PLAINS RESOURCES INC
Form PREM14A
March 02, 2004
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SCHEDULE 14A

(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under Rule 14a-12

¨ **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

PLAINS RESOURCES INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Shares of Plains Resources common stock, $0.10 par value per share (Common Stock).

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(2) Aggregate number of securities to which transaction applies:

22,599,200 shares of Common Stock, $0.10 par value per share, 76,500 restricted units representing the right to acquire Common Stock and 1,610,785 options representing the right to acquire Common Stock.

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The filing fee of $48,799.96 was calculated pursuant to Exchange Act Rule 0-11(c)(1) and is based on (1) the aggregate number of 22,675,700 shares of Common Stock consisting of 22,599,200 shares of Common Stock outstanding plus the 76,500 restricted units representing the right to purchase Common Stock multiplied by the $16.75 per share merger consideration; plus (ii) the cash-out value of 1,610,785 options representing the right to purchase Common Stock. The filing fee was then calculated by multiplying the resulting transaction cash value of $385,161,498.00 by 0.00012670.

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(4) Proposed maximum aggregate value of transaction:

$385,161,498.00

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(5) Total fee paid:

$48,799.96

¨ Fee paid previously with preliminary materials:

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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PLAINS RESOURCES INC.

700 Milam Street, Suite 3100

Houston, Texas 77002

Dear Plains Resources Stockholder:

You are cordially invited to attend a special meeting of the stockholders of Plains Resources Inc. The meeting will be held at [**time**], local time, on [ ], 2004, at [ ], Houston, Texas. Your Board of Directors and management look forward to greeting those of you able to attend in person. We have included a map and directions to the meeting site on the back page of this proxy statement. This proxy statement is dated [ ], 2004, and is first being mailed to stockholders on or about [ ], 2004.

At the special meeting, you will be asked to consider and vote upon the approval and adoption of an Agreement and Plan of Merger, dated as of February 19, 2004, by and among us, Vulcan Energy Corporation and Prime Time Acquisition Corporation, a newly formed Delaware corporation wholly owned by Vulcan Energy Corporation, and the merger of Prime Time Acquisition Corporation with and into Plains Resources Inc., which will survive the merger.

Vulcan Energy Corporation is a Delaware corporation currently owned solely by investor Paul G. Allen. James C. Flores, our Chairman of the Board of Directors, and John T. Raymond, our President and Chief Executive Officer, will each acquire a significant interest in Vulcan Energy in connection with the transaction. In this letter and the accompanying proxy statement, Messrs. Flores and Raymond (and their respective affiliates) will be referred to as the Management Stockholders. Prior to the merger, the Management Stockholders will contribute their shares of vested and restricted common stock to Vulcan Energy and will together hold approximately 11% of the outstanding common shares of Vulcan Energy following the merger.

If the merger agreement is approved and adopted and the merger is completed in accordance with its terms you will be entitled to $16.75 in cash per share of our common stock you own. We will pay the merger consideration without interest and less any applicable withholding taxes.

If the merger is completed, we will no longer be a publicly traded company and will become a wholly owned subsidiary of Vulcan Energy.

A special committee of our Board of Directors has unanimously determined that the proposed merger is advisable, fair to and in the best interests of Plains Resources and its stockholders, other than the Management Stockholders, and recommends the approval and adoption of the merger agreement and the merger by our stockholders. The special committee consists of two directors who are not our officers or employees, are not directly or indirectly affiliated with Vulcan Energy or the Management Stockholders, and who will not have an economic interest in us or Vulcan Energy following the merger. **Accordingly, the Board of Directors, taking into account the unanimous recommendation of the special committee, through a unanimous vote of the directors present (with Mr. Flores not in attendance) approved the merger**

agreement and resolved to recommend that you vote FOR approval and adoption of the merger agreement and the merger.

In reaching its decision, the special committee considered many factors, including an oral opinion delivered by Petrie Parkman & Co., the special committee s financial advisor, on February 18, 2004 and subsequently confirmed in writing that, as of that date, and based on and subject to the matters set forth in the opinion, the consideration to be received by our stockholders in the merger was fair from a financial point of view to our stockholders (other than the Management Stockholders).

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The accompanying proxy statement explains the proposed merger and provides specific information concerning the merger agreement and the special meeting. We urge you to read these materials, including the merger agreement and other appendices, completely and carefully.

Your vote is important. The proposed merger cannot occur unless, among other things, the merger agreement and the merger are approved and adopted by an affirmative vote of the holders of a majority of the outstanding shares of our common stock. The Board of Directors appreciates and encourages stockholder participation in our affairs. Whether or not you can attend the meeting, please read the proxy statement carefully, then sign, date and return the enclosed proxy card promptly in the enclosed pre-addressed postage-paid envelope, so that your shares will be represented at the meeting. If you attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person.

Failure to return a properly executed proxy card or vote at the special meeting will have the same effect as a vote against the approval and adoption of the merger agreement and the merger. If you have any questions, or need assistance in voting your proxy, please call our proxy solicitor, [ ] toll-free at ( ) - .

On behalf of the Board of Directors, thank you for your continued support.

This transaction has not been approved or disapproved by the Securities and Exchange Commission or any state securities commission. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the merits or fairness of this transaction or upon the adequacy or accuracy of the information contained in this proxy statement. Any representation to the contrary is a criminal offense.

This proxy statement is dated [ ], 2004, and is first being mailed to stockholders on or about [ ], 2004.

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PLAINS RESOURCES INC.

700 Milam Street, Suite 3100

Houston, Texas 77002

NOTICE OF SPECIAL MEETING TO BE HELD ON [ ], 2004

We cordially invite you to attend a special meeting of stockholders of Plains Resources Inc., a Delaware corporation. This special meeting will be held at [time], local time, on [ ], 2004, at [ ] Houston, Texas. The meeting is being held:

1. To vote on the approval and adoption of the Agreement and Plan of Merger, dated as of February 19, 2004, by and among us, Vulcan Energy Corporation and Prime Time Acquisition Corporation, a newly formed Delaware corporation wholly owned by Vulcan Energy Corporation, and the merger of Prime Time Acquisition Corporation with and into Plains Resources, which will survive the merger;

2. To grant to the proxyholders the authority to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the approval and adoption of the merger agreement and the merger if there are not sufficient votes for approval and adoption of the merger agreement and the merger at the special meeting; and

3. To consider any other business that is properly brought before the special meeting or any reconvened meeting after any adjournment or postponement of the meeting.

The Board of Directors has fixed the close of business on [ ], 2004, as the record date for the determination of stockholders entitled to notice of, and to vote at, the special meeting or any adjournment or postponement of the meeting.

The Board of Directors, in accordance with the unanimous recommendation of a special committee of the board consisting of two directors who are not our officers or employees, are not directly or indirectly affiliated with Vulcan Energy or the Management Stockholders, and who will not have an economic interest in us or Vulcan Energy following the merger, has unanimously approved the merger agreement and the merger, and has determined that the merger agreement and the merger are advisable and that the proposed merger is fair to, and in the best interests of, all Plains Resources stockholders (other than the Management Stockholders). **Accordingly, the Board of Directors, taking into account the unanimous recommendation of the special committee, through a unanimous vote of the directors present (with Mr. Flores not in attendance) approved the merger agreement and resolved to recommend that you vote FOR approval and adoption of the merger agreement and the merger.**

Under Delaware law, if the merger is completed, holders of our common stock who do not vote in favor of approval and adoption of the merger agreement and the merger will have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery, but only if they submit a written demand for such an appraisal prior to the vote on the merger agreement and they comply with the other Delaware law procedures and requirements explained in the accompanying proxy statement.

Your vote is very important. The merger cannot occur unless holders of a majority of the outstanding shares of common stock of Plains Resources vote in favor of the approval and adoption of the merger agreement and the merger. Even if you plan to attend the special meeting in person, please complete, date, sign and return the enclosed proxy card to ensure that your shares will be represented at the special meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for that purpose. If you attend the special meeting and wish to vote in person, you may withdraw your proxy card and vote in person. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain from the record holder a proxy issued in your name. A broker, bank or other nominee cannot vote your shares on the merger by proxy without your express instructions.

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We urge you to read carefully the accompanying proxy statement. A copy of the merger agreement is included as Appendix A to the accompanying proxy statement.

By order of the Board of Directors,

John F. Wombwell

Executive Vice President, General Counsel and Secretary

[ ], 2004

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SUMMARY

This summary highlights selected information included in this proxy statement and should be read together with the questions and answers on the following pages. Because this is a summary, it may not contain all of the information that is important to you. To more fully understand the merger agreement and the merger and for a more complete description of the legal terms of the merger, you should read this entire proxy statement carefully, including the appendices attached to this proxy statement. The actual terms of the merger are contained in the merger agreement, a copy of which is attached as Appendix A to this proxy statement. For additional information, see Miscellaneous Other Information Where You Can Find More Information and Miscellaneous Other Information Incorporation by Reference.

Unless we otherwise indicate or unless the context requires otherwise, all references in this proxy statement to Plains Resources, we, our, us or similar references mean Plains Resources Inc. and its subsidiaries, predecessors and acquired businesses. When we refer to the Management Stockholders in this proxy statement, we mean James C. Flores, chairman of our Board of Directors, and John T. Raymond, our president and chief executive officer, and their respective affiliates. When we refer to the subscription agreement in this proxy statement, we mean the amended and restated subscription agreement, dated as of February 19, 2004, entered into by and among the Management Stockholders, Vulcan Energy and Paul G. Allen pursuant to which each Management Stockholder will contribute all of his equity interests in Plains Resources, and Paul G. Allen will contribute cash, in exchange for equity interests in Vulcan Energy immediately prior to the effective time of the merger.

Transaction Participants (Page 99)

PLAINS RESOURCES INC.

700 Milam Street, Suite 3100

Houston, Texas 77002

Plains Resources Inc. is an independent energy company. We are principally engaged in the midstream activities of marketing, gathering, transporting, terminalling, and storage of oil through our equity ownership in Plains All American Pipeline, L.P., or PAA, a publicly traded master limited partnership that is actively engaged in the midstream energy markets. All of PAA s midstream activities are conducted in the United States and Canada. We also participate in the upstream activities of acquiring, exploiting, developing, exploring for and producing oil through our wholly owned subsidiary, Calumet Florida L.L.C., which has producing properties in the Sunniland Trend in south Florida.

VULCAN ENERGY CORPORATION

505 Fifth Avenue S, Suite 900

Seattle, Washington 98104

Vulcan Energy Corporation (Vulcan Energy) was formed on November 19, 2003 for the purpose of acquiring all of the outstanding shares of Plains Resources. It has not carried on any activities to date other than those incidental to its formation and completion of the merger. Vulcan Energy is currently owned solely by Mr. Allen and managed by several employees of Vulcan Capital, an investment vehicle of Mr. Allen.

Immediately following the merger, Mr. Allen will own approximately 89% of the outstanding common shares of Vulcan Energy (excluding the Management Stockholders unvested shares of restricted stock and stock options), and Vulcan Energy will be managed by a five-member board of directors consisting of Mr. Allen, Jody Patton, David Capobianco, Mr. Flores and Mr. Raymond. See page 20 Special Factors Structure of the Transaction.

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PRIME TIME ACQUISITION CORPORATION

505 Fifth Avenue S, Suite 900

Seattle, Washington 98104

Prime Time Acquisition Corporation (the Vulcan Merger Subsidiary) was incorporated on February 18, 2004 for the purpose of merging with and into Plains Resources. It has not carried on any activities to date other than those incidental to its incorporation and completion of the merger. Vulcan Energy owns all of the outstanding stock of the Vulcan Merger Subsidiary.

Transaction Structure (Page 20)

The proposed transaction is a merger of Prime Time Acquisition Corporation with and into Plains Resources, with Plains Resources continuing as the surviving corporation.

The principal steps that will accomplish this transaction are as follows:

The Equity and Debt Financing. At or prior to the merger (subject to the satisfaction or waiver of all conditions) and pursuant to the amended and restated subscription agreement with respect to the equity financing and written commitments with respect to the debt financing:

- Mr. Allen will contribute to Vulcan Energy approximately $212 million in order to consummate the merger and pay related fees and expenses in exchange for shares constituting approximately 89% of the outstanding common shares of Vulcan Energy;
- each of the Management Stockholders will contribute to Vulcan Energy as an investment their respective shares of Plains Resources common stock (both restricted common stock and vested common stock) in exchange for common shares of Vulcan Energy;
- following the merger, the Management Stockholders will own, in the aggregate, approximately 11% of the outstanding common shares of Vulcan Energy; and
- Fleet National Bank will provide financing for Vulcan Energy through a senior secured credit facility in the principal amount of $175 million and Bank of America N.A. will provide financing for Vulcan Energy through a $65 million senior term loan guaranteed by Mr. Allen to fund a portion of the acquisition costs and related expenses.

The Merger. Following the satisfaction or waiver of the conditions to the merger, including completion of the funding described above, the Vulcan Merger Subsidiary will merge with and into Plains Resources, and Plains Resources will be the surviving corporation. In connection with the merger:

each share of Plains Resources common stock outstanding at the effective time of the merger (other than shares held directly or indirectly by Vulcan Energy or Plains Resources and other than shares held by dissenting stockholders who exercise and perfect their appraisal rights under Delaware law) will be converted into the right to receive $16.75 in cash;

each share of restricted common stock of Plains Resources (other than restricted shares held by the Management Stockholders) will become fully vested and will be converted into the right to receive $16.75 in cash;

each option to purchase shares of Plains Resources common stock (other than stock options held by the Management Stockholders) will become fully vested and exercisable, and each holder of options to

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purchase shares of Plains Resources common stock (other than the Management Stockholders) will receive, upon exercise of the option, an amount in cash equal to the number of unexercised shares subject to such option times the excess, if any, of $16.75 over the per share exercise price of the option; and

each outstanding restricted stock unit (other than those held by the Management Stockholders) will become fully vested and payable and treated as a share of Plains Resources common stock and exchanged for $16.75 in cash.

As a result of the merger, the stockholders of Plains Resources (other than Vulcan Energy and its affiliates, and the Management Stockholders) will no longer have any interest in, and will no longer be stockholders of, Plains Resources and will not participate in the future earnings or growth of Plains Resources, if any.

Equity Ownership of Vulcan Energy. Upon completion of the merger, approximately 89% and 11% of the outstanding common shares of Vulcan Energy will be owned by Mr. Allen and the Management Stockholders, respectively. Approximately 29% of the shares held by the Management Stockholders will be restricted shares. In addition, each Management Stockholder will be granted an option to purchase a number of shares of Vulcan Energy common stock equal to 5% of the outstanding shares on a fully diluted basis (calculated on the treasury method) on the date of grant. In addition, under certain circumstances, including a sale of Vulcan Energy, where a 20% or greater internal rate of return to common equity has been achieved, each Management Stockholder will be entitled to an incentive payment of up to 2.5% of the value of Vulcan Energy above the original investment amount. For a further description of Vulcan Energy s equity ownership, see page 48, Special Factors Agreements with the Management Stockholders.

Vote Required (Page 18)

Each share of Plains Resources common stock is entitled to one vote.

Under Delaware law, the affirmative vote of the holders of a majority of the outstanding shares of Plains Resources common stock is required to approve and adopt the merger agreement and the merger.

The Management Stockholders, who collectively beneficially own 1,169,132, or 4.9% of the, shares of Plains Resources common stock outstanding as of February 27, 2004, have agreed to vote their shares in favor of the approval and adoption of the merger agreement and the merger.

Kayne Anderson Capital Advisors, LP, which beneficially owns 1,755,916 (or 7.4%) of the outstanding shares of Plains Resources common stock, and EnCap Investments, LP, which through its institutional equity funds controls 1,174,219 (or 4.9%) of the outstanding shares of Plains Resources common stock, have each informed Plains Resources that it intends to vote in favor of adoption and approval of the merger agreement and the merger.

Recommendations of the Special Committee and the Board of Directors (Page 33)

A special committee of our Board of Directors, which consists of two directors who are not our officers or employees, are not directly or indirectly affiliated with Vulcan Energy or the Management Stockholders, and who will not have an economic interest in us or Vulcan Energy following the merger, unanimously determined that the proposed merger and the terms of the provisions of the merger agreement are advisable, fair to, and in the best interests of, our stockholders, other than the Management Stockholders, and unanimously recommended the

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approval and adoption of the merger agreement and the merger by our stockholders. The Board of Directors, taking into account the unanimous recommendation of the special committee, through a unanimous vote of the directors present (with Mr. Flores not in attendance) also determined that the proposed merger and the terms of the merger agreement are advisable, fair to, and in the best interests of, Plains Resources stockholders, other than the Management Stockholders. **Accordingly, the Board of Directors, taking into account the unanimous recommendation of the special committee, through a unanimous vote of the directors present (with Mr. Flores not in attendance) approved the merger agreement and resolved to recommend that the stockholders vote FOR approval and adoption of the merger agreement and the merger.**

In making the determination to approve and recommend the merger and the merger agreement, the Board of Directors considered, among other factors, the following:

- the oral opinion delivered by Petrie Parkman & Co. on February 18, 2004, and subsequently confirmed in writing that, as of that date and based on and subject to the matters set forth in the opinion, the consideration to be received by the stockholders of Plains Resources in the merger was fair from a financial point of view to such stockholders (other than the Management Stockholders);

- the fact that the merger consideration of $16.75 per share to be received by Plains Resources stockholders represented, on February 18, 2004, (1) an approximate 25% premium over the $13.44 per share closing price of Plains Resources common stock on November 19, 2003, the last full trading day prior to the public announcement of the original proposal by Vulcan Energy to purchase Plains Resources and an approximate 27% premium over the average closing price of $13.23 per share of Plains Resources common stock over the 30 calendar day period ending on the same date, (2) an increase of $2.50 per share above Vulcan Energy s original proposal, and (3) a higher price than the highest per share closing price of Plains Resources common stock on the NYSE since its spin-off of Plains Exploration & Production Company on December 18, 2002; and

- the additional factors described in detail under Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger.

Due to the variety of factors considered, the special committee and our Board of Directors did not assign relative weight to these factors or determine that any factor was of particular importance. Our Board of Directors reached its conclusion based upon the totality of the information presented and considered during its evaluation of the merger.

Purpose of the Merger; Certain Effects of the Merger (Page 46)

The principal purpose of the merger is to enable Mr. Allen and the Management Stockholders to own indirectly all of the equity interests in Plains Resources and to provide you with the opportunity to receive a cash payment for your shares at a premium over the market prices at which Plains Resources common stock traded before announcement of Vulcan Energy s proposal to purchase Plains Resources in November 2003.

The merger will terminate all common equity interests in Plains Resources held by our current stockholders, and Vulcan Energy will be the sole owner of Plains Resources and its business. Mr. Allen and the Management Stockholders will be the owners of Vulcan Energy following the merger and therefore will be the beneficiaries of any earnings and growth of Plains Resources following the merger.

Upon completion of the merger, Plains Resources will remove its common stock from listing on the New York Stock Exchange, or NYSE, and Plains Resources common stock will no longer be publicly traded and the registration of Plains Resources common stock under the Securities Exchange Act of 1934, as amended (the Exchange Act), will be terminated.

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Background of the Merger; Reasons for Approval of the Merger (Pages 21 and 33)

For a description of the events leading to the approval of the merger agreement and the merger by the Board of Directors, you should refer to Special Factors Background of the Merger and Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger.

Fairness Opinion of Petrie Parkman & Co. (Page 37 and Appendix B)

The special committee received an oral opinion from Petrie Parkman & Co. (Petrie Parkman) on February 18, 2004, and subsequently confirmed in writing that, as of that date and based on and subject to the matters set forth in the opinion, the consideration to be received by Plains Resources stockholders (other than the Management Stockholders) pursuant to the merger was fair from a financial point of view to such stockholders. The full text of this opinion, dated February 18, 2004, is attached to this proxy statement as Appendix B. You should read the opinion carefully in its entirety.

Appraisal Rights (Page 63 and Appendix C)

Holders of shares of Plains Resources common stock who do not vote in favor of the approval and adoption of the merger agreement and the merger and who perfect their appraisal rights under Delaware law will have the right to a judicial appraisal of the fair value of their shares in connection with the merger.

Interests of Certain Persons in the Merger (Page 46)

In considering the recommendations of the special committee and the Board of Directors, you should be aware that some Plains Resources officers, directors and affiliates have interests in the merger that may be different from or in addition to your interests as a Plains Resources stockholder generally, including the following:

as of the record date, executive officers and directors of Plains Resources held

options to purchase an aggregate of [ ] shares of Plains Resources common stock,

[ ] shares of restricted stock, and

[ ] restricted stock units;

all shares of restricted stock will become fully vested and all options generally will become fully vested and exercisable immediately prior to the effective time of the merger. The aggregate amount to be paid (based on the same $16.75 per share purchase price to be paid to all other stockholders) to the executive officers and directors (other than the Management Stockholders) in the merger with respect to such vesting restricted stock and the cancellation of the options and restricted stock units will be approximately $[ ];

Upon completion of the merger, approximately 11% of the outstanding common shares of Vulcan Energy will be owned by the Management Stockholders. In addition, each Management Stockholder will be granted an option to purchase a number of shares of Vulcan Energy common stock equal to 5% of the outstanding shares on a fully diluted basis (calculated utilizing the treasury method) on the date of grant. In addition, under certain circumstances, including a sale of Vulcan Energy, where a 20% or greater internal rate of return to common equity has been achieved, each Management Stockholder will be entitled to an incentive payment of up to 2.5% of the value of Vulcan Energy above the original investment amount. For more details regarding the Management Stockholders interests in the transaction, see page 46 in Special Factors Interests of Certain Persons in the Merger and page 54 in Special Factors Agreements with the Management Stockholders Employment Agreements for Management Stockholders;

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upon the closing of the merger, Vulcan Energy must reimburse the Management Stockholders for reasonable out-of-pocket expenses incurred by them in connection with the merger, including the fees of legal counsel and financial advisors;

Mr. Flores, the chairman of the Plains Resources Board of Directors, and Mr. Raymond, the President and Chief Executive Officer of Plains Resources, will enter into employment agreements with Plains Resources upon completion of the merger. These employment agreements will provide significant benefits to these individuals;

Stephen A. Thorington, Plains Resources Executive Vice President & Chief Financial Officer, will receive a severance payment of $400,000 under the terms of his employment agreement with Plains Resources;

Plains Resources must continue to provide indemnification and related insurance coverage to former directors and officers of Plains Resources following the merger;

affiliates of Mr. Flores and Mr. Raymond and of EnCap Investments L.L.C. and Kayne Anderson Capital Advisors, L.P., two of our significant stockholders, will retain their separate equity interests in the general partner of Plains All American Pipeline, L.P. (PAA), a publicly-owned midstream oil and gas master limited partnership. Two members of the Board of Directors, Robert V. Sinnott and D. Martin Phillips, are affiliates of Kayne Anderson Capital Advisors, L.P. and EnCap Investments L.L.C. respectively, and Mr. Sinnott is also a member of the board of directors of Plains All American GP LLC (PAA GP), the entity that controls the general partner of PAA;

Mr. Raymond will continue to serve as a director of PAA GP; and

The Management Stockholders will continue to beneficially own an aggregate of 1,687,048 PAA common units.

The special committee and the Board of Directors were aware of these different or additional interests and considered them along with other matters in approving the merger agreement and merger.

Conditions to the Merger (Page 73)

The obligations of Plains Resources, Vulcan Energy and the Vulcan Merger Subsidiary to complete the merger are subject to various conditions, including

approval and adoption by Plains Resources stockholders of the merger agreement and merger,

the receipt by Vulcan Energy of the cash proceeds of the debt financing,

the completion of certain actions with respect to PAA, including the acquisition of Shell Pipeline LP s interest in SPLL Capline Company and SPLL Capwood Company,

the number of dissenting shares not exceeding 10% of the outstanding shares of Plains Resources common stock,

the absence of any order or injunction prohibiting the merger or any government proceeding seeking any such order or injunction,

the continued accuracy of the representations and warranties of each party to the merger agreement,

the performance in all material respects by the parties to the merger agreement of their respective covenants contained in the merger agreement,

the absence of any event or occurrence since December 31, 2002 which has had or would reasonably be expected to have a material adverse effect on Plains Resources or PAA,

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the receipt of certain third party consents to the merger,

the continued accuracy of the representations and warranties of each of the Management Stockholders in the subscription agreement, and the performance in all material respects by each of the Management Stockholders of their respective covenants contained in the subscription agreement,

the financial statements of PAA filed with the SEC since January 1, 2000 must be accurate and must have complied with, and been prepared in accordance with, applicable accounting requirements and with the published rules and regulations of the SEC with respect to those financial statements, and

all PAA filings with the SEC since January 1, 2000 must be accurate and must have complied with, and been prepared in accordance with, the applicable requirements of the Exchange Act and the Securities Act and the applicable rules and regulations of the SEC.

