PLAINS ALL AMERICAN PIPELINE LP
Form S-4
July 12, 2006

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As filed with the Securities and Exchange Commission on July 11, 2006

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Plains All American Pipeline, L.P.

(Exact name of registrant as specified in its charter)

Delaware	**4610**	**76-0669671**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

333 Clay Street, Suite 1600
Houston, Texas 77002
(713) 646-4100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Tim Moore
Vice President and General Counsel
333 Clay Street, Suite 1600
Houston, Texas 77002
(713) 646-4100
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

David P. Oelman	**Irvin Toole, Jr.**	**Kelly B. Rose**
Vinson & Elkins L.L.P.	**President and Chief Executive Officer**	**Baker Botts L.L.P.**
2300 First City Tower	**Pacific Energy Management LLC**	**910 Louisiana**
1001 Fannin Street	**5900 Cherry Avenue**	**One Shell Plaza**
Houston, Texas 77002-6760	**Long Beach, California 90805-4408**	**Houston, Texas 77002**
(713) 758-2222	**(562) 728-2800**	**(713) 229-1234**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and upon consummation of the merger described in the enclosed joint proxy statement/prospectus.

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Title of Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Units	25,860,141	N/A	$1,096,873,004	$117,366

(1) Represents the estimated maximum number of common units of the Registrant to be issued in the merger to holders of common units of Pacific Energy Partners, L.P., determined in accordance with the terms of the merger agreement.

(2) Estimated solely for the purpose of calculating the registration fee under Rule 457 under the Securities Act of 1933, based on the product of $32.66 (the average of the high and low prices of Pacific's common units on July 5, 2006, on the New York Stock Exchange composite tape) and 33,584,599 (the number of Pacific common units outstanding and eligible for exchange into Plains common units pursuant to the merger agreement plus (a) the number of units reserved for issuance upon the vesting of outstanding Pacific restricted common unit awards and (b) the maximum number of Pacific common units that could be issued by Pacific prior to the effective time of the merger pursuant to the merger agreement).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this joint proxy statement/prospectus is not complete and may be changed. This joint proxy statement/prospectus is not an offer to sell nor should it be considered a solicitation of an offer to buy the securities described herein in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION dated July 11, 2006

Dear Unitholders:

On June 11, 2006, the board of directors of Plains All American GP LLC, which is the general partner of Plains AAP, L.P., the general partner of Plains All American Pipeline, L.P. ("Plains"), and the board of directors of Pacific Energy Management LLC, which is the general partner of Pacific Energy GP, LP, the general partner of Pacific Energy Partners, L.P. ("Pacific"), agreed to combine the businesses of Plains and Pacific by merging. As a result of the merger, the outstanding general partner and limited partner interests in Pacific will be extinguished, Pacific will be merged into Plains, and the Pacific operating subsidiaries will be directly or indirectly owned by Plains. Plains' management team and board of directors will continue in their current roles and manage the combined company. In the merger, each Pacific common unitholder (other than LB Pacific, LP, the owner of Pacific's general partner) will receive 0.77 common units of Plains for each Pacific common unit that the Pacific unitholder owns. It is generally expected that neither the Plains common unitholders nor the Pacific common unitholders who receive Plains common units in exchange for their Pacific common units will recognize any gain or loss for U.S. federal income tax purposes as a result of the merger.

The approval and adoption of the merger agreement and the merger and the issuance of Plains common units pursuant to the merger agreement requires the approval of a majority of Plains' outstanding common units. In addition, the merger agreement and the merger must be approved and adopted by a majority of Pacific's outstanding common units (other than Pacific common units held by LB Pacific, LP) and a majority of Pacific's outstanding subordinated units, each voting separately as a class. All of Pacific's outstanding subordinated units are owned by LB Pacific, LP. Plains and Pacific have each scheduled special meetings of their unitholders to vote on these matters on , 2006. Regardless of the number of units you own or whether you plan to attend the meeting or meetings in which you would have an interest, it is important that your units be represented and voted at the meeting. Voting instructions are set forth inside this joint proxy statement/prospectus. Abstentions and broker non-votes will have the same effect as a vote against the transactions described in this joint proxy statement/prospectus.

The board of directors of Plains All American GP LLC (the "Plains board") has unanimously approved and adopted the merger agreement, has determined that it is advisable and in the best interest of Plains and Plains' unitholders, and has approved the issuance of Plains common units pursuant to the merger agreement. Accordingly, the Plains board recommends that Plains' common unitholders vote to approve and adopt the merger agreement and the merger and vote to approve the issuance of Plains common units pursuant to the merger agreement.

The conflicts committee of the board of directors of Pacific Energy Management LLC (the "Pacific conflicts committee") has unanimously approved and adopted the merger agreement and determined that it is advisable and in the best interests of Pacific and Pacific's unitholders (other than LB Pacific, LP). The board of directors of Pacific Energy Management LLC (the "Pacific board") has unanimously approved and adopted the merger agreement and determined that it is advisable and in the best interests of Pacific and Pacific's equityholders. Accordingly, the Pacific conflicts committee and the Pacific board recommend that Pacific's unitholders vote to approve and adopt the merger agreement and the merger.

This joint proxy statement/prospectus provides you with detailed information about the proposed merger and related matters. Plains and Pacific both encourage you to read the entire document carefully. **In particular, please read "Risk Factors" beginning on page 24 of this joint proxy statement/prospectus for a discussion of risks relevant to the merger and the combined company.**

Plains' common units are listed on the NYSE under the symbol "PAA," and Pacific's common units are listed on the NYSE under the symbol "PPX."

Chairman and Chief Executive Officer, Plains All American GP LLC	President and Chief Executive Officer, Pacific Energy Management LLC

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this document is truthful or complete. Any representation to the contrary is a criminal offense.

This document is dated , 2006, and was first mailed to unitholders on or about , 2006.

This document incorporates by reference important business and financial information about both Plains and Pacific that is not included in or delivered with this document. Please read "Where You Can Find More Information."

You can obtain any of the documents incorporated by reference into this document from Plains or Pacific, as the case may be, or from the Securities and Exchange Commission's website at http://www.sec.gov. Documents incorporated by reference are available from Plains and Pacific without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference into this document. You may obtain documents incorporated by reference into this document by requesting them in writing or by telephone from the appropriate company as follows:

Plains All American Pipeline, L.P.	Pacific Energy Partners, L.P.
333 Clay Street, Suite 1600	5900 Cherry Avenue
Attention: Investor Relations	Attention: Investor Relations
Houston, Texas 77002	Long Beach, California 90805
Telephone: (713) 646-4222	Telephone: (562) 728-2871

You should request the documents incorporated by reference no later than , 2006 to obtain timely delivery. Please be sure to include your complete name and address in your request. If you request any documents, Plains or Pacific will mail them to you by first class mail, or another equally prompt means, within one business day after receipt of your request.

All information in this document concerning Plains has been furnished by Plains. All information in this document concerning Pacific has been furnished by Pacific. Plains has represented to Pacific, and Pacific has represented to Plains, that the information furnished by and concerning one another is true and correct.

Houston, Texas
, 2006

Notice of Special Meeting of Common Unitholders

To the Common Unitholders of Plains All American Pipeline, L.P.:

A special meeting of holders of common units of Plains All American Pipeline, L.P. ("Plains") will be held on , 2006 at 10:00 a.m., local time, at , Houston, Texas, for the following purposes:

To consider and vote upon the approval and adoption of the Agreement and Plan of Merger dated as of June 11, 2006, by and among Plains, Plains AAP, L.P., Plains All American GP LLC, Pacific Energy Partners, L.P., Pacific Energy Management LLC and Pacific Energy GP, LP, as it may be amended from time to time (the "Merger Agreement"), and the merger contemplated by the Merger Agreement;

To consider and vote upon the approval of the issuance of common units of Plains to the common unitholders of Pacific Energy Partners, L.P. (other than LB Pacific, LP), as provided in the Merger Agreement; and

To transact other business as may properly be presented at the meeting or any adjournments of the meeting.

The board of directors of Plains All American GP LLC (the "Plains board") has unanimously approved and adopted the Merger Agreement, has determined that it is advisable and in the best interest of Plains and Plains' common unitholders, and has approved the issuance of Plains common units pursuant to the Merger Agreement. Accordingly, the Plains board recommends that Plains' common unitholders vote to approve and adopt the Merger Agreement and the merger and vote to approve the issuance of Plains common units pursuant to the Merger Agreement.

The proposals described above require the affirmative vote of a majority of Plains' outstanding common units. As a result, abstentions and broker non-votes will have the same effect as a vote against the proposals.

Only common unitholders of record at the close of business on , 2006 are entitled to notice of and to vote at the meeting and any adjournments of the meeting. Plains will keep at its offices in Houston, Texas, a list of common unitholders entitled to vote at the meeting available for inspection for any purpose relevant to the meeting during normal business hours for the 10 days before the meeting.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE VOTE IN ONE OF THE FOLLOWING WAYS:

use the toll-free telephone number shown on the proxy card;

use the internet website shown on the proxy card; or

mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope. It requires no postage if mailed in the United States.

By order of the Board of Directors of Plains All American GP LLC, as general partner of Plains AAP, L.P., the general partner of Plains All American Pipeline, L.P.

Secretary
Plains All American GP LLC

Long Beach, California
, 2006

Notice of Special Meeting of Unitholders

To the Unitholders of Pacific Energy Partners, L.P.:

A special meeting of holders of common units and subordinated units of Pacific Energy Partners, L.P. ("Pacific") will be held on , 2006 at 8:00 a.m., local time, at 5900 Cherry Avenue, Long Beach, California, for the following purposes:

To consider and vote upon the approval and adoption of the Agreement and Plan of Merger dated as of June 11, 2006, by and among Plains All American Pipeline, L.P., Plains AAP, L.P., Plains All American GP LLC, Pacific, Pacific Energy Management LLC and Pacific Energy GP, LP, as it may be amended from time to time (the "Merger Agreement"), and the merger contemplated by the Merger Agreement; and

To transact other business as may properly be presented at the meeting or any adjournments of the meeting.

The conflicts committee of the board of directors of Pacific Energy Management LLC (the "Pacific conflicts committee") has unanimously approved and adopted the Merger Agreement and determined that it is advisable and in the best interests of Pacific and Pacific's common unitholders (other than LB Pacific, LP). The full board of directors of Pacific Energy Management LLC (the "Pacific board") has unanimously approved and adopted the Merger Agreement and determined that it is advisable and in the best interests of Pacific and Pacific's equityholders. Accordingly, the Pacific conflicts committee and the Pacific board recommend that Pacific's unitholders vote to approve and adopt the Merger Agreement and the merger.

The proposals described above require the affirmative vote of a majority of Pacific's outstanding common units (other than Pacific common units held by LB Pacific, LP) and a majority of Pacific's outstanding subordinated units, each voting separately as a class. As a result, abstentions and broker non-votes will have the same effect as a vote against the proposal. All of Pacific's outstanding subordinated units are owned by LB Pacific, LP.

Only unitholders of record at the close of business on , 2006 are entitled to notice of and to vote at the meeting and any adjournments of the meeting. Pacific will keep at its offices in Long Beach, California, a list of unitholders entitled to vote at the meeting available for inspection for any purpose relevant to the meeting during normal business hours for the 10 days before the meeting.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE VOTE IN ONE OF THE FOLLOWING WAYS:

use the toll-free telephone number shown on the proxy card;

use the internet website shown on the proxy card; or

mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope. It requires no postage if mailed in the United States.

By order of the Board of Directors of Pacific Energy Management LLC, as the general partner of Pacific Energy GP, LP, the general partner of Pacific Energy Partners, L.P.

Senior Vice President, General Counsel and Secretary
Pacific Energy Management LLC

JOINT PROXY STATEMENT/PROSPECTUS

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: *Why am I receiving these materials?*

A: Plains and Pacific have agreed to combine their businesses by merging Pacific with and into Plains. The merger cannot be completed without the approval of the unitholders of both Plains and Pacific.

Q: *What will happen to Pacific as a result of the merger?*

A: As a result of the merger, the general partner and limited partner interests of Pacific will be extinguished, Pacific will be merged with and into Plains, and the Pacific operating subsidiaries will be directly or indirectly owned by Plains. Plains' management team and board of directors will continue in their current roles and manage the combined company.

Q: *What will Pacific common unitholders receive in the merger?*

A: Each Pacific common unitholder (other than LB Pacific, LP, the owner of Pacific's general partner) will receive 0.77 Plains common units in exchange for each Pacific common unit that the unitholder owns at the effective time of the merger. If the exchange ratio would result in a Pacific common unitholder being entitled to receive a fraction of a Plains common unit, that unitholder will receive in lieu of such fractional interest cash from Plains in an amount equal to the amount of such fractional interest multiplied by the average closing price of Plains common units on the NYSE during the five trading days ending on the third business day prior to the consummation of the merger.

Q: *What will the owner of Pacific's general partner receive in the merger?*

A: LB Pacific, LP, the owner of Pacific's general partner, will receive cash and will not receive Plains common units in the merger. LB Pacific and Plains have entered into a purchase agreement in connection with the execution of the merger agreement, pursuant to which Plains has agreed, subject to the terms and conditions of the purchase agreement, to purchase from LB Pacific immediately prior to the merger (i) all of the issued and outstanding limited partner interests in Pacific Energy GP, LP, the general partner of Pacific, (ii) the sole member interest in Pacific Energy Management LLC, the general partner of Pacific Energy GP, LP, (iii) 2,616,250 Pacific common units and (iv) 7,848,750 Pacific subordinated units for an aggregate purchase price of $700 million in cash. The purchase agreement may be terminated by LB Pacific or Plains if the merger agreement is terminated, and is subject to customary closing conditions, including satisfaction of all conditions specified in the merger agreement.

Q: *What will Plains common unitholders receive in the merger?*

A: Plains common unitholders will simply retain the Plains common units they currently own. They will not receive any additional Plains units in the merger.

Q: *What happens to my future distributions?*

A: Once the merger is completed, Pacific common unitholders (other than LB Pacific) will own Plains common units and, when distributions are approved and declared by the general partner of Plains, will receive distributions on their Plains common units in accordance with Plains' partnership agreement. Current Plains common unitholders will continue to receive distributions on their common units. Distributions are made in accordance with Plains' partnership agreement and at the discretion of the Plains board. Plains' management intends to recommend that the Plains board increase Plains' quarterly distribution from the current $0.7075 per unit ($2.83 annualized) to $0.80

per unit ($3.20 annualized) following the closing of the merger. On a comparative basis, assuming a $3.20 annualized Plains distribution rate and giving effect to the exchange ratio, a Pacific unitholder's quarterly distribution would increase 8.5% from the current $0.5675 per existing Pacific common unit ($2.27 annualized) to $0.616 per existing Pacific common unit ($2.464 annualized) following the closing of the merger. For a description of the distribution provisions of Plains' partnership agreement, please read "Comparison of the Rights of Plains and Pacific Common Unitholders."

Q:

Has Plains' general partner agreed to reduce the incentive distributions it would otherwise receive following the merger?

A:

Yes. Plains' general partner, in support of the transaction, has agreed to reduce the incentive distributions it would otherwise have received by $65 million in the aggregate over five four-quarter periods following the merger, beginning on the earlier to occur of (i) the first quarterly distribution declared and paid after the closing of the merger that equals or exceeds $0.80 per unit or (ii) the second quarterly distribution declared and paid after the closing of the merger. The date on which the event described in clause (i) or (ii) above first occurs is referred to in this joint proxy statement/prospectus as the "initial date." The reduction will be equal to $20 million in the aggregate for the first four quarters after and including the initial date, $15 million in the aggregate for the second four quarters, $15 million in the aggregate for the third four quarters, $10 million in the aggregate for the fourth four quarters, and $5 million in the aggregate for the fifth four quarters.

Q:

Should Pacific unitholders send in their certificates representing Pacific common units now?

A:

No. After the merger is completed, Pacific common unitholders who hold their units in certificated form will receive written instructions for exchanging their certificates representing Pacific common units. Please do not send in your certificates representing Pacific common units with your proxy card.

Q:

What unitholder approvals are needed to complete the merger?

A:

The following unitholder approvals are needed to complete the merger:

- the affirmative vote of the holders of at least a majority of Pacific's outstanding common units (excluding common units held by LB Pacific) and at least a majority of Pacific's outstanding subordinated units, each voting as a separate class; and

- the affirmative vote of the holders of at least a majority of Plains' outstanding common units.

As of the record date of the Pacific special meeting, directors and executive officers of Pacific and their affiliates had the right to vote Pacific common units, or approximately % of Pacific's outstanding common units, excluding common units held by LB Pacific. Pacific currently expects that all of the directors and executive officers of Pacific will vote their common units in favor of the merger agreement and the merger, although none of them has entered into any agreement obligating them to do so. In addition, LB Pacific owns all of Pacific's outstanding subordinated units. Pacific currently expects that LB Pacific will vote its subordinated units in favor of the merger agreement and the merger. Pursuant to the purchase agreement, LB Pacific has agreed to use its commercially reasonable efforts to take all appropriate action necessary or advisable to consummate and make effective the transactions contemplated by, and to satisfy the closing conditions of, the purchase agreement and the merger agreement as promptly as practicable.

As of the record date of the Plains special meeting, directors and executive officers of Plains and their affiliates had the right to vote Plains common units, or approximately % of Plains' outstanding common units. Plains currently expects that all of the directors and executive officers of Plains and their affiliates will vote their common units in favor of the merger, although none of them has entered into any agreement obligating them to do so.

Q:

When do you expect the merger to be completed?

A:

Plains and Pacific are working to complete the merger as soon as possible. A number of conditions must be satisfied before Plains and Pacific can complete the merger, including approval by the unitholders of both Plains and Pacific, the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the approval of certain state regulatory bodies. Although we cannot be sure when all of the conditions to the merger will be satisfied, Plains and Pacific expect to complete the merger in the fourth quarter of 2006. Please read "The Merger Agreement Conditions to the Merger."

Q:

What are the tax consequences to common unitholders of the transaction?

A:

It is expected that neither the Plains common unitholders nor the Pacific common unitholders who receive Plains common units in exchange for their Pacific common units will recognize any gain or loss for U.S. federal income tax purposes as a result of the merger, except with respect to cash received in lieu of fractional Plains common units and with respect to a net decrease in a unitholder's share of nonrecourse liabilities. A net decrease in a unitholder's share of nonrecourse liabilities is not expected to occur as a result of the merger. For a description of the expected material federal income tax consequences of the merger and the holding of Plains common units after the merger, please read the information set forth in "Material Federal Income Tax Consequences."

Q:

What taxes will unitholders of the combined company be subject to?

A:

In addition to federal income taxes, unitholders of the combined company will be subject to other taxes, such as Canadian federal and provincial taxes, state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which Plains does business or owns property but in which such unitholders may not reside.

Q:

What do I need to do now?

A:

You should read this joint proxy statement/prospectus carefully. Then, if you choose to vote by proxy, you should do so as soon as possible by following the instructions listed on your proxy card.

Q:

What if I do not vote?

A:

If you do not return your proxy or if you abstain from voting, it will have the same effect as a vote against the proposals. If you sign and return your proxy card but do not indicate how you want to vote, your proxy will be counted as a vote in favor of the proposals.

Q:

If my units are held in "street name" by my broker, will my broker vote my units for me?

A:

Your broker cannot vote your units for or against approval and adoption of the merger agreement and the merger or the issuance of Plains common units pursuant to the merger agreement unless you tell the broker how you wish to vote. To tell your broker how to vote, you should follow the directions that your broker provides to you. A non-vote by your broker will have the same effect as a vote against the proposals described in this document.

Q: *If I am planning on attending a meeting in person, should I still vote by proxy?*

A: Yes. Whether or not you plan to attend a meeting, you should vote by proxy indicated on your proxy card. Your units will not be voted if you do not vote your proxy or if you do not vote in person at the scheduled special meetings of the unitholders of Pacific and the unitholders of Plains to be held on , 2006. This would have the same effect as a vote against the proposals.

Q: *Can I change my vote after I have voted by proxy?*

A: Yes. You can change your vote at any time before your proxy is voted at the meeting by following the procedures set forth in "The Special Unitholder Meetings Voting Procedures Revocation."

Q: *Whom do I call if I have further questions about voting, the meetings or the merger?*

A: Plains unitholders may call Plains' Investor Relations department at (713) 646-4222. If you would like additional copies, without charge, of Plains' proxy statement or if you have questions about the merger, including the procedures for voting your units, you should contact Morrow & Co., Inc., which is assisting Plains in the solicitation of proxies, as follows:

Morrow & Co., Inc.

470 West Avenue 3rd Floor
Stamford, CT 06902

paalp.info@morrowco.com

Banks and Brokerage Firms, please call (203) 658-9400

All others, please call (800) 607-0088

Pacific unitholders may call Pacific's Investor Relations department at (562) 728-2871. If you would like additional copies, without charge, of Pacific's proxy statement or if you have questions about the merger, including the procedures for voting your units, you should contact D.F. King & Co., Inc., which is assisting Pacific in the solicitation of proxies, as follows:

D.F. King & Co., Inc.

48 Wall Street
New York, NY 10005

PPX.info@DFKing.com

Banks and Brokerage Firms, please call (212) 269-5550

All others, please call (800) 769-4414

SUMMARY

This summary highlights some of the information in this joint proxy statement/prospectus. It may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the terms of the merger, you should read carefully this document, the documents incorporated by reference and the full text of the merger agreement included as Annex A to this document. Please also read "Where You Can Find More Information."

The Merger Parties (page 113)

Pacific Energy Partners, L.P.

Pacific is a publicly traded Delaware limited partnership engaged principally in the business of gathering, transporting, storing, and distributing crude oil, refined products and other related products. It generates revenue primarily by transporting such commodities on its pipelines, by leasing capacity in its storage tanks, and by providing other terminalling services. Pacific also buys and sells crude oil, activities that are generally complementary to its other crude oil operations. Pacific conducts its business through two business units, the West Coast Business Unit, incorporating activities in California and the Philadelphia, Pennsylvania area, and the Rocky Mountain Business Unit, which includes activities in five Rocky Mountain states and the province of Alberta, Canada.

Pacific's principal executive offices are located at 5900 Cherry Avenue, Long Beach, California 90805, and its phone number is (562) 728-2800.

Plains All American Pipeline, L.P.

Plains is a publicly traded Delaware limited partnership 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 natural gas related petroleum products. In addition, through its 50% equity ownership in PAA/Vulcan Gas Storage, LLC ("PAA/Vulcan"), Plains is engaged in the development and operation of natural gas storage facilities.

