

McGee Richard K.  
Form 4  
May 26, 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)  
05/24/2010

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

HOUSTON, TX

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

(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 Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership Indirect Beneficial 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 Securities (Instr. 3 and 4)	8. Price
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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	Amount or Number of Shares
Phantom Units <u>(1)</u>	<u>(2)</u>	05/24/2010	A	55,000			<u>(3)</u>	<u>(4)</u>			Common Units	55,000
Phantom Units <u>(5)</u>	<u>(6)</u>	05/24/2010	A	55,000			<u>(7)</u>	<u>(8)</u>			Common Units	55,000

## Reporting Owners

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

## Signatures

/s/ Richard K.  
McGee

05/25/2010

     \*\*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.

(3) 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) One Common Unit is deliverable, upon vesting, for each Phantom Unit that vests.

(7) These Phantom Units will vest in equal 25% increments as follows: 25% will vest on the first distribution date following the date on which the Issuer's Series A Subordinated Units convert into Common Units; 25% will vest on the first distribution date following the date on which the first tranche of the Issuer's Series B Subordinated Units convert into Series A Subordinated Units or Common Units; 25% will vest on the first distribution date following the date on which the second tranche of the Issuer's Series B Subordinated Units convert into Series A Subordinated Units or Common Units; and 25% will vest on the first distribution date following the date on which the third tranche of the Issuer's Series B Subordinated Units convert into Series A Subordinated Units or Common Units. The Series A Subordinated Units will convert into Common Units at the end of the subordination period described in the Issuer's Registration Statement on Form S-1 (333-164492). The Series B Subordinated Units will convert into Series A Subordinated Units upon satisfaction

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of certain operational and financial conditions described in the Issuer's Registration Statement (or directly into Common Units if the subordination period has already ended at the time such operational and financial conditions are satisfied).

(8) Any Phantom Units that remain outstanding as of December 31, 2014 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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