Amendments to the Merger Agreement (Page 88)

No amendment of the merger agreement, whether before or after approval and adoption of the merger agreement and the merger by Plains Resources stockholders, can be made without the authorization of the Board of Directors.

After approval and adoption of the merger agreement and the merger by Plains Resources stockholders, no amendment can be made without first obtaining the approval of Plains Resources stockholders if that amendment alters or changes

the merger consideration payable under the merger agreement,

any term of the certificate of incorporation of the surviving entity in the merger, or

any terms or conditions of the merger agreement if such alteration or change would adversely affect any Plains Resources stockholder.

Termination of the Merger Agreement (Page 79)

The merger agreement may be terminated before the merger is completed, under certain circumstances.

Termination Fees and Expenses (Page 58)

Upon the termination of the merger agreement under specified circumstances, Plains Resources has agreed to reimburse all of Vulcan Energy s and the Vulcan Merger Subsidiary s reasonable out-of-pocket expenses. In addition, in some of these circumstances, Plains Resources has agreed to pay Vulcan Energy a termination fee of $15 million. In all other circumstances, each party must pay all fees and expenses it incurs relating to the merger.

No Solicitation; Our Ability to Accept a Superior Proposal (Page 76)

The merger agreement generally restricts Plains Resources ability to solicit, initiate, knowingly encourage or facilitate any competing acquisition inquiries, proposals or offers. However, Plains Resources may provide information in response to a request for information by a person who has made, or participate in discussions or negotiations with respect to, an unsolicited bona fide written acquisition proposal that is reasonably likely to lead to a superior proposal under certain circumstances. Plains Resources may also, with respect to an unsolicited superior bona fide written acquisition proposal, withdraw or modify its recommendation in favor of the merger, recommend the competing offer to the stockholders or terminate the merger agreement under certain circumstances.

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Merger Financing; Source of Funds (Page 66)

Completion of the merger will require total funding by Plains Resources and Vulcan Energy of approximately $452 million. Plains Resources and Vulcan Energy currently expect that the funds necessary to finance the merger will come from the following sources:

- Mr. Allen will provide approximately $212 million in cash through an equity investment in Vulcan Energy; and
- Vulcan Energy has received written commitments from Fleet National Bank and Bank of America to provide a $175 million senior secured credit facility and a $65 million senior term loan guaranteed by Mr. Allen, respectively, to Vulcan Energy.

Material U.S. Federal Income Tax Consequences (Page 62)

Exchanging your Plains Resources common stock for cash in the merger will be a taxable event for federal income tax purposes. You will generally recognize a capital gain or loss for federal income tax purposes equal to the difference, if any, between the amount of cash you receive and your adjusted tax basis in the Plains Resources common stock you surrender in the merger. The federal income tax summary set forth above is for general information only. You should consult your tax advisor with respect to the particular tax consequences to you of the receipt of cash in exchange for Plains Resources common stock pursuant to the merger, including the applicability and effect of any state, local or foreign tax laws, and of changes in applicable tax laws.

Litigation Related to the Merger (Page 59)

Seven purported class action lawsuits relating to the merger have been served. Six of these lawsuits purport to be brought on behalf of Plains Resources common stockholders, and the other lawsuit purports to be brought on behalf of all of the limited partners and unit holders of PAA. The complaints seek a preliminary and permanent injunction to enjoin the merger and, if the merger is consummated, rescission and damages.

Regulatory Approvals and Requirements (Page 58)

In connection with the merger, Plains Resources will be required to make certain filings with, and comply with certain laws of, various federal and state governmental agencies. It is currently expected that no regulatory approvals will be required in order to complete the merger.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The following questions and answers are intended to briefly address some commonly asked questions regarding the merger. It should be read together with the summary. These questions and answers may not address all questions that may be important to you as a Plains Resources stockholder. Please refer to the more detailed information contained elsewhere in this proxy statement and the appendices to this proxy statement.

Q: **When and where is the special meeting?**

A: The special meeting of stockholders will be held on [ ], 2004, at [ ] Houston, Texas at [ ] local time.

Q: **What am I being asked to vote on?**

A: You are being asked to vote to approve and adopt a merger agreement and merger pursuant to which a wholly owned subsidiary of Vulcan Energy Corporation, or Vulcan Energy, which will be owned at the time of the merger by Paul G. Allen, James C. Flores and John T. Raymond, will merge with and into Plains Resources, which will survive the merger.

Q: **Why am I being asked to grant to the proxy holders the authority to vote in their discretion on a motion to adjourn or postpone the special meeting?**

A: We may determine to adjourn or postpone the special meeting, for example, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve and adopt the merger agreement.

Q: **What will I receive in the merger?**

A: As a stockholder of Plains Resources, you will be entitled to receive $16.75 in cash, without interest, in exchange for each of your shares of Plains Resources common stock at the time of the merger, unless you do not vote to approve and adopt the merger agreement and the merger and you exercise and perfect your appraisal rights under Delaware law.

Q: **What will happen in the merger?**

A: The Vulcan Merger Subsidiary will merge with and into Plains Resources, and Plains Resources will be the surviving corporation and will become a wholly owned subsidiary of Vulcan Energy, an entity that, as of the effective time of the merger, will be 100% owned by Mr. Allen and the Management Stockholders. After the merger, Plains Resources will be a privately-held company indirectly owned by Mr. Allen and the Management Stockholders through their ownership of Vulcan Energy.

Q: **Who are the Management Stockholders, and what will they receive in connection with the merger?**

A: James C. Flores, our Chairman of the Board of Directors, and John T. Raymond, our President and Chief Executive Officer, together with their affiliates, are referred to in this proxy statement as the Management Stockholders.

Upon completion of the merger, approximately 11% of the outstanding common shares of Vulcan Energy will be owned by the Management Stockholders. Approximately 29% of the shares held by the Management Stockholders will be restricted shares. In addition, each Management Stockholder will be granted an option to purchase a number of shares of Vulcan Energy common stock equal to 5% of the outstanding shares on a fully diluted basis (calculated on the treasury method) on the date of grant. In addition, under certain circumstances, including a sale of Vulcan Energy, where a 20% or greater internal rate of return to common equity has been achieved, each Management Stockholder will be entitled to an incentive payment of up to 2.5% of the value of Vulcan Energy above the original investment amount. For a further description of Vulcan Energy s equity ownership, see page 54, Special Factors Agreements with the Management Stockholders Employment Agreements for Management Stockholders.

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Q: **Who will manage Plains Resources after the merger?**

A: Plains Resources will be a wholly owned subsidiary of Vulcan Energy following the merger. After the merger, each Management Stockholder will enter into an employment agreement with Vulcan Energy, and the Board of Directors of Vulcan Energy will include Mr. Allen, Ms. Jody Patton, Mr. David Capobianco, Mr. Flores and Mr. Raymond.

Q: **Why did the Plains Resources Board of Directors form the Special Committee?**

A: The Board of Directors formed a special committee consisting of independent directors because of the participation of Messrs. Flores and Raymond in the transaction. The Board of Directors formed the special committee to evaluate and negotiate the terms of the proposed transaction and any alternative transaction, to evaluate the fairness to the stockholders of Plains Resources (other than the Management Stockholders) of any such transaction and to make a recommendation to the Board of Directors.

Q: **Why did the Special Committee approve and recommend the merger agreement and the merger?**

A: In making the determination to approve and recommend the merger and the merger agreement, the special committee of the Board of Directors considered, among other factors:

the oral opinion of an independent financial advisor, Petrie Parkman & Co. on February 18, 2004, and subsequently confirmed in writing that, as of that date and based on and subject to the matters set forth in the opinion, the consideration to be received by Plains Resources stockholders (other than the Management Stockholders) in the merger was fair from a financial point of view to such stockholders; and

the fact that the merger consideration of $16.75 per share to be received by Plains Resources stockholders (other than the Management Stockholders and other than shares of treasury stock) represented, on February 18, 2004, (1) an approximate 25% premium over the $13.44 per share closing price of Plains Resources common stock on November 19, 2003, the last full trading day prior to the public announcement of the original proposal by Vulcan Energy to purchase Plains Resources and an approximate 27% premium over the average closing price of $13.23 per share of Plains Resources common stock over the 30-calendar day period ending on the same date, (2) an increase of $2.50 per share above Vulcan Energy s original proposal, and (3) a price higher than any per share closing price of Plains Resources common stock on the NYSE since its spin-off of Plains Exploration & Production Company on December 18, 2002. For a discussion of additional factors considered by the special committee, see page 33, Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger.

Q: **Why is the Plains Resources Board of Directors recommending that I vote to approve and adopt the merger agreement and the merger?**

A: The Board of Directors, taking into account the unanimous recommendation of the special committee, believes that the terms of the merger agreement and the merger are advisable, fair to, and in the best interests of, Plains Resources and its stockholders (other than the Management Stockholders). **Accordingly, the Board of Directors taking into account the unanimous recommendation of the special committee through a unanimous vote of the directors present (with Mr. Flores not in attendance) approved the merger agreement and resolved to recommend that you vote FOR approval and adoption of the merger agreement and the merger.** To review the background and reasons for the merger in greater detail, see Special Factors Background of the Merger and Special Factors Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger.

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Q: **Do any of the officers, directors or significant Plains Resources stockholders have interests in the merger that differ from those of other stockholders?**

A: Yes. Mr. Flores and Mr. Raymond have interests that differ from those of other Plains Resources stockholders because, among other things, they will receive equity interests in Vulcan Energy and will have employment agreements with Vulcan Energy following the merger.

Also, the Management Stockholders and affiliates of two of Plains Resources significant stockholders, EnCap Investments L.L.C. and Kayne Anderson Capital Advisors, L.P. will continue to own their separate equity interests in the general partner of Plains All American Pipeline, L.P., or PAA, which is a publicly traded midstream oil and gas master limited partnership. Two members of the Board of Directors, Robert V. Sinnott and D. Martin Phillips, are affiliates of Kayne Anderson Capital Advisors, L.P. and EnCap Investments L.L.C., respectively, and Mr. Sinnott is also a member of the board of directors of Plains All American GP LLC (PAA GP), the entity that controls the general partner of PAA.

Also, Mr. Raymond will continue to serve as a director of PAA GP and the Management Stockholders will continue to beneficially own 1,687,048 PAA common units.

Further, Plains Resources will continue to provide indemnification and related insurance coverage to former directors and officers of Plains Resources following the merger. Also, Stephen A. Thorington, Plains Resources Executive Vice President & Chief Financial Officer, will receive a severance payment of $400,000 under the terms of his employment agreement with Plains Resources. In addition, Plains Resources has agreed to reimburse Mr. Thorington for certain excise taxes that may be imposed on this severance payment.

Q: **What will happen to shares of restricted stock, restricted stock units and stock options in the merger?**

A: All outstanding shares of restricted stock (other than those held by the Management Stockholders) will become fully vested and all restricted stock units and options to purchase shares of Plains Resources common stock (other than those held by the Management Stockholders) will become fully vested and exercisable in accordance with their terms. Each holder of options to purchase shares of Plains Resources Common Stock (other than the Management Stockholders) generally will receive, upon exercise, an amount in cash equal to the number of unexercised shares subject to such option times the amount by which $16.75 exceeds the per share exercise price of the option. At the effective time of the merger, each outstanding restricted stock unit (other than those held by the Management Stockholders) will be treated as a share of Plains Resources common stock and exchanged for $16.75 in cash. Each share of restricted stock, since fully vested, will be treated the same as all other outstanding shares of Plains Resources restricted common stock, and you will be entitled to receive $16.75 in cash, without interest, in exchange for each such share.

Q: **When do you expect the merger to be completed?**

A: If the merger agreement and the merger are approved and adopted by Plains Resources stockholders and the other conditions to the merger are satisfied or waived, the merger is expected to be completed promptly after the special meeting.

Q: **How will Vulcan Energy finance the merger?**

A: Based on Plains Resources December 31, 2003 balance sheet, Vulcan Energy estimates that approximately $452 million will be required to complete the merger and pay all related fees and expenses. Vulcan Energy will, subject to certain conditions, receive all of the funds necessary to consummate the merger through the equity investments of Mr. Allen and the Management Stockholders and loans from Fleet National Bank and Bank of America.

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Q: **Who is entitled to vote at the special meeting?**

A: Stockholders as of the close of business on **[ ]**, 2004, which is the record date for the special meeting, are entitled to vote at the special meeting. As of the record date, there were **[ ]** shares of Plains Resources common stock issued and outstanding and entitled to be voted at the special meeting.

Q: **What happens if I sell my shares of Plains Resources common stock before the special meeting?**

A: The record date for the special meeting is before the expected closing date of the merger. If you transfer your shares of Plains Resources common stock after the record date but before the merger, you will retain your right to vote at the special meeting but will transfer the right to receive the $16.75 in cash per share (if the merger occurs) to the person to whom you transfer your shares.

Q: **What do I need to do now?**

A: After carefully reading and considering the information contained in this proxy statement, please vote by completing, dating and signing your proxy card and then mailing it in the enclosed postage-prepaid envelope as soon as possible so that your shares are represented at the special meeting.

Q: **Should I send in my stock certificates now?**

A: No. If the merger is completed, we will send you written instructions explaining how to exchange your Plains Resources stock certificates for cash.

Q: **What should I do if I receive more than one set of voting materials?**

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instructions that you receive.

Q: **How many shares of Plains Resources common stock need to be represented for there to be a quorum at the special meeting?**

A: The holders of a majority of the shares of Plains Resources common stock issued and outstanding and entitled to vote at the special meeting, present in person or represented by proxy, constitutes a quorum for the transaction of business. If you vote by proxy card or in person at the special meeting, you will be considered present for the purpose of determining whether the quorum requirement has been satisfied.

Q: **How many votes are required to approve and adopt the merger agreement and the merger?**

A: Each share of Plains Resources common stock is entitled to one vote. Under the General Corporation Law of the State of Delaware, the affirmative vote of a majority of the outstanding shares of Plains Resources common stock is necessary to approve and adopt the merger agreement and the merger. The Management Stockholders, who collectively beneficially own 1,169,132 (or 4.9%) of the shares of Plains Resources common stock outstanding as of February 27, 2004, have agreed to vote their shares in favor of the approval and adoption of the

merger agreement and the merger.

Kayne Anderson Capital Advisors, LP, which beneficially owns 1,755,916 (or 7.4%) of the outstanding shares of Plains Resources common stock, and EnCap Investments, LP, which through its institutional equity funds controls 1,174,219 (or 4.9%) of the outstanding shares of Plains Resources common stock,

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have each determined that it will vote in favor of approval and adoption of the merger agreement and the merger.

Q: **How do I vote?**

A: You can vote by signing, dating and mailing your proxy card in the enclosed postage-paid envelope. See the proxy card for specific instructions. You may also vote in person if you attend the special meeting.

Q: **If my shares are held in street name, will my bank, broker or other nominee vote my shares for me?**

A: If your shares are held in street name, which means your shares are held of record by a broker, bank or other nominee, you must provide your nominee with instructions on how to vote. Any failure to instruct your nominee on how to vote with respect to the merger will have the effect of a vote AGAINST the approval and adoption of the merger agreement and the merger. You should follow the directions your nominee provides on how to instruct it to vote your shares.

Q. What if I fail to instruct my broker?

A. If you fail to instruct your broker to vote your shares of common stock and your broker submits an unvoted proxy, the resulting broker non-vote will have the same effect as a vote against the approval and adoption of the merger agreement and the merger.

Q. If the merger is completed, how will I receive the cash for my shares?

A. If the merger is completed, you will be contacted by [ ], which will serve as the paying agent and will provide instructions that will explain how to surrender stock certificates (other than those for which appraisal rights are properly being sought). You will receive cash for your shares from the paying agent after you comply with those instructions. If your shares of common stock are held in street name by your broker, you will receive instructions from your broker as to how to effect the surrender of your street name shares and receive cash for those shares.

Q: **May I change my vote after I have mailed my signed proxy card?**

A: Yes. You may revoke your vote at any time before the special meeting by:

giving written notice of your revocation to Plains Resources secretary;

filing a duly executed proxy bearing a later date with Plains Resources secretary;

attending the special meeting and voting in person; or

if you have instructed a broker to vote your shares, by following the directions received from your broker to change those instructions.

Q: **What happens if I do not send in my proxy or if I abstain from voting?**

A: If you do not send in your proxy or if you abstain from voting, it will have the effect of a vote AGAINST the merger agreement and the merger.

Q: **What rights do I have to dissent from the merger?**

A: If you do not vote in favor of the approval and adoption of the merger agreement and the merger and the merger is completed, you may dissent and seek appraisal of the fair value of your shares under Delaware law. You must, however, comply with all of the required procedures explained under Appraisal Rights and in Appendix C to this proxy statement.

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Q: **What are the tax consequences of the merger?**

A: The merger will be a taxable transaction to you for federal income tax purposes. A brief summary of the possible tax consequences to you appears on page 62 of this proxy statement. You should consult your tax advisor as to the tax effect of your particular circumstances.

Q: **Where can I find more information regarding the merger?**

A: The U.S. Securities and Exchange Commission (the SEC) requires all affiliated parties involved in certain going-private transactions such as the merger to file with it a transaction statement on Schedule 13E-3. Plains Resources, Vulcan Energy, the Vulcan Merger Subsidiary, Mr. Allen and each of Mr. Flores and Mr. Raymond have filed a transaction statement on Schedule 13E-3 with the SEC, copies of which are available without charge at its website at www.sec.gov. In addition, the merger agreement is attached as Appendix A to this proxy statement. You should carefully read the entire merger agreement because it is the legal document that governs the merger.

Q: **Who can help answer my questions?**

A: If you have any questions about the merger or if you need additional copies of this proxy statement or the enclosed proxy card, you should contact:

[PROXY SOLICITOR

CONTACT INFORMATION]

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This document incorporates important business and financial information about Plains Resources from documents filed with the Securities and Exchange Commission that are not included in, or delivered with, this document. This information is available without charge at the Securities and Exchange Commission website at http://www.sec.gov, as well as from other sources. See Miscellaneous Other Information on page 104 below.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement and the other documents attached or incorporated by reference in this proxy statement contain or are based upon forward-looking statements based on our current expectations and projections about future events. Statements that are predictive in nature, that depend upon or refer to future events or conditions, including statements relating to Plains Resources plans, intentions and expectations to complete the merger, that are not statements of historical fact, or that include words such as will , would , should , plans , likely , expects , anticipates , intends , believes , estimates , thinks , may , and similar expressions, are forward-looking statements. These statements involve k and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied by the forward-looking statements. These factors include, among other things:

- risk associated with the satisfaction of the conditions to complete the merger, including the availability of financing to complete the merger;
- conflicts of interest that may influence Plains Resources officers and directors to support or recommend the merger;
- the future profitability of Plains Resources;
- the uncertainty of the market for the midstream activities of marketing, gathering, transporting, terminalling, and storage of crude oil that Plains Resources engages in through its significant equity ownership in PAA;
- the risks associated with the finding and developing of upstream oil and gas reserves associated with Plains Resources Florida oil and gas operations;
- the seasonality of Plains Resources financial results;
- the favorable resolution of pending and future litigation;
- operating and financial performance of PAA;
- the consequences of our and Plains Exploration & Production Company s, or PXP, officers and employees providing services to both us and PXP and not being required to spend any specified percentage or amount of time on our business;
- risks, uncertainties and other factors that could have an impact on Plains All American Pipeline, L.P., or PAA, which could in turn impact the value of our holdings in PAA (for a discussion of these risks, uncertainties and other factors, see PAA s filings with the SEC);

the effects of our indebtedness, which could adversely restrict our ability to operate, make us vulnerable to general adverse economic and industry conditions, place us at a competitive disadvantage compared to our competitors that have less debt, and have other adverse consequences;

uncertainties inherent in the development and production of oil and gas and in estimating reserves;

unexpected future capital expenditures (including the amount and nature thereof);

impact of oil and gas price fluctuations;

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- the effects of competition;
- the success of our risk management activities;
- the availability (or lack thereof) of acquisition or combination opportunities;
- the impact of current and future laws and governmental regulations;
- environmental liabilities that are not covered by an effective indemnity or insurance;
- general economic, market, industry or business conditions; and
- other factors disclosed in Plains Resources Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and in other reports filed by Plains Resources from time to time with the Securities and Exchange Commission.

All forward-looking statements in this proxy statement are made as of the date hereof, and you should not place undue certainty on these statements without also considering the risks and uncertainties associated with these statements and our business that are discussed in this proxy statement. Moreover, although we believe the expectations reflected in the forward-looking statements are based upon reasonable assumptions, we can give no assurance that we will attain these expectations or that any deviations will not be material. Except as required by applicable securities laws, we do not intend to update these forward-looking statements and information.

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INFORMATION CONCERNING THE SPECIAL MEETING

This proxy statement is furnished in connection with the solicitation of proxies by our Board of Directors in connection with a special meeting of our stockholders.

Date, Time and Place

The special meeting will be held at [ ], Houston, Texas on [ ], 2004 at [ ], local time.

Purpose

At the special meeting, you will be asked to:

- consider and vote on the proposal to approve and adopt the merger agreement and the merger;
- consider and vote on the proposal to grant to the proxyholders the authority to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of approval and adoption of the merger agreement and the merger if there are not sufficient votes for approval and adoption of the merger agreement and the merger at the special meeting; and
- consider and vote on such other matters or transact such other business as may properly come before the special meeting or any reconvened meeting after any adjournment or postponement of the special meeting.

Record Date

We have fixed [ ], 2004, as the record date. Only holders of record of Plains Resources common stock as of the close of business on the record date will be entitled to notice of, and to vote at, the special meeting. At the close of business on the record date, there were [ ] shares of Plains Resources common stock issued and outstanding and held by approximately [ ] holders of record.

Voting Rights

At the special meeting, you are entitled to one vote for each share of common stock you hold of record as of [ ], 2004 on each matter submitted to a vote of stockholders at the special meeting.

Quorum Requirements

The holders of a majority of the shares of Plains Resources common stock issued and outstanding and entitled to vote at the special meeting, present in person or represented by proxy, constitute a quorum for the transaction of business at the special meeting. If you vote in person or by proxy at the special meeting, you will be counted for purposes of determining whether there is a quorum at the special meeting. Shares of Plains Resources common stock present in person or by proxy at the special meeting that are entitled to vote but are not voted (abstentions) and broker non-votes will be counted for the purpose of determining whether there is a quorum for the transaction of business at the special meeting. A broker non-vote occurs when a bank, broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Voting by Proxy

Holders of record can ensure that their shares are voted at the special meeting by completing, signing, dating and delivering the enclosed proxy card in the enclosed postage-prepaid envelope. Submitting instructions by this method will not affect your right to attend the special meeting and to vote in person.

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Revoking Your Proxy

You may revoke your proxy at any time before it is voted by:

- giving notice of revocation in person at, or in writing bearing, a later date than the proxy, to the Secretary of Plains Resources, 700 Milam Street, Suite 3100, Houston, Texas 77002;
- delivering to the Secretary of Plains Resources a duly executed subsequent proxy bearing a later date and indicating a contrary vote;
- attending the special meeting and voting in person; or
- if you have instructed a broker to vote your shares, by following the directions received from your broker to change those instructions.

Assistance

If you need assistance, including help in changing or revoking your proxy, please contact the firm assisting us with the solicitation of proxies:

[PROXY SOLICITATION

INFORMATION]

Voting at the Special Meeting

Submitting a proxy now will not limit your right to vote at the special meeting if you decide to attend in person. If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held in street name, which means your shares are held of record by a broker, bank or other nominee, and you wish to vote at the special meeting, you must bring to the special meeting a proxy from the record holder of the shares authorizing you to vote at the special meeting.