Plains is one of the largest midstream crude oil companies in North America. As of March 31, 2006, Plains owned approximately 15,000 miles of active crude oil pipelines, approximately 39 million barrels of active terminalling and storage capacity and approximately 500 transport trucks. Currently, Plains handles an average of over 3 million barrels per day of physical crude oil through its extensive network of assets located in major oil producing regions of the United States and Canada.

Plains' principal executive offices are located at 333 Clay Street, Suite 1600, Houston, Texas 77002, and its phone number is (713) 646-4100.

The Merger (page 48)

Pursuant to the merger agreement, at the effective time of the merger, Pacific will merge with and into Plains, and the outstanding common units of Pacific (other than the common units owned by LB Pacific) will be converted into the right to receive Plains common units. Pacific will cease to exist following the merger. Each Pacific common unitholder (other than LB Pacific) will receive 0.77 Plains common units in exchange for each Pacific common unit that the unitholder owns at the effective time of the merger. If the exchange ratio would result in a Pacific common unitholder being entitled to receive a fraction of a Plains common unit, that unitholder will receive in lieu of such fractional interest cash from Plains in an amount equal to the amount of such fractional interest multiplied by the average closing price of Plains common units on the NYSE during the five trading days ending on the third business day prior to the consummation of the merger.

Once the merger is completed, Pacific common unitholders (other than LB Pacific) will own Plains common units in lieu of their Pacific common units and, when distributions are declared by Plains' general partner and paid by Plains, they will receive distributions on their Plains common units in accordance with Plains' partnership agreement. Plains' management intends to recommend that the Plains board increase Plains' quarterly distribution from the current $0.7075 per unit ($2.83 annualized) to $0.80 per unit ($3.20 annualized) following the closing of the merger. Additionally, Plains' general partner, in support of the transaction, has agreed to reduce the incentive distributions it would otherwise receive by $65 million in the aggregate over five four-quarter periods following the merger, beginning on the earlier to occur of (i) the first quarterly distribution declared and paid after the closing of the merger that equals or exceeds $0.80 per unit or (ii) the second quarterly distribution declared and paid after the closing of the merger. The reduction will be equal to $20 million in the aggregate for the first four quarters after and including the initial date, $15 million in the aggregate for the second four quarters, $15 million in the aggregate for the third four quarters, $10 million in the aggregate for the fourth four quarters, and $5 million in the aggregate for the fifth four quarters. For a description of the distribution provisions of Plains' partnership agreement, please read "Comparison of the Rights of Plains and Pacific Common Unitholders."

Transactions Related to the Merger (page 100)

In connection with the execution of the merger agreement, Plains entered into a purchase agreement with LB Pacific as of June 11, 2006, pursuant to which Plains has agreed, subject to the terms and conditions set forth in the purchase agreement, to purchase from LB Pacific immediately prior to the merger (i) all of the issued and outstanding limited partner interests in Pacific Energy GP, LP, the general partner of Pacific, (ii) the sole member interest in Pacific Energy Management LLC, the general partner of Pacific Energy GP, LP, (iii) 2,616,250 Pacific common units and (iv) 7,848,750 Pacific subordinated units, for an aggregate purchase price of $700 million in cash. The purchase agreement may be terminated by LB Pacific or Plains if the merger agreement is terminated, and is subject to customary closing conditions, including satisfaction of all conditions specified in the merger agreement.

Directors and Management of Plains Following the Merger (page 124)

Plains' management team and board of directors will continue in their current roles and will manage the combined company.

Market Prices of Plains and Pacific Common Units Prior to Announcing the Proposed Merger

Plains' common units are traded on the NYSE under the symbol "PAA." Pacific common units are traded on the NYSE under the symbol "PPX." The following table shows the closing unit prices of Plains and Pacific common units on June 9, 2006 (the last full trading day before Plains and Pacific announced the proposed merger) and the average closing unit price of Plains and Pacific common units during the 20-day trading period prior to and including June 9, 2006.

Date/Period	Plains Common Units	Pacific Common Units
June 9, 2006	$ 46.10	$ 32.09
20-day average	46.23	31.14

The Special Unitholder Meetings (page 42)

Pacific Special Unitholder Meeting

Where and when: The Pacific special unitholder meeting will take place at 5900 Cherry Avenue, Long Beach, California, on , 2006 at 8:00 a.m., local time.

What you are being asked to vote on: At the Pacific meeting, Pacific common unitholders (other than LB Pacific) and the Pacific subordinated unitholder will separately vote on the approval and adoption of the merger agreement and the merger. Pacific unitholders also may be asked to consider other matters as may properly come before the meeting. At this time, Pacific knows of no other matters that will be presented for the consideration of its unitholders at the meeting.

Who may vote: You may vote at the Pacific meeting if you owned Pacific common units (excluding LB Pacific) or Pacific subordinated units at the close of business on the record date, , 2006. On that date, there were Pacific common units (excluding common units held by LB Pacific) and Pacific subordinated units outstanding. You may cast one vote for each outstanding Pacific common unit or Pacific subordinated unit, as applicable, that you owned on the record date. All of the outstanding Pacific subordinated units are owned by LB Pacific.

What vote is needed: The affirmative vote of at least a majority of Pacific's outstanding common units (excluding common units held by LB Pacific) and the affirmative vote of at least a majority of Pacific's outstanding subordinated units, each voting as a separate class, is required to approve and adopt the merger agreement and the merger.

Plains Special Unitholder Meeting

Where and when: The Plains special unitholder meeting will take place at , Houston, Texas, on , 2006, at 10:00 a.m., local time.

What you are being asked to vote on: At the Plains meeting, Plains unitholders will vote on the approval and adoption of the merger agreement and the merger. Additionally, the Plains unitholders will vote on the approval of the issuance of Plains common units pursuant to the merger agreement, which Plains currently estimates to be approximately 22.3 million Plains common units. Plains unitholders also may be asked to consider other matters as may properly come before the meeting. At this time, Plains knows of no other matters that will be presented for the consideration of its unitholders at the meeting.

Who may vote: You may vote at the Plains meeting if you owned Plains common units at the close of business on the record date, , 2006. On that date, there were Plains common units outstanding. You may cast one vote for each Plains common unit that you owned on the record date.

What vote is needed: The affirmative vote of at least a majority of Plains' outstanding common units is required to approve and adopt the merger agreement and the merger and to approve the issuance of Plains common units pursuant to the merger agreement.

Recommendations to Unitholders

To Pacific Unitholders (page 57):

The conflicts committee (the "Pacific conflicts committee") of the board of directors (the "Pacific board") of Pacific Energy Management LLC, the general partner of Pacific Energy GP, LP, the general partner of Pacific (unless the context requires otherwise, Pacific Energy Management LLC and Pacific Energy GP, LP are collectively referred to as "Pacific's general partner"), comprised of directors who are deemed to be independent of the interests of Pacific's general partner, has considered the benefits of the merger as well as the associated risks and has unanimously approved and adopted the merger agreement and determined that it is advisable and in the best interests of Pacific and Pacific's common unitholders (other than LB Pacific). Accordingly, the Pacific conflicts committee recommends that Pacific unitholders vote to approve and adopt the merger agreement and the merger.

The Pacific board has considered the benefits of the merger as well as the associated risks and has unanimously approved and adopted the merger agreement and determined that it is advisable and in the best interests of Pacific and Pacific's equityholders. Accordingly, the Pacific board recommends that Pacific unitholders vote to approve and adopt the merger agreement and the merger.

Pacific's unitholders are urged to review carefully the background and reasons for the merger described under "The Merger" and the risks associated with the merger described under "Risk Factors."

To Plains Unitholders (page 61):

The entire board of directors of Plains All American GP, LLC (the "Plains board"), the general partner of Plains AAP, L.P., the general partner of Plains (unless the context requires otherwise, Plains All American GP LLC and Plains AAP, L.P. are collectively referred to as "Plains' general partner"), including those directors who are independent of the general partner interest, has considered the benefits of the merger as well as the associated risks and has unanimously approved and adopted the merger agreement, has determined that it is advisable and in the best interest of Plains and Plains' common unitholders, and has approved the issuance of Plains common units pursuant to the merger agreement. Accordingly, the Plains board recommends that Plains' common unitholders vote to approve and adopt the merger agreement and the merger and vote to approve the issuance of Plains common units pursuant to the merger agreement.

Plains' common unitholders are urged to review carefully the background and reasons for the merger described under "The Merger" and the risks associated with the merger described under "Risk Factors."

Pacific's Reasons for the Merger (page 57)

The Pacific board and the Pacific conflicts committee consulted with management and legal and financial advisors and considered many factors in approving and adopting the merger agreement and the merger, including the following expected benefits of the merger to Pacific and its unitholders:

- that the holders of Pacific's common units (other than LB Pacific) will be entitled to receive 0.77 Plains common units for each Pacific common unit, an exchange ratio that the Pacific conflicts committee and the Pacific board viewed as attractive in light of Pacific's historic and current trading price, and which represented an implied premium of 14.3% over the average closing unit price during the 20 trading days prior to and including June 9, 2006 (the last day of trading prior to the committee's and the board's respective determinations) and 10.6% over the closing unit price on June 9, 2006;

- that the merger is expected to be accretive on the basis of distributable cash flow per common unit of Pacific;

- that Plains' management intends to recommend that the Plains board increase Plains' quarterly per unit distribution and that Pacific unitholders would receive such increased distribution following the merger, and that the increase in per unit distribution may ultimately result in the appreciation of Plains' unit price in the market, making the exchange ratio even more favorable to Pacific's unitholders;

- that the incentive distributions that would otherwise have been payable to Plains' general partner will be reduced by $65.0 million in the aggregate over five four-quarter periods following the merger, making additional cash available for general partnership purposes, which may include, as deemed appropriate by Plains' general partner, future distributions, capital investment or reduction of debt;

- that the merger will result in potential operating, general and administrative and interest cost savings;
- that Pacific unitholders will benefit from the application of Plains' commercial expertise to Pacific's current assets;
- that the combined business of Plains and Pacific following the merger will have complementary growth opportunities;
- that the combined company will represent a substantially larger business than Pacific on a stand-alone basis, mitigating execution risk associated with Pacific's Pier 400 project and other projects;
- that the merger will result in significant business and geographic diversification;
- that the combined company is expected to have investment grade credit ratings; and
- that, as unitholders of Plains following the merger, Pacific unitholders will have greater liquidity for their units.

The Pacific board and the Pacific conflicts committee also considered a number of risks associated with the merger, including the following:

- that Plains is currently at the 50% incentive distribution level for its general partner, as compared to Pacific, which is at the 15% incentive distribution level for its general partner, which increases the cost of equity capital for future growth;
- that Plains' investment grade credit rating might be reduced as a result of the transaction;
- the possibility that Plains' unit price could diminish prior to closing, reducing the premium available to Pacific's common unitholders (other than LB Pacific);
- that regulatory approvals must be obtained to complete the merger; and
- that the merger might not be completed in a timely manner, or at all, which could result in significant costs and disruption to Pacific's normal business.

Plains' Reasons for the Merger (page 61)

The Plains board consulted with management and legal and financial advisors and considered many factors in approving and adopting the purchase agreement and the merger agreement and approving the issuance of Plains' common units in the merger, including the following expected benefits of the merger to Plains, its unitholders and the combined company:

- the significant potential cost savings and operating synergies derived by combining two public entities and eliminating duplicative costs;
- the complementary asset bases of Plains and Pacific in California, the Rocky Mountains and Canada, with minimal asset overlap but attractive potential vertical integration opportunities;

the opportunity to generate incremental value by applying Plains' commercial business model to Pacific's assets and organic growth opportunities;

the combination of Plains' in-progress organic growth projects, for which substantial equity capital has been raised and/or debt capital arranged, with Pacific's longer lead-time organic growth projects, which are anticipated to extend growth visibility for several years regardless of future acquisitions;

the opportunity to augment Plains' existing organization with talent from Pacific and expand the breadth and depth of its organization;

- the expanded inventory of internal growth projects helping to mitigate the adverse impacts of potential delays associated with any one project, such as those caused by permitting, weather, availability of materials or other factors;
- the positive impact that Pacific's tariff and fee-based activities should have on Plains' credit rating;
- the acceleration of Plains' expansion into the refined products infrastructure business afforded by Pacific's products terminals on the West Coast and in the Northeast and its products pipeline in the Rockies;
- the ability to capitalize on increasing domestic demand for refined products provided by Pacific's refined products assets; and
- the combination of Plains' tariff-based pipeline business and commercial and fee-based gathering, marketing, terminalling and storage business with Pacific's predominately tariff- and fee-based pipeline and terminalling businesses, resulting in a stronger, more diversified and more resilient business profile for the combined company.

In addition to considering the foregoing, the Plains board consulted with its management and Plains' legal and financial advisors, and considered a variety of other factors, including:

- information regarding the business, operations, financial condition, liabilities, earnings, prospects and potential strategic opportunities of Plains and Pacific;
- near-term dilution, offset by anticipated long-term accretion, of distributable cash flow per unit;
- the visibility of future distribution increases and long-term value of Plains' common units;
- the abilities of the parties to complete the merger and other transactions contemplated by the purchase agreement and the merger agreement;
- the risks associated with integrating Pacific's assets, operations and business activities into Plains' assets, operations and business activities;
- the risks associated with financing certain components of the purchase price as well as the ongoing capital requirements of the combined company;
- the risks associated with delay in development, or non-development, of key internal growth projects; and
- the risks associated with the merger, including those described under "Risk Factors Risks Related to the Merger and the Related Transactions."

Opinions of Financial Advisors (page 70)

The opinions of the Pacific board's financial advisor, the Pacific conflicts committee's financial advisor and the Plains board's financial advisor are attached to this joint proxy statement/prospectus as Annexes B, C and D, respectively. You are encouraged to read those opinions carefully, as well as the descriptions of the analyses and assumptions on which the opinions were based set forth under "The Merger Opinions of Financial Advisors." *Each opinion is directed to the board of directors or conflicts committee of the applicable general partner, and does not constitute a recommendation to any unitholder as to any matter relating to the merger.*

Opinion of Financial Advisor to Pacific

Lehman Brothers Inc., financial advisor to Pacific, delivered its opinion to the Pacific board on June 11, 2006 to the effect that, as of the date of its opinion and based on and subject to various assumptions made, matters considered and limitations described in the opinion, from a financial point of view, the aggregate consideration to be offered to all of the holders of the partnership interests in Pacific in the proposed transaction is fair to such holders. Pacific's general partner is deemed to be an affiliate of Lehman Brothers Inc. through a 59% ownership interest in Pacific's general partner held by certain entities controlled by Lehman Brothers Holdings Inc., the parent entity of Lehman Brothers Inc.

Opinion of Financial Advisor to the Conflicts Committee of Pacific

Petrie Parkman & Co., financial advisor to the Pacific conflicts committee, delivered its opinion to the Pacific conflicts committee on June 11, 2006 to the effect that, as of the date of its opinion and based on and subject to various assumptions made, matters considered and limitations described in the opinion, the exchange ratio of 0.77 Plains common units for each Pacific common unit in the merger is fair, from a financial point of view, to Pacific's common unitholders, other than LB Pacific and its affiliates.

Opinion of Financial Advisor to Plains

Simmons & Company International, financial advisor to Plains, delivered its opinion to the Plains board on June 11, 2006 to the effect that, as of the date of its opinion and based on and subject to various assumptions made, matters considered and limitations described in the opinion, the aggregate consideration to be paid by Plains as set forth in the merger agreement and in the purchase agreement with LB Pacific is fair, from a financial point of view, to Plains and Plains' common unitholders (other than those unitholders holding a direct or indirect interest in Plains' general partner).

Interests of Certain Persons in the Merger; Conflicts of Interest (page 93)

In considering the recommendations of the Pacific board, the Pacific conflicts committee and the Plains board with respect to the merger, unitholders of both partnerships should be aware that some of the executive officers and directors of the general partners have interests in the transaction that may differ from, or may be in addition to, the interests of unitholders generally. For example, the owners of Pacific's general partner will receive cash in the transaction, a portion of which will be distributed to certain members of the Pacific board.

In addition, owners of Plains' general partner have interests that differ materially from owners of Plains' limited partner interests. Even giving effect to the reduction in incentive distribution payments otherwise payable to Plains' general partner, the merger is expected to be accretive to Plains' general partner on a distributable cash flow basis beginning in 2007. Based on Plains' projected results, the effect of the merger is not expected to be accretive on a distributable cash flow per unit basis to Plains' existing limited partners until 2008.

The Merger Agreement (page 100)

The merger agreement is attached to this joint proxy statement/prospectus as Annex A and is incorporated by reference into this document. You are encouraged to read the merger agreement because it is the legal document that governs the merger.

What Needs to be Done to Complete the Merger

Plains and Pacific will complete the merger only if the conditions set forth in the merger agreement and the purchase agreement are satisfied or, in some cases, waived. The obligations of Plains and Pacific to complete the merger are subject to the following conditions:

- the adoption and approval of the merger agreement and the merger by the requisite vote of the Pacific common unitholders (not including LB Pacific) and the Pacific subordinated unitholder (which is LB Pacific);
- the adoption and approval of the merger agreement and the merger by the requisite vote of the Plains common unitholders, and the approval of the issuance of Plains common units pursuant to the merger agreement by the requisite vote of the Plains common unitholders;
- the expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976;
- the approval of the Public Utilities Commission of the State of California and the Public Service Commission of the State of Wyoming (and in the case of Wyoming, any protest period subsequent to such approval having lapsed without a protest or, if a protest has been filed, such protest having been resolved to the reasonable satisfaction of the parties);
- the consent of the Federal Communications Commission, or FCC, to effect transfers of certain licenses;
- satisfaction of requirements under the *Competition Act*, R.S.C. 1985, c. C-34 of Canada, or Competition Act;
- approval of the merger and sale transactions under the *Investment Canada Act*, R.S.C. 1985, c 28 (1st Suppl.), or Investment Canada Act, or notice that approval of the merger and sale transactions is not required under the Investment Canada Act;
- receipt of all other governmental consents and approvals, the absence of which would, individually or in the aggregate, have a material adverse effect on Pacific or Plains;
- the continued effectiveness of the registration statement of which this joint proxy statement/prospectus is a part;
- the approval for listing on the NYSE of the Plains common units to be issued in the merger, subject to official notice of issuance; and
- the absence of any decree, order, injunction or law that prohibits the merger or makes the merger unlawful.

Plains' obligation to complete the merger is further subject to the following conditions:

- the representations and warranties of Pacific set forth in the merger agreement being true and correct (without regard to materiality requirements in the merger agreement) as of the closing, other than such failures to be true and correct that would not in the aggregate result in a material adverse effect, and Pacific having performed all of its obligations under the merger agreement in all material respects;
- each of the directors of Pacific Energy Management LLC having tendered his resignation effective as of the effective time of the merger; and

Plains having received an opinion of Vinson & Elkins L.L.P. as to the treatment of the merger for U.S. federal income tax purposes and as to certain other tax matters.

Pacific's obligation to complete the merger is further subject to the following conditions:

- the representations and warranties of Plains set forth in the merger agreement being true and correct (without regard to materiality requirements in the merger agreement) as of the closing, other than such failures to be true and correct that would not in the aggregate result in a material adverse effect, and Plains having performed all of its obligations under the merger agreement in all material respects; and

- Pacific having received an opinion of Baker Botts L.L.P. as to the treatment of the merger for U.S. federal income tax purposes and as to certain other tax matters.

Either Plains or Pacific may choose to complete the merger even though any condition to its obligation has not been satisfied if the necessary unitholder approvals have been obtained and the law allows it to do so.

No Solicitation

Pacific and Pacific's general partner have agreed that they and Pacific's subsidiaries will not, directly or indirectly, and will direct and use their reasonable best efforts to cause such parties' representatives not to, initiate or continue any discussions with any other person with respect to a business combination while the merger is pending or to engage in any of those discussions unless the failure to do so would be reasonably likely to constitute a violation of their fiduciary obligations under applicable law.

Termination of the Merger Agreement

Plains and Pacific can agree to terminate the merger agreement at any time without completing the merger, even after unitholder approvals have been obtained. In addition, either party may terminate the merger agreement on its own without completing the merger if:

- the merger is not completed by November 30, 2006 (which is referred to as the outside date), other than due to a breach of the merger agreement by the terminating party; but, if the merger is not completed by the outside date solely because regulatory approvals have not been obtained, then the outside date will automatically be extended to February 28, 2007;

- any legal prohibition to completing the merger has become final and non-appealable;

- the necessary unitholder approvals are not obtained at the respective unitholder meetings; or

- any condition to the closing of the merger cannot be satisfied.

Termination Fees

Pacific will pay Plains a fee of $40 million if:

- the merger agreement is terminated because the Pacific board or Pacific conflicts committee changes its recommendation regarding the transaction or fails to reaffirm its recommendation of the transaction, or recommends, adopts or approves (or proposes publicly to do so) any other takeover proposal;

- the Pacific conflicts committee terminates the merger agreement to accept a superior transaction; or

- a termination occurs pursuant to the outside date provision after a competing proposal to acquire Pacific has been made, and Pacific consummates another acquisition transaction pursuant to which Pacific is acquired within twelve months of such termination.

Additionally, if Pacific's unitholders vote not to approve and adopt the merger agreement and the merger, Pacific will pay Plains a fee of $10 million. If the negative vote occurs after a competing proposal to acquire Pacific has been made, Pacific will pay Plains an additional fee of $30 million if Pacific consummates another acquisition transaction pursuant to which Pacific is acquired within twelve months of the negative vote.

Plains will pay Pacific a fee of $40 million if:

- the merger agreement is terminated because the Plains board changes its recommendation regarding the transaction; or

- a termination occurs pursuant to the outside date provision after a competing proposal to acquire Plains has been made, and Plains consummates another acquisition transaction pursuant to which Plains is acquired within twelve months of such termination.

Additionally, if Plains' unitholders vote not to approve and adopt the merger agreement and the merger, Plains will pay Pacific a fee of $10 million. If the negative vote occurs after a competing proposal to acquire Plains has been made, Plains will pay Pacific an additional fee of $30 million if Plains consummates another acquisition transaction pursuant to which Plains is acquired within twelve months of the negative vote.

U.S. Federal Income Tax Consequences (page 156)

Tax matters are very complicated. The tax consequences of the merger to you will depend on your own situation. You are urged to consult your tax advisor for a full understanding of the U.S. federal, state, local and foreign tax consequences of the merger to you.

