are based on the amounts of available cash from our Operating Surplus (as defined) distributed with respect to a given quarter that exceed distributions made with respect to the MQD and common unit arrearages, if any.

The Class B common units are initially pari passu with common units with respect to distributions, and are convertible into common units upon approval of a majority of the common unitholders. The Class B unitholders may request that we call a meeting of common unitholders to consider approval of the conversion of Class B units into common units. If the approval of a conversion by the common unitholders is not obtained within 120 days of a request, each Class B common unitholder will be entitled to receive distributions, on a per unit basis, equal to 110% of the amount of distributions paid on a common unit, with such distribution right increasing to 115% if such approval is not secured within 90 days after the end of the 120-day period. Except for the vote to approve the conversion, Class B common units have the same voting rights as the common units.

Our 1999 and 1998 distributions declared, which were paid in the quarter following declaration are summarized in the following table:

	Distribution Per Unit		Total Distribution			
	Common	Subordinated	Common Unitholders	Subordinated Unitholders	General Partner	Total
				(in thousands)		
1999						
Fourth quarter	$ 0.450	$ -	$ 10,960	$ -	$ 224	$ 11,184
Third quarter	0.481	0.481	11,721	4,827	506	17,054
Second quarter	0.463	0.463	9,881	4,639	358	14,878
First quarter	0.450	0.450	9,026	4,513	276	13,815
1998						
Fourth quarter	$ 0.193	$ 0.193	$ 3,871	$ 1,936	$ 119	$ 5,926

The fourth quarter 1998 distribution represents a partial quarterly distribution for the period from November 23, 1998, the date of our initial public offering, to December 31, 1998.

Note 8 — Financial Instruments

Derivatives

We utilize derivative financial instruments to hedge our exposure to price volatility on crude oil and do not use such instruments for speculative trading purposes. These arrangements expose us to credit risk (as to counterparties) and to risk of adverse price movements in certain cases where our purchases are less than expected. In the event of non-performance of a counterparty, we might be forced to acquire alternative hedging arrangements or be required to honor the underlying commitment at then-current market prices. In order to minimize credit risk relating to the non-performance of a counterparty, we enter into such contracts with counterparties that are considered investment grade, periodically review the financial condition of such counterparties and continually monitor the effectiveness of derivative financial instruments in achieving our objectives. In view of our criteria for selecting counterparties, our process for monitoring the financial strength of these counterparties and our experience to date in successfully completing these transactions, we believe that the risk of incurring significant financial statement loss due to the non-performance of counterparties to these transactions is minimal.

At December 31, 1999, our hedging activities included crude oil futures contracts maturing in 2000 through 2002, covering approximately 7.4 million barrels of crude oil including the portion of the linefill sold in January and February 2000. Since such contracts are designated as hedges and correlate to price movements of crude oil, any gains or losses resulting from market changes will be largely offset by losses or gains on our hedged inventory or anticipated purchases of crude oil.

Fair Value of Financial Instruments

The carrying values of items comprising current assets and current liabilities approximate fair value due to the short-term maturities of these instruments. Crude oil futures contracts permit settlement by delivery of the crude oil and, therefore, are not financial instruments. The carrying value of bank debt approximates fair value as interest rates are variable, based on prevailing market rates. The fair value of crude oil and interest rate swap and collar agreements are based on current termination values or quoted market prices of comparable contracts.

We utilize interest rate swap and collar agreements to hedge the interest rate on our underlying debt obligations. The carrying amounts and fair values of our financial instruments are as follows (in thousands):

	December 31,			
	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Unrealized loss on crude oil swaps	$ -	$ (569)	-	$ -
Unrealized gain (loss) on interest rate swaps and collars	-	388	-	(2,164)

Note 9 — Extraordinary Item

For the year ended December 31, 1999, we recognized an extraordinary loss related to the early extinguishment of debt. The loss is related to the reduction of the Plains Scurlock term loan facility with proceeds from our 1999 public offering and the restructuring of our letter of credit and borrowing facility as a result of the unauthorized trading losses (see Notes 3 and 7).

