

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Plains All American Pipeline L.P.  
333 Clay Street  
Houston, TX 77002

Attention: *Greg L. Armstrong*  
*Chairman and CEO*

Dear Mr. Armstrong:

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that Plains All American Pipeline L.P. (PAALP) of Houston, Texas, has committed 30 violations of the Export Administration Regulations (the "Regulations"),<sup>1</sup> which are issued under the authority of the Export Administration Act of 1979 (the "Act").<sup>2</sup> Specifically, BIS charges that PAALP committed the following violations:

**Charges 1-11 15 C.F.R. § 764.2(a) - Unauthorized Export of Crude Oil to Canada**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein, on 11 occasions between on or about November 2001 and on or about October 2002, PAALP engaged in conduct contrary to licenses issued under the Regulations. More specifically, by exporting Crude Oil, an item classified under Export Control Classification Number (ECCN) 1C981, in excess of the amounts authorized on the licenses to Canada, PAALP committed 11 violations of Section 764.2(a) of the Regulations.

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2005). The violations charged occurred between 2001 and 2004. The Regulations governing the violations at issue are found in the 2001 - 2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2004)). The 2005 Regulations govern the procedural aspects of this case.

<sup>2</sup> 50 U.S.C. app. §§ 2401- 2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended most recently by the Notice of August 2, 2005, (70 Fed. Reg. 45273 (August 5, 2005)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) ("IEEPA").

**Charges 12-15 15 C.F.R. § 764.2(a)- Unauthorized Export of Crude Oil to End User in Canada**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein, on 4 occasions between on or about October 2003 and on or about March 2004, PAALP engaged in conduct contrary to licenses issued under the Regulations. Specifically, by exporting Crude Oil (ECCN 1C981), an item subject to the Regulations, to Nova Chemical Corporation (NOVA), an end user in Canada not approved on the export licenses, PAALP committed 4 violations of Section 764.2(a) of the Regulations.

**Charges 16-26 15 C.F.R. § 764.2(e) - Acting with Knowledge of a Violation**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein, on 11 occasions, between on or about November 2001 and on or about October 2002, in connection with the transactions described in Charges 1-11, PAALP sold Crude Oil that was to be exported from the United States with knowledge that a violation of the Regulations was to occur. Specifically, PAALP knew or should of known that the amount of Crude Oil sold was in excess of the limits set by the export licenses. In doing so, PAALP committed 11 violations of Section 764.2(e) of the Regulations.

**Charges 27-30 15 C.F.R. § 764.2(e) - Acting with Knowledge of a Violation**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein, on 4 occasions, between on or about October 2003 and on or about March 2004, in connection with the transactions described in Charges 12-15, PAALP sold Crude Oil that was to be exported from the United States with knowledge that a violation of the Regulations was to occur. Specifically, PAALP knew or should have known that Nova Chemical Corporation (NOVA), an end user in Canada, was not an approved end user on the export licenses. In doing so, PAALP committed 4 violations of Section 764.2(e) of the Regulations.

Accordingly, PAALP is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of up to \$11,000 per violation;<sup>3</sup>

Denial of export privileges; and/or

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<sup>3</sup> See 15 C.F.R. § 6.4(a)(2).

Exclusion from practice before BIS.

If PAALP fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. (Regulations, Sections 766.6 and 766.7). If PAALP defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to PAALP. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each of the charges in this letter.

PAALP is further notified that it is entitled to an agency hearing on the record if PAALP files a written demand for one with its answer. (Regulations, Section 766.6). PAALP is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. (Regulations, Sections 766.3(a) and 766.4).

The Regulations provide for settlement without a hearing. (Regulations, Section 766.18). Should PAALP have a proposal to settle this case, PAALP or its representative should transmit it to the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, PAALP's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center  
40 S. Gay Street  
Baltimore, Maryland 21202-4022

In addition, a copy of PAALP's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security  
Attention: Gregory Michelsen  
Room H-3839  
United States Department of Commerce  
14th Street and Constitution Avenue, N.W.  
Washington, D.C. 20230

