

PAA NATURAL GAS STORAGE ANNOUNCES AGREEMENT TO ACQUIRE SOUTHERN PINES STORAGE FACILITY

12/29/2010

HOUSTON--(December 29, 2010)-- PAA Natural Gas Storage (NYSE: PNG) today announced that it has entered into a definitive agreement to acquire SG Resources Mississippi, LLC ("SG Resources") owner of the Southern Pines Energy Center natural gas storage facility ("Southern Pines"). SG Resources is 60% owned by SGR Holdings, LLC and 40% by Southern Pines Energy Investment Company, LLC, an affiliate of ArcLight Capital Partners, LLC ("ArcLight"). Total consideration is \$750 million plus customary adjustments for working capital. Subject to regulatory approval, the transaction is expected to close during the first quarter of 2011.

Southern Pines is a FERC-regulated, high-performance, salt-cavern natural gas storage facility located in Greene County, Mississippi—approximately 60 miles north of Pascagoula and 30 miles east of Hattiesburg. The facility was placed in service in 2008 and three caverns are currently in operation. The facility is permitted for 40 billion cubic feet (BCF) of working capacity from four storage caverns. The fourth cavern is currently being drilled and the facility has the capacity for further expansion, subject to permits and market demand. Southern Pines has an aggregate of 48,000 horsepower of compression and is permitted for peak injection and withdrawal rates of approximately 1.2 BCF and 2.4 BCF of gas per day, respectively. Southern Pines connects directly or indirectly to 8 major natural gas pipelines servicing the Gulf Coast, Northeast, Mid-Atlantic and Southeastern markets.

"Southern Pines is a best-in-class storage facility with an exceptionally strong construction and operational track record," said Robb Turner, co-founder and Senior Partner of ArcLight. "Its long-term contract portfolio provides a predictable and growing cash flow profile, and its strategic location and multiple pipeline interconnections create a favorable competitive advantage relative to other storage developments."

PNG has arranged financing of \$800 million to fund the purchase price and the first 18 months of expected expansion capital. This financing is composed of \$600 million of equity, approximately \$262 million of which will be provided by a private placement of PNG units. Plains All American will provide the remaining \$338 million of equity capital, including the 2% general partner contribution, and will also provide \$200 million of debt financing to PNG.

Credit Suisse Securities (USA) LLC acted as financial advisor to SG Resources.

About ArcLight Capital Partners

ArcLight Capital Partners, LLC is a leading energy investment firm with more than \$6.8 billion of capital under management. Founded in 2001, ArcLight has its headquarters in Boston, with offices in New York City, London, and Luxembourg. ArcLight has substantial experience throughout the natural gas midstream sector, including the development, construction and ownership of gas storage facilities.