09

PLAINS ALL AMERICAN PIPELINE, L.P.

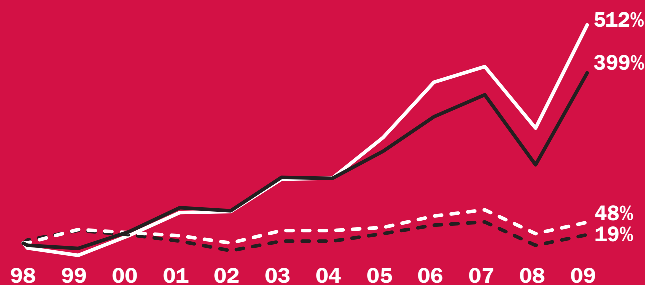
Chairman & President's Letter

5-Year Historical Distribution Growth

Represents Cash Distribution Paid During Each Period

Total Returns Since PAA IPO

- PAA
- Alerian MLP Index
- Dow Jones Ind. Avg.
- S&P 500



PAA 2009 Goals & Achievements

1

Deliver Operating & Financial Results In Line With Guidance

- Generated total adjusted EBITDA of $1.02 billion, which after excluding the benefit of unforcasted acquisitions, exceeded the high end of original guidance for the year.

2

Pursue an Average Of $200 Million To $300 Million Of Strategic & Accretive Acquisitions

- Consummated 7 transactions for approximately $395 million.

3

Successfully Execute Our 2009 Capital Program & Set The Stage For Continued Growth In 2010

- Executed a $365 million organic growth capital program adding a number of new projects;
- Set the stage for continued expansions at several key locations including: St. James, Patoka, Cushing and Pine Prairie.

4

Prudently Manage Our Capital Resources And Preserve Our Strong Capitalization & Liquidity

- Raised approximately $1.8 billion of long-term debt and equity capital in 5 different transactions;
- Maintained solid liquidity and financial positioning well within our targeted credit metrics.

Dear Fellow Unitholders,

2009 was another very active and productive year for the Partnership in which we achieved each of our goals. We delivered operating and financial performance above the high end of guidance, invested approximately $760 million in expansion projects and acquisitions and positioned the partnership for future growth. We raised approximately $1.8 billion of long-term capital, which was used to finance our 2009 growth investments, retire debt obligations and maintain a high level of liquidity. We also increased our annualized distribution rate by 3.1% to $3.68 per common unit, while generating aggregate annual distribution coverage of 114%. These accomplishments along with a general recovery in the financial markets enabled PAA's unitholders to realize a full-year total return of 65%.

The Business Climate During 2009 & Entering 2010

Prior to detailing our performance versus goals and our positioning with respect to 2010, we believe it is worthwhile to recap the prevailing economic and financial market environment in order to place these elements in context. The business climate during the last several months of 2008 and the first portion of 2009 was overcast by widespread uncertainty with respect to the economy and the health and stability of our banking system and financial markets. Early in 2009, capital markets access was very limited, generally restricted to investment-grade quality debt issuances, which were consummated at significant premiums to prior issuance levels. Substantial government intervention, the absence of another widespread calamity and the passage of time favorably influenced many of the macro concerns. As a result, panic subsided and financial markets stabilized, successively becoming more and more favorable for capital formation over the remainder of year. After reaching a low point in the first four months of 2009, equity valuations improved significantly, with the Dow Jones Industrial Average, S&P 500 and the Alerian MLP Index posting full year total returns of approximately 23%, 26% and 76%, respectively.

PAA's Performance – 2009 in Review

At the beginning of each year, we provide to our unitholders and the financial community specific goals that guide our activities and provide a framework by which to measure our annual performance. We have included a recap of our goals and achievements for 2009 on the red infold page, with a more detailed discussion of PAA's performance provided below.

The Partnership delivered solid operating and financial results during 2009, generating total adjusted EBITDA of $1.02 billion, which, after excluding the benefit of unforecasted acquisitions, exceeded the high end of our original guidance for the year. We also performed in line with our quarterly guidance, marking 32 consecutive quarters of delivering quarterly results in line with guidance.

