2011 Chairman & President's Letter

February 27, 2012

Dear Fellow Unitholders:

2011 was a record year of performance for the Partnership. We delivered operational and financial results well above the high end of our guidance range. Our full-year adjusted EBITDA of $1.6 billion exceeded the midpoint of our 2011 guidance by 30% or $373 million and exceeded our 2010 results by 44% or $492 million. Adjusted net income and adjusted net income per diluted unit for 2011 were $1.02 billion and $5.24, representing increases of 72% and 73% over 2010 comparable results.

Additionally, PAA's unitholders realized a 24.3% total return for 2011. This total return compares very favorably with the 14.0%, 8.4% and 2.1% total returns delivered by the Alerian MLP index, the Dow Jones Industrial Average and the S&P 500, respectively. We believe this overall performance is a testament to the strength of PAA's business model and strategic asset base as well as outstanding execution by PAA's employees during a period of strong fundamentals and favorable market conditions. Importantly, during 2011 we set the stage for future growth by investing approximately $1.9 billion in organic growth projects and acquisitions and entering into a definitive agreement to acquire BP's Canadian Natural Gas Liquids (NGL) business for approximately $1.7 billion.

PAA Performance – 2011 in Review

At the beginning of each year, we set forth specific goals that guide our activities and provide a framework for stakeholders to measure our performance. The inset near the left-hand margin contains a listing of our 2011 goals. We are pleased to report that we achieved or exceeded each of our goals for the year. In summary:

2011 Goals

1. **Deliver baseline operating and financial performance in line with our guidance.**
2. **Successfully execute our 2011 capital program, and set the stage for continued growth in 2012 and beyond.**
3. **Continue to pursue strategic and accretive acquisitions.**
4. **Increase our November 2011 annualized distribution level by approximately 4% to 5% over the November 2010 annualized distribution level.**

- We delivered operating and financial results above the mid-point of guidance in all four quarters, delivering total adjusted EBITDA of $1.598 billion as compared to beginning-of-the-year guidance of $1.225 billion.
- We executed a $530 million capital program on-time and within budget and set the stage to invest $850 million or more in 2012.
- We completed acquisitions totaling $1.4 billion during 2011 and entered into a definitive agreement to acquire BP's Canadian-based NGL business for approximately $1.7 billion.
- We delivered year-over-year distribution growth of 4.7% while generating distribution coverage of approximately 145% and retaining $365 million of cash in excess of distributions.

Notably, crude oil market conditions during 2011 were very favorable for our assets and our business model as there was significant volatility in market structure, and location and basis differentials. This volatility was due to international supply concerns, the rapid increase in domestic production, regional infrastructure constraints and imbalances with respect to certain crude qualities. These market conditions had a very positive impact on our 2011 adjusted EBITDA and distributable cash flow.

Investing for the Future

Throughout the year, we invested an aggregate of $1.9 billion in growth-related capital. Our investments were centered on the following: key crude oil production growth areas that have recently experienced significant increases in drilling activity including the Permian Basin, Bakken Shale and Eagle Ford Shale; strategically located crude oil terminals; and a gas storage facility that complements our existing storage platform.

We also signed a definitive agreement to purchase BP's Canadian NGL business, which is expected to close in the second quarter of 2012. This asset-rich transaction includes varying ownership interests and contractual rights relating to approximately 2,600 miles of pipelines, approximately 20 million barrels of net NGL storage capacity, 232,000 barrels per day of net NGL fractionation capacity, approximately 10 million barrels of long-term and seasonal NGL inventory and a sizeable portfolio of gas processing and NGL distribution assets. These assets are a strong complement to our existing Canadian crude oil and North American LPG infrastructure, and we believe they will provide multiple growth opportunities as we integrate them into our existing asset base.