Note 10 — Income Taxes

As discussed in Note 2, our predecessor's results are included in Plains Resources' combined federal income tax return. The amounts presented below were calculated as if our predecessor filed a separate tax return.

Provision in lieu of income taxes of our predecessor consists of the following components (in thousands):

	January 1, 1998 To November 22, 1998 (restated)	Year Ended December 31, 1997
Federal		
Current	$ 455	$ 38
Deferred	1,900	1,131
State		
Current	-	99
Deferred	276	-
Total	$ 2,631	$ 1,268

A reconciliation of the provision in lieu of income taxes to the federal statutory tax rate of 35% is as follows (in thousands):

	January 1, 1998 To November 22, 1998 (restated)	Year Ended December 31, 1997
Provision at the statutory rate	$ 2,410	$ 1,169
State income tax, net of benefit for federal deduction	181	65
Permanent differences	40	34
Total	$ 2,631	$ 1,268

Note 11 — Supplemental Disclosures of Cash Flow Information

In connection with our formation, certain investing and financial activities occurred. Effective November 23, 1998, substantially all of the assets and liabilities of our predecessor were conveyed to us at historical cost. Net assets assumed by the operating partnership are as follows (restated) (in thousands):

Cash and cash equivalents	$ 224
Accounts receivable	109,311
Inventory	22,906
Prepaid expenses and other current assets	1,059
Property and equipment, net	375,948
Pipeline linefill	48,264
Intangible assets, net	11,001
Total assets conveyed	568,713
Accounts payable and other current liabilities	107,405
Due to affiliates	8,942
Bank debt	183,600
Total liabilities assumed	299,947
Net assets assumed by the Partnership	$ 268,766

Interest paid totaled $22.3 million, $0.1 million, $8.5 million and $4.5 million for the year ended December 31, 1999, the period from November 23, 1998 to December 31, 1998, the period from January 1, 1998 through November 23, 1998 and the year ended December 31, 1997, respectively.

Note 12 — Major Customers and Concentration of Credit Risk

Customers accounting for 10% or more of revenues were as follows for the periods indicated:

	Percentage			
Customer	Year Ended December 31, 1999	November 23, 1998 To December 31, 1998	January 1, 1998 To November 22, 1998	Year Ended December 31, 1997
Sempra Energy Trading Corporation	22%	20%	31%	12%
Koch Oil Company	19%	-	19%	30%
Exxon Company USA	-	11%	-	-
Basis Petroleum Inc.	-	-	-	11%

Financial instruments which potentially subject us to concentrations of credit risk consist principally of trade receivables. Our accounts receivable are primarily from purchasers and shippers of crude oil. This industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. We generally require letters of credit for receivables from customers which are not considered investment grade, unless the credit risk can otherwise be reduced. We believe that the loss of an individual customer would not have a material adverse effect.

Note 13 — Related Party Transactions

Reimbursement of Expenses of Our General Partner and Its Affiliates

We do not directly employ any persons to manage or operate our business. These functions are provided by employees of our general partner and Plains Resources. Our general partner does not receive a management fee or other compensation in connection with its management of us. We reimburse our general partner and Plains Resources for all direct and indirect costs of services provided, including the costs of employee, officer and director compensation and benefits properly allocable to us, and all other expenses necessary or appropriate to the conduct of the business of, and allocable to us. Our 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. Total costs reimbursed to our general partner and Plains Resources by us were approximately $44.7 million and $0.5 million for the year ended December 31, 1999 and for period from November 23, 1998 to December 31, 1998, respectively. Such costs include, (1) allocated personnel costs (such as salaries and employee benefits) of the personnel providing such services, (2) rent on office space allocated to our general partner in Plains Resources' offices in Houston, Texas (3) property and casualty insurance premiums and (4) out-of-pocket expenses related to the provision of such services.

