

PEFANIS HARRY N  
Form 4  
September 13, 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 \*  
PEFANIS HARRY N

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  10% Owner  
 Officer (give title below)  Other (specify below)  
Vice Chairman

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  
 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 Following 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 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)	Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	A or N of
Phantom Common Units <sup>(1)</sup>	\$ 0	09/09/2010	J	42,000					<u>(1)</u>	05/05/2012	Common Units	4
Phantom Series A Subordinated Units <sup>(1)</sup>	\$ 0	09/09/2010	J	42,000					<u>(1)</u>	<u>(2)</u>	Common Units	4
Phantom Series B Subordinated Units <sup>(1)</sup>	\$ 0	09/09/2010	J	42,000					<u>(1)</u>	<u>(2)</u>	Common Units or Series A Subordinated Units <sup>(1)</sup>	4

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PEFANIS HARRY N 333 CLAY STREET, SUITE 1600 HOUSTON, TX 77002	X		Vice Chairman	

## Signatures

Harry N. Pefanis                      09/10/2010  
 \_\_Signature of                      Date  
 Reporting Person

## 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) On September 9, 2010, Reporting Person and Plains All American Pipeline, L.P. ("PAA") entered into an agreement pursuant to which Reporting Person 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. Reporting Person 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 such agreement, 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.

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- (2) 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: 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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