For U.S. federal income tax purposes, except with respect to cash received in lieu of fractional Plains common units and as described below with respect to a net decrease in a unitholder's share of nonrecourse liabilities, no gain or loss will be recognized by a Pacific unitholder or a Plains unitholder as a result of the merger. The merger will, however, result in the recalculation of each Plains and Pacific unitholder's share of nonrecourse liabilities. Each Plains unitholder and Pacific unitholder will be treated as receiving a deemed cash distribution equal to the excess, if any, of the unitholder's share of the nonrecourse liabilities immediately before the merger over the unitholder's share of the nonrecourse liabilities immediately following the merger. If the amount of the deemed cash distribution received by a Pacific unitholder or Plains unitholder exceeds such unitholder's basis in its partnership interest, such unitholder will recognize gain in an amount equal to such excess.

The application of the rules governing the allocation of nonrecourse liabilities in the context of the merger is complex and subject to uncertainty. While there can be no assurance, Plains and Pacific do not anticipate that there will be a material decrease in the amount of nonrecourse liabilities allocable to a Pacific unitholder or a Plains unitholder as a result of the merger.

Other Information Related to the Merger

No Appraisal Rights (page 98)

Neither Plains unitholders nor Pacific unitholders have appraisal rights under applicable law or contractual appraisal rights under their respective partnership agreements or the merger agreement.

Antitrust and Regulatory Clearance (page 98)

The merger is subject to both state and federal antitrust laws. Plains and Pacific made the required filings with the Federal Trade Commission, or FTC, and the Antitrust Division of the Department of Justice, or DOJ, relating to the merger on June 30, 2006, but they are not permitted to complete the merger until the applicable waiting periods have expired or are otherwise terminated. Plains and Pacific have made or are in the process of completing required filings with Canadian regulatory authorities, and with the Public Utilities Commission of the State of California and the Public Service Commission of the State of Wyoming, the approval of which are conditions to the merger (and in the case of Wyoming, any protest period subsequent to such approval shall have lapsed without a protest or, if a protest has been filed, such protest shall have been resolved to the reasonable satisfaction of the parties). Plains or Pacific may receive requests for information concerning the proposed merger and related transactions from the FTC or individual states.

Listing of Common Units to be Issued in the Merger (page 99)

Plains expects to obtain approval to list on the NYSE the common units to be issued pursuant to the merger agreement, which approval is a condition to the merger.

Accounting Treatment (page 99)

Plains will account for the merger using the purchase method of accounting. Under that method of accounting, the aggregate consideration that Plains pays for Pacific will be allocated to Pacific's assets and liabilities based on their fair values, with any excess being treated as goodwill. Plains currently expects to record approximately $800 million of goodwill upon completion of the merger, but that estimate is subject to change.

Comparison of the Rights of Pacific and Plains Common Unitholders (page 129)

Pacific common unitholders (other than LB Pacific) will own Plains common units following the completion of the merger, and their rights associated with the Plains common units will be governed by, in addition to Delaware law, Plains' partnership agreement, which differs in a number of respects from Pacific's partnership agreement.

Pending Litigation (page 99)

On June 15, 2006, a lawsuit was filed against Pacific and certain of the officers and directors of Pacific's general partner. The claim seeks class action status, and asserts claims of self-dealing and breach of fiduciary duty in connection with the merger and related transactions. Pacific believes that the lawsuit is without merit and intends to defend against it vigorously. There can be no assurance that additional claims may not be made or filed, the substance of which may be similar to the allegations described above or that otherwise might arise from, or in connection with, the merger agreement and the transactions it contemplates.

Summary of Risk Factors

You should consider carefully all the risk factors together with all of the other information included in this joint proxy statement/prospectus before deciding how to vote. The risks related to the merger and the related transactions, the combined company's business, Plains' common units and risks resulting from its partnership structure are described under the caption "Risk Factors" beginning on page 24 of this joint proxy statement/prospectus. Some of these risks include, but are not limited to, those described below:

- Plains may not be able to successfully integrate Pacific's operations with its operations;
- Pacific unitholders cannot be sure of the market value of the Plains common units that they will receive;
- The transactions contemplated by the merger agreement may not be consummated even if unitholder approvals for the merger are obtained;

While the merger agreement is in effect, Plains and Pacific may be limited in their ability to pursue other attractive business opportunities;

Regulatory agencies may delay approval of the merger;

Regulatory agencies may require that Plains or Pacific divest significant assets as a condition to their approval of the merger;

The closing of the merger may trigger a repurchase obligation with respect to Pacific's outstanding senior notes and will effectively require the amendment or refinancing of Pacific's credit facility;

Some of the directors and executive officers of Plains' and Pacific's general partner have interests that differ from those of Plains' and Pacific's unitholders;

No ruling has been requested or obtained with respect to the tax consequences of the merger;

The merger may result in income recognition by Pacific and Plains unitholders;

The intended tax consequences of the merger are dependent upon each of Plains and Pacific being treated as a partnership for tax purposes; and

Unitholders of the combined company will be subject to foreign, state and local taxes and return filing requirements in jurisdictions where they do not live.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL AND OPERATING INFORMATION

The following tables set forth, for the periods and at the dates indicated, summary historical financial and operating information for Plains and Pacific and summary pro forma financial information for Plains after giving effect to the proposed merger with Pacific. The summary historical income statement and balance sheet data for each of the three years in the period ended December 31, 2005 are derived from and should be read in conjunction with the audited financial statements and accompanying footnotes for such periods incorporated by reference into this joint proxy statement/prospectus. The summary historical income statement data for the three-month periods ended March 31, 2005 and 2006 and balance sheet data at March 31, 2006 are derived from and should be read in conjunction with the unaudited financial statements and accompanying footnotes for such periods incorporated by reference into this joint proxy statement/prospectus.

The summary pro forma financial statements of Plains show the pro forma effect of Plains' proposed merger with Pacific. For a complete discussion of the pro forma adjustments underlying the amounts in the table below, please read the section titled "Unaudited Pro Forma Condensed Combined Financial Statements" beginning on page F-1 of this document.

Plains' unaudited pro forma condensed statements of combined operations for the year ended December 31, 2005 and for the three months ended March 31, 2006 assume the transactions occurred on January 1, 2005. Plains' unaudited pro forma condensed combined balance sheet shows the financial effects of the transactions as if they had occurred on March 31, 2006.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL AND OPERATING INFORMATION OF PLAINS

	Plains Consolidated Historical					Plains Pro Forma	
	For the Year Ended December 31,			For the Three Months Ended March 31,		For the Year Ended December 31,	For the Three Months Ended March 31,
	2003	2004	2005	2005	2006	2005	2006
	(In millions, except per unit amounts)						
Statement of operations data:							
Total revenues(1)	$ 12,589.9	$ 20,975.5	$ 31,177.3	$ 6,638.5	$ 8,635.4	$ 31,389.0	$ 8,697.4
Purchases and related costs(1)	(12,232.5)	(20,424.6)	(30,442.5)	(6,486.2)	(8,427.4)	(30,431.3)	(8,419.4)
Field operating costs(2)	(139.9)	(219.5)	(272.5)	(63.8)	(82.3)	(375.5)	(115.2)
General and administrative expenses(2)	(73.1)	(82.7)	(103.2)	(22.1)	(31.8)	(128.6)	(38.7)
Depreciation and amortization	(46.2)	(68.7)	(83.5)	(19.1)	(21.6)	(129.4)	(33.2)
Total costs and expenses	(12,491.7)	(20,795.5)	(30,901.7)	(6,591.2)	(8,563.1)	(31,064.8)	(8,606.5)
Other, net						(0.5)	
Operating income	98.2	180.0	275.6	47.3	72.3	323.7	90.9
Equity earnings (loss) in unconsolidated affiliates			1.0		(0.2)	2.8	0.2
Interest expense	(35.2)	(46.7)	(59.4)	(14.6)	(15.3)	(124.7)	(33.8)
Interest income and other, net	(3.6)	(0.2)	0.6	0.1	0.3	1.7	0.7
Income tax expense						(1.2)	(0.3)
Income before cumulative effect of change in accounting principle(7)	$ 59.4	$ 133.1	$ 217.8	$ 32.8	$ 57.1	$ 202.3	$ 57.7
Basic net income per limited partner unit before cumulative effect of change in accounting principle	$ 1.01	$ 1.94	$ 2.77	$ 0.43	$ 0.65	$ 2.10	$ 0.55
Diluted net income per limited partner unit before cumulative effect of change in accounting principle	$ 1.00	$ 1.94	$ 2.72	0.43	0.63	$ 2.07	$ 0.54
Basic weighted average number of limited partner units outstanding	52.7	63.3	69.3	67.5	74.0	91.6	96.3
Diluted weighted average number of limited partner units outstanding	53.4	63.3	70.5	68.2	75.7	92.8	98.0
Balance sheet data (at end of period):							
Total assets	$ 2,095.6	$ 3,160.4	$ 4,120.3	$ 3,943.2	$ 4,733.7		$ 7,316.2
Total long-term debt	$ 519.0	$ 949.0	$ 951.7	$ 930.2	$ 951.5		$ 2,294.5
Total debt	$ 646.3	$ 1,124.5	$ 1,330.1	$ 1,491.2	$ 1,827.3		$ 3,170.3
Partners' capital	$ 746.7	$ 1,070.2	$ 1,330.7	$ 1,010.6	$ 1,438.7		$ 2,461.3
Other Data:							
Maintenance capital expenditures	$ 7.6	$ 11.3	$ 14.0	$ 4.0	$ 4.7		
Net cash provided by (used in) operating activities(3)	$ 115.3	$ 104.0	$ 24.1	$ (271.9)	$ (457.6)		
Net cash provided by (used in) investing activities(3)	$ (272.1)	$ (651.2)	$ (297.2)	$ (61.7)	$ (84.3)		
Net cash provided by (used in) financing activities	$ 157.2	$ 554.5	$ 270.6	$ 342.6	$ 541.5		
Distributions per limited partner unit(4)	$ 2.2125	$ 2.3525	$ 2.6500	$ 0.6375	$ 0.7075		

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL AND OPERATING INFORMATION OF PLAINS (Continued)

	Plains Consolidated Historical				
	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2003	2004	2005	2005	2006
	(Volumes in thousands of barrels per day)				
Operating Data(5):					
Pipeline segment:					
Tariff activities					
All American	59	54	51	54	44
Basin	263	265	290	277	314
Capline	N/A	123	132	160	86
Cushing to Broome	N/A	N/A	66	23	70
North Dakota/Trenton	N/A	39	77	61	82
West Texas/New Mexico Area Systems(6)	189	338	428	401	399
Canada	203	263	255	268	239
Other	110	330	426	410	489
Pipeline margin activities	78	74	74	75	91
Total	902	1,486	1,799	1,729	1,814
Gathering, marketing, terminalling and storage segment:					
Crude oil lease gathering	437	589	610	622	615
LPG sales	38	48	56	84	84

(1) Includes buy/sell transactions. See Note 2 to Plains' Consolidated Financial Statements in Plains' Annual Report on Form 10-K for the year ended December 31, 2005 incorporated by reference herein. Also, see footnote 7 below.

(2) Includes compensation expense related to Plains' 1998 Long-Term Incentive Plan and Plains' 2005 Long-Term Incentive Plan. See Item 11, "Executive Compensation Long-Term Incentive Plans" in Plains' Annual Report on Form 10-K for the year ended December 31, 2005 incorporated by reference herein.

(3) In conjunction with the change in accounting principle Plains adopted as of January 1, 2004, Plains has reclassified cash flows for 2003 and prior years associated with purchases and sales of linefill on assets that Plains owns as cash flows from investing activities instead of the historical classification as cash flows from operating activities.

(4) Distributions represent those declared with respect to the period and paid in the following period. Plains' general partner is entitled to receive 2% proportional distributions and also incentive distributions if the amount Plains distributes with respect to any quarter exceeds levels specified in Plains' partnership agreement. See Note 5 to Plains' Consolidated Financial Statements in Plains' Annual Report on Form 10-K for the year ended December 31, 2005 incorporated by reference herein.

(5) Volumes associated with acquisitions represent total volumes transported for the number of days Plains actually owned the assets divided by the number of days in the period.

(6) The aggregate of multiple systems in the West Texas/New Mexico area.

(7) The Plains pro forma income before cumulative effect of change in accounting principle for the year ended December 31, 2005 includes, as required, the following pro forma adjustments related to the acquisition of the Valero assets that Pacific acquired effective September 30, 2005: (i) depreciation expense for the entire year of approximately $11 million associated with Plains' estimated purchase price allocated to the Valero assets; and (ii) interest expense of approximately $11 million for the entire year on the $175 million of 6 $^{1}/_{4}$% senior notes issued to fund the asset acquisition. However, since

the Valero transaction was an asset acquisition, the Plains pro forma income before cumulative effect of change in accounting principle for the year ended December 31, 2005 does not include revenues and related operating expenses for the period prior to the asset acquisition by Pacific. In addition, the Plains pro forma income before cumulative effect of change in accounting principle for the year ended December 31, 2005 and the three months ended March 31, 2006 does not include any synergies that Plains expects to achieve as a result of the merger with Pacific. For further discussion of potential business combination synergies, see the section captioned "The Merger Additional Financial Considerations of the Parties."

SUMMARY HISTORICAL FINANCIAL AND OPERATING INFORMATION OF PACIFIC

Certain prior year balances in the accompanying condensed consolidated financial statements have been reclassified to conform to current year presentation.

	Pacific Consolidated Historical				
	Year Ended December 31,			Three Months Ended March 31,	
	2003	2004	2005	2005	2006
	(In millions, except per unit amounts)				
Consolidated Statements of Income:					
Revenue:					
Pipeline transportation(1)	$ 101.8	$ 108.4	$ 116.6	$ 28.0	$ 33.9
Storage and terminalling(2)	12.7	37.6	52.0	10.3	20.1
Pipeline buy/sell transportation(3)		18.6	35.7	9.1	9.7
Crude oil sales, net of purchases(4)	21.3	16.8	20.0	1.8	6.8
Total revenue before expenses	135.8	181.4	224.3	49.2	70.5
Expenses:					
Operating	61.0	85.3	104.4	21.8	33.4
General and administrative	13.7	15.4	18.5	5.2	6.9
Accelerated long-term incentive plan compensation expense(5)			3.1	3.1	
Line 63 oil release costs(6)			2.0	2.0	
Transaction costs(7)			1.8	1.8	
Depreciation and amortization	18.9	24.2	29.4	6.5	10.0
Total expenses	93.6	124.9	159.2	40.4	50.3
Share of net income (loss) of Frontier	(0.2)	1.3	1.8	0.4	0.4
Write-down of idle property(8)		(0.8)	(0.5)		
Operating income	42.0	57.0	66.4	9.2	20.6
Interest and other income	0.5	1.0	1.1	0.4	0.4
Write-off of deferred financing cost and interest rate swap termination expense		(2.9)			
Interest expense	(17.5)	(19.2)	(26.7)	(5.6)	(9.1)
Income before income taxes	25.0	35.9	40.8	4.0	11.9
Income tax (expense) benefit:					
Current		(0.2)	(1.3)	(0.7)	(0.4)
Deferred			0.1	0.1	0.1
		(0.2)	(1.2)	(0.6)	(0.3)
Net income	$ 25.0	$ 35.7	$ 39.6	$ 3.4	$ 11.6
Basic net income per limited partner unit	$ 1.10	$ 1.23	$ 1.25	$ 0.17	$ 0.30
Diluted net income per limited partner unit	$ 1.09	$ 1.23	$ 1.25	$ 0.17	$ 0.30
Weighted average limited partner units outstanding:					
Basic	22.3	28.4	32.4	29.7	39.3

	Pacific Consolidated Historical				
Diluted	22.5	28.5	32.4	29.7	39.3
Other Financial Data:					
Net cash provided by operating activities	$ 42.7	$ 57.2	$ 76.1	$ 15.9	$ 6.0
Net cash used in investing activities	$ (180.3)	$ (156.0)	$ (512.8)	$ (4.3)	$ (26.4)
Net cash provided by (used in) financing activities	$ 123.4	$ 112.4	$ 431.3	$ (13.0)	$ 14.3
Capital expenditures:					
Sustaining	$ 2.1	$ 1.9	$ 6.1	$ 0.2	$ 0.8
Transition	0.4	1.9	11.4	2.3	3.2
Expansion	8.4	12.7	34.2	1.9	20.2
Total capital expenditures	$ 10.9	$ 16.5	$ 51.7	$ 4.4	$ 24.2

Balance Sheet Data (at period end):										
Property and equipment, net	$	568.0	$	718.6	$	1,185.5	$	715.6	$	1,205.6
Total assets	$	650.2	$	869.9	$	1,476.5	$	920.1	$	1,506.3
Total debt, including current portion	$	298.0	$	357.2	$	565.6	$	356.4	$	601.0
Net partners' capital	$	295.1	$	422.5	$	698.2	$	413.0	$	688.2
Limited partner units outstanding	$	24.9	$	29.6	$	39.3	$	29.7	$	39.3
Operating Data (volumes in thousands of barrels per day):										
West Coast Business Unit:										
Pipeline throughput(9)		151.0		141.2		119.6		138.5		118.6
Rocky Mountain Business Unit throughput(9):										
Rangeland system(3):										
Sundre North				21.0		21.0		21.4		24.7
Sundre South				48.1		47.1		48.2		40.7
Western Corridor system		16.7		20.2		24.7		22.5		24.4
Salt Lake City Core system		107.5		115.1		119.6		108.7		123.8
Rocky Mountain Products Pipeline(1)						60.2				61.5
Frontier pipeline(10)		41.7		47.4		47.3		38.3		48.2

(1) Includes Pacific's ownership of the Rocky Mountain Products Pipeline acquired on September 30, 2005.

(2) Includes Pacific's ownership of the Pacific Terminals storage and distribution system from July 31, 2003 and its ownership of Pacific Atlantic Terminals from September 30, 2005.

(3) Includes Pacific's ownership of the Rangeland system, which Pacific acquired on May 11, 2004 and June 30, 2004.

(4) The above amounts are net of purchases of $358.5 million, $402.3 million, and $623.1 million for the years ended 2003, 2004 and 2005, respectively and $114.4 million and $256.3 million for the three months ended March 31, 2005 and 2006, respectively.

(5) In March 2005, in connection with the change in control of Pacific's general partner, all restricted units outstanding under Pacific's long-term incentive plan immediately vested. As a result, Pacific recognized $3.1 million in compensation expense in the first quarter of 2005. Accelerated long-term incentive plan compensation expense includes $0.6 million of operating expense and $2.5 million of general and administrative expense.

(6) As a result of the March 23, 2005 release of crude oil from Pacific's Line 63, Pacific recorded $2.0 million of net oil release costs in the first quarter of 2005, consisting of what Pacific estimated to be $25.7 million of accrued costs relating to the release, net of insurance recovery of $15.6 million and accrued insurance receipts of $8.1 million as of March 31, 2006.

(7) Pursuant to an ancillary agreement, Pacific's general partner reimbursed it $2.4 million for costs incurred in connection with a consent solicitation prepared and delivered to the holders of Pacific's $7^1/_8$% senior notes to approve certain amendments to the governing indenture and for severance and other costs incurred in connection with the sale of Pacific's general partner. In accordance with generally accepted accounting principles, Pacific recorded $0.6 million as capitalized deferred financing costs and $1.8 million as an expense, both in the first quarter of 2005. The reimbursements were recorded as a general partner's capital contribution.

(8) These amounts represent write-downs to fair market value of idle Pacific Terminals property that has been or is expected to be sold.

(9) Throughput is the total number of barrels per day transported on a pipeline system. Pacific recognizes throughput at the time a barrel of crude oil is delivered to its ultimate delivery point. Throughput is presented in thousands of barrels per day.

(10) Represents 100% of the throughput on the Frontier pipeline.

COMPARATIVE PER UNIT INFORMATION

The following table presents: (1) historical per unit information for Plains; (2) pro forma per unit information of the combined company after giving effect to the merger and the transactions related to the merger; and (3) historical and equivalent pro forma per unit information for Pacific.

The combined company pro forma per unit information was derived by combining information from the historical consolidated financial statements of Plains and Pacific using the purchase method of accounting for the merger. You should read this table together with the historical consolidated financial statements of Plains and Pacific that are filed with the Securities and Exchange Commission and incorporated by reference into this joint proxy statement/prospectus. Please read the "Where You Can Find More Information" section of this document. You should not rely on the pro forma per unit information as being necessarily indicative of actual results had the merger occurred on January 1, 2005 or March 31, 2006.

	Year Ended December 31, 2005			
	Plains		Pacific	
	Historical	Combined Company Pro Forma(1)	Historical	Equivalent Pro Forma(2)
Net income per limited partner unit before cumulative effect of change in accounting principle:				
Basic	$ 2.77	$ 2.10	$ 1.25	$ 1.62
Diluted	$ 2.72	$ 2.07	$ 1.25	$ 1.59
Cash distributions per unit(3)	$ 2.6500	N/A	$ 2.0925	N/A
Book value per common unit	$ 17.54	N/A	$ 20.90	N/A
	Three Months Ended March 31, 2006			
	Plains		Pacific	
	Historical	Combined Company Pro Forma(1)	Historical	Equivalent Pro Forma(2)
Net income per limited partner unit before cumulative effect of change in accounting principle:				
Basic	$ 0.65	$ 0.55	$ 0.30	$ 0.42
Diluted	$ 0.63	$ 0.54	$ 0.30	$ 0.42
Cash distributions per unit(3)	$ 0.7075	N/A	$ 0.5675	N/A
Book value per common unit	$ 18.40	$ 24.41	$ 20.65	$ 18.80

(1) The combined company's pro forma information includes the effect of the merger on the basis described in the notes to the Unaudited Pro Forma Condensed Combined Financial Statements included elsewhere in this joint proxy statement/prospectus.

(2) Pacific's equivalent pro forma earnings and book value amounts have been calculated by multiplying the combined company's related pro forma per unit amounts by the 0.77 exchange ratio.

(3) Represents cash distributions per common unit declared with respect to the period and paid in the following period.

MARKET PRICES AND DISTRIBUTION INFORMATION

Plains common units are traded on the NYSE under the symbol "PAA," and Pacific common units are traded on the NYSE under the symbol "PPX." The following table sets forth, for the periods indicated, the range of high and low sales prices per unit for Plains common units and Pacific common units, on the NYSE composite tape, as well as information concerning quarterly cash distributions paid on those units. The sales prices are as reported in published financial sources.