Plains Resources allocated certain general and administrative expenses to the Plains Midstream Subsidiaries during 1998 and 1997. The types of indirect expenses allocated to the Plains Midstream Subsidiaries during this period were office rent, utilities, telephone services, data processing services, office supplies and equipment maintenance. Direct expenses allocated by Plains Resources were primarily salaries and benefits of employees engaged in the business activities of the Plains Midstream Subsidiaries.

Crude Oil Marketing Agreement

We are the exclusive marketer/purchaser for all of Plains Resources' equity crude oil production. The marketing agreement with Plains Resources provides that we will purchase for resale at market prices all of Plains Resources' crude oil production for which we charge a fee of $0.20 per barrel. For the year ended December 31, 1999 and the period from November 23, 1998 to December 31, 1998, we paid Plains Resources approximately $131.5 million and $4.1 million, respectively, for the purchase of crude oil under the agreement and recognized profits of approximately $1.5 million and $0.1 million from the marketing fee for the same periods, respectively. Prior to the marketing agreement, our predecessor marketed crude oil production of Plains Resources, its subsidiaries and its royalty owners. Our predecessor paid approximately $83.4 million and $101.2 million for the purchase of these products for the period from January 1, 1998 to November 22, 1998 and the year ended December 31, 1997, respectively. In management's opinion, these purchases were made at prevailing market prices. Our predecessor did not recognize a profit on the sale of the crude oil purchased from Plains Resources.

Financing

In December 1999, our general partner loaned us $114.0 million. This subordinated debt is due not later than November 30, 2005 (see Note 6). Interest expense related to the notes was $0.6 million for the year ended December 31, 1999.

To finance a portion of the purchase price of the Scurlock acquisition, we sold to our general partner 1.3 million Class B common units at $19.125 per unit, the market value of our common units on May 12, 1999 (see Note 4).

The balance of amounts due to affiliates at December 31, 1999 and 1998 was $42.7 million and $7.8 million, respectively, and was related to the transactions discussed above.

Note 14 — Long-Term Incentive Plans

Our general partner has adopted the Plains All American Inc. 1998 Long-Term Incentive Plan for employees and directors of our general partner and its affiliates who perform services for us. The Long-Term Incentive Plan consists of two components, a restricted unit plan and a unit option plan. The Long-Term Incentive Plan currently permits the grant of restricted units and unit options covering an aggregate of 975,000 common units. The plan is administered by the Compensation Committee of our general partner's board of directors.

Restricted Unit Plan. A restricted unit is a "phantom" unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit. As of March 15, 2000, an aggregate of approximately 500,000 restricted units have been authorized for grants to employees of our general partner, 170,000 of which have been granted with the remaining 330,000 to be granted in the near future. 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. In general, restricted units granted to employees during the subordination period will vest only upon, and in the same proportions as, the conversion of the subordinated units to common units. Grants made to non-employee directors of our general partner will be eligible to vest prior to termination of the subordination period.

If a grantee terminates employment or membership on the board for any reason, the grantee's restricted units will be automatically forfeited unless, and to the extent, the Compensation Committee provides otherwise. Common units to be delivered upon the vesting of rights may be common units acquired by our general partner in the open market, common units already owned by our general partner, common units acquired by our general partner directly from us or any other person, or any combination of the foregoing. Our general partner will be entitled to reimbursement by us for the cost incurred in acquiring common units. If we issue new common units upon vesting of the restricted units, the total number of common units outstanding will increase. Following the subordination period, the Compensation Committee, in its discretion, may grant tandem distribution equivalent rights with respect to restricted units.

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

Unit Option Plan. The Unit Option Plan currently permits the grant of options covering common units. No grants have been made under the Unit Option Plan to date. However, the Compensation Committee may, in the future, make grants under the plan to employees and directors containing such terms as the committee shall determine, provided that unit options have an exercise price equal to the fair market value of the units on the date of grant. Unit options granted during the subordination period will become exercisable automatically upon, and in the same proportions as, the conversion of the subordinated units to common units, unless a later vesting date is provided.