Unlike the positive intra-year trend in the broader financial markets, certain energy industry conditions deteriorated throughout the year. The overall crude oil market structure early in 2009 was favorable for our storage assets and business model, but shifted later in the year to less favorable conditions as the market structure flattened, crude oil differentials tightened further and U.S. energy demand weakened. On a net basis, including the benefits of favorable weather conditions for our propane margins late in the year, the overall market provided the opportunity for us to exceed our baseline performance level in 2009.

We believe the Partnership's solid operating and financial results, generated during a period of significant volatility, are a further reinforcement of the durable and predictable nature of PAA's baseline cash flow stream, which is largely shielded from the adverse impact of commodity price fluctuations and certain other market conditions.

Given the tepid state of the capital markets in early 2009, we maintained our financial discipline and demonstrated the flexibility of our portfolio of organic capital projects by scaling back our initial expansion capital program to a manageable $295 million — which was approximately 40% below PAA's expansion capital programs in each of 2007 and 2008. As the capital markets improved during 2009, we advanced additional projects, investing approximately $365 million in organic capital throughout the year.

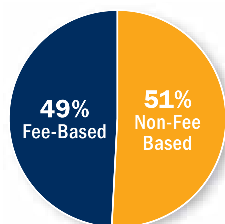
The primary focus of this capital program was the continued build-out of several strategically-located storage facilities. During the year, in addition to a number of smaller projects, we completed the final stages of the Patoka Phase I and Paulsboro expansion projects as well as the Kerrobert pumping/connection project and the Nipisi terminal expansion, both of which are located in Canada. Each of these projects further strengthens our strategic asset base and improves our competitive positioning. We also set the stage for future expansions at Patoka, St. James, Cushing, Pine Prairie and other locations.

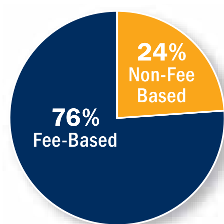
In addition to our organic capital investment, we consummated a total of seven acquisitions. The largest transaction was the purchase of Vulcan's 50% equity interest in PAA Natural Gas Storage, which brought the gas storage business under PAA's control. This transaction involved the purchase of Vulcan's joint-venture equity interest for approximately $215 million, as well as the consolidation and refinancing of approximately $450 million of previously non-recourse joint-venture debt. As a result of this acquisition, PAA's natural gas storage capacity increased to approximately 40 Bcf at year-end 2009. The other six acquisitions totaled approximately $180 million, with assets consisting primarily of pipeline and storage facilities, resulting in the addition of approximately 540 miles of pipeline and 1.6 million barrels of liquids storage capacity. We remain active in analyzing a variety of other acquisition opportunities across our business platforms.

We entered 2009 with a strong balance sheet, solid credit metrics and approximately $1.0 billion of committed liquidity. Given the state of the economy and capital markets, we increased our already intense focus on maintaining and enhancing our strong financial position. During the year, we raised approximately $1.8 billion in both long-term debt and equity capital in five different transactions. We believe our ability to raise capital during the challenging conditions that existed during the first part of the year further validates the strength of our business model and our solid relationships with capital providers and investors. These financing activities enabled us to invest approximately $760 million in organic and acquisition growth capital during the year (approximately $1.2 billion including the net debt assumed in connection with the joint-venture consolidation), and still end the year with a strong balance sheet, solid credit metrics and healthy liquidity. Further, 93% of our long-term debt is fixed at an average rate of 6.3%, with an average tenor of 11 years and we have no maturities until September 2012.

Our positive 2009 performance marks eight consecutive years of delivering results in line with our detailed financial guidance.

Increasing Fee-Based Cash Flow





2005 Adj. EBITDA	
Fee-Based	$199
Non-Fee Based	$209
Total	**$408**

2010(G) Adj. EBITDA	
Fee-Based	$791
Non-Fee Based	$249
Total	**$1,040**

Values in millions. 2010(G) based on the midpoint of full-year guidance furnished via Form 8-K on February 10, 2010.

We believe this level of transparency and consistent performance is unique among our peers, especially given the industry stress tests presented by the chaotic and volatile market conditions experienced over the past few years.