Vote Required; How Shares Are Voted

Under Delaware law, the affirmative vote of the holders of shares of Plains Resources common stock representing a majority of the outstanding shares of Plains Resources common stock entitled to vote is necessary to approve and adopt the merger agreement and the merger.

Kayne Anderson Capital Advisors, LP, which beneficially owns 1,755,916 (or 7.4%) of the outstanding shares of Plains Resources common stock, and EnCap Investments, LP, which through its institutional equity funds controls 1,174,219 (or 4.9%) of the outstanding shares of Plains Resources common stock, have each determined that it will vote in favor of approval and adoption of the merger agreement and the merger.

Under Delaware law, if a quorum is present, the affirmative vote of a majority of the shares present in person or represented by proxy at the special meeting and entitled to vote is necessary to vote to adjourn or postpone the special meeting, assuming such a motion is made.

Abstentions and broker non-votes will have the same effect as a vote AGAINST the approval and adoption of the merger agreement and the merger.

Subject to revocation, all shares represented by each properly executed proxy received by the Secretary of Plains Resources will be voted in accordance with the instructions indicated on the proxy. If you return a signed proxy card but do not provide voting instructions (other than in the case of broker non-votes), the persons named as proxies on the proxy card will vote FOR approval and adoption of the merger agreement and the merger and in such manner as the persons named on the proxy card in their discretion determine with respect to such other business as may properly come before the special meeting.

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If the special meeting is adjourned for any reason, at any subsequent reconvening of the special meeting all proxies will be voted in the same manner as such proxies would have been voted at the original convening of the meeting (except for any proxies that have been revoked or withdrawn).

The proxy card confers discretionary authority on the persons named on the proxy card to vote the shares represented by the proxy card on any other matter that is properly presented for action at the special meeting. As of the date of this proxy statement, we do not know of any matter to be raised at the special meeting other than that described in this proxy statement.

Voting Agreements

Pursuant to the amended and restated subscription agreement, each of Messrs. Flores and Raymond has agreed to vote his shares in favor of the approval and adoption of the merger agreement and the merger. See Agreements with the Management Stockholders Subscription Agreement. Collectively, the Management Stockholders beneficially own 1,169,132 shares of Plains Resources common stock or approximately 4.9% of the shares outstanding as of February 27, 2004.

Voting on Other Matters

The proxy card confers discretionary authority on the persons named on the proxy card to vote the shares represented by the proxy card on any other matter that is properly presented for action at the special meeting. We may determine to adjourn or postpone the special meeting, for example, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve and adopt the merger agreement and the merger. If, on the date of the special meeting, we have not received duly executed proxies that, when added to the number of votes represented in person at the meeting by persons who intend to vote for the approval and adoption of the merger agreement and the merger, will constitute a sufficient number of votes to approve and adopt the merger agreement and the merger, we may recommend the adjournment or postponement of the special meeting. As of the date of this proxy statement, we do not know of any other matter to be raised at the special meeting.

Proxy Solicitation

We will bear the cost of soliciting proxies. These costs include preparing, assembling and mailing this proxy statement, the notice of the special meeting of stockholders and the enclosed proxy card, as well as the cost of forwarding these materials to the beneficial owners of Plains Resources common stock. Our directors, officers and regular employees may, without compensation other than their regular compensation, solicit proxies by telephone, e-mail, the internet, facsimile or personal conversation, as well as by mail. Plains Resources has retained [ ], a proxy solicitation firm, for assistance in connection with the solicitation of proxies for the special meeting at a cost of approximately $[ ] plus reimbursement of reasonable out-of-pocket expenses. We may also reimburse brokerage firms, custodians, nominees, fiduciaries and others for expenses incurred in forwarding proxy material to the beneficial owners of Plains Resources common stock.

Please do not send any certificates representing shares of Plains Resources common stock with your proxy card. If the merger is completed, the procedure for the exchange of certificates representing shares of Plains Resources common stock will be as described in this proxy statement. For a description of procedures for exchanging certificates representing shares of Plains Resources common stock for the merger consideration following completion of the merger, see The Merger Agreement Payment for Shares.

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SPECIAL FACTORS

Structure of the Transaction

The proposed transaction is a merger of the Vulcan Merger Subsidiary with and into Plains Resources, which would survive in the merger as a wholly owned subsidiary of Vulcan Energy.

The principal steps that will accomplish the merger are as follows:

The Equity Financing. Pursuant to the amended and restated subscription agreement, at or prior to the merger (subject to the satisfaction or waiver of the conditions set forth in the amended and restated subscription agreement):

Mr. Allen will contribute to Vulcan Energy the amount of cash in excess of the $240 million of debt financing proceeds which is necessary to pay the aggregate merger consideration, the aggregate spread on the outstanding Plains Resources stock options, the aggregate amount of unpaid principal and accrued but unpaid interest under Plains Resources existing secured term loan facility immediately prior to the effective time of the merger (less the aggregate amount of Plains Resources available cash on hand at that time), and the reasonable fees and expenses of Vulcan Energy and Messrs. Allen, Flores and Raymond incurred in connection with the merger. Based on the December 31, 2003 balance sheet of Plains Resources, Mr. Allen s cash contribution would be approximately $212 million.

Each Management Stockholder will contribute to Vulcan Energy all of his shares of Plains Resources common stock (both restricted and vested shares) and his Plains Resources restricted stock units. In addition, the Plains Resources stock options held by each Management Stockholder will be cancelled without payment of any consideration to the Management Stockholders.

In exchange for the contributions described above, Vulcan Energy will issue shares of Vulcan Energy common stock, which will constitute all of the outstanding Vulcan Energy common stock at that time. In exchange for his contribution, each of Messrs. Allen, Flores and Raymond will receive his proportionate share of the newly-issued shares of Vulcan Energy common stock, based on the deemed value of his contribution (based on $16.75 per share) divided by the sum of the aggregate deemed values of all of the contributions. See Agreements with the Management Stockholders Subscription Agreement.

The Debt Financing. Pursuant to written commitments, subject to the terms and conditions thereof, Fleet National Bank has agreed to provide Vulcan Energy with a senior secured credit facility in the principal amount of $175.0 million and Bank of America has agreed to provide Vulcan Energy with a $65.0 million senior guaranteed term loan to fund a portion of the acquisition costs and related expenses. See Financing for the Merger Debt Commitment.

The Merger. Following the funding described above and the satisfaction or waiver of other conditions to the merger, the following will occur in connection with the merger:

each share of Plains Resources common stock issued and outstanding at the effective time (other than those shares held directly or indirectly by Plains Resources or by Vulcan Energy or those shares held by dissenting stockholders who exercise and perfect their appraisal rights under Delaware law) will be converted into the right to receive $16.75 in cash;

each share of Plains Resources common stock that is held by Plains Resources as treasury stock, any of Plains Resources subsidiaries, Vulcan Energy or any of its subsidiaries immediately before the merger becomes effective will automatically be cancelled and retired and will cease to exist, and no consideration will be delivered in exchange for those shares;

each share of restricted common stock (other than restricted shares held by the Management Stockholders) will become fully vested and will be converted into the right to receive $16.75 in cash;

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each option to purchase shares of Plains Resources common stock (other than stock options held by the Management Stockholders) generally will become fully vested and exercisable, and each holder of an option to purchase shares of Plains Resources common stock (other than the Management Stockholders) will receive, on exercise, an amount in cash equal to the number of unexercised shares subject to such option times the excess of $16.75 over the per share exercise price of the option; and

each outstanding restricted stock unit (other than those held by the Management Stockholders) will be treated as a share of Plains Resources common stock and cancelled in exchange for $16.75 in cash.

Following, and as a result of, the merger:

the stockholders of Plains Resources (other than the Management Stockholders) will no longer have any interest in, and will no longer be stockholders of, Plains Resources and will not participate in any future earnings or growth of Plains Resources;

the total number of outstanding shares of Plains Resources common stock will decrease from approximately 28,446,204 to 1,000, all of which will be owned by Vulcan Energy;

Mr. Allen and the Management Stockholders will own all of the outstanding shares of Vulcan Energy;

The Management Stockholders will own both options to purchase shares of Vulcan Energy common stock and Vulcan Energy restricted common stock as further described beginning on page 54 in Agreements with the Management Stockholders Employment Agreements for Management Stockholders Equity Compensation; and

shares of Plains Resources common stock will no longer be listed on the NYSE and price quotations with respect to sales of shares of Plains Resources in the public market will no longer be available. The registration of Plains Resources common stock under the Exchange Act will be terminated, and Plains Resources will cease filing reports with the SEC.

Management and Board of Directors of Plains Resources. The Board of Directors of Plains Resources after the completion of the merger will include Mr. Allen, Jody Patton, David Capobianco, Mr. Flores and Mr. Raymond.

In addition, Vulcan Energy will enter into employment agreements with Messrs. Flores and Raymond that will become effective upon completion of the merger. See Agreements with the Management Stockholders Employment Agreements for Management Stockholders.

For additional details regarding the terms and structure of the equity financing, merger, debt financing and interests of the Management Stockholders in the transaction, see Financing for the Merger, The Merger Agreement and Interests of Certain Persons in the Merger.

Background of the Merger

In late summer 2003, Vulcan Inc. began investigating investment opportunities in the midstream energy sector. In connection with its review of the midstream energy sector, a mutual acquaintance of Mr. David Capobianco, a representative of Vulcan Inc., and Mr. James C. Flores, the

Chairman of our Board of Directors, introduced Mr. Capobianco to Mr. Flores and John Raymond, our President and Chief Executive Officer, as well as Martin Phillips, a director of Plains Resources and a representative of Encap Investments, LP, a large stockholder of Plains Resources.

During the course of discussions with Messrs. Flores and Raymond, the parties began to discuss Plains Resources, its ownership position in PAA and certain tax challenges that Plains Resources faced with respect to its position in PAA, including owning an interest in a master limited partnership through an entity subject to corporate level taxation and the significant built-in tax liability associated with the position. The parties

recognized that as a result of his individual tax characteristics Mr. Allen could be in a position to address Plains Resources inherent structural tax issues, while most other likely potential acquirors of Plains Resources could not. The parties decided to explore the feasibility of a transaction. On August 22, 2003, Vulcan and Plains Resources entered into a confidentiality agreement, and thereafter Vulcan began a due diligence investigation of Plains Resources. The confidentiality agreement included standstill provisions and precluded Vulcan Inc. or any of its affiliates from purchasing 5% or more of Plains Resources common stock.

Later in August, Mr. Capobianco and other Vulcan representatives met with Mr. Greg Armstrong, the chief executive officer of PAA. At that meeting, Mr. Capobianco requested that PAA provide Vulcan with access to confidential information concerning PAA. Mr. Armstrong refused to make any confidential information concerning PAA available to Vulcan, or to Mr. Raymond or Mr. Flores in connection with Vulcan s exploration of a transaction with Plains Resources.

During the fall of 2003, representatives of Vulcan continued the due diligence investigation of Plains Resources, explored the feasibility of a possible transaction and discussed with Messrs. Flores and Raymond the possible terms of arrangements between Messrs. Allen, Flores and Raymond in the event of an acquisition of Plains Resources by Vulcan Energy.

In late October and early November of 2003, Messrs. Flores and Raymond informed the other members of the Plains Resources Board of Directors that Messrs. Flores and Raymond were engaged in discussions with Vulcan regarding a possible going private transaction.

On November 19, 2003, the terms of the agreements among Messrs. Allen, Flores and Raymond and their affiliates were finalized, and at a regularly scheduled meeting of the Board of Directors, Mr. Flores and Mr. Raymond presented to the Board of Directors a proposal from Vulcan Capital whereby Vulcan Energy, in conjunction with Mr. Flores and Mr. Raymond, would acquire all of our outstanding stock for $14.25 per share in cash. The transaction was proposed to be structured as a merger of Vulcan Energy with and into Plains Resources so that following the transaction, all outstanding equity of Plains Resources would be owned by Mr. Allen, Mr. Flores and Mr. Raymond. The proposal was conditioned on approval by our Board of Directors and the execution of a definitive merger agreement containing customary conditions, including, but not limited to, stockholder approval, management participation, no material adverse change and completion of financing. As a condition to proceeding any further with the proposal, Vulcan Energy requested a 45-day exclusive negotiating period. The proposal included a commitment of Mr. Allen to provide $160 million in equity financing and was accompanied by commitment letters from Fleet National Bank and Bank of America for $150 million and $65 million of debt financing, respectively.

Mr. John F. Wombwell, our Executive Vice President, General Counsel and Secretary, and Mr. Stephen Thorington, our Executive Vice President and Chief Financial Officer, also attended the meeting. After Mr. Flores and Mr. Raymond left the meeting, the remaining members of the Board of Directors discussed the advisability of appointing a special committee of independent directors to evaluate, negotiate and formulate a response to the proposal. The remaining members of the Board of Directors discussed the suitability of each of the remaining members of the Board of Directors to serve on a special committee to consider the proposal. After discussion, the Board of Directors appointed a special committee consisting of Mr. William M. Hitchcock and Mr. William C. O Malley. In determining to select Mr. O Malley and Mr. Hitchcock, the Board of Directors considered both of such individuals extensive business experience, their independence with respect to this proposal, and also the fact that Mr. Hitchcock is a large individual stockholder of Plains Resources. Mr. Hitchcock and Mr. O Malley were deemed independent because (1) they were not our officers or employees, (2) they were not directly or indirectly affiliated with Vulcan Energy, the Management Stockholders or PAA, (3) they would not have an economic interest in us or Vulcan Energy after the merger and (4) they did not have any business or other relationship with us or that would impair their ability to exercise independent business judgment. The Board of Directors unanimously authorized the special committee to:

review and evaluate the terms and conditions of Vulcan Energy s proposal or any alternative transaction;

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negotiate the terms of any transaction with Vulcan Energy or any alternative transaction;

determine, together with its advisors, whether any transaction is fair to and in the best interest of us and our stockholders (other than the Management Stockholders);

recommend to our full Board of Directors what action, if any, should be taken by us with respect to a transaction with Vulcan Energy or any alternative transaction;

retain independent legal and financial advisors to assist the special committee; and

do all things necessary and related to those tasks.

The Board of Directors also resolved not to approve any transaction with Vulcan Energy or any alternative transaction without a prior favorable recommendation of such a transaction by the special committee.

On November 20, 2003, Plains Resources issued a press release announcing that we had received the Vulcan Energy proposal and that the Board of Directors had appointed a special committee to consider the Vulcan Energy proposal and any alternative proposals for the acquisition of Plains Resources. Also on November 20, 2003, the special committee, Mr. Wombwell and Mr. Thorington discussed the selection of legal counsel and an investment banking firm to provide advice to the special committee in connection with its evaluation and negotiation of the Vulcan Energy proposal and any alternative proposals.

Following the November 20, 2003 press release concerning the Vulcan Energy proposal, seven putative class action lawsuits were filed in the Court of Chancery in the State of Delaware, in and for New Castle County, by various stockholders of Plains Resources and PAA against us, our directors, Mr. Raymond, Vulcan Capital and several other defendants. These actions generally alleged that the original Vulcan Energy proposal was unfair and inadequate and sought to enjoin the transaction, to rescind the transaction if consummated, damages, and other unspecified relief. For a more detailed description of the stockholder litigation, see Litigation Related to the Merger below.

On November 24, 2003, the special committee interviewed and discussed the qualifications of various law firms as possible legal advisors to the special committee. After evaluating the qualifications of Baker Botts L.L.P. (Baker Botts), the special committee determined to engage Baker Botts to represent the special committee. After consultation with Baker Botts, the special committee engaged Morris, Nichols, Arsht & Tunnell (Morris Nichols) as Delaware counsel for, among other things, the litigation pending in Delaware.

The special committee met on November 26, 2003 to interview representatives of four investment banks to serve as a financial advisor to the special committee in evaluating the proposal from Vulcan Energy and any alternative proposals. A representative of Baker Botts also attended the meeting at the request of the special committee. The special committee also reviewed written materials provided by each firm, including proposed fees of each firm, and considered the firms qualifications and any current and historical banking and advisory relationships with Plains Resources and whether those relationships would affect the firms independence.

On November 26, 2003, the special committee advised Petrie Parkman & Co. (Petrie Parkman) that it wished to engage Petrie Parkman as its financial advisor and engaged in negotiations with Petrie Parkman with respect to its fee. The special committee agreed on a $150,000 engagement fee payable on January 1, 2004, a $1,000,000 fee payable upon delivery of a fairness or adequacy opinion by Petrie Parkman, if any,

or written notification to the special committee by Petrie Parkman that it had substantially completed the work deemed sufficient by it to render an opinion, regardless of the conclusion to be expressed by Petrie Parkman in such opinion. The fee also included an incremental $100,000 for each 25¢ per share of value above $14.75 per share and up to $16.50 per share, and an incremental $200,000 for each 25¢ per share of value above $16.50 per share, received or realized by the stockholders of Plains Resources in any transaction. Such additional fees were to be payable at the closing of any transaction.

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On December 4, 2003, the special committee held a meeting at the offices of Baker Botts to discuss various preliminary matters regarding the Vulcan Energy proposal. After a discussion regarding Petrie Parkman s past work for Plains Resources, including its advisory role in Plains Resources 2001 strategic restructuring under previous management of Plains Resources, the special committee determined that Petrie Parkman s prior representation would not impair its independence in advising the special committee with respect to the Vulcan Energy proposal. After such determination, the special committee formally engaged Petrie Parkman. Representatives of Baker Botts discussed the duties of the special committee and each member s fiduciary responsibilities under Delaware law. The special committee and its advisors discussed the timing and process for its review of the Vulcan Energy proposal and due diligence issues relating to Plains Resources. The special committee also established a practice of telephone conference calls with its advisors on each Monday, Wednesday and Friday afternoon to assess developments. Later that day, Plains Resources issued a press release announcing that the special committee had engaged Petrie Parkman as its financial advisor and Baker Botts and Morris Nichols as its legal counsel.

From December 5 through January 8 the special committee and its advisors conducted due diligence on Plains Resources and Vulcan Energy, which diligence continued through the process. In addition, the special committee entered into a confidentiality agreement with, and conducted due diligence on, PAA. During the entire period of Vulcan s exploration of a possible transaction, and during the period of negotiations between Vulcan and Messrs. Flores and Raymond and between Vulcan and the special committee, Mr. Armstrong and PAA management refused to provide non-public information concerning PAA to Vulcan, or to Mr. Raymond or Mr. Flores in connection with Vulcan s exploration of a transaction with Plains Resources.

On January 8, 2004, the members of the special committee met at the offices of Baker Botts to receive a preliminary presentation concerning various types of financial analysis being conducted by Petrie Parkman and addressing potential strategic options. During the meeting representatives of Petrie Parkman (1) outlined the major tasks that had been completed at that time regarding the preliminary analysis of Plains Resources, (2) summarized the scope of its review process, and (3) reviewed potential strategic options and alternatives for Plains Resources. The special committee determined that it wanted Petrie Parkman s preliminary reference value analysis of Plains Resources before formally responding to the Vulcan Energy proposal, negotiating with Vulcan Energy or negotiating with other interested parties. The special committee also determined to solicit third party proposals, instructed Petrie Parkman to generate a contact list of potential buyers and instructed Baker Botts to prepare an analysis of the tax issues in any purchase as an aid for potential buyers. Soon thereafter the special committee established an offsite data room where information could be maintained for review by potential third party bidders.

At telephonic meetings held on January 14th and 16th, the special committee s legal and financial advisors updated the special committee regarding their diligence process. Representatives of Petrie Parkman also discussed the interests of three potential third party buyers for Plains Resources. The special committee also discussed a plan for responding to the Vulcan Energy proposal.

At a telephonic meeting held on January 19, 2004, representatives of Petrie Parkman updated the special committee regarding contacts with the three potential third party buyers, and suggested to the special committee that such parties be sent confidentiality agreements. The special committee instructed Baker Botts to prepare a form of confidentiality agreement to be used with those parties and other third parties expressing an interest in Plains Resources.

On January 20, 2004, Petrie Parkman sent confidentiality agreements to each of the three potential third party buyers.

On or about January 20, 2004, Mr. Capobianco of Vulcan Energy called a representative of Petrie Parkman to discuss the status of the special committee s review of the Vulcan Energy proposal and the potential for the parties to enter into negotiations for a transaction. Mr. Capobianco expressed significant frustration at the length

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of time that had passed since Vulcan Energy submitted its proposal without a response from the special committee. Petrie Parkman s representative informed Mr. Capobianco that the special committee was not prepared to respond to the proposal or engage in any negotiations at that time.

On January 21, 2004, the special committee met at the offices of Petrie Parkman to review Petrie Parkman s preliminary reference value analysis of Plains Resources and to discuss the Vulcan Energy proposal. Representatives of Baker Botts were in attendance as well. Before presenting its analysis, representatives of Petrie Parkman reviewed the actions that had been taken with respect to distributing confidentiality agreements, summarized its contacts with other potentially interested parties and reported on conversations with Vulcan Energy.

At the meeting, representatives of Petrie Parkman discussed with the special committee preliminary financial analyses it performed in connection with its evaluation of the Vulcan Energy proposal. Representatives of Petrie Parkman discussed the methodologies it was using to evaluate the Vulcan Energy proposal. Representatives of Petrie Parkman also discussed the results of its preliminary reference value analyses consisting of discounted cash flows, comparable transactions, premium analysis and capital market comparisons, the results of which are summarized as follows (see Opinion of Financial Advisor to the Special Committee for further discussion of Petrie Parkman s reference value analysis methodologies):

Methodology	Preliminary Equity Reference Value Range $/Share
Discounted Cash Flow/Going Concern Analysis	$ 9.00-$23.00
Comparable Transaction Analysis	$ 14.81-$18.24
Premium Analysis	$ 15.57-$17.64
Capital Market Comparison	$ 13.69-$16.97

Petrie Parkman then discussed a number of advocacy points that it had prepared for discussions with Vulcan Energy. After extensive discussions with its legal and financial advisors, questions and calculations of reference value sensitivities utilizing alternate investment assumptions, the special committee determined that Vulcan Energy s proposal of $14.25 per share was inadequate and not in the best interests of the Plains Resources stockholders.

On January 21st and 22nd, the members of the special committee telephoned each member of our Board of Directors other than Mr. Flores to update them on the special committee s process and to inform them of the special committee s determination with respect to the Vulcan Energy proposal.

On January 21, 2004, a representative of Petrie Parkman telephoned Mr. Capobianco of Vulcan Energy to inform him of the special committee s decision regarding the Vulcan Energy proposal, and on January 22, 2004 Plains Resources issued a press release announcing that the proposal by Vulcan Energy and the management stockholders to acquire all of our outstanding stock for $14.25 per share in cash was inadequate and not in the best interests of Plains Resources stockholders. The press release also stated that the special committee was prepared to enter into discussions or negotiations with Vulcan Energy or other parties relating to a transaction with Plains Resources.

On January 21, representatives of Petrie Parkman contacted Mr. Capobianco to suggest a meeting between Vulcan Energy and the special committee and proposed either January 23, 2004 or January 28, 2004. Through several calls over the next five days between representatives of Petrie Parkman, Mr. Capobianco, and Mr. Raymond, a meeting was confirmed for January 28, 2004 at Petrie Parkman s office.

Representatives of Petrie Parkman and representatives of a group led by Pershing Square Capital Management LLC, with the backing of Leucadia National Corporation (collectively, Leucadia), held numerous phone conversations beginning January 23, 2004 regarding Leucadia s interest in submitting a proposal to

acquire Plains Resources. These conversations covered various topics including Leucadia s unwillingness to sign a confidentiality agreement, Leucadia s desire to speak with management of PAA (which discussion representatives of Petrie Parkman arranged for the evening of January 26, 2004), and Leucadia s interest in additional information that might be available to it in the absence of an executed confidentiality agreement. Stock purchases by Leucadia would have been prevented under the form of confidentiality agreement executed by Vulcan and other interested parties.

