

Liollo Dean  
Form 4  
February 06, 2012

**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 \*  
Liollo Dean

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)  
02/02/2012

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
President

HOUSTON, TX 77002

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 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 Acquired (A) or	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)		Disposed of (D)		Date Exercisable	Expiration Date	Title	Amount Number Shares
			Code	V	(A)	(D)				
Phantom Units <u>(1)</u>	<u>(3)</u>	02/02/2012	D			105,000	<u>(4)</u>	<u>(4)</u>	Common Units	105,000
Phantom Units <u>(1)</u>	<u>(3)</u>	02/02/2012	A		105,000		<u>(4)</u>	<u>(4)</u>	Common Units	105,000
Phantom Units <u>(2)</u>	<u>(3)</u>	02/02/2012	D			105,000	<u>(5)</u>	<u>(5)</u>	Common Units	105,000
Phantom Units <u>(2)</u>	<u>(3)</u>	02/02/2012	A		105,000		<u>(5)</u>	<u>(5)</u>	Common Units	105,000

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Liollo Dean 333 CLAY STREET, SUITE 1500 HOUSTON, TX 77002	X		President	

## Signatures

/s/ Dean Liollo 02/03/2012

\*\*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) The terms of these outstanding phantom units have been modified, resulting in the deemed cancellation of the original phantom units and a grant of replacement phantom units described in footnote 4 below. The original phantom units were granted on May 24, 2010.
- (2) The terms of these outstanding phantom units have been modified, resulting in the deemed cancellation of the original phantom units and a grant of replacement phantom units described in footnote 5 below. The original phantom units were granted on May 24, 2010, and were previously modified on November 2, 2010.
- (3) One Common Unit is deliverable, upon vesting, for each phantom unit that vests.
- (4) As modified, these phantom units awards will vest 30% on the date the Issuer pays an annualized distribution of \$1.45 per unit; 30% on the date the Issuer pays an annualized distribution of \$1.50 per unit; and 40% on the date the Issuer pays an annualized distribution of \$1.55 per unit. Fifty percent of any unvested phantom units that remain outstanding as of the November 2016 distribution date will vest on such date and re remaining 50% will be forfeited.
- (5) As modified, 100% of these phantom units will vest upon conversion of the Issuer's Series A Subordinated Units into Common Units.
- (5) Conversion of the Series A Subordinated Units is subject to certain performance conditions set forth in the Issuer's Second Amended and Restated Agreement of Limited Partnership, as amended.

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.