ATLAS PIPELINE PARTNERS LP
Form S-3
October 10, 2007
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As filed with the Securities and Exchange Commission on October 10, 2007

Registration No. 333______

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ATLAS PIPELINE PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**23-3011077** **(I.R.S. Employer Identification No.)**

Westpointe Corporate Center One

1550 Coraopolis Heights Road

Moon Township, PA 15108

(412) 262-2830

(Address, including zip code, and telephone number, including area code, of

registrant s principal executive office)

Michael L. Staines

Atlas Pipeline Partners GP, LLC

Westpointe Corporate Center One

1550 Coraopolis Heights Road

Moon Township, PA 15108

(412) 262-2830

(Address, including zip code, and telephone number, including area code, of

agent for service)

Please send copies of communications to:

Lisa A. Ernst, Esq.

Ledgewood

1900 Market Street, Suite 750

Philadelphia, PA 19103

(215) 731-9450

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or reinvestment plans, please check the following box: ¨

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ¨

If this form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ¨

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit(1)	Proposed maximum aggregate offering price	Amount of registration fee
Common units representing limited partner interests	27,269,201	$45.85	$1,250,292,866	$38,384

(1) Estimated solely for the purpose of computing the amount of the registration fee in accordance with Rule 457(c) of the Securities Act of 1933, based upon the average of the high and low prices on the New York Stock Exchange on October 4, 2007.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 10, 2007

PROSPECTUS

27,269,201 Common Units

ATLAS PIPELINE PARTNERS, L.P.

This prospectus relates to the sale of up to 27,269,201 common units representing limited partner interests for the account of the selling unitholders named in this prospectus. The common units may be sold in the open market, on the New York Stock Exchange, in privately negotiated transactions or a combination of these methods. We will not receive any of the proceeds from the sale of the common units covered by this prospectus.

Our common units are quoted on the New York Stock Exchange under the symbol APL. The last reported sales price of our common units was $46.99 per unit on October 9, 2007.

Investing in our common units involves risks. You should carefully consider the risks described under Risk Factors beginning on page 4 of this prospectus before you make an investment in our securities.

Our principal executive offices are located at Westpointe Corporate Center One, 1550 Coraopolis Heights Road, Moon Township, PA 15108. Our telephone number is (412) 262-2830.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Prospectus dated __________, 2007

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No dealer, salesperson or other individual has been authorized to give any information or make any representations not contained in this prospectus in connection with the offering made by this prospectus. If given or made, such information or representations must not be relied upon as having been authorized by us. This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of our securities in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this prospectus or in the affairs of our company since the date hereof.

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GUIDE TO READING THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process or continuous offering process. Under this shelf registration process, the selling unitholders may, from time to time, sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities which may be offered by the selling unitholders. Additional information, including our financial statements and the notes thereto, is incorporated in this prospectus by reference to our reports filed with the SEC. See Where You Can Find More Information. You are urged to read this prospectus, including the Risk Factors, and our SEC reports in their entirety.

The following information should help you understand some of the terms used in this prospectus. Unless the context indicates otherwise:

- the terms the Partnership, we, our and us refer to Atlas Pipeline Partners, L.P. and its subsidiaries;
- the term our general partner refers to Atlas Pipeline Partners GP, LLC;
- we refer to natural gas liquids, such as ethane, propane, normal butane, isobutane and natural gasoline, as NGLs ; and
- we refer to the Federal Energy Regulatory Commission as FERC.

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INFORMATION ABOUT ATLAS PIPELINE PARTNERS, L.P.

We are a publicly-traded midstream energy services provider engaged in the transmission, gathering and processing of natural gas. We are a leading provider of natural gas gathering services in the Anadarko, Arkoma, Golden Trend and Permian Basins in the southwestern and mid-continent United States, and the Appalachian Basin in the eastern United States. In addition, we provide natural gas processing and treatment services in Oklahoma and Texas. We also provide interstate gas transmission services in southeast Oklahoma, Arkansas and southeast Missouri. We conduct our business through two operating segments: our Mid-Continent operations and our Appalachian operations.

We own and operate through our Mid-Continent operations:

- a Federal Energy Regulatory Commission, or FERC, -regulated, 565-mile interstate pipeline system, which we refer to as Ozark Gas Transmission, that extends from southeastern Oklahoma through Arkansas and into southeastern Missouri;
- three natural gas processing plants and one treating facility, each located in Oklahoma; and
- 1,900 miles of active natural gas gathering systems located in Oklahoma, Arkansas, northern Texas and the Texas panhandle, which transport gas from wells and central delivery points in the Mid-Continent region to our natural gas processing plants or Ozark Gas Transmission.