Financing Our Growth

We remained proactive in financing our growth throughout 2011, especially given the high levels of organic and acquisition-related investments. In addition to raising $1.3 billion of equity capital in three transactions, we completed a debt issuance and a number of bank financing transactions during the year with a nominal value of over $4.5 billion. Our activities included a $600 million offering of senior notes, a renewal and extension of our $1.6 billion revolving credit facility and an enlargement and extension of our $850 million hedged inventory facility. We also renewed and expanded a 5-year, $450 million credit facility at PAA Natural Gas Storage (NYSE: PNG), our majority-owned subsidiary. In support of our acquisition activities announced late in the year, we completed a 364-day, $1.2 billion liquidity facility. As a result of these activities and the retention of cash flow in excess of distributions, PAA entered 2012 with a strong balance sheet, over $3.6 billion of committed liquidity (approximately $2.0 billion pro-forma for the pending BP NGL acquisition) and credit metrics that compare favorably to our targets.

Rainbow Pipeline Release

This past year also had its share of challenges. In April we experienced a sizable crude oil release on our Rainbow Pipeline at a remote location in Alberta, Canada. The total economic cost to PAA, net of insurance, was approximately $30 million, including approximately $20 million of lost revenue. Our response to containing and remediating the release was conducted at a very high standard. However, the release and subsequent events served as a reminder that this is a humbling business and that there are always opportunities to learn and improve. To further minimize the potential for future incidents, we are increasing our asset integrity activities in Canada and actively addressing the "lessons learned" from our response to this incident.

Looking Forward

We are excited about PAA's future. PAA plays a critical role in providing essential midstream services to North American producers and refiners as well as our other customers. We believe industry fundamentals are favorable for PAA's business model and asset base. Driven by attractive crude oil and liquids prices and advances in drilling and completion techniques, domestic production is rising in multiple regions where PAA has an extensive presence. We have experienced strong demand for our assets and services and have multiple opportunities to expand and extend our existing asset base on attractive economic terms.

We believe that PAA is fundamentally well positioned to continue to deliver attractive results in 2012 and beyond as we realize the contributions from the capital we have invested and will invest over the next several years. We have a large organic growth project portfolio that provides growth visibility, and importantly, PAA is well positioned to finance these investments while maintaining a solid capital structure and a high level of liquidity.

Following a record year like 2011 is challenging. Our 2012 guidance incorporates a solid fundamental industry outlook; however, we are not planning on crude oil market conditions to be as favorable as they were in 2011. Accordingly, based on the midpoint of our 2012 guidance range, we are forecasting a modest 3% increase in adjusted EBITDA and a 4% decrease in distributable cash flow relative to comparable 2011 measures. Importantly, due to expected strong baseline performance of our assets and our significant distribution coverage levels in 2011, contingent on closing the BP NGL acquisition, we have targeted to increase our quarterly distribution by November of 2012 by 8% to 9% over our November 2011 distribution level while maintaining healthy distribution coverage ratios. Should crude oil market conditions in 2012 be comparable to 2011, there is an upward bias to our guidance.

Our 2012 goals are set forth in Exhibit A. We look forward to updating you on our progress toward these goals and providing other relevant information throughout the year. We believe that PAA provides an attractive total return opportunity for existing and future holders, combining a targeted 8% to 9% distribution growth for 2012 with an approximate 5% current yield and a proven and relatively low-risk business profile.

On behalf of Plains All American Pipeline, our board of directors, and our 3,800 loyal and dedicated employees, we sincerely thank you for your continued support. We pledge to continue to do all in our power to merit your continued trust.

Best regards,

Greg L. Armstrong
Chairman & CEO

Harry N. Pefanis
President & COO

Exhibit "A"

2012 Goals

1. **Deliver operating and financial performance in line with guidance.**

2. **Close and integrate the BP NGL acquisition and selectively pursue strategic and accretive acquisitions.**

3. **Increase our November 2012 annualized distribution level by approximately 8% to 9% over the November 2011 annualized distribution level.**

4. **Successfully execute our 2012 capital program and set the stage for continued growth in 2013 and beyond.**

Note: *This letter contains forward-looking statements, including statements about the plans, strategies and prospects of PAA. Factors that could cause actual results to differ materially from management's expectations are disclosed in PAA's most recent filings with the Securities and Exchange Commission. This letter also contains non-GAAP financial measures. A reconciliation of these measures to the most directly comparable GAAP measures is available on the Non-GAAP Reconciliations tab of the Investor Relations section our website at www.paalp.com.*