On January 23, 2004, the special committee and its advisors held a telephonic meeting at which David Fuller, a financial consultant engaged by the plaintiffs in the Delaware lawsuits discussed under Litigation Related to the Merger on page 59 below, presented his preliminary valuation analysis of Plains Resources. Mr. Fuller s written analysis was that an offer approaching $23.00 per share would achieve fair value. In the conversation, one of Mr. Fuller s advisors indicated that a reasonable value might be $17.00 to $20.00 per share. Mr. Fuller s analysis was based only on publicly available information and consisted of (1) an adjustment to our balance sheet to reflect differences between the market value of our assets and their respective carrying values, (2) the potential value of the effective control of the general partner of PAA, and (3) an examination of the market values of proved oil reserves held by a sample of publicly traded oil and gas companies. The members of the special committee and its advisors asked Mr. Fuller numerous questions regarding his analysis, and requested that he provide any more detailed written analysis he had prepared (which he subsequently delivered), as well as any suggestions for potential third party acquirors, to the special committee.

On January 26, 2004, the special committee held a telephonic meeting to discuss its upcoming meeting with Vulcan Energy and contacts with other parties. Representatives of Baker Botts informed the special committee that a party that had expressed an interest in a transaction with Plains Resources had signed a confidentiality agreement and that this party had asked to review certain confidential tax information regarding Plains Resources, and that such material was subsequently provided to such party.

On January 28, 2004, the special committee held a meeting with representatives of Vulcan Energy and Mr. Raymond at the offices of Petrie Parkman. The purpose of the meeting was to discuss with Vulcan Energy and Mr. Raymond factors suggesting that a higher cash offer was appropriate. The special committee informed Vulcan Energy and Mr. Raymond that it was prepared to support a transaction with Vulcan Energy that delivers an acceptable price to the public stockholders of Plains Resources. Representatives of Petrie Parkman explained to Vulcan Energy that its proposal of $14.25 per share undervalued Plains Resources because it:

- reflected a low premium and was below market expectations;
- did not reflect the value associated with the G&A and other savings flowing from a transaction;
- did not reflect any value to the Plains Resources stockholders for the tax structure to be utilized by Vulcan Energy;
- did not reflect the long-term going concern value to Plains Resources arising from the interplay of future PAA growth and the general partner s structural leverage on that growth; and
- did not reflect PAA s proposed pipeline acquisition from Shell, which was announced subsequent to the original Vulcan Energy proposal.

At the conclusion of the meeting, the special committee informed Vulcan Energy that it would be prepared to support a transaction at $18.25 per share. Vulcan Energy disagreed strongly with several of the points made by representatives of Petrie Parkman and the special committee s views on valuation but agreed to discuss whether it could consider an increase in its offer.

On or about January 30, 2004, a representative of Petrie Parkman called Mr. Raymond to tell him that Vulcan Energy should convey any revised offer to Mr. O Malley. Mr. Capobianco called Mr. O Malley and said that he was sensitive to the points made by the special committee at the January 28th meeting, and that Vulcan Energy would endeavor to provide the special committee with a revised offer on February 3rd.

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At a telephonic meeting on January 30, 2004, Mr. O Malley reported on his conversation with Mr. Capobianco. The special committee also discussed possible responses to any revised proposal submitted by Vulcan Energy. The special committee discussed the fact that it wanted to entertain discussions with other interested parties even if it determined to begin negotiating a merger agreement with Vulcan Energy. The special committee s advisors discussed the status of contacts with third parties.

Later that afternoon, a second potential buyer signed a confidentiality agreement and received a copy of a reserve report with respect to Plains Resources.

At a telephonic meeting of the special committee held on February 2, 2004, representatives of Petrie Parkman updated the special committee on the status of communications with the three parties who had expressed an interest in Plains Resources and described the information that had been provided to those parties. Later that day, a third potential buyer signed a confidentiality agreement with respect to Plains Resources.

On February 3, 2004, Mr. Capobianco called Mr. O Malley and suggested that Vulcan Energy could consider a transaction with a price ranging between $15.75 and $16.25 per share. Mr. O Malley informed Mr. Capobianco that there would be no transaction at $16.25 or even at $16.50. Mr. O Malley suggested that Mr. Capobianco contact Mr. O Malley the next day with an improved offer.

At a telephonic meeting of the special committee held later that day, Mr. O Malley reported on his conversation with Mr. Capobianco. Representatives of Petrie Parkman informed the special committee that the second potential buyer had indicated that it would be prepared to make an offer early the following week.

On February 4, 2004, Mr. O Malley called Mr. Capobianco suggesting that if Vulcan Energy could agree on a price range of $16.50 to $17.50 per share, the special committee would be willing to schedule a meeting to try to negotiate a firm number. Mr. Capobianco stated that Vulcan Energy would not pay $17.00 per share or above. At a telephonic meeting later that day, a representative of Petrie Parkman reported that Mr. Raymond had told a Petrie Parkman representative that Vulcan Energy would not pay $17.00 per share or above. Representatives of Petrie Parkman stated that the second potential buyer had indicated that it would be in a position to make an offer on Monday, February 9, and that Leucadia was expected to make an offer as well. Leucadia asserted that such offer would be significantly in excess of the initial Vulcan Energy ($14.25) proposal.

On February 5, 2004, the special committee held a telephonic meeting to discuss conversations with Mr. Raymond regarding the possibility of a meeting with the special committee to discuss a transaction between $16.50 and $17.00 per share. A representative of Petrie Parkman reported that Leucadia had prepared a proposal but was extremely sensitive about its deal structure, and Leucadia wanted the special committee to agree to certain preconditions before receiving the proposal. The special committee instructed its advisors to contact Leucadia to get more information regarding these conditions.

Later that evening, representatives of Baker Botts and Petrie Parkman had a conversation with William Ackman, a principal of Pershing Square and the person who was principally responsible for formulating the Leucadia proposal, and his counsel wherein Mr. Ackman outlined his concerns and the proposed terms upon which Leucadia would agree to submit a proposal to the special committee. On February 6, 2004, Mr. Ackman submitted a form of letter agreement to be entered into by the special committee as a condition to Leucadia submitting its proposal, the terms of which letter agreement included:

the obligation of the special committee to keep any proposal confidential;

a ten-day due diligence period, during which Plains Resources would pay Leucadia a $2 million fee if it entered into an agreement with respect to a transaction with anyone other than Leucadia;

reimbursement of up to $1 million of Leucadia s legal fees in the event Plains Resources did not enter into a transaction with Leucadia;

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- a requirement for Plains Resources to pay Leucadia a $2 million fee if, after conducting due diligence, Leucadia determined to go forward with a transaction with Plains Resources, but the special committee determined not to proceed, and Plains Resources entered into a transaction with any other party in the six months following the date of the letter agreement; and

- a $10 million fee payable to Leucadia in the event that Plains Resources entered into a transaction in the next year utilizing Leucadia s proposed transaction structure.

At a telephonic meeting on February 6, representatives of Baker Botts informed the special committee of the proposed terms of the Leucadia letter agreement and received instructions to negotiate with Leucadia regarding the terms of the letter agreement to try to obtain a proposal from Leucadia.

Over the weekend of February 7th and 8th, Baker Botts provided comments to Leucadia s counsel on the proposed letter agreement. In addition, with the consent of the Special Committee, a representative of Petrie Parkman spoke with Mr. Raymond about obtaining a higher offer from Vulcan Energy. On Monday, February 9, Mr. Capobianco called Mr. O Malley to state that Vulcan Energy would entertain discussions at $16.75 per share, but it would require a no-shop provision, a termination fee equal to 4.5% of the transaction value and exclusive negotiations until a definitive transaction agreement was signed. Following a telephonic special committee meeting, Mr. O Malley informed Mr. Capobianco that the special committee would not agree to exclusivity prior to reviewing a draft merger agreement proposed by Vulcan Energy.

On February 9, 2004, the special committee held two telephonic meetings to discuss the status of negotiations with Vulcan Energy and Leucadia. A representative of Petrie Parkman informed the committee that one of the parties that had executed a confidentiality agreement was continuing to evaluate a potential transaction with Plains Resources, and that Leucadia had not yet executed the confidentiality agreement submitted to it first on January 20, 2004. That evening, the special committee received a draft merger agreement from Vulcan Energy s counsel.

At two telephonic meetings held on February 10, 2004, the special committee discussed the proposed terms of the merger agreement and the pendency of a proposal from Leucadia. The special committee instructed Petrie Parkman to encourage Leucadia to submit any proposal it was contemplating as soon as possible, without any preconditions which would involve Plains Resources becoming liable for a fee prior to the time that the special committee would have had an opportunity to review any proposal. The second potential bidder informed representatives of Petrie Parkman that it had completed its analysis and would not be submitting a proposal because it did not believe its proposal would be competitive. The other two parties that signed confidentially agreements never submitted proposals.

Beginning February 10, 2004, representatives of Vulcan Energy, its counsel, Baker Botts, Petrie Parkman and the special committee began negotiating the terms of the merger agreement. Representatives of Baker Botts met with Vulcan Energy s counsel to discuss the major issues under the merger agreement, which included:

- representations and conditions relating to PAA;

- the scope of the no-shop provision;

- the termination fee;

- conditions to closing, including:

Vulcan Energy s financing;

obtaining an exemption under the Investment Company Act of 1940;

the truthfulness and correctness of the representations of, and the performance by, each of Mr. Flores and Mr. Raymond, under the subscription agreement; and

the pendency of any litigation seeking to prohibit the merger as a condition to closing;

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indemnity of Vulcan Energy regarding any litigation arising out of the transaction, including pending litigation; and

the fact that Plains Resources representations did not include any carve-out for the knowledge of Mr. Flores and Mr. Raymond.

On February 11, the special committee s advisors continued negotiating with Leucadia the terms under which Leucadia would submit a proposal, and Leucadia agreed to remove the proposed $2 million fee payable by Plains Resources in the event it entered into another transaction and to reduce the proposed level of legal fee reimbursement. At a telephonic meeting held that day, the special committee determined to continue negotiations with Leucadia to try to obtain its proposal, and to provide comments on the merger agreement to Vulcan Energy s counsel.

On the morning of February 12, representatives of Baker Botts, Petrie Parkman and Mr. Ackman and his counsel conducted several more conversations wherein Mr. Ackman suggested various permutations of the conditions to provide the special committee with a proposal, all of which included a $10 million fee payable by Plains Resources under certain circumstances. At a telephonic meeting held that morning, the special committee instructed its advisors to continue to try to negotiate with Leucadia to reduce any potential fees that Plains Resources would be required to pay in order for the special committee to be provided the proposal. Later that day, Mr. O Malley called Mr. Capobianco to suggest a meeting in Houston on February 13th to negotiate the terms of the merger agreement. After Mr. Capobianco agreed to the meeting, the special committee held another telephonic meeting during which it called several members of the Board of Directors to brief them on the status of negotiations with Vulcan Energy and Leucadia. The special committee instructed its advisors to inform Leucadia that Plains Resources would agree to keep any proposal confidential and would pay Leucadia s out-of-pocket expenses to date up to a cap of $150,000, but would not agree to any of the other terms proposed by Leucadia. Baker Botts called Leucadia s counsel to inform them of this decision, and shortly thereafter Leucadia agreed to submit a proposal to the special committee on those terms.

At a telephonic meeting held in the evening of February 12, 2004, Mr. Ackman orally presented the proposal by Leucadia to acquire Plains Resources in a transaction he asserted had a value of approximately $17.60 per share. He also informed the special committee that Leucadia owned over four percent of the outstanding shares of Plains Resources common stock. Had Leucadia executed a confidentiality agreement when it was first presented on or about January 20, 2004, further stock purchases would have been precluded. According to Mr. Ackman, the transaction was to be structured as a merger, in which Plains Resources stockholders would have the opportunity to elect up to $75 million in cash and/or newly issued publicly traded securities of Plains Resources. The new securities were to be designed to provide holders with returns based upon the income from and value of the master limited partnership units of PAA owned by Plains Resources. The new security would have a face value of $33.00 and a maturity date 30 years after the issuance date. At maturity, Plains Resources would be obligated to pay the holders of the new security the greater of (1) the face amount of $33.00 or (2) the then-current market price of one master limited partnership unit of PAA. The transaction was to include a mechanism whereby Leucadia would engage a stand-by underwriter to purchase from Plains Resources stockholders on a pro-rata basis up to approximately 2.38 million of the new securities at $31.50 for a total of $75 million in cash on a date which would have been limited to a specific period of time after the closing of the proposed merger. A $12 million break-up fee was also proposed, and the willingness of Leucadia to enter into definitive agreements was conditioned on the satisfaction of Leucadia with a commercial, tax, accounting, financial and legal due diligence investigation of Plains Resources and PAA and on the approval of the board of directors of Leucadia. Mr. Ackman provided a written proposal outlining those terms later that night. The proposal was to expire at 6:00 p.m., New York time, on February 13, 2004.

Members of the special committee and representatives of its advisors asked numerous questions of Mr. Ackman, including, among others, whether the new securities would be debt or equity securities, what collateral would underlie the new securities, whether he was aware if there existed any similar securities, and whether the

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distributions on the new securities would be fully taxable to the holders thereof. Mr. Ackman responded that he had not yet determined whether the new securities would be debt or equity or what the collateral would be. Mr. Ackman stated he was not aware of any existing similar securities and that he believed the holders of the new securities would be neutral as to whether or not the distributions were fully taxable.

On February 13, 2004, the members of the special committee met at Petrie Parkman s offices (1) to negotiate with Vulcan Energy and (2) to consider Leucadia s proposal letter. Representatives of Petrie Parkman presented an analysis of the Leucadia proposal to the special committee on a per share basis, assuming two cases. The first case assumed that the maximum number of securities were issued, which would result in total consideration to Plains Resources stockholders of $75 million in cash and 10.9 million units of new securities, which was equivalent to $3.09 in cash and 0.45 units of new securities per Plains Resources share (based on 24.3 million Plains Resources shares outstanding). The second case assumed the ability of Leucadia to engage a stand-by underwriter so that the maximum amount of cash to be offered would be utilized, which would result in the repurchase at $31.50 of 2.38 million units of new securities. This would have resulted in total consideration to Plains Resources stockholders of $150 million in cash and 8.5 million units of new securities, or $6.18 in cash plus 0.35 units of new securities per Plains Resources share (based on 24.3 million Plains Resources shares outstanding). These two cases are summarized as follows:

Form of Consideration	Total Consideration to Plains Resources Stockholders (Amounts in thousands)	Total Consideration Per Plains Resources Share ($SH./Units)
Maximum Securities Case		
Cash	$ 75,000	$ 3.09
New Securities	10,900	0.45
Maximum Cash Case		
Cash	$ 150,000	$ 6.18
New Securities	8,500	0.35

Representatives of Petrie Parkman reviewed the total consideration per Plains Resources share implied by the Leucadia proposal over a range of illustrative trading values for the new securities as follows:

Maximum Securities Case				
Illustrative Trading Price of New Security	New Securities Per PLX Share	New Securities Consideration Per PLX Share	Cash Consideration Per PLX Share	Total Consideration Per PLX Share
$27.00	0.45	$12.13	$3.09	$15.22
$28.00	0.45	$12.58	$3.09	$15.67
$29.00	0.45	$13.03	$3.09	$16.12
$30.00	0.45	$13.47	$3.09	$16.57
$31.00	0.45	$13.92	$3.09	$17.01
$31.50	0.45	$14.15	$3.09	$17.24
$32.00	0.45	$14.37	$3.09	$17.46
$33.00	0.45	$14.82	$3.09	$17.91
$34.00	0.45	$15.27	$3.09	$18.36
$35.00	0.45	$15.72	$3.09	$18.81

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Maximum Cash Case				
Illustrative Trading Price of New Security	New Securities Per PLX Share	New Securities Consideration Per PLX Share	Cash Consideration Per PLX Share	Total Consideration Per PLX Share
$27.00	0.35	$ 9.48	$6.18	$15.66
$28.00	0.35	$ 9.83	$6.18	$16.01
$29.00	0.35	$10.18	$6.18	$16.36
$30.00	0.35	$10.53	$6.18	$16.71
$31.00	0.35	$10.88	$6.18	$17.06
$31.50	0.35	$11.06	$6.18	$17.24
$32.00	0.35	$11.23	$6.18	$17.41
$33.00	0.35	$11.58	$6.18	$17.77
$34.00	0.35	$11.94	$6.18	$18.12
$35.00	0.35	$12.29	$6.18	$18.47

In discussing the possibility that the buyer securities might trade at a discount to the PAA units, the special committee and its advisors noted that (1) the indicative cash distribution on the new security may be fully taxable, as compared to the partial tax shielding of PAA limited partner distributions, (2) prohibitions for institutions relating to UBIT income may be removed in the next energy bill, so that institutions would be able to invest directly in master limited partnerships, (3) the new security was a derivative security, which may be more difficult for investors to understand and which may trade at a discount to the underlying security, and (4) the new securities would likely be less liquid than the PAA units. Representatives of Petrie Parkman then compared the illustrative trading price of the new security, assuming a $2.33 annual cash distribution on the new security, based on a discount to the PAA current yield.

Implied Trading Price of New Security Based on Current PAA Unit Price (Yield)	Illustrative Discount	Illustrative Trading Price of New Security After Assumed Discount
$32.86	0.0%	$32.86
$32.86	2.5%	$32.04
$32.86	5.0%	$31.22
$32.86	7.5%	$30.39
$32.86	10.0%	$29.57
$32.86	12.5%	$28.75
$32.86	15.0%	$27.93

Representatives of Petrie Parkman discussed with the special committee that the new securities proposed by Leucadia had certain derivative characteristics potentially comparable to I-shares issued by affiliates of other master limited partnerships, and that such derivative securities had historically traded at a discount to the underlying partnership units. They presented an analysis showing the historical trading relationships of two existing issues of I-shares versus the related underlying partnership units which is summarized as follows:

	I-Share Trading Price Discount to Underlying Partnership Unit	
Trading Period Prior to February 13, 2004	Kinder Morgan Management vs. Kinder Morgan Energy Partners	Enbridge Energy Management vs. Enbridge Energy Partners

1 Week Prior	-8.8%	-4.0%
1 Month Prior	-10.2%	-3.8%
3 Months Prior	-12.1%	-6.1%
6 Months Prior	-12.3%	-8.9%
1 Year Prior	-13.4%	-11.9%

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As a part of the discussion, representatives of Petrie Parkman also noted that the new security would likely have less trading liquidity than the Kinder Morgan Management and Enbridge Energy Management securities due to the relatively smaller size of the overall issue.

Petrie Parkman noted that PAA s limited partnership units were trading in the market, based on a current annualized distribution of $2.25, at a current yield of approximately 7.1%, and reviewed with the special committee the illustrative trading price of the proposed new security over a range of yields as follows:

Illustrative Annual Cash Distribution		Illustrative Trading Price of New Security ($/New Security)					
		Yield on Distribution to New Security					
PAA	New Securities (PAA + $0.08)	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%
$2.25	$2.33	$35.85	$33.29	$31.07	$29.13	$27.41	$25.89

Representatives of Petrie Parkman, Baker Botts and the special committee also discussed other issues relating to the Leucadia offer, which included:

- the fact that the after-tax distributions to new securityholders would likely be less than after-tax distributions to holders of PAA common units;
- the fact that the new securities would have no recourse to Leucadia so significant safeguards would have to be provided to insure that distributions and the redemption price were paid as promised;
- the fact that a majority of the consideration was new securities of Plains Resources itself;
- the fact that the form of new security was uncertain in the Leucadia proposal and the lack of trading history or public market for a security of that type;
- the overall complexity and uncertainty of the transaction relative to an all-cash offer;
- the fact that interest rates were at historic low levels, are expected to rise and the negative impact rising interest rates would be likely to have on the trading price of the new securities;
- the fact that if the new security were a debt security, its receipt would be taxable to Plains Resources stockholders; and
- the transaction risks involved with Leucadia s due diligence condition and board approval condition.

In light of these factors, the progress that had been made with Vulcan Energy and the special committee s belief (based on conversations with Vulcan Energy) that if it did not do so Vulcan Energy would terminate discussions and withdraw the Vulcan Energy proposal, the special

committee determined to continue to negotiate with Vulcan Energy and to decline the Leucadia offer. Later that afternoon, after reaching agreement on many issues under the merger agreement, the special committee entered into an exclusivity agreement with Vulcan Energy wherein it agreed to negotiate solely with Vulcan Energy for a period not to exceed 14 days. In light of the provisions of the exclusivity agreement, at the instruction of the special committee, Baker Botts called Mr. Ackman that afternoon, prior to the expiration of the Leucadia proposal, to inform him that the special committee had determined not to pursue the Leucadia proposal.

Between February 14 and February 18, 2004, representatives of Vulcan Energy, Vulcan Energy s counsel, Baker Botts, Petrie Parkman, management of Plains Resources (other than the Management Stockholders) and its counsel and the special committee continued negotiating the terms of the merger agreement. The parties settled on the scope of the representations and warranties. They also agreed on the circumstances under which a superior proposal could be entertained by Plains Resources. Representatives of Baker Botts and Petrie Parkman had conversations with representatives of Fleet and Bank of America to confirm those parties willingness to proceed with financing the transaction, and the special committee obtained Mr. Allen s agreement to guarantee the Bank of America facility.

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Throughout this period the special committee kept the members of the Board of Directors other than Mr. Flores apprised of the process. On February 18, 2004, the special committee and the full Board of Directors (other than Mr. Flores) convened a meeting to consider the proposed merger with Vulcan Energy. The special committee reviewed with the board its process for considering the Vulcan Energy proposal and its efforts to market Plains Resources to third parties. Representatives of Petrie Parkman presented the analysis of the Leucadia proposal reviewed with the special committee on February 13, 2004 and the directors discussed the special committee s reasons for determining not to pursue such a proposal. Representatives of Petrie Parkman presented its reference value analysis of Plains Resources, the substance of which is described below in Opinion of Financial Advisor to the Special Committee. Following discussion with the special committee and the other members of the board present at the meeting, the special committee requested and Petrie Parkman rendered its oral opinion, subsequently confirmed in writing on February 18, 2004, that as of such date and based on and subject to the matters set forth in the opinion, the consideration to be received by the stockholders of Plains Resources in the merger (other than the Management Stockholders) was fair from a financial point of view to such stockholders. After receiving the Petrie Parkman oral opinion and after further deliberation, the special committee unanimously determined that the merger agreement and the terms of the merger are fair to and in the best interests of Plains Resources and its stockholders (other than the Management Stockholders), and unanimously recommended that the Board of Directors approve and adopt the execution and delivery of the merger agreement and the consummation of the merger, and further recommended that the stockholders of Plains Resources approve and adopt the merger agreement and the merger, and directed that the merger agreement be submitted to the stockholders of Plains Resources. Thereafter, the Board of Directors unanimously (with Mr. Flores not in attendance) determined that the merger agreement and the terms of the merger are fair to and in the best interests of Plains Resources and its stockholders (other than the Management Stockholders), and unanimously approved the execution and delivery of the merger agreement and the consummation of the merger, and further recommended that the stockholders of Plains Resources approve and adopt the merger agreement and the merger, and directed that the merger agreement be submitted to our stockholders.

Recommendations of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger

The Special Committee. At a special meeting of the Board of Directors held on February 18, 2004, the members of the special committee unanimously determined that the merger agreement and the transactions contemplated by it, including the merger, are advisable, fair to, and in the best interests of, Plains Resources stockholders (other than the Management Stockholders) and unanimously resolved to recommend to the Board of Directors that it approve the merger agreement and the merger. The Board of Directors, after considering the recommendation of the special committee, through a unanimous vote of the directors present (with Mr. Flores not in attendance) unanimously declared advisable and approved the merger agreement and resolved to recommend to Plains Resources stockholders that they vote FOR approval and adoption of the merger agreement and the merger.

