

O'Shea Donald C
Form 4
November 03, 2010

FORM 4

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

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

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
O'Shea Donald C

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
____X____ Officer (give title below) ____ Other (specify below)

Controller & CAO

HOUSTON, TX 77002

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

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

(City) (State) (Zip)

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 Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			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
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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	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Underlying Securities
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)							(Instr.)
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Phantom Units <u>(1)</u>	<u>(2)</u>	11/02/2010	A		7,500		<u>(3)</u>	<u>(4)</u>	Common Units	7,500	\$
Phantom Units <u>(5)</u>	<u>(2)</u>	11/02/2010	A		7,500		<u>(6)</u>	<u>(7)</u>	Common Units	7,500	\$

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
O'Shea Donald C 333 CLAY STREET, SUITE 1500 HOUSTON, TX 77002			Controller & CAO	

Signatures

/s/ Donald C.
O'Shea

11/02/2010

 Signature of
Reporting Person

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) Grant of phantom units under Long-Term Incentive Plan (includes associated distribution equivalent rights (payable in cash)).

(2) One common unit is deliverable, upon vesting, for each Phantom Unit that vests.

These Phantom Units will vest in equal 1/3 increments as follows: one-third will vest upon the later of the May 2012 distribution date and the date the Issuer pays a quarterly distribution of at least \$0.3875 per unit; one-third will vest upon the later of the May 2013 distribution date and the date the Issuer pays a quarterly distribution of at least \$0.450 per unit; and one-third will vest upon the later of the May 2014 distribution date and the date the Issuer pays a quarterly distribution of at least \$0.475 per unit. The associated DERs will vest in equal 25% increments upon achieving quarterly distribution levels of \$0.370, \$0.390, \$0.440 and \$0.475 per unit.

(4) Any Phantom Units that have not vested as of the May 2015 distribution date, and any associated DERs, shall expire on such date.

(5) Grant of Phantom Units under Long-Term Incentive Plan.

(6) 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

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conditions set forth in the Issuer's Second Amended and Restated Agreement of Limited Partnership.

(7) Any Phantom Units that remain outstanding as of January 1, 2018 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.

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