## SCHEDULE OF VIOLATIONS

Charge Nos.	Export Date	Destination	ECCN	License #	Amount over limit	Violations Charged
1, 16	Nov 2001	Canada	1C981	D286971	19,963	§ 764.2(a),(e)
2, 17	Dec 2001	Canada	1C981	D286971	70,554	§ 764.2(a),(e)
3, 18	Jan 2002	Canada	1C981	D286971	35,943	§ 764.2(a),(e)
4, 19	Feb 2002	Canada	1C981	D286971	1,715	§ 764.2(a),(e)
5, 20	Apr 2002	Canada	1C981	D293390	17,350	§ 764.2(a),(e)
6, 21	May 2002	Canada	1C981	D293390	50,727	§ 764.2(a),(e)
7, 22	Jun 2002	Canada	1C981	D293390	70,455	§ 764.2(a),(e)
8, 23	Jul 2002	Canada	1C981	D293390	90,414	§ 764.2(a),(e)
9, 24	Aug 2002	Canada	1C981	D293390	86,931	§ 764.2(a),(e)
10, 25	Sep 2002	Canada	1C981	D293390	148,273	§ 764.2(a),(e)
11, 26	Oct 2002	Canada	1C981	D293390	28,214	§ 764.2(a),(e)

Charge Nos.	Export Date	End User	ECCN	License #	Violations Charged
12, 27	Oct 03	NOVA	1C981	D303019/D306146	§764.2(a),(e)
13, 28	Dec 03	NOVA	1C981	D303019/D306146	§764.2(a),(e)
14, 29	Feb 04	NOVA	1C981	D303019/D306146	§764.2(a),(e)
15, 30	Mar 04	NOVA	1C981	D303019/D306146	§764.2(a),(e)

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

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In the Matter of: )  
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Plains All American Pipeline, L.P. )  
333 Clay Street )  
Houston, TX 77002 )  
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Respondent. )  
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SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Respondent, Plains All American Pipeline, L.P. (“PAALP”) and the Bureau of Industry and Security, United States Department of Commerce (“BIS”) (collectively referred to as “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (“Regulations”),<sup>1</sup> issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),<sup>2</sup>

WHEREAS, PAALP filed a voluntary self-disclosure with BIS’s Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning the transactions at issue herein;

<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2006). The alleged violations occurred from 2001-2004. The Regulations governing the violations at issue are found in the 2001-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2004)). The 2006 Regulations establish the procedures that apply to this matter.

<sup>2</sup> 50 U.S.C. app. §§ 2401- 2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended most recently by the Notice of August 2, 2005, (70 Fed. Reg. 45273 (August 5, 2005)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”).

WHEREAS, BIS has notified PAALP of its intention to initiate an administrative proceeding against PAALP, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to PAALP that alleged that PAALP committed 30 violations of the Regulations, specifically:

1. 1. *Eleven Violations of 15 C.F.R. § 764.2(a) - Unauthorized Export of Crude Oil to Canada:* On eleven occasions between on or about November 2001 and on or about October 2002, PAALP engaged in conduct contrary to licenses issued under the Regulations. Specifically, PAALP exported crude oil, an item subject to the Regulations and classified under Export Control Classification Number (“ECCN”) 1C981, in excess of the amounts authorized on the licenses to Canada.
2. *Eleven Violations of 15 C.F.R. § 764.2(e) - Acting with Knowledge of a Violation:* On eleven occasions between on or about November 2001 and on or about October 2002, PAALP sold crude oil that was to be exported from the United States with knowledge that a violation of the Regulations was to occur. PAALP knew or should of known that the amount of crude oil sold was in excess of the limits set by the export licenses.
3. *Four Violation of 15 C.F.R. § 764.2(a) - Unauthorized Export of Crude Oil to End User in Canada:* On four occasions between on or about October 2003 and on or about March 2004, PAALP engaged in conduct contrary to licenses issued

under the Regulations. Specifically, PAALP exported crude oil, an item subject to the regulations and classified under ECCN 1C981 to Nova Chemical Corporation, an end-user not approved on the export licenses.

4. *Four Violations of 15 C.F.R. § 764.2(e) - Acting with Knowledge of a Violation:*

On four occasions between on or about October 2003 and on or about March 2004, PAALP sold crude oil that was to be exported from the United States with knowledge that a violation would occur. PAALP knew or should have known that Nova Chemical Corporation was not an approved end-user on the export licenses.

WHEREAS, PAALP has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions that could be imposed against it if the allegations are found to be true;

WHEREAS, PAALP fully understands the terms of this Agreement and the Order (“Order”) that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, PAALP enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, PAALP states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, PAALP neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, PAALP wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, PAALP agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over PAALP, under the Regulations, in connection with the matters alleged in the proposed charging letter.