Upon exercise of a unit option, our general partner will deliver common units acquired by it in the open market, purchased directly from us or any other person, or use 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 difference between the cost incurred by our general partner in acquiring such common units and the proceeds received by our general partner from an optionee at the time of exercise. Thus, the cost of the unit options will be borne by us. If we issue new common units upon exercise of the unit options, the total number of common units outstanding will increase, and our general partner will remit to us the proceeds received by it from the optionee upon exercise of the unit option.

We apply APB 25 and related interpretations in accounting for unit option plans. In accordance with APB 25, no compensation expense has been recognized for the unit option plan. Since no options have been granted to date, there is no pro forma effect of a fair value based method of accounting in accordance with Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123").

Transaction Grant Agreements. In addition to the grants made under the Restricted Unit Plan described above, our general partner, at no cost to us, agreed to transfer approximately 400,000 of its affiliates' common units (including distribution equivalent rights attributable to such units) to certain key employees of our general partner. A grant covering 50,000 of such common units was terminated in 1999. Generally, approximately 69,444 of the remaining common units vest in each of the years ending December 31, 1999, 2000 and 2001 if the operating surplus generated in such year equals or exceeds the amount necessary to pay the minimum quarterly distribution on all outstanding common units and the related distribution on our general partner interest. If a tranche of common units does not vest in a particular year, such common units will vest at the time the common unit arrearages for such year have been paid. In addition, approximately 47,224 of the remaining common units vest in each of the years ending December 31, 1999, 2000 and 2001 if the operating surplus generated in such year exceeds the amount necessary to pay the minimum quarterly distribution on all outstanding common units and subordinated units and the related distribution on our general partner interest. In 1999, approximately 69,444 of such common units vested and 47,224 of such common units remain unvested as no distribution on the subordinated units was made for the fourth quarter of 1999. Any common units remaining unvested shall vest upon, and in the same proportion as, the conversion of subordinated units to common units. Distribution equivalent rights are paid in cash at the time of the vesting of the associated common units. Notwithstanding the foregoing, all common units become vested if Plains All American Inc. is removed as our general partner prior to January 1, 2002.

We recognized noncash compensation expense of approximately $1.0 million for the year ended December 31, 1999 related to the transaction grants which vested in 1999. We reflected a capital contribution from our general partner for a like amount.

Note 15 — Commitments and Contingencies

We lease certain real property, equipment and operating facilities under various operating leases. We also incur costs associated with leased land, rights-of-way, permits and regulatory fees whose contracts generally extend beyond one year but can be canceled at any time should they not be required for operations. Future non-cancelable commitments related to these items at December 31, 1999, are summarized below (in thousands):

2000	$ 7,484
2001	5,158
2002	1,706
2003	1,033
2004	933
Later years	1,528

Total lease expense incurred for 1999 was $8.9 million. Lease expense incurred for the period from November 23, 1998 to December 31, 1998 and from January 1, 1998 to November 22, 1998 was $0.2 million and $0.9 million, respectively.

During 1997, the All American Pipeline experienced a leak in a segment of its pipeline in California which resulted in an estimated 12,000 barrels of crude oil being released into the soil. Immediate action was taken to repair the pipeline leak, contain the spill and to recover the released crude oil. We have expended approximately $400,000 to date in connection with this spill and do not expect any additional expenditures to be material, although we can provide no assurances in that regard.

Prior to being acquired by our predecessor in 1996, the Ingleside Terminal experienced releases of refined petroleum products into the soil and groundwater underlying the site due to activities on the property. We are undertaking a voluntary state-administered remediation of the contamination on the property to determine the extent of the contamination. We have proposed extending the scope of our study and are awaiting the state's response. We have spent approximately $130,000 to date in investigating the contamination at this site. We do not anticipate the total additional costs related to this site to exceed $250,000, although no assurance can be given that the actual cost could not exceed such estimate. In addition, a portion of any such costs may be reimbursed to us from Plains Resources.

