

McGee Richard K.  
Form 4  
November 03, 2010

**FORM 4** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
McGee Richard K.

2. Issuer Name and Ticker or Trading Symbol  
PAA NATURAL GAS STORAGE LP [PNG]

5. Relationship of Reporting Person(s) to Issuer  
(Check all applicable)

(Last) (First) (Middle)  
333 CLAY STREET, SUITE 1500  
(Street)

3. Date of Earliest Transaction (Month/Day/Year)  
11/02/2010

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
VP-Legal & Bus Dev & Secretary

HOUSTON, TX

(City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
|                                 |                                      |  |                                | (A) or (D)  | Code V Amount (D) Price   |  |                                   |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security | 2. Conversion or Exercise | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any | 4. Transaction Code | 5. Number of Derivative Securities Acquired | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Security (Instr. 3 and 4) |
|---------------------------------|---------------------------|--------------------------------------|-----------------------------------|---------------------|---|--|---|
|---------------------------------|---------------------------|--------------------------------------|-----------------------------------|---------------------|---|--|---|

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| (Instr. 3)               | Price of Derivative Security | (Month/Day/Year) | (Instr. 8)   | (A) or Disposed of (D) (Instr. 3, 4, and 5) | Code | V | (A)    | (D) | Date Exercisable | Expiration Date       | Title        | Am or Num of S |
|--------------------------|------------------------------|------------------|--------------|---|------|---|--------|-----|------------------|-----------------------|--------------|----------------|
| Phantom Units <u>(1)</u> | <u>(2)</u>                   | 11/02/2010       | D <u>(1)</u> |   |      |   | 55,000 |     | <u>(3)</u>       | 12/31/2014 <u>(4)</u> | Common Units | 55             |
| Phantom Units <u>(1)</u> | <u>(2)</u>                   | 11/02/2010       | A <u>(1)</u> |   |      |   | 55,000 |     | <u>(3)</u>       | 01/01/2018 <u>(4)</u> | Common Units | 55             |

## Reporting Owners

| Reporting Owner Name / Address                                 | Relationships |           |                                |       |
|--|---------------|-----------|--------------------------------|-------|
|  | Director      | 10% Owner | Officer                        | Other |
| McGee Richard K.<br>333 CLAY STREET, SUITE 1500<br>HOUSTON, TX |               |           | VP-Legal & Bus Dev & Secretary |       |

## Signatures

/s/ Richard K. McGee  
11/02/2010  
Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The terms of these outstanding Phantom Units have been modified, resulting in the deemed cancellation of the original Phantom Units and a grant of replacement Phantom Units described below. The original Phantom Units were granted on May 24, 2010.
- (2) One Common Unit is deliverable, upon vesting, for each Phantom Unit that vests.  
Pursuant to the modification, these Phantom Units will vest in equal 20% increments as follows: 20% will vest as of the date on which the Issuer's Series A Subordinated Units convert into Common Units; 20% will vest as of the date on which the first tranche of the Issuer's Series B Subordinated Units convert into Series A Subordinated Units or Common Units; 20% will vest as of the date on which the second tranche of the Issuer's Series B Subordinated Units convert into Series A Subordinated Units or Common Units; 20% will vest as of the date on which the third tranche of the Issuer's Series B Subordinated Units convert into Series A Subordinated Units or Common Units; and 20% will vest as of the date on which the fourth tranche of the Issuer's Series B Subordinated Units convert into Series A Subordinated Units or Common Units. Conversion of the Series A Subordinated Units and Series B Subordinated Units is subject to certain performance conditions set forth in the Issuer's Second Amended and Restated Agreement of Limited Partnership.
- (4) Any Phantom Units that remain outstanding as of the expiration date shall expire without vesting on such date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.