In this regard, we believe it is appropriate to highlight the positive transformation of the Partnership during the past several years towards a more diversified and fee-based enterprise. As represented on the chart on the bottom of this page, our 2010 adjusted EBITDA is expected to increase by 155% over our 2005 results. Of particular note, contributions from fee-based activities are expected to increase nearly 300% – effectively transforming the partnership from an organization almost exclusively focused on crude oil that derived approximately 49% of its cash flow from fee-based activities to an organization with a diversified energy product platform that is expected to generate approximately 76% of its cash flow from fee-based activities in 2010. In addition to expanding our fee-based contributions, we have significantly expanded the scale and scope of our operations, added substantial geographic and product diversity and improved our balance between supply-driven and demand-driven markets. These achievements have further solidified our baseline cash flow, lowered our risk profile and improved our competitive positioning.

Looking Forward

As we enter 2010, we acknowledge the uncertain state of the economy. Certain recent data signal improvements in the health of the economy, while other data indicates we have yet to begin a sustainable recovery. For example, one indicator of the strength and velocity of the economy that also has an impact on PAA's business is energy consumption. Based on recent data, U.S. demand for petroleum has declined by approximately 10% from levels experienced during the 2005 to 2007 time period and natural gas demand has declined approximately 2% to 3% relative to 2008.

Although we expect that the U.S. economy will ultimately rebound and energy demand will return to a growth profile, these conflicting signals lead us to believe significant uncertainty remains regarding the timing of such a recovery, which translates into potential near-term risks for the energy sector. Accordingly, we believe it prudent for us to continue to position the partnership for a protracted economic recovery.

In this regard, we will continue to actively monitor the economic and regulatory environment and make mid-course adjustments to achieve our growth objectives. In particular, we intend to evaluate acquisition and expansion opportunities with an aggressive but prudent mindset. We believe we are well positioned to compete in this environment and to both protect and grow your investment. We recognize within our organization the typical inefficiencies that result from significant growth and, as a result, we have also been tightening up our organization through a variety of initiatives. Indicative of such effort is the reduction of our annual report from a multi-page glossy display to this abbreviated document.

Individually small but collectively meaningful changes such as this are ongoing throughout our organization that will result in savings of both out-of-pocket expense and management time. Further, recognizing the increased availability of experienced management talent due to the weakened economic environment and industry consolidation, over the past few years we have added several highly-qualified, experienced individuals to our management team that has improved our ability to manage our continued growth.

We believe that through a combination of our organic growth capital projects and acquisitions we will be able to continue to profitably grow our business platforms and our distributable cash flow. Our current 2010 growth capital program is projected to total $360 million and we are working to advance a number of additional portfolio projects. Notwithstanding the challenging energy market conditions entering 2010 (including tight crude oil differentials and a weak contango market structure), our current expansion capital program combined with the growth capital investments that we have made over the past few years provide an uplift to our anticipated 2010 adjusted EBITDA to a range of $1.015 billion to $1.065 billion. The lower end of this range reflects a challenging environment throughout 2010 and the upper end reflects the start of an economic recovery in mid-2010.

Our growth will be further enhanced by future acquisitions and we believe 2010 should be favorable for acquisitions, joint ventures and other impactful events. Various major oil companies have indicated that they intend to or may be willing to sell certain midstream assets that we believe would complement our business model and asset base. Over the past five years, we have consummated 29 acquisitions for over $4.5 billion (including the $2.5 billion Pacific Energy Partners acquisition). We believe one of our strengths is our ability to simultaneously evaluate, consummate and integrate multiple acquisitions of various sizes. We have recently expanded our acquisitions group and we believe that we continue to be well positioned to pursue strategic and accretive acquisitions. We also remain committed to our investment grade credit ratings and will continue to fund approximately 50% of the capital requirements associated with acquisitions and expansion projects with equity and cash flow in excess of distributions.

We believe successful implementation of our organic growth capital programs and consummation of accretive acquisitions will underpin our future distribution growth. Directionally, our future performance will be influenced by macro economic conditions, but the level of distribution growth will be primarily impacted by three factors: (i) the amount of our expansion capital and acquisition expenditures relative to our overall size; (ii) the returns generated by such capital investments; and (iii) our overall cost of debt and equity capital. Similar to most public entities, our cost of incremental debt and equity capital is affected by the total return expectations of our investors, which take into account their perception of our risk profile.

2010 Goals

1. Deliver baseline operating and financial performance in line with our guidance;
2. Successfully execute our 2010 capital program, and set the stage for continued growth in 2011 and beyond;
3. Continue to pursue strategic and accretive acquisitions; and
4. Increase our annualized distribution level to $3.80 per unit by November 2010.