Litigation

Texas Securities Litigation. On November 29, 1999, a class action lawsuit was filed in the United States District Court for the Southern District of Texas entitled Di Giacomo v. Plains All American Pipeline, et al. The suit alleged that Plains All American Pipeline, L.P. and certain of our general partner's officers and directors violated federal securities laws, primarily in connection with unauthorized trading by a former employee. An additional nineteen cases have been filed in the Southern District of Texas, some of which name our general partner and Plains Resources as additional defendants. Plaintiffs allege that the defendants are liable for securities fraud violations under Rule 10b-5 and Section 20(a) of the Securities Exchange Act of 1934 and for making false registration statements under Sections 11 and 15 of the Securities Act of 1933. The court has consolidated all subsequently filed cases under the first filed action described above. Two unopposed motions are currently pending to appoint lead plaintiffs. These motions ask the court to appoint two distinct lead plaintiffs to represent two different plaintiff classes: (1) purchasers of Plains Resources common stock and options and (2) purchasers of our common units. Once lead plaintiffs have been appointed, the plaintiffs will file their consolidated amended complaints. No answer or responsive pleading is due until thirty days after a consolidated amended complaint is filed.

Delaware Derivative Litigation. On December 3, 1999, two derivative lawsuits were filed in the Delaware Chancery Court, New Castle County, entitled Susser v. Plains All American Inc., et al and Senderowitz v. Plains All American Inc., et al. These suits, and three others which were filed in Delaware subsequently, named our general partner, its directors and certain of its officers as defendants, and allege that the defendants breached the fiduciary duties that they owed to Plains All American Pipeline, L.P. and its unitholders by failing to monitor properly the activities of its employees. The derivative complaints allege, among other things, that Plains All American Pipeline has been harmed due to the negligence or breach of loyalty of the officers and directors that are named in the lawsuits. These cases are currently in the process of being consolidated. No answer or responsive pleading is due until these cases have been consolidated and a consolidated complaint has been filed.

We are a defendant, in the ordinary course of business, in various other legal proceedings in which our exposure, individually and in the aggregate, is not considered material to the accompanying financial statements.

We may experience future releases of crude oil into the environment from our pipeline and storage operations, or discover releases that were previously unidentified. While we maintain an extensive inspection program designed to prevent and, as applicable, to detect and address such releases promptly, damages and liabilities incurred due to any future environmental releases from our assets may substantially affect our business.

Note 16 — Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
		(in thousands, except per unit data)			
1999 (1)					
Revenues	$ 455,760	$ 862,524	$ 1,127,808	$ 2,255,829	$ 4,701,921
Gross margin	(1,546)	4,985	(38,922)	(20,643)	(56,126)
Operating loss	(6,965)	(4,624)	(51,892)	(33,597)	(97,078)
Net loss	(10,061)	(9,154)	(60,131)	(24,014)	(103,360)
Net loss per limited partner unit	(0.33)	(0.29)	(1.88)	(0.69)	(3.21)
Cash distributions per common unit (2)	$ 0.450	$ 0.463	$ 0.481	$ 0.450	$ 1.844
1998 (1)					
Revenues	$ 167,461	$ 163,222	$ 424,970	$ 374,036	$ 1,129,689
Gross margin	4,004	5,196	6,914	15,266	31,380
Operating loss	2,715	3,823	3,410	10,764	20,712
Net loss	1,240	2,014	(1,212)	3,992	6,034
Net loss per limited partner unit	0.07	0.12	(0.07)	0.17	(3.21)
Cash distributions per common unit (2)	$ -	$ -	$ -	$ 0.193	$ 0.193

(1) As indicated in Note 3, quarterly results have been restated from amounts previously reported due to the unauthorized trading losses.

(2) Represents cash distributions declared per common unit for the period indicated. Distributions are paid in the quarter following declaration.