In reaching its determination, the special committee considered factors including:

- the oral opinion delivered by Petrie Parkman on February 18, 2004, and subsequently confirmed in writing that, as of that date and, based on and subject to the matters set forth in the opinion, the consideration to be received by the stockholders of Plains Resources in the merger (other than the Management Stockholders) was fair from a financial point of view to such stockholders, as described in the Petrie Parkman opinion and the analyses presented to the special committee by Petrie Parkman on February 18, 2004, which are described on pages 33 to 37 of this proxy statement;

- the fact that the merger consideration of $16.75 per share to be received by Plains Resources stockholders in cash was, at the time of its determination, higher than the highest closing price of Plains Resources common stock since the spin-off of Plains Exploration & Production Company and represents an approximate 25% premium over the $13.44 per share closing price of Plains Resources common stock on November 19, 2003, the last full trading day prior to the public announcement of the

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original proposal by Vulcan Energy to purchase Plains Resources and an approximate 27% premium over the average closing price of $13.23 per share of Plains Resources common stock over the 30-calendar day period ending on the same date;

the fact that the special committee s active solicitation of third party indications of interest for the acquisition of Plains Resources that would provide greater value to stockholders sooner than the merger consideration had yielded only one acquisition proposal, the terms of which the special committee determined were inferior to the terms of the merger;

the special committee s view that it is unlikely that most other potential bidders could offer greater value than the merger because Vulcan Energy could significantly reduce the future tax burden on Plains Resources both as to distributions of cash from PAA, and, in some circumstances, as a liquidation of Plains Resources assets by operating it as a Subchapter S corporation under the U.S. Internal Revenue Code of 1986, as amended;

due to the very low tax basis Plains Resources has in its assets, in particular its ownership interests in PAA, a liquidation of Plains Resources would create taxable gains resulting in taxes at the company level of between $170 million and $180 million, or approximately $7.00 per share, so that liquidation would be unlikely to yield the highest value for the stockholders;

the special committee s belief that a significant portion of the increase in the market price of Plains Resources common stock following the announcement by Plains Resources of its receipt of Vulcan Energy s initial proposal to acquire Plains Resources probably largely reflected anticipation of a possible acquisition rather than a perception of higher intrinsic value for Plains Resources common stock;

the active and direct role of the members of the special committee and their representatives in the negotiations with respect to the merger, and the consideration of the transaction and solicitations of third party indications of interest by the special committee at more than 35 special committee meetings;

the negotiations that took place between the special committee and its representatives, on the one hand, and the Management Stockholders, Vulcan Energy and Vulcan Energy s representatives, on the other hand, with respect to the increase in the merger consideration from the initial proposal of $14.25 per share to $16.75 per share and the belief by the members of the special committee that $16.75 per share was the highest price that the acquiring group would agree to pay to Plains Resources stockholders;

the potential marketability issues associated with owning less than 50% of the general partner of PAA;

the terms of the merger agreement that permit the Board of Directors and the special committee to explore, under certain circumstances, unsolicited acquisition proposals if the Board of Directors or the special committee determines that the acquisition proposal is reasonably likely to result in a superior proposal from a financial point of view and that the failure to take action is reasonably expected to result in a breach of the fiduciary duties of the Board of Directors or the special committee;

the terms of the merger agreement that permit the Board of Directors to change or withdraw its recommendation to Plains Resources stockholders of the merger or to terminate the merger agreement if the Board of Directors determines that an unsolicited acquisition proposal is superior, from a financial point of view, to Plains Resources stockholders and that the failure to take such action is reasonably expected to result in a breach of the fiduciary duties of the Board of Directors;

Mr. Allen s financial wherewithal and experience and success in closing other transactions;

the terms and conditions of the subscription agreement providing for Mr. Allen s obligation to provide funds to Vulcan Energy to pay a portion of the aggregate merger consideration;

Mr. Allen s agreement for the benefit of Plains Resources to guarantee the $65 million Bank of America senior guaranteed term loan credit facility and to cause Vulcan Energy to perform its obligations under the merger agreement;

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Mr. Flores and Mr. Raymond s agreement for the benefit of Plains Resources to perform their obligations under the subscription agreement that are also a condition to the closing of the merger; and

the availability of appraisal rights under Delaware law to holders of shares of Plains Resources common stock who dissent from the merger, which provides stockholders who dispute the fairness of the merger consideration with an opportunity to have a court determine the fair value of their shares.

Each of these factors favored the special committee s conclusion that the merger is advisable, fair to, and in the best interests of, Plains Resources and its stockholders (other than the Management Stockholders).

The special committee, as well as the Board of Directors, relied on Plains Resources management to provide accurate and complete financial information, projections and assumptions as the starting point for its analysis.

The special committee also considered a variety of risks and other potentially negative factors concerning the merger agreement and the transactions contemplated by it, including the merger. These factors included:

the fact that Leucadia made a conditional proposal with a purported value attributed by Leucadia at more than $16.75 per share;

the fact that, following the merger, Plains Resources stockholders will cease to participate in any future earnings of Plains Resources or benefit from any future increase in Plains Resources value;

the fact that certain parties, including the Management Stockholders, may have interests that are different from those of Plains Resources stockholders as described under Interests of Certain Persons in the Merger;

the limitations contained in the merger agreement on Plains Resources ability to solicit other offers, as well as the possibility that Plains Resources may be required to pay to Vulcan Energy a termination fee of $15 million and reimburse all of Vulcan Energy s and the Vulcan Merger Subsidiary s reasonable out-of-pocket expenses;

the fact that the obligation of Mr. Allen to provide funds to the Vulcan Merger Subsidiary to pay a portion of the merger consideration is subject to certain conditions outside of Plains Resources control; and

the fact that, for U.S. federal income tax purposes, the merger consideration will be taxable to Plains Resources stockholders receiving the consideration.

In the special committee s view, the principal advantage of Plains Resources continuing as a public company would be to allow public stockholders to continue to participate in any growth in the value of Plains Resources equity. However, the special committee concluded that, under all of the relevant circumstances and in light of the proposed $16.75 per share price, the value to stockholders that would be achieved by continuing as a public company was not likely to be as great as the merger consideration of $16.75 and accordingly rejected that alternative.

This discussion of the information and factors considered by the special committee in reaching its conclusions and recommendation includes all of the material factors considered by the special committee but is not intended to be exhaustive. In view of the wide variety of factors considered by the special committee in evaluating the merger agreement and the transactions contemplated by it, including the merger, and the complexity of these matters, the special committee did not find it practicable to, and did not attempt to, quantify, rank or otherwise assign relative weight to those factors. In addition, different members of the special committee may have given different weight to different factors.

The special committee believes that sufficient procedural safeguards were and are present to ensure the fairness of the merger and to permit the special committee to represent effectively the interests of Plains

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Resources stockholders (other than the Management Stockholders). These procedural safeguards include the following:

- the special committee s active and intense negotiations with Vulcan Energy regarding the merger consideration and the other terms of the merger and the merger agreement;

- other than the indemnification rights under the merger agreement and the acceleration of 10,000 restricted stock units each under the terms of the Company s benefit plans, no member of the special committee has an interest in the merger different from that of Plains Resources stockholders and any stock options, restricted stock units or shares of restricted stock members of the special committee hold will be cashed out in the merger at the same price that Plains Resources stockholders will receive as consideration for their shares of Plains Resources common stock;

- Mr. Hitchcock s position as holder of 447,023 shares of Plains Resources common stock, which aligns his interests with other stockholders;

- the special committee retained and received the advice and assistance of Petrie Parkman as its financial advisor, Baker Botts as its legal advisor, and Morris Nichols as its special Delaware counsel, and requested and received from Petrie Parkman an opinion with respect to the fairness from a financial point of view of the merger consideration to be received by Plains Resources stockholders other than the Management Stockholders. Each of these advisors has extensive experience in transactions similar to the merger;

- the recognition by the special committee that it had no obligation to recommend the approval of the merger or any other transaction;

- the recognition by the special committee that it may consider superior proposals;

- the special committee s active solicitation of third party indications of interest and its serious consideration of the one proposal submitted to it; and

- the availability of appraisal rights under Delaware law for Plains Resources stockholders who oppose the merger, which rights are described under Appraisal Rights of Stockholders.

The Board of Directors. After learning of Mr. Allen and the Management Stockholders proposal to acquire all the outstanding shares of Plains Resources common stock that they did not already own through an all-cash merger transaction, the Board of Directors voted to form the special committee to consider alternatives for Plains Resources and evaluate Vulcan Energy s proposal and other proposals and to act on behalf of Plains Resources stockholders.

In reaching its determination that the terms of the merger agreement and the transactions contemplated by it, including the merger, are advisable, fair to, and in the best interests of, Plains Resources stockholders (other than the Management Stockholders), the Board of Directors adopted the analysis of the special committee as to the fairness of the merger consideration of $16.75 per share to be received by Plains Resources stockholders. In adopting the special committee s analysis, the Board of Directors considered and relied upon:

- the process the special committee conducted in considering the merger;

the special committee s unanimous recommendation that the Board of Directors approve the merger agreement and the transactions contemplated by it, including the merger;

the special committee s declaration of the merger agreement s advisability; and

the oral opinion delivered by Petrie Parkman on February 18, 2004, and subsequently confirmed in writing that, as of that date and based upon and subject to the matters set forth therein, the consideration to be received by Plains Resources stockholders pursuant to the merger (other than the Management Stockholders) was fair from a financial point of view to such stockholders.

The Board of Directors also believes that sufficient procedural safeguards were present to ensure the fairness of the transaction and to permit the special committee to represent effectively the interests of Plains

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Resources unaffiliated stockholders. The Board of Directors reached this conclusion based on, among other things:

- the fact that the special committee consisted of independent directors whose sole purpose was to represent the interests of Plains Resources stockholders (other than the Management Stockholders);
- the selection and retention by the special committee of its own financial advisor and legal counsel;
- the fact that the merger agreement and the merger were approved by members of the Board of Directors who are not affiliated with the Management Stockholders or Mr. Allen;
- the fact that an independent special committee is well recognized under Delaware law as an effective way to promote fairness in transactions of this kind; and
- the fact that the negotiations that had taken place between the Management Stockholders and Mr. Allen and his representatives, on the one hand, and the special committee and its representatives, on the other hand, were designed to preserve the fairness of the transactions.

The Board of Directors determined that it did not need to retain an unaffiliated representative to act on behalf of Plains Resources stockholders in light of the formation of the special committee and the special committee s retention of its own advisors. The Board of Directors took this factor into account in its assessment of the fairness of the transaction but determined that sufficient procedural safeguards were in place to ensure the fairness of the transaction.

In view of the wide variety of factors considered by the Board of Directors in evaluating the merger and the complexity of these matters, the Board of Directors did not find it practicable to, and did not attempt to, quantify, rank or otherwise assign relative weight to those factors. In addition, different members of the Board of Directors may have given different weight to different factors.

Based in part upon the recommendation of the special committee, the Board of Directors through a unanimous vote of the directors present (with Mr. Flores not in attendance) declared advisable and approved the merger agreement, and resolved to recommend that you vote FOR approval and adoption of the merger agreement and the merger.

Opinion of Financial Advisor to the Special Committee

Pursuant to an engagement letter dated as of November 26, 2003 and as amended as of February 17, 2004, Petrie Parkman delivered to the special committee and the Board of Directors its oral opinion on February 18, 2004, and subsequently confirmed in writing that, as of that date and based on and subject to the matters set forth in the opinion, the consideration to be received by Plains Resources stockholders in the merger (other than the Management Stockholders) was fair from a financial point of view to such stockholders.

The full text of Petrie Parkman s opinion dated February 18, 2004, which contains a description of the assumptions made, procedures followed, matters considered and limits of the scope of review undertaken by Petrie Parkman in rendering its opinion, is attached as

Appendix B to this proxy statement and is incorporated in this proxy statement by reference. The summary of the Petrie Parkman opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Plains Resources stockholders are encouraged to, and should, read the Petrie Parkman opinion carefully and in its entirety.

Petrie Parkman s opinion was provided for the information and assistance of the special committee and the Board of Directors in connection with their consideration of the merger and relates solely to the fairness from a financial point of view of the consideration to be received by the stockholders of Plains Resources in the merger other than the Management Stockholders. Petrie Parkman has not considered the consideration to be received by the Management Stockholders in connection with the merger. Petrie Parkman s opinion does not constitute a recommendation to any holder of Plains Resources common stock

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as to how the stockholder should vote on the merger. Petrie Parkman s opinion dated February 18, 2004 and its presentation to the special committee and Board of Directors on February 18, 2004 were among many factors taken into consideration by the special committee in recommending the merger and the Board of Directors in making its determination to approve and recommend the merger.

In arriving at its opinion, Petrie Parkman, among other things:

- reviewed certain publicly available business and financial information relating to Plains Resources, including (1) its Annual Reports on Form 10-K and related audited financial statements for the fiscal years ended December 31, 2000, December 31, 2001 and December 31, 2002 and (2) its Quarterly Report on Form 10-Q and related unaudited financial statements for the fiscal quarter ended September 30, 2003;

- reviewed certain information prepared and provided by Plains Resources, including operating statements and unaudited financial statements for the fiscal year ended December 31, 2003;

- reviewed certain publicly available business and financial information relating to PAA, including (1) its Annual Reports on Form 10-K and related audited financial statements for the fiscal years ended December 31, 2000, December 31, 2001 and December 31, 2002 and (2) its Quarterly Report on Form 10-Q and related unaudited financial statements for the fiscal quarter ended September 30, 2003;

- reviewed estimates of Plains Resources proved, probable and possible oil and gas reserves, prepared by the independent engineering firm of Netherland, Sewell & Associates, Inc. as of December 31, 2002;

- analyzed certain historical and projected financial and operating data of Plains Resources prepared by the management and staff of Plains Resources;

- reviewed certain historical and projected financial and operating data of PAA prepared by the management and staff of PAA;

- discussed the current and projected operations and prospects of Plains Resources and PAA with the management and staff of Plains Resources;

- reviewed the trading history of Plains Resources common stock and PAA common units;

- compared recent stock market capitalization indicators for Plains Resources and PAA with recent stock market capitalization indicators for certain other publicly traded independent energy companies;

- compared the financial terms of the merger with the financial terms, to the extent publicly available, of other transactions that we deemed to be relevant;

- participated in discussions and negotiations among the representatives of the special committee, Plains Resources, Vulcan Energy and their respective legal advisors;

reviewed a draft dated February 17, 2004 of the merger agreement; and

reviewed such other financial studies and analyses and performed such other investigations and took into account such other matters as Petrie Parkman deemed necessary or appropriate.

In preparing its opinion, Petrie Parkman assumed and relied upon, without assuming any responsibility for, or independently verifying, the accuracy and completeness of all information supplied or otherwise made available to it by Plains Resources and PAA. Petrie Parkman further relied upon the assurances of representatives of the management of Plains Resources that they were unaware of any facts that would make the information provided to it incomplete or misleading in any material respect. With respect to projected financial and operating data, Petrie Parkman assumed that the data was reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of Plains Resources and PAA relating to the future financial and operational performance of Plains Resources and PAA, respectively. With respect to the estimates of oil and gas reserves, Petrie Parkman assumed that they were reasonably prepared on bases reflecting the best available estimates and judgments of Netherland, Sewell & Associates, Inc., relating to the oil and gas properties of Plains Resources. Petrie Parkman did not make an independent evaluation or appraisal of the assets or

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liabilities of Plains Resources, nor, except for the estimates of oil and gas reserves referred to above, was Petrie Parkman furnished with any such evaluations or appraisals. In addition, Petrie Parkman did not assume any obligation to conduct, nor did Petrie Parkman conduct, any physical inspection of the properties or facilities of Plains Resources. Petrie Parkman also assumed that the merger agreement executed and delivered by the parties would contain identical financial and economic terms and otherwise be substantially similar to the last draft reviewed by Petrie Parkman, and that the conditions precedent in the merger agreement would not be waived.

Petrie Parkman s opinion was rendered on the basis of conditions in the securities markets and the oil and gas markets prevailing as of the date of its opinion and the conditions and prospects, financial and otherwise, of Plains Resources as they were represented to Petrie Parkman as of the date of its opinion or as they were reflected in the materials and discussions described above.

The following is a summary of the financial analyses performed by Petrie Parkman and presented to the special committee and the Board of Directors on February 18, 2004.

This summary includes information presented in tabular format. In order to fully understand these financial analyses, the tables must be read together with the text accompanying each summary. The tables alone do not constitute a complete description of these financial analyses. Considering the data set forth in the tables without considering the full narrative description of these analyses, including the methodologies and assumptions underlying these analyses, could create a misleading or incomplete view of the financial analyses performed by Petrie Parkman.

Implied Premium Analysis. Petrie Parkman calculated the premiums implied by comparing the $16.75 per share cash merger consideration offered by Vulcan Energy to historical trading prices of Plains Resources common stock for specified periods between December 19, 2002, the first full day of trading of Plains Resources common stock after Plains Resources spin-off of PXP, to February 13, 2004 and calculated the following results:

Period	Plains Resources Market Price	Implied Offer Premium
Prior to Announcement of Vulcan Energy Initial Offer on November 20, 2003		
1 Day	$ 13.44	24.6%
30 Days	$ 13.30	25.9%
60 Days	$ 12.58	33.1%
Period Average		
30 Days	$ 13.23	26.6%
60 Days	$ 13.03	28.5%
High	$ 14.54	15.2%
Low	$ 10.41	60.9%
Since PXP Spin-off	$ 12.62	32.7%
Entire Period High	$ 16.74	0.1%
Entire Period Low	$ 10.41	60.9%

Discounted Cash Flow Analysis / Going Concern Analysis. Petrie Parkman performed a discounted cash flow analysis of Plains Resources projected unlevered free cash flows using various after-tax discount rates and terminal multiples of earnings before interest, taxes, depreciation and amortization (EBITDA). Petrie Parkman calculated the net present value of estimates of future unlevered free cash flows for the period from January 1, 2004 to December 31, 2013 for Plains Resources based, in part, on projections for Plains Resources and PAA provided to Petrie Parkman by the managements of Plains Resources and PAA.

Petrie Parkman analyzed three cases of operating projections, a Low Case, a Mid Case and a High Case, in which the principal variable was the amount of assumed annual acquisitions by PAA. In each case, Petrie

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Parkman utilized the following assumptions: (1) PAA annual organic growth in EBITDA of 2%, (2) PAA annual operating cost escalation of 2%, (3) PAA distribution coverage of 104%, and (4) strip prices, adjusted for applicable transportation and quality differentials, for sales of oil production from Plains Resources Florida properties. In the Mid Case, Petrie Parkman assumed PAA would make $1.5 billion ($150 million per year) of acquisitions during the period 2004 2013. In the High Case, Petrie Parkman assumed PAA would make $2.5 billion ($250 million per year) of acquisitions during the period 2004 2013. In addition to the assumptions above, Petrie Parkman utilized the following PAA acquisition assumptions in the Mid and High Cases: 1) acquisition prices equivalent to 7.5x EBITDA, 2) 50% debt financing, 3) 6% cost of debt, and 4) maintenance capital expenditures of 2% of EBITDA in each case over the ten year period of the analysis. Petrie Parkman prepared these projections using financial, operating and reserve projections prepared and/or provided by Plains Resources and PAA s management and staff and certain assumptions based upon discussions with the managements of Plains Resources regarding Plains Resources and PAA s potential future operating and financial performance.

Petrie Parkman calculated Plains Resources discounted cash flows using after-tax discount rates ranging from 8.0% to 12.0% and a terminal value in 2013 based upon terminal multiples ranging from 7.0x to 9.0x applied to projected 2013 EBITDA. From the equity reference values implied by this analysis, Petrie Parkman determined composite equity reference value ranges per share of Plains Resources common stock to be $9.00 to $12.00 for the Low Case, $15.00 to $18.50 for the Mid Case and $19.00 to $23.00 for the High Case.

In addition, Petrie Parkman calculated a range of discounted cash flow analysis case sensitivities as summarized below. Common assumptions for a set of sensitivities, as applicable, included: a discount rate of 10%, terminal EBITDA multiples of 8.0x EBITDA, PAA acquisition prices equivalent to 7.5x EBITDA, PAA s utilization of 50% debt financing for acquisitions, a PAA cost of debt of 6.0%, PAA annual acquisitions of $150 million, and PAA maintenance capital expenditures of 2% of EBITDA.

Sensitivity Case	Variables	Sensitivity Range	Equity Reference Value Range-$ Plains Resources Share
Growth Sensitivity	PAA Organic Growth Rate PAA Yearly Acquisitions	-1.0% to 3.0% $0 to $300 million	$ 7.38-$24.14
Acquisition Sensitivity	PAA Acquisition Price Multiple PAA Yearly Acquisitions	6.0x to 10.0x EBITDA $0 to $300 million	$ 10.37-$28.78
Acquisition Sensitivity 2	PAA Acquisition Price Multiple PAA Cost of Debt	6.0x to 10.0x EBITDA 5.0% to 9.0%	$ 10.69-$20.02
Cost of Capital Sensitivity	PAA Equity Yield PAA Cost of Debt	4.9% to 8.9% 5.0% to 9.0%	$ 12.40-$18.26

Petrie Parkman calculated a range of additional discounted cash flow analysis case sensitivities with common assumptions similar to the sensitivities above except for the utilization of PAA acquisition prices equivalent to 8.5x EBITDA, and a PAA cost of debt of 7.0%.

Additional Sensitivity Case	Variables	Sensitivity Range	Equity Reference Value Range-$ Plains Resources Share
Growth Sensitivity	PAA Organic Growth Rate		$ 6.95-$19.95

	PAA Yearly Acquisitions	-1.0% to 3.0% $0 to $300 million	
Acquisition Sensitivity	PAA Acquisition Price Multiple		
		6.0x to 10.0x EBITDA	
	PAA Yearly Acquisitions	$0 to $300 million	$ 9.95-$27.22
Cost of Capital Sensitivity	PAA Equity Yield		
		4.9% to 8.9%	
	PAA Cost of Debt	5.0% to 9.0%	$ 11.13-$16.89

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Comparable Transaction Analysis.

Midstream Assets. Petrie Parkman reviewed selected publicly available information for 15 midstream corporate transactions and offers for control announced between January 1997 and February 2004, 43 midstream asset transactions announced between January 2001 and February 2004, and 11 general partner transactions between January 1996 and February 2004 that Petrie Parkman deemed appropriate for an analysis of Plains Resources midstream assets.

Using publicly available information, Petrie Parkman calculated purchase price of equity multiples of latest 12 months (LTM) net income and total investment, which Petrie Parkman defined for the purposes of this analysis as purchase price of equity plus net obligations assumed, multiples of LTM earnings before interest and taxes (EBIT) and EBITDA for the target company or assets in each transaction.

The maximum, mean, median and minimum implied multiples in these transactions are set forth below. The table below also includes benchmark multiple ranges selected by Petrie Parkman based on a review of the implied multiples in the selected transactions.

	Implied Multiples in Selected Transactions				Selected Benchmark
	Maximum	Mean	Median	Minimum	Ranges
Purchase Price / LTM Net Income					
Midstream Corporate Transactions	44.7x	24.2x	23.2x	12.5x	20.0-25.0x
Total Investment / LTM EBIT					
Midstream Corporate Transactions	26.0x	16.4x	15.5x	12.4x	14.0-16.0x
Total Investment / LTM EBITDA					
Midstream Corporate Transactions	39.6x	13.0x	10.9x	8.0x	
Midstream Asset Transactions	14.9x	8.2x	8.1x	4.4x	11.0-14.0x
General Partner Transactions	47.8x	16.9x	10.5x	6.6x	

Petrie Parkman applied the benchmark multiples to Plains Resources September 30, 2003 LTM net income, EBIT and EBITDA for Plains Resources midstream assets and adjusted for long-term debt and net working capital, where appropriate, to determine enterprise reference value ranges for Plains Resources midstream assets.

Florida Properties. Petrie Parkman reviewed selected publicly available information for 12 and proprietary information for one oil and gas property acquisition transactions announced between January 1998 and February 2004 considered relevant for an analysis of Plains Resources Florida properties due to the similarity of the operating characteristics of the underlying assets. Based on a review of the purchase price multiples of proved reserves for the acquired assets in each oil and gas property acquisition transaction, Petrie Parkman determined benchmark ranges of purchase prices to Plains Resources corresponding proved reserves and adjusted for other assets and liabilities in order to yield enterprise reference value ranges for Plains Resources Florida properties. The number of transactions and the maximum, mean, median and minimum implied multiples for these transactions are set forth in the following tables together with certain benchmark multiples chosen by Petrie Parkman based on a review of these implied multiples.

References to oil and gas equivalents are for purposes of comparing quantities of oil with quantities of gas or to express these different commodities in a common unit. In calculating Mcf and Bbl equivalents, Petrie Parkman used a generally recognized standard in which one

barrel of oil is equal to six thousand cubic feet of natural gas.