In addition, as a result of our recent acquisitions from Anadarko Petroleum Corporation, described below under Recent Developments we also operate the following:

- The Chaney Dell system is located in northwest Oklahoma and southern Kansas, near the center of the Anadarko Basin. This system consists of two active processing facilities:
  - the Waynoka plant, a 200 Mmcf/d cryogenic unit in Woods County, OK;
  - the Chester plant, a 30 Mmcf/d cryogenic expander unit in Woodward County, OK; and
  - approximately 3,470 miles of gathering pipeline covering six counties in the Anadarko Basin across northwestern Oklahoma and southern Kansas.
- The Midkiff/Benedum system is located in the Spraberry Trend of the Permian Basin, near Midland, Texas. This system consists of the following:
  - the Midkiff plant, a 130 Mmcf/d cryogenic facility in Reagan County, TX;
  - the Benedum plant, a 43 Mmcf/d cryogenic facility in Upton County, TX; and
  - approximately 2,500 miles of gathering pipeline located across four counties in the Permian Basin of west Texas.

Through our Appalachian operations, we own and operate 1,600 miles of intrastate natural gas gathering systems in eastern Ohio, western New York and western Pennsylvania. Through an omnibus agreement and other agreements between us and Atlas America, Inc. (NASDAQ: ATLS) and its affiliates, including Atlas Energy Resources, LLC (NYSE: ATN), a leading sponsor of natural gas drilling investment partnerships in the Appalachian Basin, we

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gather substantially all of the natural gas for our Appalachian Basin operations from wells operated by Atlas Energy. Among other things, the omnibus agreement requires Atlas Energy to connect to our gathering systems wells it operates that are located within 2,500 feet of our gathering systems. We are also party to natural gas gathering agreements with Atlas America and Atlas Energy under which we receive gathering fees, generally equal to a percentage, typically 16%, of the selling price of the natural gas we transport.

Our principal executive offices are located at Westpointe Corporate Center One, 1550 Coraopolis Heights Road, Moon Township, PA 15108 and our telephone number is (412) 262-2830.

Our website is www.atlaspipelinepartners.com. The information found on, or otherwise accessible through, our website is not incorporated into, and does not form a part of, this prospectus or any other report or document we file with or furnish to the SEC.

Recent Developments

On July 27, 2007, we acquired control of the 100% interest in natural gas gathering systems and processing plants known as the Chaney Dell system and the approximate 73% interest in natural gas gathering systems and processing plants known as the Midkiff/Benedum system from Western Gas Resources, Inc. and Western Gas Resources Westana, Inc., subsidiaries of Anadarko Petroleum Corporation, which we refer to collectively as Anadarko.

We effected the acquisition by the formation of two joint venture companies, to which we contributed $1.85 billion and Anadarko contributed the respective systems. Available cash generated from the two joint venture companies will be distributed 95% to us and 5% to Anadarko. Anadarko s member interest in the joint ventures is required to be redeemed not later than July 27, 2037, and Anadarko may demand redemption at any time after July 27, 2022. Anadarko will also receive a loan from the joint ventures in an amount equal to our cash contribution and give the joint ventures a note which matures on July 27, 2042.

In connection with this acquisition, we reached an agreement with Pioneer Natural Resources Company (NYSE: PXD), which currently holds an approximate 27.2% interest in the Midkiff/Benedum system, whereby Pioneer will have an option to buy up to an additional 14.6% interest in the Midkiff/Benedum system on June 15, 2008, and up to an additional 7.4% interest on June 15, 2009 for an aggregate of $230.0 million, subject to adjustment. If Pioneer fully exercises its option, it would increase its interest in the system to approximately 49.2%. We will manage and control the Midkiff/Benedum system regardless of whether Pioneer exercises the purchase option.