Note 17 — Operating Segments

Our operations consist of two operating segments: (1) Pipeline Operations – engages in interstate and intrastate crude oil pipeline transportation and certain related merchant activities; (2) Marketing, Gathering, Terminalling and Storage Operations – engages in purchases and resales of crude oil at various points along the distribution chain and the leasing of certain terminalling and storage assets. Prior to the July 1998 acquisition of the All American Pipeline and SJV Gathering System, our predecessor had only marketing, gathering, terminalling and storage operations. We evaluate segment performance based on gross margin, gross profit and income before provision in lieu of income taxes and extraordinary items.

The following table summarizes segment revenues, gross margin, gross profit and income (loss) before provision in lieu of income taxes and extraordinary items:

(In thousands)	Pipeline	Marketing, Gathering, Terminalling & Storage	Total
1999			
Revenues:			
External Customers	$ 854,377	$ 3,847,544	$ 4,701,921
Intersegment (a)	131,445	-	131,445
Other	195	763	958
Total revenues of reportable segments	$ 986,017	$ 3,848,307	$ 4,834,324
Segment gross margin (b)	$ 58,001	$ (114,127)	$ (56,126)
Segment gross profit (c)	55,384	(133,708)	(78,324)
Net income (loss) before extraordinary item	46,075	(147,890)	(101,815)
Interest expense	13,572	7,567	21,139
Depreciation and amortization	10,979	6,365	17,344
Capital expenditures	69,375	119,911	189,286
Total assets	524,438	698,599	1,223,037
Combined Total For the Year Ended December 31, 1998 (restated) (unaudited)			
Revenues:			
External Customers	$ 254,228	$ 875,461	$ 1,129,689
Intersegment (a)	23,195	2,820	26,015
Other	603	(19)	584
Total revenues of reportable segments	$ 278,026	$ 878,262	$ 1,156,288
Segment gross margin (b)	$ 16,768	$ 14,612	$ 31,380
Segment gross profit (c)	15,723	10,360	26,083
Net income before provision in lieu of income taxes	3,187	5,478	8,665
Interest expense	9,108	3,523	12,631
Depreciation and amortization	4,031	1,340	5,371
Provision in lieu of income taxes	822	1,809	2,631
Capital expenditures	393,731	7,212	400,943
Total assets	471,864	135,322	607,186
November 23, 1998 to December 31, 1998 (restated)			
Revenues:			
External Customers	$ 54,089	$ 122,356	$ 176,445
Intersegment (a)	2,029	429	2,458
Other	-	12	12
Total revenues of reportable segments	$ 56,118	$ 122,797	$ 178,915
Segment gross margin (b)	$ 3,546	$ 1,553	$ 5,099
Segment gross profit (c)	3,329	999	4,328
Net income	1,035	742	1,777
Interest expense	1,321	50	1,371
Depreciation and amortization	973	219	1,192
Capital expenditures	352	2,535	2,887
Total assets	471,864	135,322	607,186
January 1, 1998 to November 22, 1998 (Predecessor) (restated)			
Revenues:			
External Customers	$ 200,139	$ 753,105	$ 953,244
Intersegment (a)	21,166	2,391	23,557
Other	603	(31)	572
Total revenues of reportable segments	$ 221,908	$ 755,465	$ 977,373
Segment gross margin (b)	$ 13,222	$ 13,059	$ 26,281
Segment gross profit (c)	12,394	9,361	21,755
Net income before provision in lieu of income taxes	2,152	4,736	6,888
Interest expense	7,787	3,473	11,260
Depreciation and amortization	3,058	1,121	4,179
Provision in lieu of income taxes	822	1,809	2,631
Capital expenditures	393,379	4,677	398,056

a) Intersegment sales were conducted on an arm's length basis.

b) Gross margin is calculated as revenues less cost of sales and operations expenses.

c) Gross profit is calculated as revenues less costs of sales and operations expenses and general and administrative expenses.

DIRECTORS OF THE GENERAL PARTNER
Plains All American Inc.

Greg L. Armstrong
Chairman and Chief Executive Officer
Plains All American Inc.
President and Chief Executive Officer and Director
Plains Resources Inc.

Everardo Goyanes
Financial Consultant – Natural Resources

Harry N. Pefanis
President and Chief Operating Officer
Plains All American Inc.
Executive Vice President – Midstream
Plains Resources Inc.

