

PAA NATURAL GAS STORAGE LP  
 Form 4  
 September 13, 2010

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
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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 \*  
 Plains All American GP LLC

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 1600  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
 09/09/2010

\_\_\_\_ Director  
 \_\_\_\_ Officer (give title below)  
 \_\_\_X\_\_\_ 10% Owner  
 \_\_\_\_ Other (specify below)

HOUSTON, TX 77002  
 (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  
 \_\_\_X\_\_\_ 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.

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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 Security (Instr. 3 and 4)
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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)	Date Exercisable	Expiration Date	Title
			Code	V (A) (D)			
Phantom Common Units <sup>(2)</sup>	\$ 0	09/09/2010	J	125,000	<u>(2)</u>	05/05/2012	Common Units
Phantom Series A Subordinated Units <sup>(2)</sup>	\$ 0	09/09/2010	J	125,000	<u>(2)</u>	<u>(3)</u>	Common Units
Phantom Series B Subordinated Units <sup>(2)</sup>	\$ 0	09/09/2010	J	125,000	<u>(2)</u>	<u>(3)</u>	Common Units or Series A Subordinated Units <sup>(2)</sup>

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Plains All American GP LLC 333 CLAY STREET, SUITE 1600 HOUSTON, TX 77002		X		
Plains AAP, L.P. 333 CLAY STREET, SUITE 1600 HOUSTON, TX 77002		X		
PAA GP LLC 333 CLAY STREET, SUITE 1600 HOUSTON, TX 77002		X		
PLAINS ALL AMERICAN PIPELINE LP 333 CLAY STREET, SUITE 1600 HOUSTON, TX 77002		X		

## Signatures

By: /s/ Tim Moore, Vice  
President 09/10/2010

    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)

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The reporting person, PAA GP LLC, is the general partner of Plains All American Pipeline, L.P. ("PAA"), the record holder of the units. Plains AAP, L.P. owns all of the membership interests in PAA GP LLC and Plains All American GP LLC is the general partner of Plains AAP, L.P. Accordingly, Plains All American GP LLC, Plains AAP, L.P. and PAA GP LLC may be deemed to be indirect beneficial owners of any securities held by PAA.

- On September 9, 2010, PAA issued the phantom units reported above by entering into agreements with Greg L. Armstrong, Harry N. Pefanis and Al Swanson pursuant to which these individuals acquired from PAA for no consideration the right to receive Common Units and Series A Subordinated Units convertible into Common Units of PAA Natural Gas Storage, L.P. ("PNG") that are currently held by PAA. These individuals also acquired distribution equivalent rights (payable by PAA in cash) with respect to the phantom common units and phantom series A subordinated units. Pursuant to the terms of the agreements, the phantom units reported above will vest and be payable as follows: (i) the phantom common units will vest 50% on May 5, 2011 and 50% on May 5, 2012, and be payable one-for-one by PAA in Common Units of PNG; (ii) the phantom series A subordinated units will vest in connection with the conversion of the Series A Subordinated Units into Common Units, and be payable one-for-one by PAA in Common Units of PNG; and (iii) the phantom series B subordinated units will vest in tranches of 20%, 21%, 15%, 22% and 22%, respectively, in connection with the conversion of the First through Fifth Tranches of Series B Subordinated Units. Upon vesting, the phantom series B subordinated units will be payable one-for-one by PAA in Series A Subordinated Units or Common Units of PNG it receives upon conversion of the Series B Subordinated Units. Terms used but not defined herein shall have the meanings set forth in the Second Amended and Restated Agreement of Limited Partnership of PNG.

- Any phantom series A subordinated units and any phantom series B subordinated units that have not vested as of December 18, 2018 will be automatically cancelled on such date. Note: On August 16, 2010, the general partner of PNG executed an amendment to PNG's Amended and Restated Agreement of Limited Partnership pursuant to which the number of Series A Subordinated Units held by PAA was reduced by 2 million units (from 13,934,351 units to 11,934,351 units) and the number of Series B Subordinated Units held by PAA was increased by an equivalent amount (from 11,500,000 units to 13,500,000 units). The Series A Subordinated Units and Series B Subordinated Units will convert into Common Units or Series A Subordinated Units, as applicable, on a one-for-one basis in accordance with their terms as set forth in PNG's Second Amended and Restated Agreement of Limited Partnership.

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.