We funded a portion of our contributions to the two joint ventures in part from an $830.0 million senior secured term loan which matures in July 2014 and a new $300.0 million senior secured revolving credit facility that matures in July 2013. Borrowings under the credit facility are secured by a lien on and security interest in all of our property and that of our subsidiaries, except for the Chaney Dell and Midkiff/Benedum systems, and by the guaranty of each of our subsidiaries other than the two joint ventures. Mandatory prepayments of the credit facility are required from the net cash proceeds of debt or equity issuances and of dispositions of assets that exceed $50.0 million in the aggregate in any fiscal year that are not reinvested in replacement assets within 360 days. The credit agreement contains standard representations and covenants for facilities of this type, including covenants to maintain specified financial ratios. The events which constitute an event of default are also customary for loans of this size,

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including payment defaults, breaches of representations or covenants, adverse judgments in excess of a specified amount and a change of control. Occurrence of an event of default allows the lenders to accelerate the payment of the loans and terminate the commitments to lend.

Also on July 27, 2007, we also completed a private placement of 25,568,175 common units, at an aggregate offering price of $1,125 million. We paid UBS Securities LLC placement agent fees of $9.56 million. Atlas Pipeline Holdings, L.P., the parent of our general partner, purchased 3,835,227 of the common units. The common units were issued and sold in a private transaction exempt from registration under Section 4(2) of the Securities Act of 1933, as amended. We used the net cash proceeds of the private placement to fund a portion of our contributions to the two joint ventures. In connection with the private placement, we agreed to file this registration statement with the SEC covering the common units issued in the private placement.

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RISK FACTORS

You should consider the following risk factors together with all of the other information included in this prospectus in evaluating an investment in our securities. If any of the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our securities could decline and you may lose some or all of your investment.

Risks Relating to Our Business

The amount of cash we generate depends in part on factors beyond our control.

The amounts of cash that we generate may not be sufficient for us to pay distributions at our current or any other level of distribution. Our ability to make cash distributions depends primarily on our cash flow. Cash distributions do not depend directly on our profitability, which is affected by non-cash items. Therefore, cash distributions may be made during periods when we record losses and may not be made during periods when we record profits. The actual amounts of cash we generate will depend upon numerous factors relating to our business which may be beyond our control, including:

- the demand for and price of natural gas and NGLs;
- the volume of natural gas we transport;
- expiration of significant contracts;
- continued development of wells for connection to our gathering systems;
- the availability of local, intrastate and interstate transportation systems;
- the expenses we incur in providing our gathering services;
- the cost of acquisitions and capital improvements;
- our issuance of equity securities;
- required principal and interest payments on our debt;
- fluctuations in working capital;
- prevailing economic conditions;
- fuel conservation measures;

- alternate fuel requirements;
- government regulation and taxation; and
- technical advances in fuel economy and energy generation devices.

In addition, the actual amount of cash that we will have available for distribution will depend on other factors, including:

- the level of capital expenditures we make;
- the sources of cash used to fund our acquisitions;

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- our debt service requirements and requirements to pay dividends on our outstanding preferred units, and restrictions on distributions contained in our current or future debt agreements; and

- the amount of cash reserves established by our general partner for the conduct of our business.

We cannot borrow under our credit facility to pay distributions of available cash to unitholders because such borrowings would not constitute working capital borrowings under our partnership agreement. Because we cannot borrow money to pay distributions unless we establish a facility that meets the definition contained in our partnership agreement, our ability to pay a distribution in any quarter is solely dependent on our ability to generate sufficient operating surplus with respect to that quarter.

Our financial and operating performance may fluctuate significantly from quarter to quarter. We may be unable to continue to generate sufficient cash flow to make distributions to our unitholders or to meet our working capital, capital expenditure or debt service requirements. If we are unable to do so, we may be required to sell assets or equity, reduce capital expenditures, refinance all or a portion of our existing indebtedness or obtain additional financing. We may be unable to do so on acceptable terms, or at all.

The scope and costs of the risks involved in making acquisitions may prove greater than estimated at the time of the acquisition.

Any acquisition involves potential risks, including, among other things:

- the risk that reserves expected to support the acquired assets may not be of the anticipated magnitude or may not be developed as anticipated;

- mistaken assumptions about revenues and costs, including synergies;

- significant increases in our indebtedness and working capital requirements;

- an inability to integrate successfully or timely the businesses we acquire;

- the assumption of unknown liabilities;

- limitations on rights to indemnity from the seller;

- the diversion of management s attention from other business concerns;

- increased demands on existing personnel;

- customer or key employee losses at the acquired businesses; and

- the failure to realize expected growth or profitability.

The scope and cost of these risks may ultimately be materially greater than estimated at the time of the acquisition. Further, our future acquisition costs may be higher than those we have achieved historically. Any of these factors could adversely impact our future growth and our ability to increase distributions.