2. The following sanction shall be imposed against PAALP in complete settlement of the violations of the Regulations set forth in the proposed charging letter:

- a. PAALP shall be assessed a civil penalty in the amount of \$82,500.00 which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order.
- b. The timely payment of the civil penalty agreed to in paragraph 2.a. is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to PAALP. Failure to make timely payment of the civil penalty set forth above shall result in the denial of all of PAALP's export privileges for a period of one year from the date of imposition of the penalty.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, PAALP hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; (c) request any relief from the Order, if entered, including without limitation relief from the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$82,500.00 civil penalty, BIS will not initiate any further administrative proceeding against PAALP in connection with any violation of the Act or the Regulations arising out of the transactions identified in the proposed charging letter.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if

entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein.

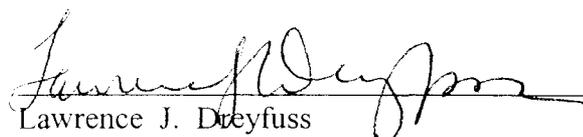
8. This Agreement shall become binding on BIS only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY  
U.S. DEPARTMENT OF COMMERCE

PLAINS ALL AMERICAN PIPELINE, L.P.  
By Plains AAP, L. P., Its General Partner  
By Plains All American GP LLC, Its General  
Partner

  
\_\_\_\_\_  
Michael Turner  
Director  
Office of Export Enforcement

  
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Lawrence J. Dreyfuss LDR  
Vice President & Associate General Counsel

Date: MAY 3, 2006

Date: May 1, 2006

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

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In the Matter of: )  
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Plains All American Pipeline, L.P. )  
333 Clay Street )  
Houston, TX 77002 )  
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Respondent. )  
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ORDER

The Bureau of Industry and Security, United States Department of Commerce (“BIS”) having notified Plains All American Pipeline, L.P. (“PAALP”) of its intention to initiate an administrative proceeding against PAALP pursuant to Section 766.3 of the Export Administration Regulations (“Regulations”),<sup>1</sup> and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),<sup>2</sup> based on the proposed charging letter issued to PAALP that alleged that PAALP committed 30 violations of the Regulations. Specifically, the charges are:

1. *Eleven Violations of 15 C.F.R. § 764.2(a) - Unauthorized Export of Crude Oil to Canada:* On eleven occasions between on or about November 2001 and on or about October 2002, PAALP engaged in conduct contrary to licenses issued under

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2006). The alleged violations occurred from 2001 to 2004. The Regulations governing the violations at issue are found in the 2001 to 2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2004)). The 2006 Regulations establish the procedures that apply to this matter.

<sup>2</sup> 50 U.S.C. app. §§ 2401- 2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended most recently by the Notice of August 2, 2005, (70 Fed. Reg. 45273 (August 5, 2005)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”).

the Regulations. Specifically, PAALP exported crude oil, an item subject to the Regulations and classified under Export Control Classification Number (“ECCN”) 1C981, in excess of the amounts authorized on the licenses to Canada.

2. *Eleven Violations of 15 C.F.R. § 764.2(e) - Acting with Knowledge of a Violation:* On eleven occasions between on or about November 2001 and on or about October 2002, PAALP sold crude oil that was to be exported from the United States with knowledge that a violation of the Regulations was to occur. PAALP knew or should of known that the amount of crude oil sold was in excess of the limits set by the export licenses.
3. *Four Violation of 15 C.F.R. § 764.2(a) - Unauthorized Export of Crude Oil to End User in Canada:* On four occasions between on or about October 2003 and on or about March 2004, PAALP engaged in conduct contrary to licenses issued under the Regulations. Specifically, PAALP exported crude oil, an item subject to the Regulations and classified under ECCN 1C981 to Nova Chemical Corporation, an end-user not approved on the export licenses.
4. *Four Violations of 15 C.F.R. § 764.2(e) - Acting with Knowledge of a Violation:* On four occasions between on or about October 2003 and on or about March 2004, PAALP sold crude oil that was to be exported from the United States with knowledge that a violation would occur. PAALP knew or should have known that Nova Chemical Corporation was not an approved end-user on the export licenses.

BIS and PAALP having entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and the terms of the Settlement Agreement having been approved by me;

IT IS THEREFORE ORDERED:

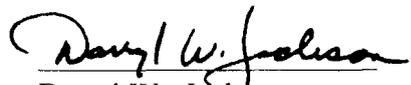
FIRST, that a civil penalty of \$82,500.00 is assessed against PAALP which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, PAALP will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to PAALP. Accordingly, if PAALP should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying PAALP's export privileges for a period of one year from the date of entry of this Order.

FOURTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



Darryl W. Jackson  
Assistant Secretary of Commerce  
for Export Enforcement

Entered this 10<sup>th</sup> day of May 2006.