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Petrie Parkman determined that the following property transactions were relevant to an evaluation of Plains Resources:

	Transaction Parameters
Number of Transactions	13
Purchase Price of Reserves / Proved Reserves ($/BOE)	
Maximum	$7.33
Mean	$3.13
Median	$2.66
Minimum	$1.10
Selected Benchmark Multiples ($/BOE)	$2.00-$2.50

After selecting composite enterprise reference value ranges for Plains Resources midstream assets and Florida properties and then adjusting for long-term debt and net working capital, Petrie Parkman calculated equity reference value ranges per share of Plains Resources common stock to be $14.49 to $17.87.

Premium Analysis.

Petrie Parkman also performed a premium analysis using the same 15 midstream corporate acquisition transactions and offers for control discussed above, which compared the offer price per target company share with the target company s share price measured one day, 30 days and 60 days prior to the public announcement of the transaction.

The maximum, mean, median and minimum premiums (which Petrie Parkman defined for the purposes of this analysis as excess of offer price over target company s stock price stated as a percentage above the target company s stock price), together with benchmark premium ranges selected by Petrie Parkman based on a review of the implied premiums for these periods, were as follows:

	Implied Premiums in Selected Transactions				Selected Benchmark
To Announcement	Maximum	Mean	Median	Minimum	Ranges
One Day Prior	33.5%	18.1%	18.3%	6.0%	15%-25%
30 Days Prior	47.7%	27.5%	29.8%	2.8%	25%-35%
60 Days Prior	67.6%	28.9%	24.7%	-2.7%	20%-30%

Petrie Parkman applied the range of benchmark premiums to the corresponding stock prices of Plains Resources for the periods of one day, 30 days and 60 days prior to November 20, 2003, the last trading day prior to public announcement of the Vulcan Energy initial proposal, and adjusted for long-term debt and net working capital to determine enterprise reference value ranges for Plains Resources.

After selecting a composite enterprise reference value range for Plains Resources and then adjusting for long-term debt and net working capital, Petrie Parkman calculated equity reference value ranges per share of Plains Resources common stock to be $15.35 to $17.38.

Capital Market Comparison.

Midstream Assets Using publicly available information, Petrie Parkman calculated market capitalization multiples of LTM, 2003 estimated and 2004 estimated net income for 11 publicly traded companies with midstream operations similar to Plains Resources. Petrie Parkman also calculated enterprise value multiples of LTM operating cash flow and EBIT, and LTM, 2003 estimated and 2004 estimated EBITDA. In each case, estimated net income was based on First Call consensus projections and estimated EBITDA was based on research analyst projections. Petrie Parkman defined market value for purposes of this analysis as the market

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value of common equity as of February 13, 2004. Petrie Parkman obtained the enterprise value of each company by adding the sum of its long-term and short-term debt to the sum of the market value of its common equity, the market value of its preferred stock (or, if not publicly traded, liquidation or book value) and the book value of its minority interest in other companies and subtracting net working capital.

Petrie Parkman determined that the following companies were relevant to an evaluation of Plains Resources midstream assets based on Petrie Parkman s view of the comparability of the operating and financial characteristics of these companies to those of Plains Resources midstream assets:

Crosstex Energy, Inc.
Dynegy Inc.
El Paso Corporation
Kaneb Services LLC
Kinder Morgan, Inc.
Markwest Hydrocarbon, Inc.
Oneok Inc.
Questar Corporation
TransCanda Corporation
Western Gas Resources, Inc.
The Williams Companies, Inc.

The maximum, mean, median and minimum multiples for the 11 companies are set forth below. The table also includes benchmark multiple ranges selected by Petrie Parkman based on a review of the comparable company multiples.

	Comparable Company Multiples				Selected Benchmark
Measure	**Maximum**	**Mean**	**Median**	**Minimum**	**Ranges**
Market Value / LTM Net Income	27.2x	17.8x	18.2x	10.9x	15.0-20.0x
Market Value / 2003 Estimated Net Income	19.4x	16.0x	16.2x	10.7x	13.0-18.0x
Market Value / 2004 Estimated Net Income	58.5x	23.2x	17.9x	11.0x	15.0-20.0x
Enterprise Value / LTM Operating Cash Flow	13.0x	8.4x	7.3x	4.5x	10.0-12.0x
Enterprise Value / LTM EBIT	34.4x	13.9x	11.2x	8.5x	12.0-16.0x
Enterprise Value / LTM EBITDA	21.8x	10.9x	8.0x	5.6x	11.0-14.0x
Enterprise Value / 2003 Estimated EBITDA	13.5x	8.4x	7.6x	5.9x	10.0-12.0x
Enterprise Value / 2004 Estimated EBITDA	11.2x	8.1x	7.4x	6.1x	8.5-11.0x

Petrie Parkman applied the benchmark multiples to Plains Resources September 30, 2003 LTM, current year s and next year s estimated net income and EBITDA for Plains Resources midstream assets and adjusted for long-term debt and net working capital, where appropriate, to determine enterprise reference value ranges for Plains Resources midstream assets.

Florida Properties. Petrie Parkman conducted a discounted cash flow analysis for the purpose of determining enterprise reference value ranges for Plains Resources Florida properties. Petrie Parkman calculated the net present value of estimates of future after-tax cash flows of Plains Resources oil and gas reserve assets based on the proved, probable and possible reserve estimates for Plains Resources and adjusted for Plains Resources hedging liabilities and Florida properties general and administrative expense utilizing information provided by Plains Resources.

Petrie Parkman evaluated five scenarios in which the principal variables were oil prices. The five pricing scenarios- Pricing Case I, Pricing Case II, Pricing Case III, Strip Pricing Case Escalated, and Strip Pricing Case Flat were based on benchmarks for spot sales of West Texas Intermediate crude oil. The Strip Pricing Cases were based upon the average of oil futures contract prices quoted on the New York Mercantile Exchange. Petrie Parkman applied appropriate quality and transportation adjustments to these benchmarks.

Benchmark prices for Pricing Cases I, II and III were projected to be $22.00, $24.00 and $26.00 per barrel of oil and escalated annually starting in 2005 at the rate of 3%. The Strip Pricing Case Escalated and Strip Pricing Case Flat for the fiscal year ended 2004 reflected actual prices from January 1, 2004 through February 13, 2004 blended with the current strip prices through the end of the year. The Strip Pricing Case Escalated was escalated annually following the year 2008 for oil at the rate of 3%.

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Applying various after-tax discount rates, ranging from 10.0% to 50.0% depending on reserve category, to the after-tax cash flows, assuming a carry-over of existing tax positions, adjusting for hedging liabilities for Plains Resources and estimated general and administrative costs, Petrie Parkman calculated enterprise reference value ranges for each pricing case.

(Dollars in millions)	Pricing Case I	Pricing Case II	Pricing Case III	Strip Pricing Case (Escalated)	Strip Pricing Case (Flat)
Florida Properties Enterprise Reference Value Range	$ 25.7-$29.0	$ 33.4-$38.0	$ 41.1-$47.0	$ 36.6-$41.2	$ 30.6-$33.4

After selecting composite enterprise reference value ranges for Plains Resources midstream assets and adding the reference value range for Plains Resources Florida properties using the Strip Pricing Case (Escalated) and then adjusting for the long-term debt and net working capital of Plains Resources, Petrie Parkman calculated equity reference value ranges per share of Plains Resources common stock to be $13.46 to $16.70.

The description set forth above constitutes a summary of the analyses presented to the special committee and the Board of Directors on February 18, 2004. Petrie Parkman believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering all analyses and factors, could create an incomplete view of the process underlying its opinion. The preparation of a fairness opinion is a complex, analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and is not necessarily susceptible to partial analysis or summary description.

In arriving at its opinion, Petrie Parkman did not attribute any particular weight to any analysis considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis. Any estimates resulting from the analyses are not necessarily indicative of actual values, which may be significantly more or less favorable than as set forth in this document.

In addition, analyses based on forecasts of future results are not necessarily indicative of future results, which may be significantly more or less favorable than suggested by these analyses. Estimates of reference values of companies do not purport to be appraisals or necessarily reflect the prices at which companies may actually be sold. Because the estimates are inherently subject to uncertainty and based upon numerous factors or events beyond the control of the parties and Petrie Parkman, Petrie Parkman cannot assure that the estimates will prove to be accurate.

No company used in the analyses of other publicly traded companies nor any transaction used in the analyses of comparable transactions is identical to Plains Resources or the merger. Accordingly, these analyses must take into account differences in the financial and operating characteristics of the selected publicly traded companies and differences in the structure and timing of the selected transactions and other factors that would affect the public trading values and acquisition values of the companies considered.

Petrie Parkman, as part of its investment banking business, is continually engaged in the evaluation of energy-related businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and evaluations for corporate and other purposes. The special committee selected Petrie Parkman as financial advisor because Petrie Parkman is an internationally recognized investment banking firm that has substantial experience in transactions similar to the proposed merger. Petrie Parkman has in the past provided financial advisory services to Plains Resources and has received customary fees for such services. In the ordinary course of business, Petrie Parkman or its affiliates may trade in the debt or equity securities of Plains Resources for the accounts of its customers and its own account and, accordingly, may at any time hold a long or short position in such securities.

Pursuant to the terms of the engagement letter between Petrie Parkman and the special committee, Plains Resources agreed to pay Petrie Parkman as follows: (1) an engagement fee of $150,000 payable on January 1,

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2004, (2) a fee of $1,000,000 payable upon delivery of a fairness or adequacy opinion by Petrie Parkman, if any, or written notification to the special committee that it had substantially completed the work deemed sufficient by it to render an opinion, regardless of the conclusion expressed by Petrie Parkman in the opinion, and (3) an additional fee based on the per share amount received or otherwise achieved by the public stockholders in a transaction, payable at the closing of such transaction, as follows: $100,000 for each $0.25 per share or portion thereof above $14.75 per share and up to $16.50 per share plus $200,000 for each $0.25 per share or portion thereof above $16.50 per share received or realized by Plains Resources stockholders. As a result, if the merger is completed, Petrie Parkman s total fee will be $2,050,000. In addition, Plains Resources has also agreed to reimburse Petrie Parkman for its reasonable out-of-pocket expenses incurred in connection with its rendering of financial advisory services and investment banking services to the special committee and the Board of Directors, including fees and expenses of its counsel. Plains Resources also agreed to indemnify Petrie Parkman and its officers, directors, agents, employees and controlling persons for certain expenses, losses, claims, damages, and liabilities related to or arising out of its rendering of services under its engagement as financial advisor.

Position of Vulcan Energy and the Vulcan Merger Subsidiary as to the Fairness of the Merger to Plains Resources Stockholders

Vulcan Energy and the Vulcan Merger Subsidiary believe that the terms and conditions of the merger are fair to Plains Resources and its stockholders (other than the Management Stockholders). Vulcan Energy and the Vulcan Merger Subsidiary have made this conclusion based on factors including:

- the fact that the $16.75 per share merger consideration (1) represents an approximate 25% premium over the $13.44 per share closing price of Plains Resources common stock on November 19, 2003, the last full trading day prior to the public announcement of the original Vulcan Energy proposal and an approximate 27% premium over the average closing price of $13.23 per share of Plains Resources common stock over the 30-calendar day period ending on the same date and (2) at the time of execution of the merger agreement, was higher than the highest closing price of Plains Resources common stock since the spin-off of PXP;

- the fact that the Board of Directors established a special committee of disinterested directors to, among other things, consider Vulcan Energy s proposal and negotiate with Vulcan Energy;

- the fact that the terms of the merger agreement were the result of arm s length negotiations with the special committee and its legal and financial advisors;

- the fact that the financial advisor to the special committee delivered its oral opinion to the special committee and the Board of Directors on February 18, 2004, and subsequently confirmed in writing, that as of such date and based on and subject to the matters set forth in the opinion, the consideration to be received by the stockholders of Plains Resources in the merger was fair from a financial point of view to such stockholders (other than the Management Stockholders);

- the conclusion by the special committee and the Board of Directors that the merger consideration is fair from a financial point of view to the stockholders of Plains Resources (other than the Management Stockholders); and

- the determination by the special committee and the Board of Directors to recommend to Plains Resources stockholders that they vote for approval and adoption of the merger agreement and the merger.

In reaching their conclusion Vulcan Energy and the Vulcan Merger Subsidiary also considered the analysis and conclusions of the special committee and the Board of Directors, as well as the analysis and conclusions of Petrie Parkman discussed above. Neither Vulcan Energy nor the Vulcan Merger Subsidiary found it practicable to assign, nor did either of them assign, relative weights to those individual factors independent of the Board of Directors , the special committee s and the financial advisor s analysis in reaching their respective conclusions as to

fairness.

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Purposes of the Merger; Certain Effects of the Merger

Plains Resources. Plains Resources purpose for engaging in the merger is to enable the Plains Resources stockholders, other than the Management Stockholders, to receive $16.75 in cash per share, representing a premium to the market price of our common stock prior to announcement of the potential transaction. We also determined to undertake the merger at this time based on the conclusions and reasons of the Plains Resources Board of Directors and special committee described in detail above under Background of the Merger and Recommendation of the Special Committee and the Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement and the Merger.

Vulcan Energy and Vulcan Merger Subsidiary. The purposes of Vulcan Energy and the Vulcan Merger Subsidiary for engaging in the merger are to enable Vulcan Energy and the Management Stockholders to acquire all the equity of Plains Resources. Vulcan Energy regards the merger as an attractive investment opportunity because it believes that Plains Resources future business prospects are favorable and that the long-term value of an investment in Plains Resources could appreciate significantly, particularly because of the significant potential reduction of the future tax burden on Plains Resources that Vulcan Energy expects to achieve by operating it as a Subchapter S corporation under the U.S. Internal Revenue Code of 1986, as amended. Because Vulcan Energy contemplated that the Management Stockholders would continue to operate Plains Resources business following completion of the merger, it was important to Vulcan Energy that the Management Stockholders have an ownership interest in Vulcan Energy following completion of the merger.

Management Stockholders. The merger agreement provides that, as a condition to the merger, each Management Stockholder will fulfill his respective obligations under the subscription agreement as described under Agreements with the Management Stockholders Subscription Agreement. As a result, each of the Management Stockholders will retain an indirect interest in Plains Resources through his ownership interest in Vulcan Energy. The Management Stockholders believe that as a company without publicly traded equity, Plains Resources will have greater operating flexibility to focus on enhancing value by emphasizing growth and operating cash flow without the constraint of the public market s emphasis on earnings. While the Management Stockholders believe that there will be significant opportunities associated with their continued ownership, there are also substantial risks that these opportunities may not be realized. These risks include:

- lack of liquidity in the investment;
- risks associated with the operations of the business; and
- risk of loss of all or some of the investment.

Interests of Certain Persons in the Merger

In considering the recommendations of the Board of Directors, you should be aware that certain of Plains Resources executive officers and directors have interests in the transaction that may be different from, or are in addition to, the interests of Plains Resources stockholders generally. The Board of Directors appointed a special committee, consisting solely of directors who are not current or former officers or employees of Plains Resources and who will not retain an economic interest in Plains Resources following the merger, to evaluate and negotiate the terms of the proposal to acquire Plains Resources. The special committee was aware of these differing interests and considered them, among other matters, in recommending the approval and adoption of the merger agreement and the merger to the Board of Directors and to Plains Resources stockholders.

Treatment of Management Stockholders Equity Interests in Plains Resources. The shares, restricted stock, restricted stock units and options owned by the Management Stockholders will be treated differently under the merger agreement, the subscription agreement and the Vulcan Energy employment agreements than all other shares of Plains Resources common stock held by stockholders generally and all other restricted stock, restricted stock units and options to purchase shares of Plains Resources common stock held by holders of restricted stock,

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restricted stock units and options generally. See Agreements with the Management Stockholders Subscription Agreement and Agreements with the Management Stockholders Employment Agreements for Management Stockholders.

Treatment of Directors and Executive Officers Equity Interests in Plains Resources. Except for the Management Stockholders, Plains Resources directors and executive officers will receive cash in the merger for the shares of Plains Resources common stock owned by them and for the shares of restricted stock, restricted stock units, and options to purchase shares of Plains Resources common stock they hold. The shares of Plains Resources common stock owned by Plains Resources directors and executive officers (other than those shares owned by the Management Stockholders) will be converted as of the completion of the merger into the right to receive $16.75 per share. Immediately prior to the completion of the merger, all unvested shares of restricted stock, restricted stock units, and options for Plains Resources common stock held by each of Plains Resources directors and executive officers (other than those held by the Management Stockholders) generally will become fully vested in accordance with their terms. The restricted stock, since fully vested, will be treated the same as all other shares of Plains Resources common stock outstanding at the time of the merger (other than those held by the Management Stockholders). Each of Plains Resources directors and executive officers (other than the Management Stockholders) will receive for each outstanding option, upon the completion of the merger, a cash amount equal to the product of $16.75 minus the applicable exercise price per share of the option, multiplied by the number of shares of Plains Resources common stock subject to such option. Each outstanding restricted stock unit (other than those held by the Management Stockholders) will be treated as a share of Plains Resources common stock and exchanged for $16.75 in cash. The shares, restricted stock, restricted stock units and options held by Plains Resources directors and executive officers (other than those held by the Management Stockholders) are to be treated under the merger agreement in the same manner as all other shares of Plains Resources common stock held by stockholders generally and all other restricted stock, restricted stock units and options to purchase shares of Plains Resources common stock held by holders of restricted stock, restricted stock units, and options generally.

Compensation of Special Committee. Each member of the special committee received $100,000 for service on the special committee. This fee was payable regardless of whether any transaction was entered into or closed.

The following table indicates, with respect to each of Plains Resources executive officers and directors, (1) the number of shares of Plains Resources common stock owned by such executive officer or director as of February 27, 2004, (2) options to purchase Plains common stock, (3) the weighted average exercise price of each of such options (4) the number of unvested shares of restricted common stock of Plains Resources held by such executive officer or director as of February 27, 2004, (5) the number of unvested restricted stock units held by such executive officer or director as of February 27, 2004 (except as otherwise noted), and (6) the total amount to be received by such person from the sale of Plains Resources common stock as a result of the merger:

Name of Beneficial Owner	Shares of Plains Resources Common Stock Owned	Restricted Shares	Restricted Units	Options to Purchase Plains Resources Common Stock	Weighted Average Exercise Price of Plains Resources Options	Total Amount to Be Received From Sale of Plains Resources Shares
James C. Flores	1,044,132[1]	40,000	20,000	1,475,000	$ 13.62	* [3]
William M. Hitchcock	437,023		10,000	45,000	11.74	7,320,528
William C. O Malley	5,829		10,000			265,136
D. Martin Phillips	0		10,000	20,833	15.52	193,191
John T. Raymond	35,000	50,000	40,000	725,000	14.10	* [3]
Robert V. Sinnott	6,698		10,000	40,000	12.73	607,991
J. Taft Symonds	34,662[2]		10,000	40,000	12.73	910,898
Stephen A. Thorington	11,033	30,000	20,000			1,022,300
John F. Wombwell	0	10,000				167,500

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(1) 1,000,000 of these shares are held directly by Sable Management, L.P., the general partner of which is Sable Management, LLC, of which Mr. Flores is the sole member.
(2) These shares include 32,662 shares that are held by Symonds Trust Co. Ltd.
(3) At or prior to the merger, each Management Stockholder will contribute to Vulcan Energy his respective equity interests in Plains Resources in exchange for shares of Vulcan Energy common stock. Based on the December 31, 2003 balance sheet of Plains Resources, following the consummation of the merger, the Management Stockholders will own, in the aggregate, approximately 11% of the outstanding shares of Vulcan Energy common stock. The Management Stockholders will receive options to purchase additional shares of Vulcan Energy common stock and, under certain circumstances, will be entitled to additional incentive payments. See Agreements with the Management Stockholders Employment Agreements for Management Stockholders.

Interests in PAA and PAA GP. The Management Stockholders and certain significant stockholders of Plains Resources common stock have continuing interests in PAA. Both Management Stockholders hold equity interests in PAA and PAA GP, and Mr. Raymond will continue to serve as a director of PAA GP. Further, two of Plains Resources significant stockholders, EnCap Investments, L.L.C. and Kayne Anderson Capital Advisors, L.P., will continue to own their equity interests in PAA GP. Two members of the Board of Directors, Robert V. Sinnott and D. Martin Phillips, are affiliates of Kayne Anderson Capital Advisors, L.P. and EnCap Investments L.L.C., respectively.

Plains Resources Management and Board of Directors Following the Merger. Plains Resources will be a wholly owned subsidiary of Vulcan Energy following the merger. Each Management Stockholder will enter into an employment agreement with Vulcan Energy upon completion of the merger. See Agreements with the Management Stockholders Employment Agreements for Management Stockholders. The Board of Directors of Vulcan Energy after the completion of the merger will include Mr. Raymond, Mr. Flores, Mr. Allen, Jody Patton, and David Capobianco.

Indemnification and Insurance. For a description of the indemnification and insurance of the officers, directors, employees and agents of Plains Resources, see Merger Agreement Covenants of Vulcan Energy and the Vulcan Merger Subsidiary Directors and Officers Indemnification and Insurance.

Agreements with the Management Stockholders

On November 19, 2003, each of the Management Stockholders, Mr. Allen and Vulcan Energy entered into a subscription agreement, which the parties amended and restated on February 19, 2004. Under the terms of the amended and restated subscription agreement, the Management Stockholders has agreed to enter into several agreements with Vulcan Energy and Plains Resources that will govern their relationship with Vulcan Energy and Plains Resources following the completion of the merger. The key terms of the amended and restated subscription agreement and other related agreements are described below:

Subscription Agreement. Pursuant to the amended and restated subscription agreement, each of Messrs. Allen, Flores and Raymond has agreed that, immediately prior to the effective time of the merger, subject to the terms and conditions of the amended and restated subscription agreement he will make certain equity contributions to Vulcan Energy in exchange for shares of Vulcan Energy common stock. In the case of Messrs. Flores and Raymond, this contribution would consist of all of their shares of Plains Resources common stock (together with their shares of restricted Plains Resources common stock and their restricted stock units). In addition, their Plains Resources stock options would be cancelled. In the case of Mr. Allen, this contribution would consist of (1) the currently outstanding shares of class A common stock of Vulcan Energy and (2) the amount of cash in excess of the $240 million of proceeds of the debt financing described below which is necessary to pay:

the aggregate merger consideration in respect of the outstanding shares of Plains Resources common stock and restricted stock units (other than the shares or restricted stock units to be contributed to Vulcan Energy by Messrs. Flores and Raymond),

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the aggregate spread on the outstanding options to purchase shares of Plains Resources common stock (other than those option held by Messrs. Flores and Raymond), based on the merger consideration,

the aggregate amount of unpaid principal and accrued but unpaid interest under Plains Resources existing secured term loan facility immediately prior to the effective time of the merger, less the aggregate amount of Plains Resources available cash on hand at that time, and

the reasonable fees and expenses of Vulcan Energy and Messrs. Allen, Flores and Raymond incurred in connection with the merger.

Based on the December 31, 2003 balance sheet of Plains Resources, Mr. Allen s cash contribution would be approximately $212 million. In exchange for the contributions described above, pursuant to the amended and restated subscription agreement, Vulcan Energy will issue shares of Vulcan Energy common stock, which will constitute all of the outstanding Vulcan Energy common stock at that time. In exchange for his contribution, under the amended and restated subscription agreement, each of Messrs. Allen, Flores and Raymond would receive his proportionate share of the newly-issued shares, based on the deemed value of his contribution divided by the sum of the aggregate deemed values of all of the contributions under the amended and restated subscription agreement. For these purposes, the deemed value of the contributions by each of Messrs. Flores and Raymond would be equal to the product of the number of shares of Plains Resources common stock, restricted shares of Plains Resources common stock and restricted stock units delivered by such Management Stockholder and $16.75, and the deemed value of the contribution by Mr. Allen would be the amount of his cash contribution. The shares issued to Mr. Allen will be designated class A shares, the shares issued to Mr. Flores will be designated class B shares, and the shares issued to Mr. Raymond will be designated class C shares. The rights, privileges and voting powers of the class A, class B and class C shares will be identical, except as described under Stockholders Agreement below.