Robert V. Sinnott
Senior Vice President
Kayne Anderson Investment Management
Los Angeles, California
Director
Plains Resources Inc.
Director
Glacier Water Services, Inc.
Carlsbad, California

Arthur L. Smith
Chairman
John S. Herold Inc.
Director
Cabot Oil & Gas Corporation

OFFICERS OF THE GENERAL PARTNER
Plains All American Inc.

Greg L. Armstrong
Chairman and Chief Executive Officer

Harry N. Pefanis
President and Chief Operating Officer

Phillip D. Kramer
Executive Vice President and Chief Financial Officer

George Coiner
Senior Vice President

Michael J. Latiolais
Vice President – Administration

Michael R. Patterson
Senior Vice President, General Counsel and Secretary

Cynthia A. Feeback
Treasurer

Mark F. Shires
Vice President – Operations

UNITHOLDER INFORMATION

The Common Units began trading on November 18, 1998, on the New York Stock Exchange under the symbol "PAA". The number of recordholders and beneficial owners (held in street name) of the Common Units as of March 22, 2000, was approximately 11,700.

For the period indicated below, the following table sets forth the range of high and low closing sales prices for the Common Units as traded on the New York Stock Exchange:

	High	Low
1999:		
1st Quarter	$ 19	$ 15 7/8
2nd Quarter	19 15/16	16 5/16
3rd Quarter	20	17 3/8
4th Quarter	20 1/4	9 5/8
1998:		
4th Quarter	$ 20 3/16	$ 16 1/4

Transfer Agent
American Stock Transfer & Trust
40 Wall Street
New York, New York 10005-2392

Form 10-K
A copy of the Partnership's annual report on Form 10-K to the Securities and Exchange Commission for the year ended December 31, 1999, is available free of charge on request to:
Investor Relations
Plains All American Pipeline, L.P.
500 Dallas Street, Suite 700
Houston, Texas 77002-4802
(713) 654-1414 (800) 934-6083

Independent Accountants
PricewaterhouseCoopers LLP
1201 Louisiana Street, Suite 2900
Houston, Texas 77002-5600

Plains All American Inc.,
General Partner for Plains All American Pipeline, L.P.
500 Dallas Street, Suite 700
Houston, Texas 77002-4802
(713) 654-1414 (800) 934-6083
Fax: (713) 654-1523
email: info@plainsresources.com
Web Site: **www.plainsresources.com**

AON

Aon Risk Services

Natural Resources Group

MEMORANDUM OF INSURANCE

DATE: June 2, 2000

This is to evidence that the policies of insurance listed below have been effected for the insured named below for the policy period indicated. Notwithstanding any requirement, term or condition of any contract or other document with respect to which this memorandum may be issued or may pertain, the insurance afforded by the policies described herein is subject to all the terms, exclusions and conditions of such policies. Limits shown may have been reduced by paid claims.

NAME OF INSURED: Scurlock Permian Pipeline LLC and
All American Pipeline, L.P. and
Plains All American Inc.

REFERENCE: Illinois Commerce Commission
Data Request No. ENG 1.15

TYPE OF INSURANCE	POLICY NO.	POLICY PERIOD	AGREED VALUE OR LIMITS OF LIABILITY	
Commercial General Liability including Contractual Liability, Products/Completed Operations and including Pollution Liability	**6191057**	**01 JUN 2000 01 JUN 2001**	**$1,000,000**	**Each Occurrence/Each Loss and in the aggregate as per form.**
Insurance Company(ies): American International Specialty Lines Insurance Company				
Excess Liability	**X0625A1A00**	**01 JUN 2000 01 JUN 2001**	**$35,000,000 $35,000,000 $35,000,000 $35,000,000 $35,000,000**	**Each Occurrence Prod/Comp Ops Aggregate Combined Failure to Supply Hazard Aggregate Pollution Hazard Aggregate Medical Malpractice Liability**
			Excess of Scheduled Underlying Amounts	
Insurance Company(ies) Associated Electric and Gas Insurance Services Limited				
First Party Environmental Loss	**X0625A1A00**	**01 JUN 2000 01 JUN 2001**	**$10,000,000 $10,000,000**	**Each Occurrence Aggregate**
			Excess $500,000 Each Occurrence	
Insurance Company(ies) Associated Electric and Gas Insurance Services Limited				
Excess Liability	**ARS-2399**	**01 JUN 2000 01 JUN 2001**	**$125,000,000**	**Each Occurrence and Aggregate(s) as per form.**
Insurance Company(ies) Underwriters at Lloyd's and certain insurance companies				