	Plains Common Units			Pacific Common Units		
	High	Low	Distributions(1)	High	Low	Distributions(1)
2004						
First Quarter	$ 35.23	$ 31.18	$ 0.5625	$ 30.39	$ 27.10	$ 0.4875
Second Quarter	$ 36.13	$ 27.25	$ 0.5775	$ 28.55	$ 21.96	$ 0.4875
Third Quarter	$ 35.98	$ 31.63	$ 0.6000	$ 28.64	$ 25.89	$ 0.4875
Fourth Quarter	$ 37.99	$ 34.51	$ 0.6125	$ 29.47	$ 26.48	$ 0.5000
2005						
First Quarter	$ 40.98	$ 36.50	$ 0.6375	$ 33.65	$ 28.00	$ 0.5125
Second Quarter	$ 45.08	$ 38.00	$ 0.6500	$ 32.40	$ 29.10	$ 0.5125
Third Quarter	$ 48.20	$ 42.01	$ 0.6750	$ 35.69	$ 31.07	$ 0.5125
Fourth Quarter	$ 42.82	$ 38.51	$ 0.6875	$ 32.00	$ 28.10	$ 0.5550
2006						
First Quarter	$ 47.00	$ 39.81	$ 0.7075	$ 32.10	$ 29.50	$ 0.5675
Second Quarter	$ 48.92	$ 42.81	$ (2)	$ 35.06	$ 29.80	$ (2)
Third Quarter (through July 7, 2006)	$ 44.18	$ 43.21	$ (2)	$ 33.23	$ 32.46	$ (2)

(1) Represents cash distributions per common unit declared with respect to the quarter and paid in the following quarter.

(2) Cash distributions in respect of quarters subsequent to the first quarter of 2006 have not been declared or paid.

As of the record date for the special meeting, Plains had outstanding common units, beneficially held by approximately holders. Plains' partnership agreement requires it to distribute all of its "available cash," as defined in its partnership agreement, within 45 days after the end of each quarter. The payment of quarterly cash distributions by Plains in the future, therefore, will depend on the amount of "available cash" on hand at the end of each quarter.

As of the record date for the special meeting, Pacific had outstanding common units, beneficially held by approximately holders, and subordinated units, all held by LB Pacific. Pacific's partnership agreement requires it to distribute all of its "available cash," as defined in its partnership agreement, within 45 days after the end of each quarter, less reserves established by its general partner. If the merger is not completed, the payment of quarterly cash distributions by Pacific in the future will depend on the amount of "available cash" on hand at the end of each quarter.

Plains' management intends to recommend that the Plains board increase Plains' quarterly distribution from the current $0.7075 per unit to $0.80 per unit following the closing of the merger. Plains' general partner, in support of the transaction, has agreed to reduce the incentive distributions otherwise payable to it by $65 million in the aggregate over five four-quarter periods following the merger, beginning on the earlier to occur of (i) the first quarterly distribution declared and paid after the closing of the merger that equals or exceeds $0.80 per unit or (ii) the second quarterly distribution declared and paid after the closing of the merger. The reduction will be equal to $20 million in the aggregate for the first four quarters after and including the initial date, $15 million in the aggregate for the second four quarters, $15 million in the aggregate for the third four quarters, $10 million in the aggregate for the fourth four quarters, and $5 million in the aggregate for the fifth four quarters. For a description of the distribution provisions of Plains' partnership agreement, please read "Comparison of the Rights of Plains and Pacific Common Unitholders."

RISK FACTORS

You should consider carefully the following risk factors, together with all of the other information included in, or incorporated by reference into, this joint proxy statement/prospectus before deciding how to vote. This document also contains forward-looking statements that involve risks and uncertainties. Please read "Information Regarding Forward-Looking Statements."

Risks Related to the Merger and the Related Transactions

Plains may not be able to timely and successfully integrate Pacific's operations with its operations, and thus may fail to realize all of the anticipated benefits of the transaction.

Integration of the two previously independent companies will be a complex, time consuming and costly process. Failure to timely and successfully integrate these companies may have a material adverse effect on the combined company's business, financial condition and results of operations. The difficulties of combining the companies will present challenges to the combined company's management, including:

- combining companies with diverse backgrounds and organizational cultures;
- experiencing operational interruptions or the loss of key employees, customers or suppliers;
- operating a significantly larger combined company with operations in geographic areas and business lines in which Plains has not previously operated; and
- consolidating corporate and administrative functions.

The combined company will also be exposed to other risks that are commonly associated with transactions similar to the merger, such as unanticipated liabilities and costs, some of which may be material, and diversion of management's attention. As a result, the anticipated benefits of the merger, including anticipated synergies, may not be fully realized, if at all.

At the effective time of the merger, the market value of the consideration to Pacific unitholders will be determined by the price of Plains common units, which market value will decrease if the market value of Plains common units decreases, and Pacific unitholders cannot be sure of the market value of Plains common units that will be issued.

At the effective time of the merger, the market value of the consideration that Pacific unitholders will receive in the merger will depend on the trading price of Plains common units. The 0.77 exchange ratio that determines the number of Plains common units that Pacific unitholders will receive in the merger is fixed. This means that there is no "price protection" mechanism contained in the merger agreement that would adjust the number of Plains common units that Pacific unitholders will receive based on any decreases in the trading price of Plains common units. Because the parties will be required to obtain certain federal and state regulatory approvals in order to consummate the merger, the period of time between the date of the Pacific special meeting and the closing date could be substantial, thereby increasing the risk that the value of Plains common units could decrease. If Plains' common unit price decreases, the market value of the consideration received by Pacific common unitholders will also decrease. Consider the following example:

Example: Based on the closing trading price of Plains common units on July 5, 2006 of $43.43 per unit, and based on the fixed 0.77 exchange ratio, the market value of the consideration to be received by Pacific's common unitholders would be $33.44 per unit, or $43.43 multiplied by 0.77. If the trading price for Plains' common units decreased 10% from $43.43 to $39.09 per unit, then, based on the 0.77 fixed exchange ratio, the market value of the consideration to be received by Pacific's common unitholders would decrease from $33.44 to $30.10 per unit, or $39.09 multiplied by 0.77.

For historical and current market prices of Plains common units and Pacific common units, please read the "Market Prices and Distribution Information" section of this joint proxy statement/prospectus.

The transactions contemplated by the merger agreement may not be consummated even if unitholder approvals for the merger are obtained.

The merger agreement contains conditions that, if not satisfied or waived, would result in the merger not occurring, even though Plains' unitholders and Pacific's unitholders may have voted in favor of the merger agreement and related matters. In addition, Pacific and Plains can agree not to consummate the merger even if all unitholder approvals have been received. The closing conditions to the merger may not be satisfied, and any unsatisfied conditions may not be waived, which may cause the merger not to occur.

While the merger agreement is in effect, Pacific may lose opportunities to enter into different business combination transactions with other parties on more favorable terms, and both Plains and Pacific may be limited in their ability to pursue other attractive business opportunities.

While the merger agreement is in effect, Pacific is prohibited from entering into or soliciting, initiating or encouraging any inquiries or proposals that may lead to a proposal to acquire Pacific, or offer to enter into certain transactions such as a merger, sale of assets or other business combination, with any other person, subject to fiduciary obligations under applicable law. As a result of these provisions in the merger agreement, Pacific may lose opportunities to enter into more favorable transactions.

Moreover, the merger agreement provides for the payment of up to $40 million in termination fees under specified circumstances, which fees are intended to provide a financial incentive for each of Plains and Pacific to seek to complete the proposed merger rather than to explore alternative transactions that potentially could be more favorable to its unitholders. For a detailed discussion of these termination fees, please read "The Merger Agreement Termination Fees and Expenses."

Both Plains and Pacific have also agreed to refrain from taking certain actions with respect to their businesses and financial affairs pending completion of the merger or termination of the merger agreement. These restrictions and the no-solicitation provisions (described in more detail in "The Merger Agreement") could be in effect for an extended period of time if completion of the merger is delayed.

In addition to the economic costs associated with pursuing a merger, each of Plains' and Pacific's management is devoting substantial time and other human resources to the proposed transaction and related matters, which could limit Plains' and Pacific's ability to pursue other attractive business opportunities, including potential joint ventures, stand-alone projects and other transactions. If either Plains or Pacific is unable to pursue such other attractive business opportunities, then its growth prospects and the long-term strategic position of its business and the combined business could be adversely affected.

Regulatory agencies may delay approval of the merger, which may diminish the anticipated benefits of the merger.

Completion of the merger is conditioned upon the receipt of required governmental consents, approvals, orders and authorizations. Although Plains and Pacific intend to pursue vigorously all required governmental approvals, the requirement to receive these approvals before the merger could delay the completion of the merger, possibly for a significant period of time after Plains' and Pacific's unitholders have approved the merger. Any delay in the completion of the merger could diminish anticipated benefits of the merger or result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the transaction. Any uncertainty over the ability of the partnerships to complete the merger could make it more difficult for them to retain key employees or to pursue business strategies. In addition, until the merger is completed, the attention of management may be diverted from ongoing business concerns and regular business responsibilities to the extent management is focused on matters relating to the transaction, such as obtaining regulatory approvals.

Regulatory agencies may require that Plains and Pacific divest significant assets as a condition to their approval of the merger.

Plains and Pacific cannot complete the merger until the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 has expired or is otherwise terminated. As a prerequisite to obtaining clearance of the proposed merger (or to avoid an injunction), the combined company (or either or both of Plains and Pacific) may be required to divest certain assets. Pursuant to the merger agreement, Pacific is required to agree to divest any assets required by an antitrust regulator to the extent such divestitures are recommended by Plains, and Plains is required to agree to divest any Pacific assets to the extent such divestitures would not result in a material adverse effect on the business being acquired by Plains. Notwithstanding the provisions of the merger agreement, Plains and Pacific may nonetheless elect to comply with divestiture requirements of an antitrust regulator to consummate the merger.

Divestitures of assets can be time consuming and may delay completion of the proposed merger. Because there may be a limited number of potential buyers for the assets subject to divestiture and because potential buyers will likely be aware of the circumstances of the sale, these assets could be sold at prices lower than their fair market values or the prices Plains or Pacific paid for these assets. Asset divestitures could also significantly reduce the value of the combined company, eliminate potential cost savings opportunities or lessen the anticipated benefits of the merger.

In addition, under section 704(c) of the Code, all or a portion of any gain recognized following the merger as a result of divestitures of Pacific assets may be required to be allocated to the pre-merger Pacific unitholders and all or a portion of any gain recognized following the merger as a result of divestitures of Plains assets may be required to be allocated to the pre-merger Plains unitholders. No special distributions will be made to the unitholders with respect to any tax liability resulting from such allocations.

The completion of the merger will effectively require the amendment or refinancing of Pacific's credit facility.

The completion of the merger will result in an event of default under Pacific's credit facility. To avoid a default, the credit facility must be amended or refinanced at or before the completion of the merger. Plains currently intends to refinance this credit facility in connection with the completion of the merger. If Pacific's credit facility is not amended or refinanced prior to the completion of the merger, the resulting default could have a material adverse effect on the combined company.

The closing of the merger may trigger a repurchase obligation with respect to Pacific's outstanding senior notes.

The closing of the merger will constitute a "change of control" under Pacific's indentures for its senior notes. If the change of control results in a ratings downgrade of the Pacific senior notes by either Moody's Investors Service or Standard & Poor's within 90 days after the change of control has occurred, the combined company will be obligated to offer to repurchase each holder's senior notes at 101% of their aggregate principal amount, plus accrued interest. Pacific has $425 million aggregate principal amount of senior notes outstanding.

If the combined company makes an offer to repurchase the notes, it is possible that holders of a large amount of Pacific's notes may exercise their repurchase right, in which case the combined company would be required to raise significant capital in the short term to fulfill the repurchase obligations. If the combined company were for any reason unable to satisfy the repurchase obligations, it would result in an event of default under Pacific's indentures, which could have a material adverse effect on the combined company.

Some of the directors and executive officers of Plains' and Pacific's general partners have interests that differ in several respects from Plains' and Pacific's unitholders.

In considering the recommendation of the board of directors of each of Plains' and Pacific's general partner to approve the merger agreement and the merger, you should consider that some of the directors and executive officers of Plains' and Pacific's general partners have interests that differ from, or are in addition to, their interests as Plains and Pacific unitholders generally. These interests include:

- severance amounts that accrue to certain of Pacific's executive officers in the event of termination of employment or those officers' resignations as a result of certain changes in the terms of their employment;
- accelerated vesting of Pacific's equity incentive awards;
- ownership by Pacific's executive officers of equity interests in LB Pacific, which will vest on consummation of the merger;
- ownership by certain of Plains' executive officers and directors of Pacific's common units;
- certain members of the Pacific board being officers and members of the board of directors of LB Pacific's general partner; and
- indirect ownership by certain of Plains' executive officers and directors of Plains' general partner.

In addition, the owners of Pacific's general partner have interests that differ from owners of Pacific's limited partner interests and the owners of Plains' general partner have interests that differ from the owners of Plains' limited partner interests. The owners of Pacific's general partner will receive cash in the transaction, a portion of which will be distributed to certain members of the Pacific board. For a detailed discussion of the interests of the directors and executive officers of Plains' and Pacific's general partners, please read "The Merger Interests of Certain Persons in the Merger."

Risks Related to the Combined Company's Business

The combined company's future financial and operating flexibility may be adversely affected by restrictions in its debt agreements and by its leverage.

Following the completion of the merger, the combined company will have a substantially increased level of consolidated debt. On a pro forma basis and excluding any debt incurred in connection with acquisitions after March 31, 2006, the combined company's consolidated long-term debt as of March 31, 2006 is estimated to be approximately $2.3 billion immediately following the completion of the merger. Among other things, this increased leverage may be viewed negatively by credit rating agencies. Pacific's indentures for its senior notes contain non-investment grade, or high-yield, financial covenants and other restrictions. These indentures restrict, among other things, Pacific's ability to pay distributions, incur debt, sell assets, enter into affiliate transactions or create liens on its assets. In the event that the combined company maintains Plains' current investment grade credit ratings, the high-yield covenants contained in Pacific's senior note indentures will fall away, effectively resulting in indentures with investment grade covenants. In the event that the combined company does not maintain Plains' investment grade credit ratings following the merger, the combined company will be subject to the high-yield covenants currently contained in Pacific's senior note indentures. Accordingly, the combined company would be required to comply with these restrictive covenants on an enterprise-wide basis and could be subject to increased capital costs.

Debt service obligations, restrictive covenants in its revolving credit facility and the indentures governing its outstanding senior notes and maturities resulting from this leverage may adversely affect the combined company's ability to finance future operations, pursue acquisitions and fund other capital needs and the combined company's ability to pay cash distributions to unitholders, and may make the combined company's results of operations more susceptible to adverse economic or operating conditions. During an event of default under any of its debt agreements, the combined company would be prohibited from making cash distributions to its unitholders.

The combined company's trading policies cannot eliminate all price risks. In addition, any non-compliance with the combined company's trading policies could result in significant financial losses.

Generally, it will be the combined company's policy that it establish a margin for crude oil purchased by selling crude oil for physical delivery to third party users, such as independent refiners or major oil companies, or by entering into a future delivery obligation under futures contracts on the NYMEX, the Intercontinental Exchange and over-the-counter. Through these transactions, the combined company will seek to maintain a position that is substantially balanced between purchases, on the one hand, and sales or future delivery obligations, on the other hand. Plains expects that the combined company's policy generally will be not to acquire and hold crude oil, futures contracts or derivative products for the purpose of speculating on price changes. These policies and practices cannot, however, eliminate all price risks. For example, any event that disrupts the combined company's anticipated physical supply of crude oil could expose it to risk of loss resulting from price changes. The combined company will also be exposed to basis risk when crude oil is purchased against one pricing index and sold against a different index. Moreover, the combined company will be exposed to some risks that are not hedged, including price risks on certain of its inventory, such as pipeline linefill, which must be maintained in order to transport crude oil on its pipelines. In addition, the combined company will engage in a controlled trading program for up to an aggregate of 500,000 barrels of crude oil. Although this activity will be monitored independently by the combined company's risk management function, it exposes the combined company to price risks within predefined limits and authorizations.

In addition, the combined company's trading operations may involve the risk of non-compliance with its trading policies. For example, Plains discovered in November 1999 that its trading policy was violated by one of its former employees, which resulted in aggregate losses of approximately $181.0 million. Plains has taken steps within its organization to enhance its processes and procedures to detect unauthorized trading. There is no assurance, however, that these steps will detect and prevent all violations of the combined company's trading policies and procedures, particularly if deception or other intentional misconduct is involved.

The nature of the combined company's business and assets will expose it to significant compliance costs and liabilities.

The combined company's operations involving the storage, treatment, processing, and transportation of liquid hydrocarbons will be subject to stringent federal, state, and local laws and regulations governing the discharge of materials into the environment. The combined company's segment operations also will be subject to laws and regulations relating to protection of the environment, operational safety and related matters. Compliance with all of these laws and regulations will increase the combined company's overall cost of doing business, including its capital costs to construct, maintain and upgrade equipment and facilities. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, and criminal penalties, the imposition of investigatory and remedial liabilities, the issuance of injunctions that may restrict, inhibit or prohibit the combined company's operations, or claims of damages to property or persons.

Pro forma for the merger, the combined company would own more than three times the miles of pipeline Plains owned three years ago. As Plains has expanded its pipeline assets, it has experienced a corresponding increase in the number of releases of crude oil to the environment. The combined company will be exposed to potentially substantial expense, including clean-up and remediation costs, fines and penalties, and third party claims for personal injury or property damage related to past or future releases. Some of these expenses could increase by amounts disproportionately higher than the relative increase in pipeline mileage and the increase in revenues associated therewith. The incurrence of such expenses not covered by insurance, indemnity or reserves could materially adversely affect the combined company's results of operations.

Plains and Pacific each currently spend substantial amounts to comply with DOT-mandated pipeline integrity rules. The U.S. Department of Transportation ("DOT") is currently in the process of expanding the scope of its pipeline regulation to include the establishment of additional pipeline integrity management programs for certain gathering pipeline systems that are not currently subject to regulation. Neither Plains nor Pacific currently knows what, if any, impact this will have on the combined company's operating expenses.

During 2006, Plains is expanding an internal review process started in 2004 in which it is reviewing various aspects of its pipeline and gathering systems that are not subject to the DOT pipeline integrity management rules. The purpose of this process is to review the surrounding environment, condition and operating history of these pipeline and gathering assets to determine if such assets warrant additional investment or replacement. Accordingly, the combined company could be required (as a result of additional DOT regulation), or it may elect (as a result of its own internal initiatives), to spend substantial sums to ensure the integrity of and upgrade its pipeline systems to maintain environmental compliance, and in some cases, the combined company may take pipelines out of service if it believes the cost of upgrades will exceed the value of the pipelines. Neither Plains nor Pacific can provide any assurance as to the ultimate amount or timing of future pipeline integrity expenditures for environmental compliance.

Loss of credit rating or the ability to receive open credit could negatively affect the combined company's ability to capitalize on a volatile market.

Plains and Pacific believe that, because of the combined company's strategic asset base and complementary business models, the combined company will continue to benefit from swings in market prices and shifts in market structure during periods of volatility in the crude oil market. The combined company's ability to capture that benefit, however, will be subject to numerous risks and uncertainties, including its maintaining an attractive credit rating and continuing to receive open credit from its suppliers and trade counter-parties.

A significant portion of the combined company's segment profit will be dependent upon an adequate supply of crude oil from fields located offshore and onshore in California. Production from these fields has experienced substantial production declines.

A significant portion of the combined company's segment profit will be derived from pipeline transportation margins associated with the Santa Ynez and Point Arguello fields located offshore California and the onshore fields in the San Joaquin Valley. Plains expects that there will continue to be natural production declines from each of these fields as the underlying reservoirs are depleted. Plains estimates that a 5,000 barrel per day decline in volumes shipped from the outer continental shelf fields would result in a decrease in annual pipeline segment profit of the combined company of approximately $6.1 million ($3.6 million from Plains' operations and $2.5 million from Pacific's operations). A similar decline in volumes shipped from the San Joaquin Valley would result in an estimated $3.2 million decrease in annual pipeline segment profit of the combined company, the majority of which would be related to the Pacific business. In addition to natural production declines, any significant production disruption from the outer continental shelf fields and the San Joaquin Valley due to production problems, transportation problems or other reasons could also have a similar effect on the combined company's business.

The profitability of the combined company's pipeline transportation and gathering, marketing, terminalling and storage operations will depend on the volume of crude oil shipped, purchased and gathered.

Third party shippers generally do not have long-term contractual commitments to ship crude oil on Plains' or Pacific's pipelines. A decision by a shipper to substantially reduce or cease to ship volumes of crude oil on the combined company's pipelines could cause a significant decline in its revenues. For example, Plains estimates that an average 20,000 barrel per day variance in the Basin Pipeline System within the current operating window, equivalent to an approximate 7% volume variance on that system, would change annualized segment profit by approximately $1.4 million. In addition, Plains estimates that an average 10,000 barrel per day variance on the Capline Pipeline System, equivalent to an approximate 7% volume variance on that system, would change annualized segment profit by approximately $1.3 million.

To maintain the volumes of crude oil the combined company purchases in connection with its gathering, marketing, terminalling and storage operations, the combined company will need to continue to contract for new supplies of domestic crude oil or increase its foreign activities in order to offset volumes lost because of natural declines in domestic crude oil production from depleting wells or volumes lost to competitors. Replacement of lost volumes of crude oil is particularly difficult in an environment where production is low and competition to gather available production is intense. Generally, because producers experience inconveniences in switching crude oil purchasers, such as delays in receipt of proceeds while awaiting the preparation of new division orders, producers typically do not change purchasers on the basis of minor variations in price. Thus, the combined company may experience difficulty acquiring crude oil at the wellhead in areas where relationships already exist between producers and other gatherers and purchasers of crude oil. Plains estimates that a 15,000 barrel per day decrease in barrels gathered by the combined company would have an approximate $4.4 million per year negative impact on segment profit. This impact assumes a reasonable margin throughout various market conditions. Actual margins vary based on the location of the crude oil, the strength or weakness of the market and the grade or quality of crude oil. Plains estimates that a $0.01 variance in the average segment profit per barrel would have an approximate $2.6 million annual effect on segment profit.

Fluctuations in demand could negatively affect the combined company's operating results.

Demand for crude oil is dependent upon the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, governmental regulation or technological advances in fuel economy and energy generation devices, all of which could reduce demand. Demand also depends on the ability and willingness of shippers having access to the combined company's transportation assets to satisfy their demand by deliveries through those assets.

Fluctuations in demand for crude oil, such as those caused by refinery downtime or shutdown, could have a negative effect on the combined company's operating results. Specifically, reduced demand in an area serviced by the combined company's transmission systems will negatively affect the throughput on such systems. Although the negative impact may be mitigated or overcome by the combined company's ability to capture differentials created by demand fluctuations, this ability is dependent on location and grade of crude oil, and thus is unpredictable.