Conditions to Subscription. The obligations of each of Messrs. Allen, Flores and Raymond to make the equity contributions under the amended and restated subscription agreement are subject to the satisfaction (or waiver, where permissible) of certain conditions, including:

receipt of any required governmental approvals;

absence of any injunction;

satisfaction or waiver (subject to applicable law and in accordance with the terms of the merger agreement) of all of the closing conditions set forth in the merger agreement;

execution, delivery and effectiveness of the Stockholders Agreement by Vulcan Energy and each of Messrs. Allen, Flores and Raymond;

execution, delivery and effectiveness of the Exclusivity Agreement by each of Messrs. Allen, Flores and Raymond;

execution, delivery and effectiveness of the Flores Employment Agreement by Vulcan Energy and Mr. Flores; and

execution, delivery and effectiveness of the Raymond Employment Agreement by Vulcan Energy and Mr. Raymond.

The obligation of Mr. Allen to make the equity contributions under the amended and restated subscription agreement are also subject to the satisfaction (or waiver, where permissible) of the following additional conditions:

the accuracy in all material respects of the representations and warranties of each of Messrs. Flores and Raymond set forth in the amended and restated subscription agreement as of the date of the amended and restated subscription agreement and as of the closing date;

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the performance and compliance in all material respects by Messrs. Flores and Raymond with all agreements and covenants required to be performed and complied with by them under the amended and restated subscription agreement at or prior to the closing;

the delivery to Plains Resources by each of Messrs. Flores and Raymond of an executed written consent consenting to and authorizing the cancellation of all of such person s options to purchase shares of Plains Resources common stock; and

the cancellation prior to the effective time of the merger of each outstanding option to purchase shares of Plains Resources common stock held by either Mr. Flores or Mr. Raymond without the payment of any consideration in respect thereof.

The obligations of each of Messrs. Flores and Raymond to make the equity contributions under the amended and restated subscription agreement are also subject to the satisfaction (or waiver, where permissible) of the following additional conditions:

the accuracy in all material respects of the representations and warranties of Mr. Allen and Vulcan Energy set forth in the amended and restated subscription agreement as of the date of the amended and restated subscription agreement and as of the closing date; and

the performance and compliance in all material respects by Mr. Allen and Vulcan Energy with all agreements and covenants required to be performed and complied with by them under the amended and restated subscription agreement at or prior to the closing.

Covenants of the Management Stockholders Prohibited Transfers. Pursuant to the amended and restated subscription agreement, during the period from the signing of the subscription agreement until the consummation of the merger, each Management Stockholder has agreed:

with respect to his shares of Plains Resources common stock, options and restricted stock units of Plains Resources, not to:

directly or indirectly offer for sale, sell, sell short, cash out, exercise, transfer (including gift), tender, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to or consent to the offer for sale, sale, transfer, tender, pledge, encumbrance, assignment or other disposition of, any share, option, or restricted stock unit of Plains Resources or any options, rights, or any interest therein, or

grant any proxies or power of attorney, deposit any share, option or restricted stock unit of Plains Resources into a voting trust, or enter into a voting agreement or other arrangement with respect to any share, option or restricted stock unit of Plains Resources or any options, rights, or any interest therein;

to cause Sable Investments, L.P. and Sable Investments, LLC, affiliates of each of the Management Stockholders, not to directly or indirectly offer for sale, sell, sell short, transfer (including gift), tender, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to or consent to the offer for sale, sale, transfer, tender, pledge, encumbrance, assignment or other disposition of, any membership interest in PAA GP or partnership interest in PAA and its subsidiaries, or any options, rights, or any interest therein;

not to directly or indirectly offer for sale, sell, sell short, transfer (including gift), tender, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to or consent to the offer for sale, sale, transfer, tender, pledge, encumbrance, assignment or other disposition of, any interest in Sable Investments, L.P. or Sable Investments, LLC; and

except with respect to the exchange of shares pursuant to the amended and restated subscription agreement, not to request that Plains Resources register the transfer (book-entry or otherwise) of any

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certificate or uncertificated interest representing the shares of Plains Resources held by him, unless such transfer is made in compliance with the amended and restated subscription agreement.

Voting Agreement. Pursuant to the amended and restated subscription agreement, each Management Stockholder has agreed, subject to limited exceptions, to:

vote, or provide his consent with respect to all of his shares of Plains Resources common stock entitled to vote, in favor of the approval and adoption of the merger agreement and the merger and any actions required in furtherance the merger agreement;

vote against any proposal to the stockholders of Plains Resources that would be reasonably likely to prevent the closing of the transactions contemplated under the amended and restated subscription agreement and the merger agreement (See Merger Agreement) or result in the breach by Plains Resources of the merger agreement;

vote against (1) any significant corporate transaction involving Plains Resources or any of its subsidiaries, other than the merger, (2) any acquisition proposal other than the merger, or (3) any action that could materially impede, interfere with, delay, postpone or adversely affect the closing of the merger or the transactions contemplated by the amended and restated subscription agreement;

vote against any change in the composition of the Board of Directors of Plains Resources, other than as contemplated by the merger agreement; or

vote against any amendment to the Second Restated Certificate of Incorporation of Plains Resources or the Bylaws of Plains Resources, as amended.

No Solicitation of Other Offers. Each Management Stockholder has agreed that, except to the extent he is specifically directed to engage in that conduct by the Board of Directors as permitted by the merger agreement, he will not (whether directly or indirectly through his advisors, agent or other intermediaries):

directly or indirectly initiate, solicit, encourage or facilitate (including by way of furnishing information) any inquiries or the making or submission of any proposal that constitutes, or may reasonably be expected to lead to, an acquisition proposal (as described under Merger Agreement No Solicitation of Other Offers);

participate or engage in discussions or negotiations with, or disclose any non-public information or data relating to Plains Resources or any of its subsidiaries or afford access to the properties, books or records of Plains Resources or any of its subsidiaries to, or take any action to provide or facilitate access to any non-public information or data of PAA, PAA GP and Plains AAP, L.P. or any of their subsidiaries to, any person that has made an acquisition proposal or to any person in contemplation of an acquisition proposal; and

accept an acquisition proposal or enter into any agreement or agreement in principle (other than a confidentiality agreement), providing for or relating to an acquisition proposal or enter into any agreement or agreement in principle requiring Plains Resources to abandon, terminate or fail to consummate the merger or other transactions contemplated by the amended and restated subscription agreement.

Covenants of Mr. Allen. Pursuant to the amended and restated subscription agreement, Mr. Allen has agreed that he will not transfer any of his shares of Vulcan Energy during the period commencing on the date of execution of the amended and restated subscription agreement until the delivery and tender by Mr. Allen of such initial shares in accordance with the exchange provisions of the amended and restated subscription

agreement. Mr. Allen has also agreed that he will cause Vulcan Energy to perform its obligations under the merger agreement in accordance with and subject to its terms and conditions, notwithstanding any bankruptcy, insolvency, reorganization, liquidation or dissolution of Vulcan Energy.

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Covenants of All of the Parties. Each party to the amended and restated subscription agreement agreed:

to use commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws to consummate the subscription and the other transactions contemplated by the amended and restated subscription agreement, including the merger, in accordance with and subject to the terms of the merger agreement; provided that, notwithstanding the foregoing, Mr. Allen is not required to provide any of the debt financing or any funds in excess of his subscription obligation;

Upon the closing of the subscription and the merger, each party will enter into the stockholders agreement, the exclusivity agreement and, with respect to the Management Stockholders, the employment agreements (See Employment Agreement for Management Stockholders Loans); and

In the event that either Management Stockholder makes a timely election under Section 83(b) of the Internal Revenue Code of 1986, as amended, with respect to any restricted shares of common stock of Vulcan Energy issued to him pursuant to the subscription, and he exercises his right under his employment agreement to obtain a loan from Vulcan Energy in an amount equal to the federal income tax liability incurred by him in respect of such Section 83(b) election with respect to such shares (as more fully described above under Employment Agreement for Management Stockholders Loans), then Mr. Allen will purchase from Vulcan Energy for an amount of cash equal to the amount of the tax liability, and Vulcan Energy will issue and deliver to Mr. Allen, a number of additional shares of Class A common stock of Vulcan Energy equal to the amount of the tax liability divided by the initial share price of the shares of Vulcan Energy common stock.

Termination. The parties to the amended and restated subscription agreement may agree by mutual written consent to terminate the subscription agreement.

In addition, any party to the amended and restated subscription agreement may terminate the amended and restated subscription agreement:

upon written notice to the other parties if a court or other governmental entity has issued a final, non-appealable order enjoining or otherwise prohibiting the transactions contemplated under the amended and restated subscription agreement;

upon the termination of the merger agreement in accordance with its terms; or

if the merger has not been consummated on or prior to the 12 month anniversary of the date of the amended and restated subscription agreement.

Payment of the Management Stockholders Fees and Expenses. Vulcan Energy has agreed to pay the Management Stockholders reasonable documented out-of-pocket fees and expenses directly relating to the merger, including the fees and expenses of their legal counsel.

The full text of the amended and restated subscription agreement is filed as exhibit 99(a) to the Schedule 13D/A filed by Plains Resources on February 26, 2004 and is incorporated in this proxy statement by reference. Stockholders are encouraged to read the entire amended and restated subscription agreement.

Stockholders Agreement. Immediately prior to the closing of the merger, Vulcan Energy, Mr. Allen and the Management Stockholders have agreed to enter into a stockholders agreement that will govern the rights of the stockholders of Vulcan Energy. In exchange for each Management Stockholder s and Mr. Allen s contributions under the subscription agreement, Vulcan Energy will issue three classes of common stock, of which Mr. Allen will own all of the Class A shares, Mr. Flores will own all of the Class B shares and Mr. Raymond will own all of the Class C shares.

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Board of Directors. The stockholders agreement provides the initial board of directors of Vulcan Energy will consist of five directors and that initially each class of common stock will have the right to appoint the directors as follows:

- Class A shares elect three of the five directors;
- Class B shares elect one of the five directors; and
- Class C shares elect one of the five directors.

The stockholders agreement provides for certain adjustments to the number of Vulcan Energy directors based on specified changes in the ownership percentage of the parties.

Governance of Vulcan Energy. Decisions by the Vulcan Energy board of directors will generally require the affirmative vote of a majority of the members of the entire board of directors, except that the following matters will also require approval of at least one director appointed by a Management Stockholder:

- any change in the size of the Vulcan Energy board of directors;
- any determination not to make tax distributions;
- any affiliate transactions (other than issuances of securities on terms fair to Vulcan Energy);
- any incurrence of indebtedness for borrowed money where the resulting debt to cash flow ratio would be greater than 5.5 times;
- any amendments to the certificate of incorporation or bylaws of Vulcan Energy;
- engaging in any business activity outside the midstream business (as described under the heading Exclusivity Agreement); and
- any capital expenditures (other than maintenance capital), subject to an annual basket of $5 million.

In addition, any decision to terminate a Management Stockholder s employment agreement without cause requires unanimous board action; however, a simple majority of the board may determine whether cause exists. The stockholders agreement also requires the parties to use reasonable efforts to cause Vulcan Energy to distribute all available cash (subject to maintenance of adequate reserves and credit agreement limitations), and that any acquisition of any additional PAA GP interest by Mr. Allen will be made through Vulcan Energy.

Transfer Restrictions and Special Rights. The stockholders agreement also provides for:

restrictions on the transfer of shares;

tag-along rights for the Management Stockholders, which means that the Management Stockholders will be allowed to include a portion of their shares of Vulcan Energy Common Stock in any sale by Mr. Allen of shares of Vulcan Energy common stock to a third party, subject to certain exceptions;

drag-along rights for Mr. Allen, which means that in connection with certain sales of Vulcan Energy common stock by Mr. Allen, Mr. Allen will have the right to require each of the Management Stockholders to sell a portion of his shares to a third party;

call rights for Mr. Allen, which means that Mr. Allen will be allowed to purchase the shares of the Management Stockholders upon the occurrence of trigger events described in the stockholder s agreement;

pre-emptive rights for each party;

rights of first offer for the Management Stockholders, which means that prior to selling any shares, Mr. Allen must offer the Management Stockholders an opportunity to provide a bona fide offer for the shares; and

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rights of first refusal for Mr. Allen, which means that prior to selling any shares of Vulcan Energy common stock to a third party, a Management Stockholder must offer to sell such shares to Mr. Allen on the same terms.

The full text of the stockholders agreement is filed as exhibit (d)(3) to the Schedule 13E-3 filed by Plains Resources and is incorporated herein by reference. Stockholders are urged to read the entire stockholders agreement.

Employment Agreements for Management Stockholders. Pursuant to the amended and restated subscription agreement, Vulcan Energy will enter into employment agreements with Mr. Flores, who will serve as executive chairman of Vulcan Energy with a base annual salary of $200,000, and with Mr. Raymond, who will serve as president and chief executive officer of Vulcan Energy with a base annual salary of $300,000. Unless terminated as provided in the employment agreement for cause or without cause, the terms of each employment agreement will extend through January 2, 2015 and will automatically renew for one year terms unless either party to the employment agreement provides written notice to the other of its intent not to extend the term of the agreement at least 90 days prior to the end of the original term or any successive term.

Equity Compensation. In exchange for the cancellation of his existing options with respect to Plains Resources common stock without compensation, each Management Stockholder will be granted an option to purchase 5% of the common stock of Vulcan Energy on a fully-diluted basis (calculated utilizing the treasury method) on the date granted. Ninety percent of the Vulcan Energy options will vest on a schedule consistent with the current schedule of the Management Stockholder s options for Plains Resources shares. The remaining 10% of the Vulcan Energy options will vest ratably over a ten-year period.

In addition to the Vulcan Energy options, each Management Stockholder will receive additional shares of restricted stock with a value equal to $2.5 million. These additional shares of Vulcan Energy restricted common stock will vest ratably over a ten-year period.

The vesting of both the Vulcan Energy options and the Vulcan Energy restricted common stock will accelerate upon the closing of specified sale transactions or the achievement of certain operating results of PAA or Vulcan Energy (as described in the employment agreements).

Loans. Pursuant to his respective employment agreement with Vulcan Energy, each Management Stockholder will be entitled to receive a loan from Vulcan Energy to pay income taxes incurred on the vesting of Vulcan Energy restricted stock and Vulcan Energy options and, if the Vulcan Energy options accelerate upon achievement of certain performance criteria, to pay the aggregate strike price of the Vulcan Energy options. Pursuant to the employment agreements, these loans would be made on the following terms:

Due date: January 2, 2015, unless earlier sale of underlying shares;

Interest: Payment-in-kind at the applicable federal rate;

Security:

Tax loans will be secured by all Vulcan Energy shares held by the Management Stockholder, and

Strike price loans will be secured by Vulcan Energy shares issued upon exercise of the option;

Recourse:

Tax loans will not be recourse to the borrowing Management Stockholder, and

Strike price loans are 25% recourse to the borrowing Management Stockholder.

If no sale transaction involving Vulcan Energy occurs prior to the maturity of the loans, Vulcan Energy must either extend the term of a strike price loan or accept Vulcan Energy shares in payment of the loan. For

these purposes, the shares of Vulcan Energy common stock received in payment of the loan will be valued at fair market value, which means that no liquidity or minority discounts will be taken into account when determining the value of those shares.

Incentive Arrangement. Upon a sale of Vulcan Energy, each Management Stockholder will be entitled to an incentive payment equal to the lesser of (1) 2.5% of the amount by which the sales price exceeds the amount invested in Vulcan Energy and (2) one-half of the amount by which the sales price exceeds the value of Vulcan Energy at which Mr. Allen has achieved a 20% internal rate of return. If Vulcan Energy is not sold prior to January 1, 2015, the Management Stockholders will be entitled to demand a valuation of Vulcan Energy for purposes of determining the amount, if any, of the incentive payment. The incentive payment will be settled in shares of Vulcan Energy common stock. No incentive payment will be payable to a Management Stockholder whose employment is terminated by Vulcan Energy for cause or by the executive without good reason. In the event of the death or disability of a Management Stockholder prior to the end of the ten-year period, that Management Stockholder will be entitled to receive a pro-rated amount of any incentive payment otherwise due.

Payments Upon Termination of Employment. Each employment agreement will provide that if:

- the employment agreement terminates upon the death or disability of the Management Stockholder, or
- the Management Stockholder s employment is terminated by Vulcan Energy for cause or by the Management Stockholder other than for good reason,

then the Management Stockholder will not be entitled to receive any benefits under the employment agreement other than any unpaid salary or pro rata share of any non-discretionary bonus amounts accrued through the effective date of the termination or resignation or any other benefits that will have accrued through such date pursuant to the terms of any Vulcan Energy benefit plans and any benefits required by applicable law. All unvested Vulcan Energy options and Vulcan Energy restricted stock will lapse.

In addition, each employment agreement will provide that if a Management Stockholder resigns for good reason:

- the resigning Management Stockholder will be entitled to receive an amount equal to one times the aggregate of his annual salary under the employment agreement and the bonus, if any, he received in the immediately preceding year;
- the resigning Management Stockholder will be entitled to receive continuation of participation in Vulcan Energy s welfare benefit plans available to senior executive officers through the 18th month following the date of termination; and
- all outstanding equity awards will vest in full, and Vulcan Energy will provide all associated rights with respect thereto as contemplated in the employment agreement, including the right to borrow the funds required to fund the exercise of any stock options and any amounts payable as a result of the income taxes incurred as a result of such exercise or vesting.

For purposes of the employment agreements, Cause means a Management Stockholder s (1) willful failure to perform the duties assigned to him by Vulcan Energy s board of directors, (2) conduct that is demonstrably and materially injurious to Vulcan Energy, (3) conviction of burglary, larceny, murder or arson or a felony involving deceit, fraud, perjury or embezzlement, or (4) material breach of any term of the employment agreement, stockholders agreement or exclusivity agreement (other than the notification provisions in the exclusivity agreement).

Disability means a Management Stockholder has been absent from the performance of his duties with Vulcan Energy for six consecutive months as a result of that Management Stockholder s incapacity due to physical or mental illness.

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Good reason means (1) a material breach of any of Vulcan Energy s obligations under the employment agreement, (2) assignment by the Vulcan Energy board of directors to a Management Stockholder of any duties that materially adversely alter the nature or status of that Management Stockholder s office, title or responsibilities, (3) Vulcan Energy s requiring a Management Stockholder to relocate anywhere other than the greater Houston, Texas metropolitan area, or (4) Mr. Allen s material breach of either the stockholders agreement or the exclusivity agreement (other than the notification provisions thereof).

Gross-Up Payment. Each employment agreement provides that if Section 280G of the Internal Revenue Code of 1986, as amended, is triggered with respect to any payments that constitute parachute payments, each Management Stockholder will be entitled to the greater after-tax benefit of (1) the total amount of benefits provided under the employment agreement or (2) a reduced portion of those benefits such that no portion of his benefits would be subject to the golden parachute excise tax. Notwithstanding the previous sentence, if a Management Stockholder becomes subject to the golden parachute excise tax with respect to the merger due to the acceleration of his equity awards upon a termination without cause or for good reason, then he would be entitled to a gross-up payment with respect to such excise tax on the same basis as the gross-up in his existing employment agreement with Plains Resources.

Confidentiality/Non-Competition/Non-Solicitation. Each Management Stockholder will be subject to confidentiality provisions, as well as non-competition and non-solicitation restrictions for a period of one year following termination of employment with Vulcan Energy, provided that the non-competition and non-solicitation restrictions would not apply if the Management Stockholder is terminated without cause or terminates his employment for good reason or upon termination of the employment agreement upon exercise of the right to terminate the automatic one-year extensions.

Benefits. Each Management Stockholder will become eligible for benefits under Vulcan Energy s welfare benefit and qualified retirement plans when and if he loses eligibility for those plans with another employer.

Exclusivity Agreement. In connection with the subscription, immediately prior to the closing of the merger, Mr. Allen and each of the Management Stockholders will enter into an exclusivity agreement.

Midstream Business Opportunities. For purposes of the exclusivity agreement:

midstream business means any gathering, transportation, terminalling, storage and marketing of hydrocarbons in North America and operations directly related to those activities;

midstream business opportunities means any proposal or opportunity to acquire any asset used primarily in a midstream business, or any interest (debt or equity) in any entity with a significant midstream business;

midstream oil opportunity means, except for certain exclusions, (1) crude oil storage, terminalling and gathering activities in any state in the United States, except for Alaska and Hawaii, for any Person, (2) crude oil marketing activities, and (3) transportation of crude oil by pipeline in any state in the United States, except for Alaska and Hawaii, for any Person; and

significant midstream business means any entity where more than 50% of fair value of the assets of the business are used in the midstream business.

Obligation to Notify of Midstream Business Opportunities. The exclusivity agreement provides that, subject to certain exceptions, each Management Stockholder will, and Mr. Allen will cause senior officers and portfolio managers of Vulcan Inc. and any other private equity investment company owned at least 80% by Mr. Allen to, notify the other parties of any midstream business opportunity of which it has actual knowledge. The exclusivity agreement does not require any party to take or fail to take any action where doing so would result in a breach of the party s then-existing fiduciary duties.

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Rights to Midstream Business Opportunities. The exclusivity agreement also provides that, subject to certain exceptions, each of Mr. Allen and each Management Stockholder will not, and will not permit his controlled affiliates to, pursue any midstream business opportunity unless Vulcan Energy has elected not to pursue the opportunity. In addition, no party can pursue any midstream oil opportunity without the consent of PAA.

Management Participation. Under the exclusivity agreement, Mr. Allen may, and may permit his controlled affiliates to, pursue a midstream opportunity (other than a midstream oil opportunity) without regard to Vulcan Energy s interest in pursuing it if Mr. Allen offers the Management Stockholders the right to participate in the same opportunity. To participate in midstream opportunities pursued by Mr. Allen or any of his controlled affiliates, the Management Stockholders must collectively purchase at least 1% of the equity for transaction. In addition, each participating Management Stockholder will be offered an opportunity to purchase the greater of 20% or his pro-rata share of the equity (based on fully diluted ownership of the acquisition vehicle used for participating in the midstream opportunity) for the transaction on the same terms as Mr. Allen.

If the participating Management Stockholder(s) are capable of, and willing to, manage the proposed midstream business in a manner reasonably acceptable to Mr. Allen and on terms substantially similar to those set forth in the stockholders agreement, then:

- each participating Management Stockholder will be granted an option to purchase 5% of the equity of the acquisition vehicle at the deal price; and
- the acquisition vehicle will be obligated to make incentive payments to each participating Management Stockholder on terms substantially similar to those described under the heading Employment Agreements for the Management Stockholders Incentive Arrangement.

A copy of the exclusivity agreement is filed as exhibit (d)(4) to the Schedule 13E-3 filed by Plains Resources and is incorporated herein by reference. Stockholders are urged to read the entire exclusivity agreement.

Plans for Plains Resources Following the Merger

Except as described in this proxy statement, Plains Resources has not, and Plains Resources has been advised by Mr. Allen, Vulcan Energy and the Management Stockholders that they have not, approved any:

- plans or proposals for any extraordinary corporate transaction involving Plains Resources or any of its subsidiaries;
- purchase, sale or transfer of a material amount of assets currently held by Plains Resources or any of its subsidiaries after the completion of the merger;
- plans or arrangements regarding the dividend rate or policy, indebtedness, or capitalization; or
- other material change in Plains Resources corporate structure or business.

If the merger is completed, the Plains Resources common stock will be removed from registration and Plains Resources will cease to be a reporting company under the Exchange Act, and the Plains Resources common stock will cease to be traded on the NYSE, and the registration of Plains Resources common stock under the Exchange Act will be terminated.

The Management Stockholders and Mr. Allen have an agreement whereby the Management Stockholders shall enter into new employment agreements with Plains Resources, to be effective as of the completion of the merger. These agreements will supercede the current employment agreements between the Management Stockholders and Plains Resources. For a description of these proposed employment agreements, see Interests of Certain Persons in the Merger Employment Agreements for Management Stockholders.