Aon Risk Services of Texas, Inc.
2000 Bering Drive, Suite 900 • Houston, Texas 77057-3790 • tel: (713) 430-6000 • fax: (713) 430-6590

<u>Several Liability Notice</u>: The subscribing insurers' obligations under contracts of insurance to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligations.

This Memorandum of Insurance is issued as a matter of information only does not amend, extend or alter the coverage afforded by the policy(ies) shown hereon.

Aon Risk Service of Texas, Inc. are not insurers hereunder, and Aon Risk Services of Texas, Inc. are not nor shall be in any way or to any extent liable for loss or claim whatsoever in connection with the policies evidenced hereon.

AON RISK SERVICES OF TEXAS, INC.

BY: ____________________

AON

MEMORANDUM OF INSURANCE

DATE: June 7, 2000

This is to evidence that the policies of insurance listed below have been effected for the insured named below for the policy period indicated. Notwithstanding any requirement, term or condition of any contract or other document with respect to which this memorandum may be issued or may pertain, the insurance afforded by the policies described herein is subject to all the terms, exclusions and conditions of such policies. Limits shown may have been reduced by paid claims.

NAME OF INSURED: As per the attached document entitled Plains Resources, Inc. Named Insureds

REFERENCE: Illinois Commerce Commission
Data Request No. ENG 1.15

TYPE OF INSURANCE	POLICY NO.	POLICY PERIOD	AGREED VALUE OR LIMITS OF LIABILITY
Excess Liability	6393721	**01 JUN 2000 01 JUN 2001**	**$100,000,000 per claim and in the aggregate excess of $160,000,000**

Insurance Company(ies) Starr Excess Liability Insurance International Limited

Several Liability Notice: The subscribing insurers' obligations under contracts of insurance to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligations.

This Memorandum of Insurance is issued as a matter of information only does not amend, extend or alter the coverage afforded by the policy(ies) shown hereon.

Aon (Bermuda) Ltd. are not insurers hereunder, and Aon (Bermuda) Ltd. are not nor shall be in any way or to any extent liable for loss or claim whatsoever in connection with the policies evidenced hereon.

AON (BERMUDA) LTD.

BY: [signature]

Aon (Bermuda) Ltd.
Dorchester House • 7 Church Street • Hamilton HM 11 • Bermuda • tel: (441) 295-0265 • fax: (441) 292-3244/296-5130
Mailing Address: P. O. Box HM 2020 • Hamilton HM HX • Bermuda

PLAINS RESOURCES, INC.
NAMED INSUREDS

COMPANY NAME
Plains Resources, Inc.
Plains All American Inc.
Plains All American Pipeline, L.P.
Plains Marketing, L.P.
All American Pipeline, L.P.
PAAI LLC
Plains Resources International Inc.
Plains Illinois Inc.
PMCT Inc.
Calumet Florida, Inc.
Stocker Resources, Inc.
Stocker Resources, L.P.
Scurlock Permian Pipeline LLC
Arguello, Inc.
Scurlock Permian LLC
Plains Scurlock Permian, L.P.
All American Pipeline, Inc.
Celeron Gathering Corporation
Celeron Trading and Transportation
Gathering, LLC
Plains Marketing and Transportation, Inc.
Plains Terminal and Transfer Corporation
PLX Crude Lines, Inc.
PLX Ingleside, Inc.