The combined company's pipeline systems will be dependent upon its interconnections with other crude oil pipelines to reach end markets.

In many cases, the crude oil carried on the combined company's pipeline system will need to be routed onto third party pipelines to reach the refinery or other end market. Reduced throughput on these interconnecting pipelines as a result of testing, line repair, reduced operating pressures or other causes could result in reduced throughput on the combined company's pipeline systems that would adversely affect its profitability.

The combined company will face competition in its pipeline and gathering, marketing, terminalling and storage activities.

The combined company's competitors will include other crude oil pipelines, the major integrated oil companies, their marketing affiliates, and independent gatherers, brokers and marketers and local distribution companies of widely varying sizes, financial resources and experience. Some of these competitors have capital resources many times greater than those of the combined company and control greater supplies of crude oil.

The combined company may not be able to fully capitalize upon planned growth projects.

The combined company will have a number of significant organic growth projects that require the expenditure of significant amounts of capital, including Pacific's Pier 400 project, Salt Lake City expansion and Cheyenne pipeline projects, and Plains' Pine Prairie joint venture and St. James terminal projects. Many of these projects involve numerous regulatory, environmental, weather-related, political and legal uncertainties that will be beyond the control of the combined company. As these projects are undertaken, required approvals may not be obtained, may be delayed or may be obtained with conditions that materially alter the expected return associated with the underlying projects. These projects may require significant outlays of capital. Moreover, revenues associated with these organic growth projects will not increase immediately upon the expenditures of funds with respect to a particular project and these projects may be completed behind schedule or over budgeted cost. Because of continuing increased demand for materials, equipment and services, there could be shortages and cost increases associated with construction projects. The combined company may construct pipelines, facilities or other assets in anticipation of market demand that dissipates or market growth that never materializes. As a result of these uncertainties, the anticipated benefits associated with the combined company's capital projects may not be achieved.

Plains has limited history in developing or operating natural gas storage facilities, and there are other risks associated with developing this business.

Plains entered into the natural gas storage business in September 2005 in connection with PAA/Vulcan's acquisition of Energy Center Investments LLC. Although many aspects of the natural gas storage industry are similar in many respects to Plains' crude oil gathering, marketing, terminalling and storage operations, Plains' current management has little experience in developing and operating natural gas storage facilities. There are significant risks and costs inherent in Plains' efforts to engage in natural gas storage operations, including the risk that the new line of business may not be profitable and that the combined company might not be able to operate the natural gas storage business or implement its operating policies and strategies successfully.

Plains' natural gas storage operations are conducted through PAA/Vulcan, a 50% joint venture. The board of directors of PAA/Vulcan, which includes an equal number of representatives from Plains and Vulcan Gas Storage, is responsible for providing strategic direction and policy making, and Plains is responsible for the day-to-day operations. As with any such joint venture arrangements, differences in views among the joint venture participants may result in delayed decisions or in failures to agree on major matters, potentially adversely affecting the business and operations of the joint ventures and in turn Plains' business and operations.

The devotion of capital, management time and other resources to natural gas storage operations could adversely affect the combined company's existing business. Entering into the natural gas storage industry may require substantial changes, including acquisition costs, capital development expenditures, and adding management and employees who possess the skills needed to operate a natural gas storage business. For example, Pine Prairie is currently under development and there is no guarantee that it will be fully developed in the expected time frame or at the expected cost or generate the expected returns. Participation in the natural gas storage industry will require an investment in personnel and assets and the assumption of risks that may be greater than Plains previously assumed.

If the combined company does not make acquisitions on economically acceptable terms its future growth may be limited.

The combined company's ability to grow will depend in part on its ability to make acquisitions that result in an increase in available cash per unit. If the combined company is unable to complete such accretive acquisitions either because it is (i) unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts, (ii) unable to raise financing for such acquisitions on economically acceptable terms, or (iii) outbid by competitors, its future growth will be limited. In particular, competition for midstream assets and businesses has intensified substantially and as a consequence such assets and businesses have become more costly. As a result, the combined company may not be able to complete the number or size of acquisitions that it targets internally or to continue to grow as quickly as Plains has historically.

The combined company's acquisition strategy will require access to new capital. Tightened capital markets or other factors that increase the combined company's cost of capital could impair its ability to grow.

The combined company will continuously consider and enter into discussions regarding potential acquisitions. These transactions can be effected quickly, may occur at any time and may be significant in size relative to the combined company's existing assets and operations. Any material acquisition will require access to capital. Any limitations on the combined company's access to capital or increase in the cost of that capital could significantly impair its ability to execute its acquisition strategy. Assuming all other factors affecting the cost of equity capital are equal, the combined company's cost of equity capital will be higher than that of Pacific on a stand-alone basis as a result of Plains' current payment of incentive distributions to its general partner at a 50% level compared to Pacific's current payment of incentive distributions to its general partner at a 15% level. In addition, the combined company's inability to maintain its targeted credit profile, including maintaining Plains' investment grade credit ratings, could negatively affect its cost of capital as well as its ability to execute its acquisition strategy.

The combined company's acquisition strategy will involve risks that may adversely affect its business.

Any acquisition involves potential risks, including:

- performance from the acquired assets and businesses that is below the forecasts used in evaluating the acquisition;
- a significant increase in indebtedness and working capital requirements;
- the inability to timely and effectively integrate the operations of recently acquired businesses or assets;
- the incurrence of substantial unforeseen environmental and other liabilities arising out of the acquired businesses or assets, including liabilities arising from the operation of the acquired businesses or assets prior to the acquisition;
- risks associated with operating in lines of business that are distinct and separate from historical operations;
- customer or key employee loss from the acquired businesses; and
- the diversion of management's attention from other business concerns.

Any of these factors could adversely affect the combined company's ability to achieve anticipated levels of cash flows from its acquisitions, to realize other anticipated benefits and to pay distributions or meet its debt service requirements.

The combined company's assets will be subject to federal, state and provincial regulation.

The combined company's domestic interstate common carrier pipelines will be subject to regulation by the FERC under the Interstate Commerce Act. The Interstate Commerce Act requires that tariff rates for petroleum pipelines be just and reasonable and non-discriminatory. The combined company's natural gas storage operations are subject to regulations by the FERC or the Michigan Public Service Commission. In addition, failure to comply with applicable regulations under the Natural Gas Act, and certain other state laws could result in the imposition of administrative, civil and criminal remedies. The combined company also will be subject to the Pipeline Safety Regulations of the DOT. The combined company's intrastate pipeline transportation activities will be subject to various state laws and regulations as well as orders of regulatory bodies.

The combined company's Canadian pipelines will be subject to regulation by the National Energy Board ("NEB") or by provincial agencies. Under the National Energy Board Act, the NEB could investigate the tariff rates or the combined company's terms and conditions of service relating to a jurisdictional pipeline on its own initiative or at the urging of a shipper or other interested party and, if it found its rates or terms of service relating to such pipeline unjust or unreasonable or unjustly discriminatory, require the combined company to reduce its rates, provide access to other shippers, or change its terms of service. A provincial agency could, on the application of a shipper or other interested party, investigate the tariff rates or the combined company's terms and conditions of service relating to its provincially regulated proprietary pipelines and, if it found its rates or terms of service unreasonable or unjustly discriminatory, declare the pipelines to be common carrier pipelines and require it to reduce its rates, provide access to other shippers, or otherwise alter its terms of service. Any reduction in the combined company's tariff rates would most likely result in lower revenue and cash flows.

The laws and regulations governing pipeline operations are subject to change and interpretation by the relevant governmental agency. Any such change or interpretation adverse to the combined company could have a material adverse effect on its operations, revenues and profitability.

The combined company's operations will be subject to cross-border regulation.

The combined company's cross-border activities with its Canadian subsidiaries will subject it to regulatory matters, including export licenses, tariffs, Canadian and U.S. customs and tax issues and toxic substance certifications. Regulations include the Short Supply Controls of the Export Administration Act, the North American Free Trade Agreement and the Toxic Substances Control Act. Violations of these license, tariffs and tax reporting requirements could result in the imposition of significant administrative, civil and criminal penalties.

Rate regulation or a successful challenge to the rates the combined company charges on its pipeline systems may reduce the amount of cash the combined company generates.

The Energy Policy Act of 1992 (the "EPAct"), among other things, deems "just and reasonable" within the meaning of the Interstate Commerce Act any oil pipeline rate in effect for the 365-day period ending on the date of the enactment of EPAct if the rate in effect was not subject to protest, investigation, or complaint during such 365-day period (that is, the EPAct "grandfathers" any such rates). The EPAct further protects any rate meeting this requirement from complaint unless the complainant can show that a substantial change occurred after the enactment of EPAct in the economic circumstances of the oil pipeline that were the basis for the rate or in the nature of the services provided which were a basis for the rate. This grandfathering protection does not apply, under certain specified circumstances, when the person filing the complaint was under a contractual prohibition against the filing of a complaint.

For the combined company's domestic interstate common carrier pipelines subject to FERC regulation under the Interstate Commerce Act, shippers may protest the combined company's pipeline tariff filings, and the FERC may investigate new or changed tariff rates. Further, other than for rates set under market-based rate authority and for rates that remain grandfathered under EPAct, the FERC may order refunds of amounts collected under rates that were in excess of a just and reasonable level when taking into consideration the pipeline system's cost of service. In addition, shippers may challenge the lawfulness of tariff rates that have become final and effective. The FERC may also investigate such rates absent shipper complaint. The FERC's ratemaking methodologies may limit the combined company's ability to set rates based on its true costs or may delay the use of rates that reflect increased costs.

The potential for a challenge to the status of the combined company's grandfathered rates under EPA (by showing a substantial change in circumstances) or a challenge to its indexed rates creates the risk that the FERC might find some of the combined company's rates to be in excess of a just and reasonable level that is, a level justified by its cost of service. In such an event, the FERC could order the combined company to reduce any such rates and could require the payment of reparations to complaining shippers for up to two years prior to the complaint.

The combined company will be exposed to the credit risk of its customers in the ordinary course of its gathering and marketing activities.

There can be no assurance that the combined company will adequately assess the creditworthiness of its existing or future counterparties or that there will not be an unanticipated deterioration in their creditworthiness, which could have an adverse impact on the combined company.

In those cases in which the combined company provides division order services for crude oil purchased at the wellhead, it may be responsible for distribution of proceeds to all parties. In other cases, it may pay all of or a portion of the production proceeds to an operator who distributes these proceeds to the various interest owners. These arrangements will expose the combined company to operator credit risk, and there can be no assurance that it will not experience losses in dealings with other parties.

The combined company may encounter increased costs and lack of availability of insurance.

Over the last several years, as the scale and scope of Plains' and Pacific's respective businesses activities have expanded, the breadth and depth of available insurance markets have contracted. Some of this may be attributable to the events of September 11, 2001, which adversely impacted the availability and costs of certain types of coverage. Plains and Pacific anticipate that the effects of hurricanes along the Gulf Coast during 2005 may also have an adverse effect on the availability and cost of coverage. You cannot be assured that the combined company will be able to maintain adequate insurance in the future at rates it considers reasonable. The occurrence of a significant event not fully insured could materially and adversely affect the combined company's operations and financial condition.

Marine transportation of crude oil has inherent operating risks.

The combined company's gathering and marketing operations will include purchasing crude oil that is carried on third party tankers and barges. The combined company's water borne cargoes of crude oil will be at risk of being damaged or lost because of events such as marine disaster, bad weather, mechanical failures, grounding or collision, fire, explosion, environmental accidents, piracy, terrorism and political instability. Such occurrences could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates and damage to the combined company's reputation and customer relationships generally. While certain of these risks may be covered under its insurance program, any of these circumstances or events could increase the combined company's costs or lower its revenues.

In instances in which cargoes are purchased FOB (title transfers when the oil is loaded onto a vessel chartered by the purchaser) the contract to purchase is typically made prior to the vessel being chartered. In such circumstances the combined company will take the risk of higher than anticipated charter costs. The combined company will also be exposed to increased transit time and unanticipated demurrage charges, which involve extra payment to the owner of a vessel for delays in offloading, circumstances that the combined company may not control.

Maritime claimants could arrest the vessels carrying the combined company's cargoes.

Crew members, suppliers of goods and services to a vessel, other shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of a vessel carrying a cargo of the combined company's oil could substantially delay its shipment.

In addition, in some jurisdictions, under the "sister ship" theory of liability, a claimant may arrest both the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship" liability against one vessel carrying the combined company's cargo for claims relating to a vessel with which the combined company has no relation.

The combined company will be dependent on use of a third-party marine dock for delivery of waterborne crude oil into its storage and distribution facilities in the Los Angeles basin.

A portion of the combined company's storage and distribution business conducted in the Los Angeles basin will be dependent on its ability to receive waterborne crude oil and other dark products, a major portion of which are presently being received through dock facilities operated by Shell Oil Products in the Port of Long Beach. The agreement that will allow the combined company to utilize these dock facilities expires in October 2006, and there is no guarantee that it will be renewed. If this agreement is not renewed and if other alternative dock access cannot be arranged, the volumes of crude oil and other dark products that Pacific presently receives from its customers in the Los Angeles basin may be reduced, which could result in a reduction of storage and distribution revenue and cash flow.

Changes in currency exchange rates could adversely affect the combined company's operating results.

Because the combined company will conduct operations in Canada, it will be exposed to currency fluctuations and exchange rate risks that may adversely affect its results of operations.

Terrorist attacks aimed at the combined company's facilities could adversely affect its business.

Since the September 11, 2001 terrorist attacks, the U.S. government has issued warnings that energy assets, specifically the nation's pipeline infrastructure, may be future targets of terrorist organizations. These developments will subject the combined company's operations to increased risks. Any future terrorist attack that may target the combined company's facilities, those of its customers and, in some cases, those of other pipelines, could have a material adverse effect on its business.

An impairment of goodwill could reduce the combined company's earnings.

Plains had approximately $48 million of goodwill on its consolidated balance sheet as of March 31, 2006. Plains currently expects to record approximately $800 million of goodwill upon completion of the merger with Pacific, but that estimate is subject to change pending the completion of an independent appraisal. Consequently, pro forma for the merger, Plains expects that approximately $848 million, representing approximately 12% of the combined company's consolidated assets at March 31, 2006 on a pro forma basis, may be recorded as goodwill. In addition, Plains estimates that it will record approximately $100 million to $150 million of goodwill in conjunction with other acquisitions made in the second quarter of 2006. These estimates are preliminary and may be adjusted pending the completion of independent appraisals. Goodwill is recorded when the purchase price of a business exceeds the fair market value of the acquired tangible and separately measurable intangible net assets. U.S. generally accepted accounting principles, or GAAP, will require the combined company to test goodwill for impairment on an annual basis or when events or circumstances occur indicating that goodwill might be impaired. If the combined company were to determine that any of its remaining balance of goodwill was impaired, it would be required to take an immediate charge to earnings with a corresponding reduction of partners' equity and increase in balance sheet leverage as measured by debt to total capitalization.

Risks Related to Plains' Common Units and Risks Resulting from Its Partnership Structure

Cost reimbursements due to Plains' general partner may be substantial and will reduce Plains' cash available for distribution to unitholders.

Prior to making any distribution on the common units, Plains will reimburse its general partner and its affiliates, including officers and directors of its general partner, for all expenses incurred on Plains' behalf. The reimbursement of expenses and the payment of fees could adversely affect Plains' ability to make distributions. The general partner has sole discretion to determine the amount of these expenses. In addition, Plains' general partner and its affiliates may provide Plains services for which Plains will be charged reasonable fees as determined by the general partner.

Cash distributions are not guaranteed and may fluctuate with Plains' performance and the establishment of financial reserves.

Because distributions on the common units are dependent on the amount of cash Plains generates, distributions may fluctuate based on Plains' performance. The actual amount of cash that is available to be distributed each quarter will depend on numerous factors, some of which are beyond Plains' control and the control of its general partner. Cash distributions are dependent primarily on cash flow, including cash flow from financial reserves and working capital borrowings, and not solely on profitability, which is affected by non-cash items. Therefore, cash distributions might be made during periods when Plains records losses and might not be made during periods when Plains records profits.

Unitholders may not be able to remove Plains' general partner even if they wish to do so.

Plains' general partner manages and operates Plains. Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting Plains' business. Unitholders have no rights to elect the general partner or the directors of the general partner on an annual or other continuing basis.

Furthermore, if unitholders are dissatisfied with the performance of Plains' general partner, they currently have little practical ability to remove Plains' general partner or otherwise change its management. Plains' general partner may not be removed except upon the vote of the holders of at least $66^2/_3$% of its outstanding units (including units held by Plains' general partner or its affiliates). Because affiliates of Plains' general partner owned more than % of Plains' outstanding common units pro forma for the completion of the merger as of the record date, the removal of Plains' general partner is not readily practicable without the consent of both Plains' general partner and its affiliates.

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In addition, the following provisions of Plains' partnership agreement may discourage a person or group from attempting to remove Plains' general partner or otherwise change Plains' management:

- generally, if a person acquires 20% or more of any class of units then outstanding other than from Plains' general partner or its affiliates, the units owned by such person cannot be voted on any matter; and

- limitations upon the ability of unitholders to call meetings or to acquire information about Plains' operations, as well as other limitations upon the unitholders' ability to influence the manner or direction of management.

As a result of these provisions, the price at which Plains' common units will trade may be lower because of the absence or reduction of a takeover premium in the trading price.

Plains may issue additional common units without unitholder approval, which would dilute a unitholder's existing ownership interests.

Plains' general partner may cause Plains to issue an unlimited number of common units without unitholder approval (subject to applicable NYSE rules). Plains may also issue at any time an unlimited number of equity securities ranking junior or senior to the common units without unitholder approval (subject to applicable NYSE rules). The issuance of additional common units or other equity securities of equal or senior rank will have the following effects:

- an existing unitholder's proportionate ownership interest in Plains will decrease;

- the amount of cash available for distribution on each unit may decrease;

- the relative voting strength of each previously outstanding unit may be diminished; and

- the market price of the common units may decline.

Plains' general partner has a limited call right that may require unitholders to sell their units at an undesirable time or price.

If at any time Plains' general partner and its affiliates own 80% or more of the common units, the general partner will have the right, but not the obligation, which it may assign to any of its affiliates, to acquire all, but not less than all, of the remaining common units held by unaffiliated persons at a price generally equal to the then current market price of the common units. As a result, unitholders may be required to sell their common units at a time when they may not desire to sell them or at a price that is less than the price they would like to receive. They may also incur a tax liability upon a sale of their common units.

Unitholders may not have limited liability if a court finds that unitholder actions constitute control of Plains' business.

Under Delaware law, a unitholder could be held liable for Plains' obligations to the same extent as a general partner if a court determined that the right of unitholders to remove Plains' general partner or to take other action under Plains' partnership agreement constituted participation in the "control" of Plains' business.

Plains' general partner generally has unlimited liability for Plains' obligations, such as Plains' debts and environmental liabilities, except for those contractual obligations that are expressly made without recourse to Plains' general partner.

In addition, Section 17-607 of the Delaware Revised Uniform Limited Partnership Act provides that under some circumstances, a unitholder may be liable to Plains for the amount of a distribution for a period of three years from the date of the distribution.

Conflicts of interest could arise among Plains' general partner and Plains or its unitholders.

These conflicts may include the following:

- Plains does not have any employees and Plains relies solely on employees of the general partner or, in the case of Plains Marketing Canada, employees of PMC (Nova Scotia) Company;

- under Plains' partnership agreement, Plains reimburses the general partner for the costs of managing and for operating the partnership;

- the amount of cash expenditures, borrowings and reserves in any quarter may affect available cash to pay quarterly distributions to unitholders;

- the general partner tries to avoid being liable for partnership obligations. The general partner is permitted to protect its assets in this manner by Plains' partnership agreement. Under Plains' partnership agreement the general partner would not breach its fiduciary duty by avoiding liability for partnership obligations even if Plains can obtain more favorable terms without limiting the general partner's liability; under Plains' partnership agreement, the general partner may pay its affiliates for any services rendered on terms fair and reasonable to Plains. The general partner may also enter into additional contracts with any of its affiliates on behalf of Plains. Agreements or contracts between Plains and Plains' general partner (and its affiliates) are not necessarily the result of arms length negotiations; and

- the general partner would not breach Plains' partnership agreement by exercising its call rights to purchase limited partnership interests or by assigning its call rights to one of its affiliates or to Plains.

Tax Risks Related to the Merger and to Owning Plains Common Units

You are urged to read the "Material Federal Income Tax Consequences" section of this joint proxy statement/prospectus for a more complete discussion of the following federal income tax risks related to the merger and owning and disposing of common units received in the merger.

No ruling has been obtained with respect to the tax consequences of the merger.

Although it is anticipated that no gain or loss will be recognized by a Plains unitholder or a Pacific unitholder as a result of the merger (except with respect to cash received in lieu of fractional Plains common units and a net decrease in a unitholder's share of nonrecourse liabilities discussed below), no ruling has been or will be requested from the Internal Revenue Service, or IRS, with respect to the tax consequences of the merger. Instead, Plains and Pacific are relying on the opinions of their respective counsel as to the tax consequences of the merger, and counsel's conclusions may not be sustained if challenged by the IRS.

The merger may result in income recognition by Pacific and Plains unitholders.

As a result of the merger, each Plains and Pacific unitholder's share of nonrecourse liabilities will be recalculated. Each Plains unitholder and Pacific unitholder will be treated as receiving a deemed cash distribution equal to the excess, if any, of such unitholder's share of nonrecourse liabilities immediately before the merger over such unitholder's share of nonrecourse liabilities immediately following the merger. If the amount of the deemed cash distribution received by a Pacific unitholder or a Plains unitholder exceeds the unitholder's basis in his partnership interest, such unitholder will recognize gain in an amount equal to such excess. The application of the rules governing the allocation of nonrecourse liabilities in the context of the merger is complex and subject to uncertainty. There can be no assurance that there will not be a net decrease in the amount of nonrecourse liabilities allocable to a Pacific unitholder or a Plains common unitholder as a result of the merger.

The merger may further limit the ability of a Pacific common unitholder to utilize suspended passive activity losses.

Passive loss limitations generally provide that specific taxpayers may only deduct losses from passive activities to the extent of the taxpayer's income from passive activities. The passive loss limitations are applied separately with respect to each publicly traded partnership. There is no guidance as to whether suspended passive losses related to Pacific common units will be available to offset future passive income from Plains following the merger. Accordingly, a Pacific common unitholder's ability to utilize suspended Pacific passive losses to offset Plains taxable income following the merger may be limited.

The intended tax consequences of the merger are dependent upon each of Plains and Pacific being treated as a partnership for tax purposes.