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Although Mr. Allen, Vulcan Energy and the Management Stockholders believe it is unlikely that they will do so, they reserve the right to change their plans at any time. Accordingly, they may elect to sell, transfer or otherwise dispose of all or any portion of the shares of capital stock of Plains Resources owned by them after the merger or may decide that, in lieu of the continuation of the business plan, Plains Resources should sell, transfer or otherwise dispose of all or any portion of its assets, in any case, to one or more of Plains Resources affiliates or to any other parties as warranted by future conditions. Although Mr. Allen, Vulcan Energy and Mr. Flores believe it is unlikely that they will do so, they also reserve the right to make whatever personnel changes to the present management of Plains Resources they deem necessary after completion of the merger.

Plans for Plains Resources if the Merger is not Completed

If the merger is not completed, our Board of Directors expects to retain the current management team, although there can be no assurance that it will be successful in doing so. If the merger is not completed, the Board of Directors expects that management will operate the business in a manner similar to the manner in which it is operated today. From time to time, Plains Resources will evaluate and review its business operations, properties, dividend policy and capitalization, among other things, make such changes as are deemed appropriate and continue to seek to identify strategic alternatives to maximize stockholder value. If the merger agreement and the merger are not approved and adopted or if the merger is not consummated for any other reason, there can be no assurance that any other transaction acceptable to Plains Resources will be offered or that Plains Resources operations will not be adversely impacted.

Fees and Expenses

Plains Resources estimates that it will incur, and will be responsible for paying, transaction-related fees and expenses, consisting primarily of financial advisory fees, SEC filing fees, fees and expenses of attorneys and accountants and other related charges, totaling approximately $6.3 million. This amount consists of the following estimated fees and expenses:

Description	Amount (dollars in thousands)
Financial advisory fees and expenses	$ 2,100
Legal fees and expenses	2,000
Accounting fees and expenses	80
SEC filing fees	50
Printing, proxy solicitation and mailing costs	450
Miscellaneous	1,600
Total	6,280

Regulatory Approvals and Requirements

In connection with the merger, Plains Resources will be required to make certain filings with, and comply with certain laws of, various federal and state governmental agencies, including:

filing a certificate of merger with the Secretary of State of the State of Delaware in accordance with the General Corporation Law of the State of Delaware after the approval and adoption of the merger agreement and the merger by Plains Resources stockholders; and

complying with U.S. federal securities laws.

It is currently expected that no regulatory approvals will be required in order to complete the merger.

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Litigation Related to the Merger

PLX Stockholder Suits

Beginning November 21, 2003, six putative class action lawsuits were filed against Plains Resources, our directors and Mr. Raymond, in the Court of Chancery in the State of Delaware, in and for New Castle County, seeking to enjoin the sale of Plains Resources. The lawsuits, and dates of filing, are as follows:

No. 071-N, *Twist Partners LLP v. Flores et al.* (filed Nov. 21, 2003)

No. 073-N, *Klein v. Flores et al*. (filed Nov. 21, 2003)

No. 074-N, *Levy v. Flores et al*. (filed Nov. 21, 2003)

No. 075-N, *Lanza v. Flores et al*. (filed Nov. 21, 2003)

No. 076-N, *Burt v. Flores et al*. (filed Nov. 21, 2003)

No. 143-N, *South Broadway Capital v. Flores et al.* (filed Dec. 30, 2003)

Four of the complaints (*Twist Partners*, *Klein*, *Levy*, and *South Broadway Capital*) also named Vulcan Capital as a defendant. Each complaint alleged that the $14.25 per share Vulcan Capital proposal would be inadequate compensation. The *Twist Partners* complaint alleged that our stock traded as high as $23.05 per share as recently as December 2002 and as high as $14.75 per share as recently as June 2003. It further alleged that the downward trend of the price of our stock reflects temporary market conditions in our industry, and that Mr. Flores and Mr. Raymond recognized a strong likelihood that the price would soon rebound to the levels at which it traded in 2003 and late 2002. The complaint further alleged that Mr. Flores, Mr. Raymond, and Vulcan Capital determined to usurp this hidden value for themselves, thereby allegedly denying our minority stockholders the opportunity to obtain fair value for their equity interest. The *Twist Partners* November 21, 2003 complaint alleged that all individual defendants breached fiduciary duties of due care and loyalty to our stockholders. Vulcan Capital was alleged to have aided and abetted these alleged breaches of fiduciary duty. The complaint alleged, among other things, that the November 20, 2003 announcement of a November 19, 2003 buyout proposal represented a paltry premium of 7.6 percent to Plains Resources current trading price and . . . a very significant discount to what it had traded at earlier in the year. As of the November 21, 2003 filing of the complaint, Twist Partners alleged that the individually named defendants had failed to auction Plains Resources, had failed to conduct an active market check and had not appointed an independent person to negotiate on behalf of our stockholders.

The relief sought by Twist Partners includes certification of a class action, an injunction preventing consummation of the buyout proposal (or rescinding it if consummated), compensatory and/or rescissory damages to the class, interest, attorneys fees, expert fees, and other costs, along with such other relief as the Court might find just and proper.

Substantially the same allegations and prayer for relief were made in each of the first five suits which was filed (*Twist Partners*, *Klein*, *Levy*, *Lanza*, and *Burt*). (Klein, Lanza, and Levy additionally alleged that Mr. Flores and Mr. Raymond dominated and controlled the rest of our Board of Directors.) The *Klein* complaint was subsequently amended to name and seek relief from Vulcan Energy rather than Vulcan Capital. These five cases were consolidated on December 11, 2003 under the action No. 071-N, *In re Plains Resources Inc. Shareholders Litigation*, and defendants are not required to respond to the originally filed complaints.

On December 30, 2003, a sixth complaint was filed by South Broadway Capital alleging substantially the same allegations and prayer for relief as the complaints consolidated under No. 071-N, *In re Plains Resources Inc. Shareholders Litigation*. Plaintiff s Delaware counsel of record for South Broadway Capital are also plaintiff s counsel of record in No. 071-N, *In re Plains Resources Inc. Shareholders Litigation*. The defendants expect that the *South Broadway Capital* action will be consolidated with the other five stockholder suits.

On February 24, 2004, the first amended consolidated complaint was filed in No. 071-N, *In re Plains Resources Inc. Shareholders Litigation*. That complaint makes additional factual allegations. It alleges that the

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$14.25 per share Vulcan Capital proposal failed to adequately reflect the value of certain assets and results of the transaction, including:

- the resulting controlling interest in PAA (for which plaintiffs allege the fair market value of the premium for such control is between $360 and $540 million);
- incentive distribution rights in Plains AAP (for which plaintiffs allege an estimated present value of $54.4 million);
- limited partner interest in PAA;
- our proved oil reserves (of which plaintiffs allege the market value is 15% higher than our standardized measure);
- certain unspecified tax credits not reflected on our balance sheet; and
- other unspecified assets, net of liabilities.

The amended consolidated complaint also alleges that:

- Mr. O Malley has significant business and/or personal relationships with Mr. Flores and Mr. Raymond and is not capable of being a truly independent member of the special committee;
- the Leucadia proposal was rejected without adequate consideration by the special committee;
- the special committee s January 22, 2004 statement that it was prepared to enter into discussions or negotiations with . . . other parties relating to a transaction was materially false and misleading, and that the special committee never intended to entertain proposals from anyone other than Vulcan and/or the Company s directors ;
- the Vulcan Capital proposal is not the result of a full and fair auction process or active market check, that the $16.75 per share price was reached without a full and thorough investigation, that the price and process are intrinsically unfair and inadequate; and
- our directors failed to make an informed decision with respect to the Vulcan Capital proposal.

Also on February 24, 2004, Donald Gilbert filed a putative class action lawsuit against Plains Resources, our directors, Mr. Raymond and Vulcan Capital in the 157th District Court for Harris County, Texas (No. 2004-10509, *Gilbert v. Plains Resources Inc. et al.*). The petition has not been served at this time. Its factual allegations repeat some but not all of those made in the consolidated amended complaint filed in *In re Plains Resources Inc. Shareholders Litigation* in Delaware. The Texas suit particularly alleges that members of the Class will be irreparably harmed in that they will not receive fair value for Plains Resources assets and business and will be prevented from obtaining the real value of their equity ownership in the Company, and that unless an injunction is entered, Vulcan Capital and Messrs. Flores and Raymond will continue to aid and abet a process that inhibits the maximization of shareholder value. For purported causes of action, the Texas lawsuit alleges that our directors breached fiduciary duties of loyalty and due care by allegedly failing to (1) inform themselves of our market value before taking action, (2) act in the best interest of our stockholders, (3) maximize stockholder value, (4) obtain the best financial and unspecified other terms when our independent existence will be materially altered by a transaction, and (5) act in accordance with their fundamental duties of due care and loyalty. It further alleges that Vulcan Capital and Messrs. Flores and Raymond aided and abetted our directors alleged breaches of fiduciary

duties. The relief sought includes (1) declaration of a class action, (2) declaration that the proposed merger agreement was entered into in breach of the fiduciary duties of our directors, (3) an injunction prohibiting us from proceeding with and consummating the proposed merger, (4) an injunction requiring the implementation of procedures to obtain the highest price, (5) an injunction requiring our directors to exercise their fiduciary duties to obtain a transaction which is in the best interests of stockholders until the process for the sale or auction of the Company is completed and the highest possible price is obtained, (6) unspecified appropriate damages, (7) costs and disbursements, including reasonable attorneys and experts fees, and (8) other and further relief which the Court may deem just and proper.

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PAA Suit

On December 18, 2003, Alfons Sperber filed suit in the Court of Chancery in the State of Delaware, in and for New Castle County against Plains Resources, PAA, Plains AAP, L.P. (Plains AAP), PAA GP LLC, and several individual defendants (No. 123-N, *Sperber v. Plains Resources, Inc. et al.*). The *Sperber* suit was putatively brought on behalf of all limited partners and unit holders in PAA and alleges (1) breach of the fiduciary duties owed to PAA and its unit holders and limited partners by PAA; Plains AAP, L.P.; PAA GP, L.L.C.; and the individually named directors of PAA GP, L.L.C.; and (2) breach of the fiduciary duties owed to PAA and its unit holders and limited partners by Plains Resources Inc. and its individually named directors as controlling stockholder of PAA GP, L.L.C.

Sperber s factual allegations concerning the buyout proposal are substantially the same as those alleged in the consolidated Plains Resources stockholders litigation. In addition, Sperber alleged that as a result of the buyout proposal, Mr. Flores and Mr. Raymond will effectively control PAA. Sperber alleged that PAA had made no disclosure concerning the buyout proposal, and that no actions had been taken to protect the interests of PAA, its limited partners, or its unitholders with respect to the Plains Resources buyout proposal. Sperber specifically alleged that defendants have breached their contractual and/or fiduciary duties by failing to seek, pursuant to their respective governing documents, to acquire Plains Resources or the PAA units and general partnership interests held by Plains Resources; failing to amend the PAA GP Amended and Restated Limited Liability Company Agreement and/or PAA s Amended and Restated Limited Partnership Agreement to limit the power of Messrs. Flores and Raymond and Vulcan Capital over selection of five of the seven members of the PAA GP board and the chief executive officer of PAA GP, failing to ensure that the transaction does not adversely affect PAA s interests under the Crude Oil Marketing Agreement, dated as of November 23, 1998, by and among Plains Resources, Plains Illinois Inc., Stocker Resources, LP, Calumet Florida, Inc., and Plains Marketing, LP and the Omnibus Agreement among Plains Resources, PAA, Plains Marketing, LP, All American Pipeline, LP and Plains All American Inc., dated as of November 23, 1998, or to obtain fair value for any waiver of those interests; failing to convene the conflicts committee to determine whether the proposed transaction is fair and reasonable to PAA; and failing to appoint a special committee of independent directors to consider the effects of the transaction. Sperber alleged that all defendants to that action owe fiduciary duties to PAA, its limited partners, and its unitholders which allegedly have been breached by the failure to take actions to protect the interests of PAA, its limited partners, and its unitholders.

The *Sperber* complaint requests the following relief: certification of a class action, an injunction preventing consummation of the buyout proposal (or rescinding it if consummated), an injunction requiring PAA and Plains AAP to act to protect the interest of PAA, its limited partners, and its unitholders, a declaration that the individual defendants breached their fiduciary duties to the plaintiff and the putative class, an accounting of all assets, money, and other value improperly received from Plains Resources, disgorgement and imposition of a constructive trust on all property and profits defendants received as a result of wrongful conduct, damages to the class, interest, attorneys fees, and other costs, along with such other relief as the Court might find just and proper. Pursuant to an agreement among counsel, no response to the *Sperber* complaint is required until March 10, 2004.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of the material federal income tax consequences of the merger to Plains Resources and its stockholders who receive cash in exchange for Plains Resources common stock pursuant to the merger. This discussion is for general information only and does not purport to consider all aspects of federal income taxation that may be relevant to stockholders. The discussion is based on the provisions of the Internal Revenue Code, treasury regulations promulgated under it, judicial decisions and administrative rulings, all as in effect as of the date of this proxy statement and all of which are subject to change, possibly with retroactive effect. The following does not address the federal income tax consequences to Plains Resources stockholders in light of their particular circumstances or that may be subject to special rules (for example, dealers in securities, brokers, banks, insurance companies, tax-exempt organizations and financial institutions, stockholders that have acquired Plains Resources common stock as part of a straddle, hedge, conversion transaction or other integrated investment or stockholders that acquired Plains Resources common stock pursuant to the exercise of an employee stock option or otherwise as compensation), nor does it address the federal income tax consequences to stockholders that do not hold Plains Resources common stock as capital assets within the meaning of the Internal Revenue Code (generally, property held for investment). The tax consequences to stockholders that hold Plains Resources common stock through a partnership or other pass-through entity will generally depend on the status of the stockholder and the activities of the partnership. This discussion does not consider the effect of any state, local or foreign income or other tax law.

For purposes of this discussion, (1) a U.S. holder means a beneficial owner of Plains Resources common stock that, for federal income tax purposes, is (A) an individual who is a citizen or resident of the United States, (B) a corporation, or other entity treated as a corporation for federal income tax purposes, created or organized under the laws of the United States or any state or any political subdivision thereof, (C) an estate the income of which is subject to federal income taxation regardless of its source or (D) a trust, if a United States court is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control the substantial decisions of the trust, and (2) a non-U.S. holder means a beneficial holder of Plains Resources common stock that is not a U.S. holder.

Treatment of U.S. Holders. The receipt of cash in exchange for Plains Resources common stock pursuant to the merger will be a taxable transaction for federal income tax purposes. A U.S. holder that receives cash in exchange for Plains Resources common stock pursuant to the merger will generally recognize capital gain or loss equal to the difference, if any, between the amount of cash paid to the U.S. holder and the U.S. holder s adjusted tax basis in the Plains Resources common stock surrendered in the merger. Gain or loss will be determined separately for each block of Plains Resources common stock (for example, Plains Resources common stock acquired at the same cost in a single transaction) surrendered for cash pursuant to the merger. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder has held the Plains Resources common stock for more than one year at the time of the consummation of the merger. The deductibility of capital losses is subject to limitations.

Treatment of Non-U.S. Holders. Any gain realized by a non-U.S. holder on the receipt of cash in exchange for Plains Resources common stock pursuant to the merger will generally not be subject to federal income tax unless such gain is effectively connected with the non-U.S. holder s conduct of a trade or business in the United States or the non-U.S. holder is an individual that is present in the United States for 183 days or more in the taxable year that the merger is consummated and certain other conditions are satisfied. Plains Resources is a U.S. real property holding corporation for U.S. federal income tax purposes. As a consequence, any gain or loss realized on the exchange pursuant to the merger by a non-U.S. holder who at any point during the five-year period ending on the effective date of the merger held more than five percent of any class of stock of Plains Resources will be treated as effectively connected with such non-U.S. holder s conduct of a trade or business in the U.S. and subject to U.S. federal income tax and withholding equal to ten percent of the amount of cash paid for such holder s shares. Any amounts so withheld will be treated as a credit to such non-U.S. holder s U.S. federal income tax liability and will be refundable to the extent such amounts exceed the non-U.S. holder s tax liability.

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Backup Withholding. A U.S. holder of Plains Resources common stock may be subject to backup withholding at the applicable rate (currently 28%) on the cash received pursuant to the merger unless such U.S. holder is an exempt recipient (for example, a corporation) or provides its correct taxpayer identification number and certifies that it is exempt from, or otherwise not subject to, backup withholding. Backup withholding is not an additional tax, and any amounts withheld under the backup withholding rules will be allowed as a credit against a U.S. holder s federal income tax liability provided that the required information is furnished to the Internal Revenue Service.

Treatment of Plains Resources. For U.S. federal income tax purposes, no gain or loss will be recognized by Plains Resources as a result of the merger.

Each stockholder should consult its tax advisor as to the particular tax consequences to it of the receipt of cash for its Plains Resources common stock pursuant to the merger, including the application and effect of federal, state, local and foreign tax laws and possible changes in tax laws.

APPRAISAL RIGHTS

If the merger is consummated, a holder of shares of Plains Resources common stock is entitled to appraisal rights under Section 262 of the General Corporation Law of the State of Delaware (Section 262), provided that such stockholder complies with the procedures and conditions established by Section 262.

Section 262 is reprinted in its entirety as Appendix C to this proxy statement. The following discussion is not a complete statement of the law relating to appraisal rights and is qualified completely by reference to Appendix C. Any holder of shares of Plains Resources common stock who wishes to exercise statutory appraisal rights or who wishes to preserve the right to do so should review this discussion and Appendix C carefully because failure to comply with the procedures set forth in this section and Appendix C will result in the loss of appraisal rights. Moreover, a stockholder considering exercising the right to seek appraisal under Delaware law may wish to seek the advice of counsel. All references in this summary of appraisal rights to a stockholder or holder of shares of Plains Resources common stock are to the holder of record of shares of Plains Resources common stock (exclusive of any element of value arising from the accomplishment or expectation of the merger).

A stockholder who makes the demand described below and in Appendix C with respect to shares of Plains Resources common stock, who continuously holds such shares through the effective date of the merger (the Effective Date), who otherwise complies with the statutory requirements of Section 262 and who neither votes in favor of the approval and adoption of the merger agreement and the merger nor consents to the approval and adoption of the merger agreement and the merger in writing, will be entitled to an appraisal by the Delaware Court of Chancery of the fair value of such stockholder s shares of Plains Resources common stock.

Under Section 262, where a merger is to be submitted for approval at a meeting of stockholders, such as the special meeting, not less than 20 days prior to the meeting, a constituent corporation must notify each of the holders of its stock for whom appraisal rights are available that appraisal rights are available and include in each notice a copy of Section 262. This proxy statement constitutes such notice to the holders of shares of Plains Resources common stock and Section 262 is attached to this proxy statement as Appendix C.

Holders of shares of Plains Resources common stock who desire to exercise their appraisal rights must not vote in favor of the approval and adoption of the merger agreement and the merger. A stockholder who signs and returns a proxy card without expressly directing that his or her

shares of common stock be voted against the approval and adoption of the merger agreement and the merger will effectively waive his, her or its appraisal rights because such shares represented by the proxy card will be voted for the approval and adoption of the merger agreement and the merger. Accordingly, a stockholder who returns a proxy card and desires to exercise

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and perfect appraisal rights with respect to any of his or her shares of common stock must not vote in person or send a proxy, check either the against or the abstain box next to the proposal to approve and adopt the merger agreement and the merger on such card or affirmatively vote in person against the proposal or register in person an abstention with respect to such proposal or timely revoke any proxy in favor of the approval and adoption of the merger agreement and the merger. In addition, holders of shares of Plains Resources common stock who desire to exercise their appraisal rights must deliver to Plains Resources, before the vote on the proposal to approve and adopt the merger agreement and the merger, a written demand for appraisal of such stockholder s shares of common stock. A proxy or vote against the approval and adoption of the merger agreement and the merger will not by itself constitute a demand for appraisal. The demand for appraisal must be executed by or on behalf of the stockholder and must reasonably inform Plains Resources of the stockholder s identity and that such stockholder intends to demand appraisal of the shares of Plains Resources common stock. Within 10 days after the Effective Date, Plains Resources must provide notice of the Effective Date to all former stockholders who have complied with Section 262 and who have not voted in favor of, or consented to, the approval and adoption of the merger agreement and the merger.

A stockholder who elects to exercise appraisal rights should mail or deliver his or her written demand for appraisal of such stockholder s shares before the taking of the vote on the approval and adoption of the merger agreement and the merger to: Plains Resources Inc., 700 Milam Street, Suite 3100, Houston, Texas 77002, Attention: Investor Relations.

A person having a beneficial interest in shares of Plains Resources common stock that are held of record in the name of another person, such as a broker, bank, fiduciary, depositary or other nominee, must act promptly and in a timely manner to cause the record holder to follow the steps summarized here and set forth in greater detail in Appendix C properly and in a timely manner to perfect appraisal rights. If the shares of Plains Resources common stock are owned of record by a person other than the beneficial owner, including a broker, fiduciary (such as a trustee, guardian or custodian), depositary or other nominee, the demand for appraisal must be executed by or for the record owner. If the shares of Plains Resources common stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder; however, the agent must identify the record owner and expressly disclose the fact that, in executing the demand, such person is acting as agent for the record owner. If a stockholder holds shares of Plains Resources common stock through a broker, who in turn holds the shares through a central securities depositary nominee such as Cede & Co., a demand for appraisal of the shares must be made by or on behalf of the depository nominee and must identify the depository nominee as record holder.

A record holder, such as a broker, fiduciary, depositary or other nominee, who holds shares of Plains Resources common stock as a nominee for several beneficial owners, may exercise appraisal rights with respect to the shares held for all or less than all beneficial owners of shares. In that case, the written demand must set forth the number of shares covered by the demand. Where the number of shares is not expressly stated, the demand will be presumed to cover all shares of Plains Resources common stock held in the name of the record holder.

Within 120 days after the Effective Date, either Plains Resources or any former stockholder who has complied with the required conditions of Section 262 and who is otherwise entitled to appraisal rights may file a petition in the Delaware Court of Chancery, with a copy served on Plains Resources in the case of a petition filed by a former stockholder, demanding a determination of the fair value of the shares of all dissenting stockholders. There is no present intent on the part of Plains Resources to file an appraisal petition and stockholders seeking to exercise appraisal rights should not assume that Plains Resources will file an appraisal petition or that Plains Resources will initiate any negotiations with respect to the fair value of the shares. Accordingly, holders of Plains Resources common stock who desire to have their shares appraised should initiate any petitions necessary to perfect their appraisal rights within the time periods and in the manner prescribed in Section 262. Within 120 days after the Effective Date, any former stockholder who has complied with the applicable provisions of Section 262 will be entitled, upon written request, to receive from Plains Resources a statement setting forth the

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aggregate number of shares of Plains Resources common stock not voting in favor of the merger with respect to which demands for appraisal were received by Plains Resources and the number of holders of such shares. The statement must be mailed within 10 days after the written request for the statement has been received by Plains Resources or within 10 days after the expiration of the period for the delivery of demands as described above, whichever is later.

If a petition for an appraisal is timely filed, at the hearing on the petition, the Delaware Court of Chancery will determine which former stockholders have complied with Section 262 and are entitled to appraisal rights. The Delaware Court of Chancery may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation on them of the pendency of the appraisal proceedings; and if any stockholder fails to comply with the direction, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder. Where proceedings are not dismissed, the Delaware Court of Chancery will appraise the shares of Plains Resources common stock, determining the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value.

Although Plains Resources believes that the merger consideration is fair, no representation is made as to the outcome of the appraisal of fair value as determined by the Delaware Court of Chancery, and stockholders should recognize that an appraisal could result in a determination of a value higher or lower than, or the same as, the merger consideration. Moreover, Plains Resources does not anticipate offering more than the merger consideration to any stockholder exercising appraisal rights and reserves the right to assert, in any appraisal proceeding, that, for purposes of Section 262, the fair value of a share of Plains Resources common stock is less than the merger consideration. In determining fair value, the Delaware Court of Chancery is required to take into account all relevant factors. In Weinberger v. UOP, Inc., the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that [f]air price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court has stated that in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger that throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In Cede & Co. v. Technicolor, Inc., the Delaware Supreme Court stated that the exclusion is a narrow exclusion [that] does not encompass known elements of value, but rather applies only to the speculative elements of value arising from such accomplishment or expectation. In Weinberger, the Delaware Supreme Court construed Section 262 to mean that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

The cost of the appraisal proceeding may be determined by the Delaware Court of Chancery and taxed against the parties as th