O'Shea Donald C Form 4 November 03, 2010

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or

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

Form 5 Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, obligations Section 17(a) of the Public Utility Holding Company Act of 1935 or Section may continue. 30(h) of the Investment Company Act of 1940 See Instruction

1(b).

(Last)

(Print or Type Responses)

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

2. Issuer Name and Ticker or Trading Symbol

5. Relationship of Reporting Person(s) to Issuer

PAA NATURAL GAS STORAGE LP [PNG]

(Check all applicable) Director 10% Owner

Controller & CAO

**OMB APPROVAL** 

3235-0287

January 31,

2005

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**OMB** 

Number:

Expires:

response...

Estimated average

burden hours per

(Middle) 3. Date of Earliest Transaction

> (Month/Day/Year) 11/02/2010

X\_ Officer (give title Other (specify below) below)

333 CLAY STREET, SUITE 1500

(First)

(Street)

4. If Amendment, Date Original

6. Individual or Joint/Group Filing(Check

Filed(Month/Day/Year)

Applicable Line) \_X\_ Form filed by One Reporting Person

Form filed by More than One Reporting

Person

HOUSTON, TX 77002

(City) (State) (Zip)

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

1. Title of Security (Instr. 3)

2. Transaction Date 2A. Deemed (Month/Day/Year)

Execution Date, if

(Month/Day/Year)

3. 4. Securities TransactionAcquired (A) or Code Disposed of (D) (Instr. 3, 4 and 5) (Instr. 8)

5. Amount of Securities Beneficially Owned Following

6. Ownership 7. Nature of Form: Direct Indirect (D) or Indirect Beneficial Ownership (I) (Instr. 4) (Instr. 4)

(A)

Reported Transaction(s) (Instr. 3 and 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 SEC 1474 information contained in this form are not (9-02)required to respond unless the form displays a currently valid OMB control number.

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

1. Title of Derivative Conversion Security or Exercise

3. Transaction Date 3A. Deemed (Month/Day/Year) Execution Date, if

any

5. Number 4. Transaction of Derivative Expiration Date Code Securities

6. Date Exercisable and (Month/Day/Year)

7. Title and Amount of 8. Price **Underlying Securities** Deriva (Instr. 3 and 4)

1

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(Instr. 3)	) Price of Derivative Security		(Month/Day/Year)	() (I (I		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 (1)	<u>(2)</u>	11/02/2010		A		7,500		(3)	<u>(4)</u>	Common Units	7,500	\$
Phantom Units (5)	<u>(2)</u>	11/02/2010		A		7,500		(6)	<u>(7)</u>	Common Units	7,500	\$

# **Reporting Owners**

Reporting Owner Name / Address	Relationships						
topolouing of the country country and	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

\*\*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
- (3) 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 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 onvert 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. 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.