The treatment of the exchange of Pacific common units for Plains common units in the merger as a tax-free exchange is dependent upon each of Plains and Pacific being treated as a partnership for federal income tax purposes. If either Plains or Pacific were treated as a corporation for federal income tax purposes, the exchange would likely be a fully taxable transaction for a Pacific unitholder.

Plains' tax treatment depends on Plains' status as a partnership for federal income tax purposes, as well as Plains not being subject to a material amount of entity-level taxation by individual states. If the IRS were to treat Plains as a corporation or if it becomes subject to a material amount of entity-level taxation for state tax purposes, that would reduce the amount of cash available for distribution to Plains' unitholders.

The anticipated after-tax economic benefit of an investment in the common units depends largely on Plains being treated as a partnership for federal income tax purposes. Plains has not requested, and does not plan to request, a ruling from the IRS on this or any other matter affecting Plains.

If Plains were treated as a corporation for federal income tax purposes, Plains would pay federal income tax on Plains' income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Distributions to Plains' unitholders would generally be taxed again to them as corporate distributions, and no income, gains, losses, deductions or credits would flow through to them. Treatment of Plains as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of the common units. Moreover, treatment of Plains as a corporation could materially and adversely affect Plains' ability to make cash distributions to Plains' unitholders or to make payments on Plains' debt securities.

Current law may change so as to cause Plains to be treated as a corporation for federal income tax purposes or otherwise subject Plains to entity-level taxation. In addition, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon Plains as an entity, the cash available for distribution to Plains' unitholders would be reduced. Plains' partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects Plains to taxation as a corporation or otherwise subjects Plains to entity-level taxation for federal, state or local income tax purposes, then the minimum quarterly distribution and the target distribution levels will be adjusted to reflect the impact of that law on Plains.

If the IRS contests the federal income tax positions Plains takes, the market for Plains' common units may be adversely impacted and the cost of any IRS contest will reduce Plains' cash available for distribution or debt service.

Plains has not requested a ruling from the IRS with respect to any matter affecting Plains. The IRS may adopt positions that differ from the conclusions of Plains' counsel or from the positions Plains takes. It may be necessary to resort to administrative or court proceedings to sustain some or all of Plains' counsel's conclusions or the positions Plains takes. A court may not concur with Plains' counsel's conclusions or the positions Plains takes. Any contest with the IRS may materially and adversely impact the market for common units and the price at which they trade. In addition, the costs of any contest with the IRS, principally legal, accounting and related fees, will be borne by Plains and directly or indirectly by the unitholders and the general partner because the costs will reduce Plains' cash available for distribution or debt service.

Unitholders of the combined company may be required to pay taxes even if they do not receive any cash distributions from Plains.

Because unitholders of the combined company will be treated as partners to whom Plains will allocate taxable income which could be different in amount than the cash Plains distributes, they will be required to pay any federal income taxes and, in some cases, state and local income taxes on their share of Plains' taxable income even if they do not receive any cash distributions from Plains. Unitholders may not receive cash distributions from Plains equal to their share of Plains' taxable income or even equal to the actual tax liability that results from their share of Plains' taxable income.

Tax gain or loss on disposition of common units could be different than expected.

If Plains' unitholders sell their common units, they will recognize gain or loss equal to the difference between the amount realized and their tax basis in those common units. Prior distributions in excess of the total net taxable income allocated to a unitholder for a common unit, which decreased the unitholder's tax basis in that common unit, will, in effect, become taxable income to the unitholder if the common unit is sold at a price greater than the unitholder's tax basis in that common unit, even if the price the unitholder receives is less than the unitholder's original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income to the unitholder. Should the IRS successfully contest some positions Plains takes, the unitholder could recognize more gain on the sale of units than would be the case under those positions, without the benefit of decreased income in prior years. Also, if a unitholder sells units, the unitholder may incur a tax liability in excess of the amount of cash received from the sale.

Tax-exempt entities and foreign persons face unique tax issues from owning Plains' common units that may result in adverse tax consequences to them.

Investment in common units by tax-exempt entities, such as individual retirement accounts (IRAs), and non-U.S. persons raises issues unique to them. For example, virtually all of Plains' income allocated to organizations that are exempt from federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file U.S. federal tax returns and pay tax on their share of Plains' taxable income.

Plains treats each purchaser of common units as having the same tax benefits without regard to the actual units purchased. The IRS may challenge this treatment, which could adversely affect the value of the units.

Because Plains and Pacific cannot match transferors and transferees of common units and because of other reasons, Plains and Pacific have adopted depreciation and amortization positions that do not conform with all aspects of the Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to Plains' unitholders. It also could affect the timing of these tax benefits or the amount of gain from a unitholder's sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to a unitholder's tax return.

Unitholders of the combined company will be subject to foreign, state and local taxes and return filing requirements in jurisdictions where they do not live as a result of an investment in Plains' units.

In addition to federal income taxes, unitholders of the combined company will be subject to other taxes, such as Canadian federal and provincial taxes, state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which Plains does business or owns property but in which such unitholders may not reside. Plains owns property and conducts business in Canada and in most states in the United States. Unitholders may be required to file tax returns and pay taxes in many or all of the jurisdictions in which Plains does business or owns property. Further, unitholders of the combined company may be subject to penalties for failure to comply with those requirements. It will be the combined company's unitholders' responsibility to file all U.S. federal, foreign, state and local tax returns. Plains' counsel has not rendered an opinion on the foreign, U.S. state or local tax consequences of an investment in Plains common units.

THE SPECIAL UNITHOLDER MEETINGS

	Plains	Pacific
Time, Place and Date	, 2006 10:00 a.m., local time Houston, Texas The meeting may be adjourned or postponed to another date or place for proper purposes, including for the purpose of soliciting additional proxies.	, 2006 8:00 a.m., local time 5900 Cherry Avenue Long Beach, California The meeting may be adjourned or postponed to another date or place for proper purposes, including for the purpose of soliciting additional proxies.
Purposes	To consider and vote on the approval and adoption of the merger agreement and the merger; To consider and vote on the approval of the issuance of Plains common units pursuant to the merger agreement, which Plains currently estimates to be approximately 22.3 million common units; and To transact other business as may properly be presented at the meeting or any adjournments of the meeting. At the present time, Plains knows of no other matters that will be presented for consideration at the meeting.	To consider and vote on the approval and adoption of the merger agreement and the merger; and To transact other business as may properly be presented at the meeting or any adjournments of the meeting. At the present time, Pacific knows of no other matters that will be presented for consideration at the meeting.
Quorum	Presence, in person or by proxy, of holders of a majority of the outstanding Plains common units.	Presence, in person or by proxy, of holders of a majority of the outstanding Pacific common units (excluding common units held by LB Pacific) and a majority of the outstanding Pacific subordinated units.
Record Date	Close of business on , 2006.	Close of business on , 2006.
Units Entitled to Vote	You may vote at the Plains meeting if you owned Plains common units as of the record date.	You may vote at the Pacific meeting if you owned Pacific common units or Pacific subordinated units as of the record date.

	You may cast one vote for each Plains common unit that you owned on the record date.	You may cast one vote for each Pacific common unit and one vote for each Pacific subordinated unit that you owned on the record date.
Recommendations of the Boards of Directors and Pacific's Conflicts Committee	The Plains board has considered the benefits of the merger as well as the associated risks and has unanimously approved and adopted the merger agreement, has determined that it is advisable and in the best interest of Plains and Plains' common unitholders, and has approved the issuance of Plains common units pursuant to the merger agreement. Accordingly, the Plains board recommends that Plains' common unitholders vote to approve and adopt the merger agreement and the merger and vote to approve the issuance of Plains common units pursuant to the merger agreement.	The Pacific conflicts committee, comprised of directors who are deemed to be independent of the interests of Pacific's general partner, has considered the benefits of the merger as well as the associated risks and has unanimously approved and adopted the merger agreement and determined that it is advisable and in the best interests of Pacific and Pacific's common unitholders (other than LB Pacific). Accordingly, the Pacific conflicts committee recommends that Pacific unitholders vote to approve and adopt the merger agreement and the merger. The Pacific board has considered the benefits of the merger as well as the associated risks and has unanimously approved and adopted the merger agreement and determined that it is advisable and in the best interests of Pacific and Pacific's equityholders. Accordingly, the Pacific board recommends that Pacific unitholders vote to approve and adopt the merger agreement and the merger.
Votes Required	The affirmative vote of at least a majority of Plains' outstanding common units is required to approve and adopt the merger agreement and the merger and to approve the issuance of Plains common units pursuant to the merger agreement.	The affirmative vote of at least a majority of Pacific's outstanding common units (other than units held by LB Pacific) and at least a majority of Pacific's outstanding subordinated units, voting as separate classes, is required to approve and adopt the merger agreement and the merger.

The failure of a unitholder to vote in person or by proxy will have the effect of a vote against approval and adoption of the merger agreement and the merger and against the approval of the issuance of Plains common units pursuant to the merger agreement.	The failure of a unitholder to vote in person or by proxy will have the effect of a vote against approval and adoption of the merger agreement and the merger.
As of the record date of the Plains special meeting, directors and executive officers of Plains and their affiliates had the right to vote Plains common units, or approximately % of Plains' outstanding common units. Plains currently expects that all of the directors and executive officers of Plains and their affiliates will vote their common units in favor of the merger, although none of them has entered into any agreement obligating them to do so.	As of the record date of the Pacific special meeting, directors and executive officers of Pacific and their affiliates had the right to vote Pacific common units, or approximately % of Pacific's outstanding common units, excluding common units held by LB Pacific. Pacific currently expects that all of the directors and executive officers of Pacific will vote their common units in favor of the merger, although none of them has entered into any agreement obligating them to do so. In addition, LB Pacific owns all of Pacific's outstanding subordinated units. Pacific currently expects that LB Pacific will vote its subordinated units in favor of the merger. Pursuant to the purchase agreement, LB Pacific has agreed to use its commercially reasonable efforts to take all appropriate action necessary or advisable to consummate and make effective the transactions contemplated by, and to satisfy the closing conditions of, the purchase agreement and the merger agreement as promptly as practicable.

Units Outstanding	As of the record date, there were Plains common units outstanding.	As of the record date, there were Pacific common units outstanding.
Voting Procedures	*Voting by Plains Common Unitholders* Plains common unitholders may vote using any of the following methods: phone the toll-free number listed on your proxy card and follow the recorded instructions; go to the Internet website listed on your proxy card and follow the instructions provided; complete, sign and mail your proxy card in the postage-paid envelope; or attend the meeting and vote in person. If you have timely and properly submitted your proxy, clearly indicated your vote and have not revoked your proxy, your units will be voted as indicated. If you have timely and properly submitted your proxy but have not clearly indicated your vote, your units will be voted FOR approval and adoption of the merger agreement and the merger and FOR approval of the issuance of Plains common units pursuant to the merger agreement. If any other matters are properly presented at the meeting for consideration, the persons named in your proxy will have the discretion to vote on these matters in accordance with their best judgment. Proxies voted against adoption of the merger agreement, the merger and the issuance of Plains common units in connection with the merger will not be voted in favor of any adjournment of the meeting for the purpose of soliciting additional proxies.	*Voting by Pacific Unitholders* Pacific unitholders may vote using any of the following methods: phone the toll-free number listed on your proxy card and follow the recorded instructions; go to the Internet website listed on your proxy card and follow the instructions provided; complete, sign and mail your proxy card in the postage-paid envelope; or attend the meeting and vote in person. If you have timely and properly submitted your proxy, clearly indicated your vote and have not revoked your proxy, your units will be voted as indicated. If you have timely and properly submitted your proxy but have not clearly indicated your vote, your units will be voted FOR approval and adoption of the merger agreement and the merger. If any other matters are properly presented at the meeting for consideration, the persons named in your proxy will have the discretion to vote on these matters in accordance with their best judgment. Proxies voted against adoption of the merger agreement and the merger will not be voted in favor of any adjournment of the meeting for the purpose of soliciting additional proxies.

	Plains	Pacific
	Revocation You may revoke your proxy at any time prior to its exercise by: giving written notice of revocation to the Secretary of Plains' general partner; appearing and voting in person at the Plains meeting; or properly completing and executing a later dated proxy and delivering it to the Secretary of Plains' general partner at or before the Plains meeting. Your presence without voting at the meeting will not automatically revoke your proxy, and any revocation during the meeting will not affect votes previously taken.	*Revocation* You may revoke your proxy at any time prior to its exercise by: giving written notice of revocation to the Secretary of Pacific's general partner; appearing and voting in person at the Pacific meeting; or properly completing and executing a later dated proxy and delivering it to the Secretary of Pacific's general partner at or before the Pacific meeting. Your presence without voting at the meeting will not automatically revoke your proxy, and any revocation during the meeting will not affect votes previously taken.
	Validity The inspectors of election will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance of proxies. Their determination will be final and binding. The board of directors of Plains' general partner has the right to waive any irregularities or conditions as to the manner of voting. Plains may accept your proxy by any form of communication permitted by Delaware law so long as Plains is reasonably assured that the communication is authorized by you.	*Validity* The inspectors of election will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance of proxies. Their determination will be final and binding. The board of directors of Pacific's general partner has the right to waive any irregularities or conditions as to the manner of voting. Pacific may accept your proxy by any form of communication permitted by Delaware law so long as Pacific is reasonably assured that the communication is authorized by you.
Solicitation of Proxies	The accompanying proxy is being solicited on behalf of the Plains board. The expenses of preparing, printing and mailing the proxy and materials used in the solicitation will be borne by Plains. Morrow & Co., Inc. has been retained by Plains to aid in the solicitation of proxies for a fee of $7,500 plus expenses and the reimbursement of out-of-pocket expenses. Proxies may be solicited from Plains unitholders by personal interview, telephone and telegram by directors, officers and employees of Plains' general partner, who will not receive additional compensation for performing that service. Arrangements also will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of proxy materials to the beneficial owners of Plains units held by those persons, and Plains will reimburse them for any reasonable expenses that they incur.	The accompanying proxy is being solicited on behalf of the Pacific board. The expenses of preparing, printing and mailing the proxy and materials used in the solicitation will be borne by Pacific. D.F. King & Co., Inc. has been retained by Pacific to aid in the solicitation of proxies for a fee of $7,500 plus expenses and the reimbursement of out-of-pocket expenses. Proxies may also be solicited from Pacific unitholders by personal interview, telephone and telegram by directors, officers and employees of Pacific's general partner, who will not receive additional compensation for performing that service. Arrangements also will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of proxy materials to the beneficial owners of Pacific units held by those persons, and Pacific will reimburse them for any reasonable expenses that they incur.

Units Held in Street Name

If you hold your units in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or nominee when voting your units or when granting or revoking a proxy.

Absent specific instructions from you, your broker is not empowered to vote your units with respect to the approval and adoption of the merger agreement and the merger or, if you are a Plains unitholder, the approval of the issuance of Plains common units pursuant to the merger agreement. The units not voted because brokers lack power to vote them without instructions are also known as "broker non-votes."

Abstentions and broker non-votes will have the same effect as a vote against the proposals.

THE MERGER

Background of the Merger

In December 2005, representatives of Lehman Brothers Inc. met with Mr. Christopher Manning, the Chairman of the Board of Pacific's general partner and a principal of Lehman Brothers Merchant Banking, to discuss strategic alternatives for Pacific, including a possible initial public offering of Pacific's general partner or a sale of Pacific. After this meeting, Mr. Manning authorized Lehman Brothers Inc. to engage in discussions to determine the level of interest in a possible sale of Pacific. Over approximately the next three months, Lehman Brothers Inc. evaluated the field of potential buyers to acquire Pacific and contacted all twelve of those it identified as logical buyers (including Plains).

On January 10, 2006, Mr. Manning met in Houston, Texas with Mr. Greg Armstrong, the Chairman of the Board and Chief Executive Officer of Plains' general partner, and Mr. Harry Pefanis, the President and Chief Operating Officer of Plains' general partner, at which time the possibility of a business combination involving Pacific and Plains was informally discussed. In addition, Plains had, since 1999, engaged in informal discussions with the former owner of Pacific's general partner regarding a potential business combination involving Plains and Pacific, which discussions were unrelated to the discussions in 2006 that led to the proposed merger.

Between March 22, 2006 and April 4, 2006, four potential buyers, referred to herein as Parties A, B, C and D, signed confidentiality agreements and began their respective due diligence reviews by meeting with members of Pacific's management in Long Beach, California. At these meetings, held separately for each of the four potential buyers, Pacific's management gave a presentation and provided information about Pacific and its prospects to the potential buyer's representatives, and answered questions relating to various aspects of Pacific's business and a possible transaction with such party.

On March 24, 2006, the full board of directors of Pacific's general partner was advised by Mr. Manning that Pacific and its management team had begun meeting with potential buyers of Pacific.

On April 4, 2006, Parties A, B, C and D were sent letters requesting proposals to acquire LB Pacific or, alternatively, both LB Pacific and Pacific together. In the letter, Lehman Brothers Inc. requested that the bidders provide detail on valuation, the form of consideration, any approvals required to consummate a transaction, financing arrangements and due diligence requirements.

On April 13, 2006, a representative of Lehman Brothers Inc. contacted a representative of Simmons & Company International, financial advisor to Plains, to invite Plains to participate in the process. On April 17, 2006, Plains signed a confidentiality agreement and members of Pacific's management provided an initial operational and financial presentation to representatives of Plains. Between April 17, 2006 and May 16, 2006, representatives of Plains conducted a due diligence review of certain financial, operational and legal matters related to Pacific.

On April 18, 2006, Party A and Party B submitted proposals. Party C and Party D did not submit proposals to Lehman Brothers Inc., and no further discussions occurred with these parties. Party A's proposal contemplated a purchase of all of the equity interests in Pacific, including those owned by LB Pacific and the public, by paying cash to LB Pacific for its ownership interests in the Pacific general partner entities as well as its common and subordinated units of Pacific, and issuing equity securities of Party A to Pacific's common unitholders (other than LB Pacific). Party A's proposal was subject to financing conditions and completion of confirmatory due diligence. Party B's proposal contemplated a purchase of LB Pacific for cash. Party B also expressed an interest in exploring alternative transactions, including an acquisition of only the general partner interest in Pacific or a combination of an investment in Pacific's general partner and a contribution of assets by Party B. Party B's proposal did not include a financing condition, but was subject to further operational and environmental due diligence.

On April 19, 2006, Mr. Armstrong notified the Plains board of management's discussions with representatives of Pacific regarding a potential business combination between Pacific and Plains and indicated that Plains' management intended to submit a non-binding proposal to acquire all of the general partner and limited partner interests of Pacific. Also on April 19, 2006, Messrs. Armstrong and Pefanis and representatives of Simmons & Company and Lehman Brothers Inc. met to discuss Plains' questions regarding the bid process.

On April 20, 2006, Plains submitted an initial, non-binding proposal contemplating a purchase of all of the equity interests in Pacific, including those owned by LB Pacific and the public, by paying cash to LB Pacific for its ownership interests in the Pacific general partner entities as well as its common and subordinated units of Pacific, and issuing Plains common units to Pacific's common unitholders (other than LB Pacific). Plains' proposal was not subject to a financing condition, but was subject to limited confirmatory due diligence.

On April 21, 2006, a representative of Lehman Brothers Inc. informed a representative of Simmons & Company that Plains' initial proposal merited further discussions between Plains and Pacific. Lehman Brothers Inc. likewise informed a representative of Party A that its initial proposal merited further discussions. Despite several requests by Lehman Brothers Inc. and a request by Mr. Manning for Party B to clarify certain aspects of its proposal, Party B did not respond. No further contacts with Party B occurred. Also on April 21, 2006, Plains' management provided a copy of Plains' initial proposal to the Plains board along with summary operational and financial information related to Pacific. Also on April 21, 2006, a representative of Simmons & Company submitted on behalf of Plains an initial due diligence request list to LB Pacific and Pacific.

On April 24, 2006, Pacific provided Plains with access to an online data room to respond to Plains' various document requests and inquiries. Between late April 2006 and May 16, 2006, Plains and Party A conducted due diligence on Pacific both in person and through the online dataroom. Pacific made available to Plains and Party A data regarding the revenues, expenses, capital expenditures, general and administrative expenses, financial performance, facilities, assets and liabilities of Pacific. During this time Pacific made certain of its employees available to Plains and Party A for detailed due diligence discussions. Plains' due diligence review continued through June 11, 2006 and Plains' management was assisted in its due diligence efforts by Simmons & Company, PricewaterhouseCoopers LLP, transaction services advisors to Plains, and Vinson & Elkins LLP, primary outside counsel to Plains.

On April 25, 2006, Plains' management provided the Plains board with a summary overview of Pacific and the merits and risks associated with a potential combination. The management summary addressed, among other things, Pacific's strategic fit with Plains, potential synergies, a brief summary of Pacific's major assets and estimated cash flow contribution and the potential risks and challenges associated with the acquisition of Pacific.

On April 28, 2006, members of Plains' and Pacific's management teams met in Long Beach, California to discuss certain due diligence matters with respect to Pacific.

At the end of April 2006, the Pacific conflicts committee was advised by Pacific's management that it was becoming increasingly likely that the conflicts committee would be required to review a possible transaction involving a sale of Pacific or its general partner. The conflicts committee consisted of the four independent directors on the board, Messrs. John C. Linehan (Chairman), David L. Lemmon, Jim E. Shamas and William L. Thacker. Following this notice, the conflicts committee engaged Richards, Layton & Finger, P.A. to act as its legal counsel, and Petrie Parkman & Co. to act as its financial advisor.

On May 1, 2006, initial drafts of a purchase agreement and merger agreement prepared by Baker Botts L.L.P., counsel to LB Pacific, and Morris, Nichols, Arsht & Tunnell LLP, special Delaware counsel to LB Pacific, were delivered to Plains' management and to Party A.

On May 2, 2006, the Pacific conflicts committee met telephonically with Petrie Parkman and Richards, Layton & Finger. In addition, Mr. Manning and Mr. Irvin Toole, Pacific's President and Chief Executive Officer, were asked to participate in the meeting. Mr. Manning described the background and status of the consideration by LB Pacific of a potential business combination involving Pacific. Following Mr. Manning's presentation, there was a discussion regarding the potential transactions and alternatives. After excusing Messrs. Manning and Toole from the meeting, Richards, Layton & Finger advised the conflicts committee regarding certain legal matters. The conflicts committee also discussed the anticipated next steps in evaluating a potential business combination involving Pacific.

On May 3, 2006, at a regularly-scheduled meeting of the Pacific board, Mr. Manning updated the Pacific directors as to the status of the proposals that had been received from Plains, Party A and Party B, and informed the directors that final proposals would be requested from Plains and Party A. He also stated that calls to the representatives of Party B to discuss its initial proposal and to assess its interest in submitting a final proposal were not being returned, so it did not appear likely that a final proposal would be received from Party B.