Relative to future distribution growth, a portion of the benefits of the positive advances discussed above are offset by the increased cost of shorter-term bank capital, the forecasted impact of income taxes to be imposed on all of our Canadian operations in 2011, and higher embedded capital costs related to long-term financings completed in early 2009 that were incurred to position us for growth opportunities during this period of economic weakness. Taking all these factors into account, along with the burdens and benefits associated with the law of large numbers, we are targeting an average annual distribution growth range of 3% to 5% for the next few years. Combined with our current distribution yield, this level of distribution growth provides a solid total return, which we believe — given PAA's lower risk profile — represents an attractive risk versus reward profile for our investors.

Although we maintain a cautious economic outlook for 2010, absent unforeseen negative developments, we are targeting to exit the year with an annualized distribution level of approximately $3.80 per common unit. Achievement of this target would represent a 3.3% increase over the 2009 annualized exit rate of $3.68 per unit and, assuming ratable increases throughout the year, would equate to approximately 3.5% to 4.0% growth over the aggregate distributions paid during 2009 of $3.62 per unit.

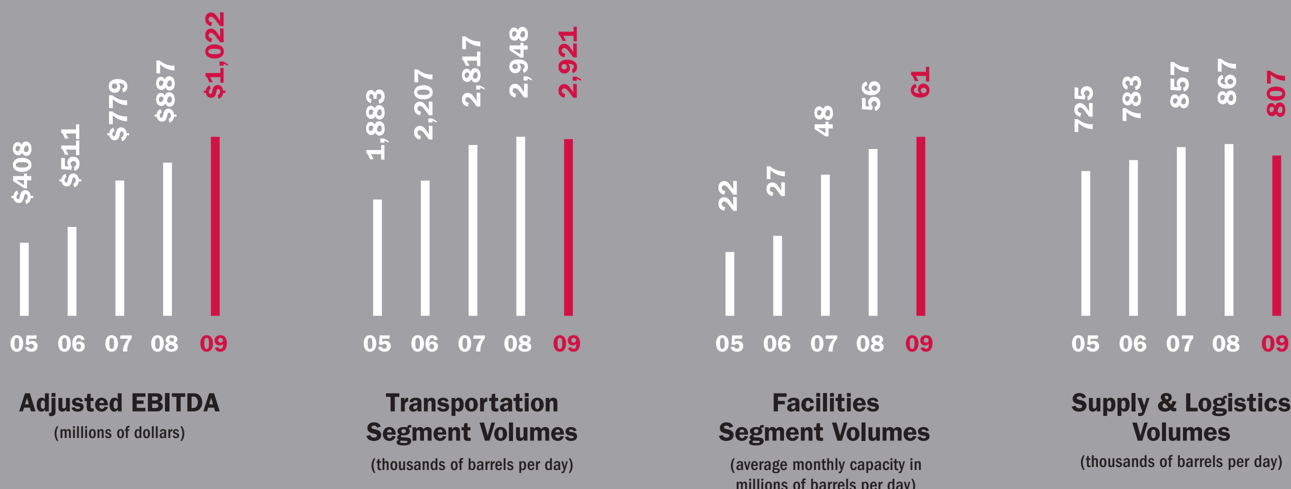
All in all, we are pleased with PAA's performance in 2009 and the Partnership's positioning as we enter 2010. Our 2010 goals are set forth at the top of this page and we look forward to updating you on our progress throughout the year.

On behalf of Plains All American Pipeline, our board of directors and our 3,400 loyal and dedicated employees, we sincerely thank you for your continued support.

Greg L. Armstrong
Chairman & CEO

Harry N. Pefanis
President & COO

PAA Performance Metrics



PAA

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Annual Report on Form 10-K
The Partnership's Annual Report on Form 10-K for the year ended December 31, 2009 (including audited financial statements and notes thereto), as filed with the Securities and Exchange Commission, is available on the Partnership's website at www.paalp.com under "Investor Relations–Annual Report." Unitholders may obtain a hard copy of the Form 10-K free of charge upon request by emailing info@paalp.com or by calling 1.800.564.3036.