Also on May 3, 2006, representatives of management of Party A gave a presentation to Pacific's management covering Party A's business, properties, assets, strategies and stand-alone financial and operational projections. Also on May 3, 2006, Plains' management advised the Plains board as to the status of its discussions with Pacific and that final proposals from bidders would be requested to be delivered on May 16, 2006. Also on that date, Plains' management informed the Plains board that it anticipated holding a board meeting on May 15, 2006 to discuss its final proposal prior to submittal.

On May 8, 2006, representatives of Plains' management gave a presentation to Pacific's management and representatives covering Plains' business, properties, assets, strategies and stand-alone financial and operational projections.

On May 10, 2006, through its online data room, Pacific provided Plains with unrisked projections, which are referred to as the "upside case" and "Case 2" in the financial analyses of Lehman Brothers Inc. and Petrie Parkman & Co., respectively, summaries of which are included elsewhere in this joint proxy statement/prospectus.

Between May 10 and May 15, 2006, Plains' management delivered to the Plains board a compilation of materials related to the potential acquisition of Pacific. The information delivered provided an operational and financial overview of Pacific, including an accretion/dilution analysis of the combination and other transaction-related information.

On May 11, 2006, letters were sent to Plains and Party A requesting that final proposals be submitted by May 16th, together with any proposed revisions to the draft transaction agreements previously provided. The letters requested that bidders provide final proposals as to the form and amount of consideration, required approvals and conditions to closing, financing arrangements and further due diligence requirements.

Also on May 11, 2006, Mr. Armstrong and Mr. Gary Petersen, a member of the Plains board, participated in a charity golf tournament with a representative of Lehman Brothers Inc. during which the proposed transaction was informally discussed. Mr. Armstrong and the Lehman Brothers Inc. representative were later joined by a representative of Simmons & Company.

On May 15, 2006, the Plains board convened a special meeting to consider the potential acquisition of Pacific. Following significant discussion and deliberation, the Plains board unanimously approved the submission by Plains' management of a final proposal to acquire LB Pacific's ownership interests in the Pacific general partner entities as well as its common and subordinated units and the common units of Pacific held by persons other than LB Pacific, subject to certain specified financial and exchange ratio limitations.

On various dates prior to Plains' submittal of a proposal on May 16, 2006, Mr. Armstrong had individual discussions with Messrs. David N. Capobianco, Gary R. Petersen and Robert V. Sinnott, each of whom serve on the Plains board as a designee of one of the owners of the Plains general partner. The discussions involved the possibility that the general partner would reduce the incentive distributions otherwise payable to the general partner for some period of time. The purpose of the potential reduction would be to facilitate the proposed transaction. It was noted in these discussions that a reduction in the incentive distributions would require an amendment to the Plains partnership agreement, which in turn would require approval of at least $66^2/_3$% of the ownership interest in Plains' general partner. Collectively, affiliates of these three directors and Plains' management own approximately 90% of the ownership interests in Plains' general partner.

On May 16, 2006, Mr. Armstrong met with representatives of Simmons & Company and Lehman Brothers Inc. to discuss clarification of the bid process and proposal parameters.

Also on May 16, 2006, Plains and Party A submitted final written proposals. Relative to its initial proposal, Party A's proposal provided for reduced consideration to both LB Pacific and Pacific's public unitholders. The proposal was subject to board approval and resolution of remaining due diligence items. Party A's revisions to the merger agreement included substantial revisions to the nonsolicitation provisions of the document, and proposed a $45 million termination fee. Shortly after submitting its final proposal, Party A was informed that its offer was inferior to other offers received, both in terms of consideration to LB Pacific and consideration to the public unitholders. Party A indicated it was willing to increase the purchase price payable to LB Pacific to a level consistent with its initial proposal. Party A did not indicate that it was willing to increase the consideration to Pacific common unitholders. The parties did not pursue additional discussions with Party A after the May 16th discussion.

In its final written proposal, Plains offered to pay $725 million in cash to LB Pacific (for its ownership interests in Pacific's general partner entities, as well as its common and subordinated units of Pacific), and 0.75 Plains common units for each Pacific common unit held by the public (other than LB Pacific). In its proposal, Plains also stated that management intended to recommend that the Plains board increase the Plains quarterly distribution rate to $0.80 per unit following the proposed combination from the then current $0.7075 per unit, and that its general partner had indicated a willingness to reduce its incentive distributions by $10 million in 2007 and $5 million in 2008. Plains' proposal was not subject to a financing condition or further due diligence, and had been unanimously approved by the Plains board. Plains' proposal was subject to obtaining the requisite approvals from (i) the owners of Plains All American GP LLC for the merger and any reductions in incentive distribution payments and (ii) Plains' unitholders for the merger and the issuance of Plains common units. Plains' proposed changes to the merger agreement contained substantial revisions to the nonsolicitation and termination fee provisions and proposed a $40 million termination fee ($15 million of which was payable if Pacific's unitholders did not approve the merger agreement).

On May 17, 2006, Messrs. Armstrong and Pefanis and representatives of Simmons & Company and Lehman Brothers Inc. met in Houston, Texas to discuss and clarify certain aspects of Plains' final written proposal. The conversation was primarily focused on the assumptions that Plains' management had used in its analysis, including synergies, acquisition financing, growth projects and the reduction in Plains' general partner's incentive distributions.

The Pacific board adopted resolutions effective May 18, 2006 formally authorizing and delegating to the Pacific conflicts committee various responsibilities, including: (i) reviewing, evaluating and negotiating (or delegating the ability to negotiate) any proposed business combination involving Pacific or any alternatives thereto; (ii) evaluating whether any proposed business combination or any alternatives thereto are fair and reasonable to, and in the best interests of, the common unitholders of Pacific, other than LB Pacific; and (iii) making a recommendation to the board as to what action, if any, should by taken by the Pacific board with respect to the proposed business combination or any alternatives thereto. The resolutions further provided that the Pacific board would not recommend a proposed business combination or alternatives thereto for approval by the holders of Pacific units without the prior approval of the Pacific conflicts committee. In addition, the resolutions provided that the chairman of the conflicts committee be paid $50,000 and each of the three other members of the conflicts committee be paid $40,000 for their services.

On May 18, 2006, the Plains board convened a regularly scheduled meeting. At this meeting, Plains' management updated members of the Plains board as to the ongoing discussions among Plains, Pacific and their respective representatives. Mr. Armstrong also described the potential temporary adjustment to the general partner's incentive distributions to Messrs. Everardo Goyanes, J. Taft Symonds and Arthur L. Smith, members of the Plains board who are not affiliated with the owners of the general partner.

On May 19, 2006, the Pacific conflicts committee met telephonically with its legal and financial advisors. During this meeting, Petrie Parkman provided a status report on the ongoing negotiations with respect to a potential business combination involving Pacific. Also on May 19, 2006, Baker Botts sent drafts of the transaction agreements, revised to incorporate certain of the comments contained in Plains' May 16th proposal, to Pacific's management, Andrews Kurth LLP, which had been retained by Pacific as its primary outside legal counsel in connection with the potential transaction, and Richards, Layton & Finger. Over the course of the following four days, representatives of LB Pacific, Pacific management, Baker Botts, Richards, Layton & Finger and Andrews Kurth, met telephonically to discuss various issues with respect to the draft transaction agreements, including:

- the amount of the termination fee and the application of the termination fee if Pacific's unitholders did not approve the merger;
- Plains' proposed ability to require the conflicts committee and the board of directors of Pacific to reaffirm their recommendations of the transaction upon request;
- the proposed requirement that Pacific's full board concur with any decision by the conflicts committee to terminate the merger agreement in order to accept a superior proposal; and
- certain employee issues, including Plains' assumption of Pacific's obligations under existing employee plans and agreements.

On May 23, 2006, Baker Botts sent revised drafts of the transaction agreements to Vinson & Elkins LLP, as well as to Pacific's management, LB Pacific, Lehman Brothers Inc., Richards, Layton & Finger and Andrews Kurth.

On May 24, 2006, the Pacific conflicts committee, along with its advisors, Petrie Parkman and Richards, Layton & Finger, conducted a series of meetings in Houston, Texas with representatives of Lehman Brothers Inc., Plains' management and Pacific's management. Also present at the meetings were representatives of Andrews Kurth and representatives of Deloitte & Touche LLP, which had been retained by Pacific to conduct accounting due diligence on Plains. Lehman Brothers Inc. provided an overview of the process to date and a preliminary analysis of the proposed offers from Party A and Plains. Plains made a management presentation that discussed its strategy, five-year financial plan and potential benefits of the proposed transaction. Pacific management made a presentation on the status of their business and financial forecasts, including their management case and upside case.

Between May 25, 2006 and June 9, 2006, Pacific's management and representatives of Lehman Brothers Inc., Petrie Parkman, Andrews Kurth and Deloitte & Touche conducted a due diligence review of certain financial, accounting, operational, corporate and legal materials of Plains. Materials provided included general corporate materials, management reports, litigation summaries, material contracts, title materials, benefits arrangements and summaries and environmental and regulatory information. Pacific's management and its advisors also had a number of due diligence meetings with representatives of Plains' management to discuss various aspects of Plains' business and its prospects, including, specifically, meetings to discuss accounting and finance, tax matters, litigation and legal matters, environmental issues, operations, corporate affairs and property and rights-of way.

On May 25, 2006, representatives of Baker Botts, Richards Layton & Finger, Vinson & Elkins, and Prickett, Jones & Elliott, P.A., special Delaware counsel to Plains, met telephonically to discuss various issues pertaining to the transaction agreements. The parties discussed, without resolution, Pacific's proposed changes to the definition of what constituted a "material adverse effect" and to the nonsolicitation and termination fee provisions. On May 26, 2006, Vinson & Elkins distributed revised drafts of the transaction agreements to Baker Botts. Over the course of the next five days, representatives of LB Pacific, Pacific management, Baker Botts, Andrews Kurth and Richards, Layton & Finger met telephonically and/or in person to discuss the revised transaction agreements.

On May 30, 2006, the Pacific conflicts committee met telephonically with its advisors. The conflicts committee and its advisors discussed the status of Pacific's transactional due diligence with respect to Plains. It was decided that one or more members of the conflicts committee and the committee's advisors would meet with Plains' management to discuss certain due diligence information as requested by the conflicts committee. As a result of this meeting, Pacific's representatives were provided access to certain sensitive business information of Plains that Pacific deemed necessary to its due diligence review of Plains.

On May 31, 2006, representatives of Plains, Pacific, Simmons & Company, Lehman Brothers Inc., Vinson & Elkins and Baker Botts met in Baker Botts's offices in Houston, Texas (with some persons participating telephonically). The parties discussed the outstanding issues on the transaction agreements, including the following:

- Plains' desire to require that a portion of the termination fee be payable if Pacific's unitholders did not approve the merger, regardless of whether a competing transaction had been proposed;

- Plains' proposal to require that Pacific's full board concur with any decision by the conflicts committee to terminate the merger agreement in order to accept a superior proposal;

- Plains' proposals for various thresholds in the covenants governing the parties' conduct of business between the signing of the merger agreement and the closing of the merger; and

- certain employee issues, including Pacific's proposal for the payment of retention benefits and Pacific's desire for Plains to expressly assume the obligations of Pacific's general partner under existing employee plans and agreements.

After multiple break-out sessions and resumed discussions, the parties reached mutually agreeable resolutions of most of the outstanding issues, including the following:

- Plains agreed to reduce from $15 million to $10 million the amount of the termination fee payable if Pacific's unitholders did not approve the merger;

- Plains agreed that Pacific's full board would not be required to concur with the conflicts committee's decision to terminate the agreement in order to accept a superior proposal;

- Plains and Pacific reached compromises on the various thresholds in the operating covenants; and

- Plains agreed in principle to Pacific's proposed retention benefit amounts, and agreed to guarantee all obligations of the obligors under Pacific's existing employee plans and agreements.

That evening, Baker Botts distributed revised drafts of the transaction agreements reflecting the parties' discussions earlier that day. Throughout the course of the following day, Baker Botts and Vinson & Elkins met several times telephonically to make further progress toward resolving the remaining documentation issues. On June 1, 2006, Vinson & Elkins distributed revised drafts of the transaction agreements.

Also on June 1, 2006, Messrs. John Linehan and William Thacker, two members of the Pacific conflicts committee, and representatives of Petrie Parkman and Richards, Layton & Finger, met in Houston, Texas to review sensitive business information of Plains that had been made available to the

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Pacific conflicts committee and to meet with members of Plains' senior management. During the meeting with Plains' senior management, there was extensive discussion regarding Plains' business condition and prospects, synergies from the potential business combination, potential additional acquisitions, risks of a reduction in its credit ratings and related issues, integration issues, risk management issues and various other financial issues.

On June 2, 2006, the Pacific conflicts committee met telephonically with its legal and financial advisors. Members of Pacific's management and Andrews Kurth also participated in this meeting. Messrs. Linehan and Thacker, along with the conflicts committee's advisors, presented a report on the information reviewed and discussions held with Plains' senior management the day before in Houston, Texas. There was discussion regarding due diligence results to date, the status of the due diligence review and any remaining open items, and the engagement of Lehman Brothers Inc. as financial advisor to Pacific and the terms of the engagement. After all persons other than the conflicts committee members and the committee's advisors were dismissed from the meeting, Petrie Parkman made a preliminary presentation analyzing the potential business combination between Pacific and Plains, and the conflicts committee discussed the merits of such a business combination from the perspective of the common unitholders of Pacific, other than LB Pacific. Also on June 2, 2006, Baker Botts distributed revised drafts of the transaction agreements to the working group, including the conflicts committee and its advisors for consideration at their next meeting.

Also on June 2, 2006, Plains' management updated members of the Plains board as to the status of ongoing discussions among Plains, Pacific and their respective representatives.

On June 7, 2006, the Pacific conflicts committee met in Houston, Texas, with its financial and legal advisors. One committee member participated by telephone. Also present at the invitation of the conflicts committee were members of Pacific management, Andrews Kurth, Deloitte & Touche and Lehman Brothers Inc. The Pacific management team made a presentation of management's views and assessment of the proposed transaction with Plains. Lehman Brothers Inc. made a presentation regarding the terms and structure of the potential transaction with Plains and an analysis of the potential transaction from a financial point of view to Pacific and all of its equityholders as a whole. There also was discussion regarding the results of due diligence on Plains and the status of the due diligence process. After excusing Lehman Brothers Inc. from the meeting, the conflicts committee and its advisors and Pacific management discussed various aspects of the potential transaction with Plains. Following this discussion, the conflicts committee excused from the meeting all persons other than the committee's advisors. Petrie Parkman made a detailed presentation regarding the potential transaction with Plains, including an analysis of the potential transaction from a financial point of view from the perspective of Pacific's common unitholders other than LB Pacific, and there was extensive discussion regarding the merits of the potential transaction. Richards, Layton & Finger made a presentation regarding various legal matters relating to the potential transaction and the conflicts committee's consideration of the potential transaction. At this point in the meeting, the conflicts committee invited Mr. Manning and Mr. Josh Collins, a member of the Pacific board and a principal of Lehman Brothers Merchant Banking, to join the meeting to discuss the process by which LB Pacific had explored potential business combinations, and the views of Lehman Brothers Merchant Banking as to the prospects of Pacific and the terms of the potential transaction with Plains. After excusing Messrs. Manning and Collins from the meeting, the conflicts committee and its advisors further discussed the merits and risks of the proposed transaction with Plains and the prospects for Pacific as a stand-alone entity. Following this discussion, the conflicts committee determined that a counteroffer should be made and agreed upon the terms of such counteroffer. The conflicts committee then invited representatives of Lehman Brothers Merchant Banking and Pacific senior management to join the meeting, and Mr. Linehan then informed them that the committee would be willing to approve the proposed transaction with Plains if the exchange ratio were increased from 0.75 to 0.82 Plains common units for each Pacific common unit (other than common units owned by LB Pacific). That evening, Andrews Kurth and Richards, Layton & Finger provided Vinson & Elkins and Baker Botts with comments to the merger agreement based on the conflicts committee's discussions earlier that day. The comments reflected the proposed increase to the exchange ratio, as well as revisions to the nonsolicitation provisions and the employee-related covenants, among other things.

On June 8 and 9, 2006, various discussions took place between and among representatives of Plains, LB Pacific, Lehman Brothers Inc. and Simmons & Company. Such discussions resulted in the revised proposal that representatives of Lehman Brothers Inc. presented to the Pacific conflicts committee on June 10th.

On June 9, 2006, Vinson & Elkins distributed revised drafts of the transaction agreements, which contained changes responsive to the comments proposed by Andrews Kurth and Richards, Layton & Finger on June 7th. The revised drafts incorporated in large part the proposed changes to the nonsolicitation provisions of the merger agreement, but did not address some of the employee-related comments in the June 7th mark-up.

On June 10, 2006, the Pacific conflicts committee met telephonically. Representatives of Richards, Layton & Finger, Petrie Parkman, Pacific management, Andrews Kurth, Lehman Brothers Inc. and Baker Botts also attended portions of the meeting. During the meeting, representatives of Lehman Brothers Inc. presented to the conflicts committee a revised proposal to which both Plains and LB Pacific were willing to agree, which decreased the cash consideration to LB Pacific by $25 million, to $700 million, increased the exchange ratio in the merger from 0.75 to 0.77 Plains common units per Pacific common unit (other than common units owned by LB Pacific), and increased the amount by which Plains' general partner would agree to reduce its incentive distributions from $15 million over two years to $65 million over five years. A representative of Lehman Brothers Inc. told the conflicts committee members that he had been advised by Plains and LB Pacific that the proposal represented the best and final offer from both Plains and LB Pacific. After excusing all participants except the conflicts committee members and the committee's advisors, there was discussion regarding whether the revised offer truly represented the best and final offer from Plains and LB Pacific. Mr. Linehan reported that he had received separate calls the day before from Mr. Manning and Mr. Toole, respectively, informing him that this revised offer would be the best and final offer from LB Pacific and Plains. After further discussion, the committee determined that Mr. Linehan should contact Mr. Armstrong to determine whether there was any further room for an increase in the consideration from Plains. The conflicts committee agreed to consider the revised proposal from Plains and LB Pacific further after the parties had resolved all remaining documentation issues and Mr. Linehan provided a status report on his anticipated conversation with Mr. Armstrong. Later that day, Baker Botts sent revised drafts of the transaction agreements to Vinson & Elkins, which drafts reflected the changes to the economic terms and Pacific's response on the remaining outstanding employee-related issues.

On June 11, 2006, the Plains board met telephonically with its advisors to review the proposed transaction. Plains' senior management advised the members of the board as to the status of the parties' discussions and anticipated timing for executing definitive transaction agreements. Plains' senior management also discussed the projected operating and financial performance of Plains, Pacific and the combined company. Plains' senior management discussed its plan to permanently finance the acquisition as well as liquidity and rating agency matters. Simmons & Company made a detailed presentation analyzing the proposed acquisition. Following the presentation and discussion, Simmons & Company delivered its oral opinion (subsequently confirmed in writing) that, as of June 11, 2006, based upon and subject to the factors and assumptions set forth in its opinion, the aggregate consideration to be paid by Plains as set forth in the transaction agreements was fair, from a financial point of view, to Plains and Plains' common unitholders (other than those unitholders holding a direct or indirect interest in Plains' general partner). Next, Vinson & Elkins reviewed the terms of the transaction as reflected in the forms of the transaction agreements. Vinson & Elkins also advised the board regarding certain legal matters and the board's consideration of the potential transaction. Following extensive discussion regarding the proposed acquisition, the members of the Plains board unanimously approved the purchase agreement, the merger agreement and the merger and related transactions (including the issuance of Plains common units pursuant to the merger agreement). The Plains board also determined to recommend that Plains' unitholders approve and adopt the merger agreement and the merger and approve the issuance of Plains common units pursuant to the merger agreement.

Following the Plains board's meeting, members of senior management of Plains and Pacific, as well as representatives of Petrie Parkman, Baker Botts, Vinson & Elkins, Richards, Layton & Finger and Andrews Kurth, met telephonically to discuss the remaining issues on the transaction agreements. The parties reached agreement on all issues other than the timing of the reductions to Plains' general partner's incentive distributions, which the parties planned to resolve later that day.

Later in the day on June 11th, the Pacific conflicts committee met telephonically with its advisors to review the proposed transaction. Mr. Linehan reported that he had spoken with Mr. Armstrong, and during the discussion Mr. Armstrong had stated that the revised proposal was Plains' best and final offer. Petrie Parkman and Richards, Layton & Finger then apprised the conflicts committee members of the status of discussions and reviewed the terms of the transaction as reflected in the forms of the transaction agreements. Next, Petrie Parkman made a detailed presentation analyzing the revised proposal. Following the presentation and discussion, Petrie Parkman stated that it expected to be in a position to provide, at the request of the committee, an oral opinion that the exchange ratio of 0.77 Plains common units for each Pacific common unit was fair from a financial point of view to Pacific's common unitholders other than LB Pacific. Richards, Layton & Finger advised the conflicts committee members regarding certain corporate law matters. Following extensive discussion, the conflicts committee agreed to approve the merger agreement and the merger, subject to satisfactory resolution as to the timing of the reductions to Plains' general partner's incentive distributions. The conflicts committee agreed to meet again later that day after receipt of Plains' proposal on the incentive distribution reductions.

Also on June 11, representatives of Plains obtained a member's consent of Plains All American GP LLC approving (i) a prospective amendment to Plains' partnership agreement, to become effective upon consummation of the merger, that would reduce the incentive distribution payments as reflected in the merger agreement and (ii) the merger.

Shortly after receipt of Plains' proposal on the incentive distribution reductions, the Pacific conflicts committee met again telephonically with its advisors. After discussion, the conflicts committee concluded that the terms of Plains' proposal on the incentive distribution reductions was satisfactory. The conflicts committee then requested Petrie Parkman's oral opinion as to the fairness of the financial consideration offered in the proposed merger. Petrie Parkman delivered its oral opinion (subsequently confirmed in writing) to the conflicts committee that, as of June 11, 2006, based upon and subject to the factors and assumptions set forth in its opinion, the exchange ratio of 0.77 Plains common units for each Pacific common unit (other than common units owned by LB Pacific) was fair from a financial point of view to Pacific's common unitholders other than LB Pacific. After further discussion regarding the proposed transaction, the committee members unanimously determined that the terms of the merger agreement and the merger, including the relative consideration to be received by LB Pacific on the one hand, and the common unitholders other than LB Pacific on the other hand, were fair to Pacific's common unitholders (other than LB Pacific). The committee members unanimously approved the merger agreement and the merger. The committee members also determined that the committee's approval of the merger agreement and related transactions constituted "special approval" pursuant to Pacific's partnership agreement. The Pacific conflicts committee also determined to recommend that Pacific's unitholders approve and adopt the merger agreement and the merger.

Later that evening, the board of directors of Pacific's general partner met telephonically to review the transaction. At the meeting, Pacific's management, together with representatives of Lehman Brothers Inc., Andrews Kurth and Baker Botts, apprised the board of the status of discussions and reviewed the terms of the transaction as reflected in the forms of the transaction agreements. Lehman Brothers Inc. delivered its oral opinion (subsequently confirmed in writing) to the board that, as of

June 11, 2006, based upon and subject to the factors and assumptions set forth in its opinion, the aggregate consideration to be offered to all holders of the partnership interests of Pacific was fair, from a financial point of view, to such holders. Andrews Kurth advised the board regarding certain legal matters and the board's consideration of the potential transaction. At the request of Mr. Manning, Mr. Linehan and Richards, Layton & Finger provided a brief report regarding the work of the Pacific conflicts committee and its recommendations to the Pacific board. Following extensive discussion, the Pacific board unanimously approved the merger agreement and the merger. The Pacific board also determined to recommend that Pacific's unitholders approve and adopt the merger agreement and the merger.

After the meetings, the merger agreement, purchase agreement, disclosure schedules and ancillary documents were finalized, and the transaction agreements were executed by the parties thereto. On June 12, 2006, Plains and Pacific issued a joint press release announcing the execution of the transaction agreements.

On June 15, 2006, a lawsuit was filed in the Superior Court of California, County of Los Angeles, entitled *Kosseff v. Pacific Energy, et al.,* case no. BC 3544016. The plaintiff alleges that he is a unitholder of Pacific, and he seeks to represent a class comprising all of Pacific's unitholders. The complaint names as defendants Pacific and certain of the officers and directors of Pacific's general partner, and asserts claims of self-dealing and breach of fiduciary duty in connection with the merger and related transactions. The plaintiff seeks injunctive relief against completing the merger or, if the merger is completed, rescission of the merger, other equitable relief, and recovery of the plaintiff's costs and attorneys' fees.

Recommendation of the Board of Directors and Conflicts Committee of Pacific's General Partner and Reasons for the Merger

The Pacific board has considered the benefits of the merger as well as the associated risks and has unanimously approved and adopted the merger agreement and determined that it is advisable and in the best interests of Pacific and Pacific's equityholders. Accordingly, the Pacific board recommends that Pacific unitholders vote to approve and adopt the merger agreement and the merger.

In addition, the Pacific conflicts committee, comprised of directors who are deemed to be independent of the interests of Pacific's general partner, has considered the benefits of the merger as well as the associated risks and has unanimously approved and adopted the merger agreement and determined that it is advisable and in the best interests of Pacific and Pacific's common unitholders. Accordingly, the Pacific conflicts committee recommends that Pacific unitholders vote to approve and adopt the merger agreement and the merger.

In considering the recommendation of the Pacific board and the Pacific conflicts committee with respect to the merger, you should be aware that some executive officers and directors have interests in the merger that are different from, or in addition to, the interests of Pacific's common unitholders generally. The Pacific board and the Pacific conflicts committee were aware of these interests in approving the merger agreement and the merger.

In reaching their respective decisions on the merger, the Pacific board and the Pacific conflicts committee consulted with management and legal and financial advisors and considered a number of factors, including the following potential benefits and other factors:

- that the holders of Pacific's common units (other than LB Pacific) will be entitled to receive 0.77 Plains common units for each Pacific common unit, an exchange ratio that the Pacific conflicts committee and the Pacific board viewed as attractive in light of Pacific's historic and current trading price, and which represented an implied premium of 14.3% over the average closing unit price during the 20 trading days prior to and including June 9, 2006 (the last day of trading prior to the committee's and the board's respective determinations) and 10.6% over the closing unit price on June 9, 2006;

that the merger is expected to be accretive on the basis of distributable cash flow per common unit of Pacific;

that Plains' management intends to recommend that the Plains board increase Plains' quarterly per unit distribution and that Pacific unitholders would receive such increased distribution following the merger, and that the increase in per unit distribution may ultimately result in the appreciation of Plains' unit price in the market, making the exchange ratio even more favorable to Pacific's unitholders;

that the incentive distributions that would otherwise have been payable to Plains' general partner will be reduced by $65.0 million in the aggregate over five four-quarter periods following the merger, making additional cash available for general partnership purposes, which may include, as deemed appropriate by Plains' general partner, future distributions, capital investment or reduction of debt;

that the merger will result in potential cost savings, including savings arising due to the complementary assets and businesses of the companies, meaningful operating and general and administrative cost savings, and reduced cost of debt;

that Pacific's unitholders will benefit from the application of Plains' commercial expertise to Pacific's current assets;

that the combined business of Plains and Pacific following the merger will have complementary growth opportunities, including Plains' near-term projects that are a good match with Pacific's longer term growth projects;

that the combined company will represent a substantially larger business than Pacific on a stand-alone basis, mitigating execution risk associated with Pacific's Pier 400 project and other projects;

that the merger will result in significant business and geographic diversification, and that the combined company will have an expanded geographic footprint providing a strong presence in the major U.S. crude oil markets of the Gulf Coast, Rocky Mountains and California;

that the combined company is expected to have investment grade credit ratings that will better enable capitalization on growth initiatives beyond what is currently available to Pacific;

that, as unitholders of Plains following the merger, Pacific unitholders will have greater liquidity for their units;

that the merger will provide an opportunity to enhance a proven management team that is well regarded by the investment community;

the judgment, advice and analysis of Pacific's senior management, including its favorable recommendation of the merger;

information obtained through due diligence regarding the businesses, assets, liabilities, results of operations and financial performance of Pacific, Plains and the combined company;

in the case of the Pacific board, presentations by and discussions with Lehman Brothers Inc., financial advisor to Pacific, regarding the financial terms of the merger, and its opinion described below to the Pacific board on June 11, 2006 to the effect that, as of the date of its opinion and based on and subject to various assumptions made, matters considered and limitations described in the opinion, from a financial point of view, the aggregate consideration to be offered to all of the holders of the partnership interests in Pacific in the proposed transaction is fair to such holders;

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- in the case of the Pacific conflicts committee, presentations by and discussions with Petrie Parkman & Co., financial advisor to the conflicts committee, regarding the financial terms of the merger, and its opinion described below to the conflicts committee on June 11, 2006 to the effect that, as of the date of its opinion and based on and subject to various assumptions made, matters considered and limitations described in the opinion, the exchange ratio of 0.77 Plains common units for each Pacific common unit (other than common units owned by LB Pacific) in the merger is fair, from a financial point of view, to Pacific's common unitholders, other than LB Pacific and its affiliates;

- the ability of the parties to complete the merger, including the antitrust requirements applicable to the transaction;

- presentations by and discussions with Pacific's senior management and representatives of Andrews Kurth LLP, Pacific's outside legal counsel, Richards, Layton & Finger, P.A., the Pacific conflicts committee's outside legal counsel and Baker Botts L.L.P., LB Pacific's outside legal counsel, regarding the terms of the merger agreement; and

- the long-term interests of Pacific and its common unitholders, as well as the effects of the merger on Pacific's customers, creditors and suppliers to the extent those effects relate to the long-term value of Pacific's common units.

The Pacific board and the Pacific conflicts committee also considered a number of risks associated with the merger, including the following:

- that Plains is currently at the 50% incentive distribution level for its general partner, as compared to Pacific, which is at the 15% incentive distribution level for its general partner, which means that Pacific's unitholders will be receiving a lower percentage of the combined company's cash distributions than they would have as unitholders of Pacific and that this higher incentive distribution percentage for the general partner effectively increases the cost of equity for the combined company going forward;

- that Plains' investment grade credit rating might be reduced as a result of the transaction, thereby adversely affecting Plains' business;

- the possibility that Plains' unit price could diminish prior to closing, reducing the premium available to Pacific's common unitholders (other than LB Pacific);

- that regulatory approvals must be obtained to complete the merger, including approvals under the Hart-Scott-Rodino Act, approvals from the California Public Utilities Commission and other state regulatory bodies, and Canadian approvals; and

- that the merger might not be completed in a timely manner, or at all, including the diversion of management and employee attention and the potential employee attrition, all at significant cost and disruption to Pacific's normal business.

In the view of the Pacific board and the Pacific conflicts committee, these risks did not outweigh the advantages of the merger.

Finally, the Pacific board and the Pacific conflicts committee considered a number of procedural factors associated with the merger, including the following:

- that because of the possible conflicts of interest between LB Pacific and Pacific's public unitholders (other than LB Pacific), which created possible conflicts for management and certain members of the Pacific board, the Pacific conflicts committee was delegated the power and authority to review, evaluate and make a recommendation to the Pacific board, on behalf of Pacific and the interests of the public unitholders (other than LB Pacific), with respect to the merger and any alternative transaction;

that the delegation of power to the Pacific conflicts committee included the authority to recommend against any transaction, including the proposed transaction with Plains;

that the Pacific conflicts committee consists of directors who are not affiliated with Plains or LB Pacific or their respective affiliates, and who are not executive officers of Pacific;

that the terms and conditions of the proposed merger were determined through negotiations among Pacific, its general partner, the Pacific conflicts committee, and Plains and their respective representatives and advisors;

that in response to a demand by the conflicts committee, Plains and LB Pacific revised the terms of the merger so that the exchange ratio for the merger was increased, the consideration to be paid to LB Pacific was decreased and the amount of incentive distributions to be given up by Plains' general partner following the merger was increased;

that LB Pacific stated that it would not agree to any further decrease in the amount of consideration it was to receive in the transactions;

that Plains stated that the exchange ratio and other financial terms set forth in the merger agreement represented its best and final offer;

that the merger must be approved by a majority of Pacific's common unitholders, excluding LB Pacific;

that after engaging in discussions to gauge interest in a possible sale of Pacific, Lehman Brothers Inc. contacted 12 potential buyers in the process of exploring a possible sale transaction;

that the merger agreement allows Pacific an opportunity to respond to a takeover proposal and to accept a superior proposal, subject to certain limitations including the payment of a termination fee;

that the Pacific conflicts committee was given complete authority to select and compensate legal, financial and other independent advisors as it deemed appropriate;

that the Pacific conflicts committee retained and was advised by independent legal counsel experienced in advising on similar transactions;

that the Pacific conflicts committee retained and was advised by Petrie Parkman, an independent investment banker experienced with publicly traded midstream partnerships, to assist in evaluating the fairness of the transaction;

that there was a financial, accounting, operational and legal due diligence investigation of Plains conducted by Pacific's management and its financial, accounting and legal advisors;

that the projected financial cases described below under the caption "Additional Financial Considerations of the Parties Pacific" were provided to the Pacific conflicts committee and the Pacific board as described in that section; and

that the Pacific conflicts committee received the opinion of Petrie Parkman to the effect that, as of the date of its opinion and based on and subject to various assumptions made, matters considered and limitations described in the opinion, the exchange ratio of 0.77 Plains common units for each Pacific common unit in the merger (other than common units owned by LB Pacific) is fair from a financial point of view to Pacific's common unitholders other than LB Pacific.

The foregoing discussion of the factors considered by the Pacific board and the Pacific conflicts committee is not intended to be exhaustive, but it does set forth the principal factors considered by the board and the conflicts committee. The Pacific board and the Pacific conflicts committee reached their respective unanimous conclusions to recommend the merger agreement and the merger in light of various factors described above and other factors that each member of the board and the conflicts committee believed were appropriate. In view of the wide variety of factors considered by the Pacific board and the Pacific conflicts committee in connection with their evaluations of the merger and the complexity of these matters, the board and the conflicts committee did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors they considered in reaching their decisions and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determinations. Rather, the Pacific board and the Pacific conflicts committee made their recommendations based on the totality of information presented to them and the investigations conducted by them. In considering the factors discussed above, individual directors may have given different weights to different factors.

Recommendation of the Board of Directors of Plains' General Partner and Reasons for the Merger

The Plains board has considered the benefits of the merger as well as the associated risks and has unanimously approved and adopted the merger agreement, has determined that it is advisable and in the best interest of Plains and Plains' common unitholders, and has approved the issuance of Plains common units pursuant to the merger agreement. Accordingly, the Plains board recommends that Plains' common unitholders vote to approve and adopt the merger agreement and the merger and vote to approve the issuance of Plains common units pursuant to the merger agreement. The potential benefits considered by the Plains board included the following:

- the significant potential cost savings and operating synergies derived by combining two public entities and eliminating duplicative costs;
- the complementary asset bases of Plains and Pacific in California, the Rocky Mountains and Canada, with minimal asset overlap but attractive potential vertical integration opportunities;
- the opportunity to generate incremental value by applying Plains' commercial business model to Pacific's assets and organic growth opportunities;
- the combination of Plains' in-progress organic growth projects, for which substantial equity capital has been raised and/or debt capital arranged, with Pacific's longer lead-time organic growth projects, which are anticipated to extend growth visibility for several years regardless of future acquisitions;
- the opportunity to augment Plains' existing organization with talent from Pacific and expand the breadth and depth of its organization;
- the expanded inventory of internal growth projects helping to mitigate the adverse impacts of potential delays associated with any one project, such as those caused by permitting, weather, availability of materials or other factors;

- the positive impact that Pacific's tariff and fee-based activities should have on Plains' credit rating;
- the acceleration of Plains' expansion into the refined products infrastructure business afforded by Pacific's products terminals on the West Coast and in the Northeast and its products pipeline in the Rockies;
- the ability to capitalize on increasing domestic demand for refined products provided by Pacific's refined products assets; and
- the combination of Plains' tariff-based pipeline business and commercial and fee-based gathering, marketing, terminalling and storage business with Pacific's predominately tariff- and fee-based pipeline and terminalling businesses, resulting in a stronger, more diversified and more resilient business profile for the combined company.

In addition to considering the foregoing, the Plains board consulted with its management and Plains' legal and financial advisors, and considered a variety of other factors, including:

- information regarding the business, operations, financial condition, liabilities, earnings, prospects and potential strategic opportunities of Plains and Pacific, including the information described below under the caption " Additional Financial Considerations of the Parties Plains";
- near-term dilution, offset by anticipated long-term accretion, relative to distributable cash flow per unit;
- the judgment and recommendations of Plains' senior management;
- presentations by and discussions with Simmons & Company International, Plains' financial advisor regarding, among other things, the financial terms of the purchase agreement and the merger agreement;
- the opinion letter delivered by Simmons & Company International to the effect that, as of the date of its opinion and subject to various assumptions made, matters considered and limitations described in the opinion, the aggregate consideration to be paid by Plains in the merger and related transactions is fair, from a financial point of view, to Plains and the Plains common unitholders (excluding the Plains common unitholders who hold a direct or indirect interest in Plains' general partner);
- presentations by and discussions with senior management and Vinson & Elkins L.L.P., Plains' outside legal counsel, regarding, among other things, the terms of the purchase agreement and the merger agreement;
- the visibility of future distribution increases and long-term value of Plains' common units;
- the abilities of the parties to complete the merger and other transactions contemplated by the purchase agreement and the merger agreement;
- the risks associated with integrating Pacific's assets, operations and business activities into Plains' assets, operations and business activities mitigated by the familiarity of Plains' management with Pacific's assets through their participation in historical sales processes involving such assets;
- the risks associated with financing certain components of the purchase price as well as the ongoing capital requirements of the combined company;

the risks associated with delay in development, or non-development, of key internal growth projects; and

the risks associated with the merger, including those described under "Risk Factors Risks Related to the Merger and the Related Transactions."

The foregoing discussion of the factors considered by the Plains board is not intended to be exhaustive, but it does set forth the principal factors considered by the board. The board reached its unanimous conclusion to recommend the merger agreement and the merger, and the issuance of Plains units in the merger, in light of various factors described above and other factors that each member of the board believed were appropriate. In view of the wide variety of factors considered by the Plains board in connection with its evaluation of the merger and the complexity of these matters, the board did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determinations. Rather, the board made its recommendation based on the totality of information presented to it and the investigations conducted by it. Individual directors may have given different weights to different factors.

In considering the recommendation of the Plains board with respect to the merger, you should be aware that some executive officers and directors have interests in the merger that are different from, or in addition to, the interests of Plains' common unitholders generally. The Plains board was aware of these interests in approving the merger agreement and the merger.

Additional Financial Considerations of the Parties

Pacific

In considering the merits of the proposed merger, the Pacific conflicts committee and the Pacific board reviewed a number of cases for Plains' and Pacific's future financial and operating performance through 2010. Projections were reviewed for Plains and Pacific on a stand-alone basis and on a combined basis giving effect to the proposed merger and estimated synergies associated with the merger. The Pacific conflicts committee and the Pacific board reviewed the projections as a tool to evaluate the relative merits and risks associated with Pacific continuing as a stand-alone entity versus Pacific and Plains as a combined enterprise, recognizing that relatively small variances in the assumptions underlying the projected cases would cause material differences in the results projected as a result of the extended projection period. Given the sensitivity to small variances, the projections were regarded primarily as directional indicators of potential accretion and were just one of several factors considered by the Pacific conflicts committee and the Pacific board in making their respective determinations with respect to the merger and the merger agreement. For additional discussion regarding the factors considered by the Pacific conflicts committee and the Pacific board, please read "The Merger Recommendation of the Board of Directors and Conflicts Committee of Pacific's General Partner and Reasons for the Merger."

In developing the projected cases, Pacific made numerous material assumptions with respect to Pacific and Plains, including:

- organic growth opportunities and the amounts and timing of related costs and potential economic returns;
- the availability and cost of capital;
- the cash flow from existing assets and business activities;
- the size, timing and achievability of commercial and operating synergies;
- current and future supply and demand for crude oil and other products with respect to selected assets; and
- other general business, market and financial assumptions.

All of these assumptions involve variables making them difficult to predict, and most are beyond the control of Pacific. Although Pacific believes that there was a reasonable basis for its projections and underlying assumptions, any assumptions for near-term projected cases remain uncertain, and the risk of inaccuracy increases with the length of the forecasted period.

Although combined company 2006 results were reviewed, the merger was not expected to close before the fourth quarter of 2006. As a result, 2007 and near-term combined company projections were the primary point of focus, and later-year projections were used to gauge the long-term strategic benefits of the merger. The Pacific conflicts committee and the Pacific board placed less importance on the later-year projections given the inherent uncertainties in forecasting results that far into the future.

Conflicts Committee of the Pacific Board of Directors. The Pacific conflicts committee primarily relied on two sets of projections for Pacific: Average Research Analyst Estimates and a Management Case. The Average Research Analyst Estimates were derived from average published Wall Street research analyst estimates for 2006 and 2007 earnings before interest, tax, depreciation and amortization ("EBITDA") and distributable cash flow per limited partner unit. The Management Case, which was provided by Pacific management, projected financial results for fiscal years 2006 through 2010. The Management Case represented management's view of the most likely projected results using then-current information. The Pacific conflicts committee also was provided with a projected case assuming full and rapid exploitation of commercial opportunities available to Pacific without any risk adjustments for such things as the size, timing or results of future investments in internal growth projects, or for the timing of permitting and construction. The committee did not give significant weight to this case due to the lack of risk adjustments. In addition to the foregoing, the committee also was provided with and reviewed the projections described below under " Pacific Board of Directors."

The Pacific conflicts committee also reviewed three sets of projections for Plains: Average Research Analyst Estimates and two cases, Case 1 and Case 2, based on information provided by, and discussions with, the management of Plains and its advisors, and on public guidance disclosed by Plains in its Current Report on Form 8-K furnished on May 3, 2006 and in a press release issued on May 25, 2006. Average Research Analyst Estimates were derived from average published Wall Street research estimates for 2006 and 2007 EBITDA and distributable cash flow per unit. The information provided by and discussed with Plains management and its advisors included estimates for certain financial metrics such as Adjusted EBITDA, interest expense and maintenance capital expenditures and assumptions (including capital expenditures on growth projects, financing assumptions and expected cash flow impact of those projects) that were used to calculate the remaining projections. The principal difference between Case 1 and Case 2 was the amount of capital expenditures spent on growth projects and/or acquisitions.

To develop the combined company projections, the Pacific conflicts committee, after review, relied on several assumptions from Plains' management and its advisors, including the financing assumptions for the merger, estimated synergies and future distribution policy. To achieve comparable estimates, projected cases (for both Pacific and Plains on a stand-alone basis and on a combined company basis) were prepared assuming no acquisitions would be completed by either party in the forecast period. Two combined company scenarios were reviewed using: (i) the Pacific Average Research Analyst Estimates and the Plains Average Research Analyst Estimates ("Scenario 1"), and (ii) the Pacific Management Case and Plains Case 1 ("Scenario 2"). Among other assumptions, the Pacific conflicts committee considered the estimated percentage change in the distributable cash flow per Pacific limited partner unit and the distributions per Pacific limited partner unit under both scenarios. Under the two scenarios, the percentage increases in distributions on limited partner units from the distributions estimated each year in the relevant Pacific stand-alone cases are listed below. A positive change represents an improvement to the Pacific stand-alone case. The committee noted the increase in distribution coverage in the projections, which enhances the visibility for future distribution growth.

	Scenario 1		Scenario 2	
	2006E	2007E	2006E	2007E
Distributable Cash Flow per Limited Partner Unit	8.3%	6.2%	7.6%	11.6%
Distributions per Limited Partner Unit	1.4%	1.1%	2.4%	5.1%

Pacific Board of Directors. The Pacific board primarily relied on two sets of projections for Pacific on a stand-alone basis: a Street Case, and the Management Case described above under " Conflicts Committee of the Pacific Board of Directors." The Street Case was derived from median published Wall Street research analyst estimates for 2006 and 2007 EBITDA, maintenance capital expenditures and growth capital expenditures, which were assumed to be financed 50% with debt and 50% with equity and to occur at mid-year. The Pacific board was also provided a projected case assuming full and rapid exploitation of commercial opportunities available to Pacific without any risk adjustments. The board did not give significant weight to this case due to the lack of risk adjustments.

The Pacific board utilized two sets of projections for Plains on a stand-alone basis: a Street Case and a Management Case. The Street Case was derived from median published Wall Street research estimates for 2006 and 2007 EBITDA, maintenance capital expenditures and growth capital expenditures, which were assumed to be financed 50% with debt and 50% with equity and to occur at mid-year. The Management Case was derived from information provided by Plains management and its advisors. This information included estimates for certain financial metrics through 2010 such as Adjusted EBITDA, intere