Non-GAAP Reconciliations (in millions)
In this document, the Partnership's EBITDA disclosure is not presented in accordance with generally accepted accounting principles. EBITDA is presented because we believe it provides additional information with respect to both the performance of our fundamental business activities as well as our ability to meet our future debt service, capital expenditures and working capital requirements. In addition, we present selected items that impact the comparability of our operating results as additional information that may be helpful to your understanding of our financial results. A reconciliation of EBITDA to net income for the periods presented is included below.

	Year Ended December 31,					
	2010(G)[1]	2009	2008	2007	2006	2005
Adjusted EBITDA Reconciliation						
Net Income	$ 504	$ 580	$ 437	$ 365	$ 285	$ 218
Income Tax Expense	4	6	8	16	-	-
Interest Income	-	-	-	-	(1)	-
Interest Expense	242	224	196	162	86	59
Depreciation and Amortization	254	236	211	180	100	84
EBITDA	$ 1,004	$ 1,046	$ 852	$ 723	$ 470	$ 361
Selected Items Impacting Comparability	36	(24)	35	56	41	47
Adjusted EBITDA (excludes selected items)	**$1,040**	**$1,022**	**$ 887**	**$ 779**	**$ 511**	**$ 408**
Less:						
Undistributed Equity Earnings in Unconsolidated Entities		8	4	14	8	2
Maintenance Capital		81	81	50	28	14
Interest Expense		224	196	162	86	59
Current Income Tax Expense/Other		15	9	2	(3)	(2)
Distribution to Noncontrolling Interest		2	-	-	-	-
Distributable Cash Flow		**$ 692**	**$ 597**	**$ 551**	**$ 392**	**$ 335**
Distributions Paid		605	532	451	263	197
Distribution Coverage		**114%**	**112%**	**122%**	**149%**	**170%**

[1] 2010(G) based on the midpoint of full-year guidance furnished via Form 8-K on February 10, 2010.

Forward-Looking Statements

Except for the historical information contained herein, the matters discussed in this report are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially from results anticipated in the forward-looking statements. These risks and uncertainties include, among other things, failure to implement or capitalize on planned internal growth projects; maintenance of our credit rating and ability to receive open credit from our suppliers and trade counterparties; continued creditworthiness of, and performance by, our counterparties, including financial institutions and trading companies with which we do business; the effectiveness of our risk management activities; environmental liabilities or events that are not covered by an indemnity, insurance or existing reserves; abrupt or severe declines or interruptions in outer continental shelf production located offshore California and transported on our pipeline systems; shortages or cost increases of power supplies, materials or labor; the availability of adequate third-party production volumes for transportation and marketing in the areas in which we operate and other factors that could cause declines in volumes shipped on our pipelines by us and third-party shippers, such as declines in production from existing oil and gas reserves or failure to develop additional oil and gas reserves; fluctuations in refinery capacity in areas supplied by our mainlines and other factors affecting demand for various grades of crude oil, refined products and natural gas and resulting changes in pricing conditions or transportation throughput requirements; the availability of, and our ability to consummate acquisition or combination opportunities; our ability to obtain debt or equity financing on satisfactory terms to fund additional acquisitions, expansion projects, working capital requirements and the repayment or refinancing of indebtedness; the successful integration and future performance of acquired assets or businesses and the risks associated with operating in lines of business that are distinct and separate from our historical operations; unanticipated changes in crude oil market structure, grade differentials and volatility (or lack thereof); the impact of current and future laws, rulings, governmental regulations, accounting standards and statements, and related interpretations; the effects of competition; interruptions in service and fluctuations in tariffs or volumes on third-party pipelines; increased costs or lack of availability of insurance; fluctuations in the debt and equity markets, including the price of our units at the time of vesting under our long-term incentive plans; the currency exchange rate of the Canadian dollar; weather interference with business operations or project construction; risks related to the development and operation of natural gas storage facilities; future developments and circumstances at the time distributions are declared; general economic, market or business conditions and the amplification of other risks caused by deteriorated financial markets, capital constraints and pervasive liquidity concerns; and other factors and uncertainties inherent in the transportation, storage, terminalling and marketing of crude oil, refined products and liquefied petroleum gas and other natural gas related petroleum products discussed in the Partnership's filings with the Securities and Exchange Commission.