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We have significant indebtedness under our credit facility. Our credit facility has substantial restrictions and financial covenants and we may have difficulty obtaining additional credit, which could adversely affect our operations and our ability to pay distributions to our unitholders.

We have significant indebtedness under our credit facility. As of August 31, 2007, we had approximately $10.0 million outstanding under our revolving credit facility. As a result of our indebtedness, we will use a portion of our cash flow to pay interest and principal when due, which will reduce the cash available to finance our operations and other business activities and could limit our flexibility in planning for or reacting to changes in our business and the industry in which we operate. The amount of our indebtedness may also cause us to be more vulnerable to economic downturns and adverse developments in our business. Our ability to access the capital markets to raise capital on favorable terms will be affected by our debt level and by adverse market conditions resulting from, among other things, general economic conditions, contingencies and uncertainties that are difficult to predict and impossible to control. Such a development could adversely affect our ability to obtain financing for working capital, capital expenditures or acquisitions or to refinance existing indebtedness.

We depend on our credit facility for future capital needs. The credit facility restricts our ability to obtain additional financing, make investments, lease equipment, sell assets and engage in business combinations. We also are required to comply with certain financial covenants and ratios. Our ability to comply with these restrictions and covenants in the future is uncertain and will be affected by the levels of cash flow from our operations and events or circumstances beyond our control. Our failure to comply with any of the restrictions and covenants under our credit facility could result in a default under our credit facility, which could cause all of our existing indebtedness to be immediately due and payable.

Our profitability is affected by the volatility of prices for natural gas and NGL products.

We derive a majority of our gross margin from percentage-of-proceeds and keep-whole contracts. As a result, our income depends to a significant extent upon the prices at which we buy and sell natural gas and at which we sell natural gas liquids, or NGLs, and condensate. A 10% change in the average price of NGLs, natural gas and condensate we process and sell would result in a change to our consolidated income for the year ended December 31, 2007 of approximately $5.3 million. Additionally, changes in natural gas prices may indirectly impact our profitability since prices can influence drilling activity and well operations and thus the volume of gas we gather and process. Historically, the price of both natural gas and NGLs has been subject to significant volatility in response to relatively minor changes in the supply and demand for natural gas and NGL products, market uncertainty and a variety of additional factors beyond our control, including those we describe in The amount of cash we generate depends in part on factors beyond our control, above. We expect this volatility to continue. This volatility may cause our gross margin and cash flows to vary widely from period to period. Our hedging strategies may not be sufficient to offset price volatility risk and, in any event, do not cover all of the throughput volumes. Moreover, hedges are subject to inherent risks, which we describe in Our hedging strategies may fail to protect us and could reduce our gross margin and cash flow.

The amount of natural gas we transport will decline over time unless we are able to attract new wells to connect to our gathering systems.

Production of natural gas from a well generally declines over time until the well can no longer economically produce natural gas and is plugged and abandoned. Failure to connect new wells to our gathering systems could, therefore, result in the amount of natural gas we transport reducing substantially over time and could, upon exhaustion of the current wells, cause us to abandon one or more of our gathering systems and, possibly, cease operations. The primary factors affecting our ability to connect new supplies of natural gas to our gathering systems include our success in contracting for existing wells that are not committed to other systems, the level of drilling activity near our gathering systems and, in the Mid-Continent region, our ability to attract natural gas producers away from our competitors gathering systems. Over time, fluctuations in energy prices can greatly affect production rates and investments by third parties in the development of new oil and natural gas reserves. Drilling activity generally decreases as oil and natural gas prices decrease. We have no control over the level of drilling activity in our service areas, the amount of reserves underlying wells that connect to our systems and the rate at which production from a well will decline. In addition, we have no control over producers or their production decisions, which are affected by, among other things, prevailing and projected energy prices, demand for hydrocarbons, the level of reserves, geological considerations, governmental regulation and the availability and cost of capital. Because our operating costs are fixed to a significant degree, a reduction in the natural gas volumes we transport or process would result in a reduction in our gross margin and cash flows.

The success of our Mid-Continent operations depends upon our ability to continually find and contract for new sources of natural gas supply from unrelated third parties.

Unlike our Appalachian operations, none of the drillers or operators in our Mid-Continent service area is an affiliate of ours. Moreover, our agreements with most of the drillers and operators with which our Mid-Continent operations do business do not require them to dedicate significant amounts of undeveloped acreage to our systems. As a result, we do not have assured sources to provide us with new wells to connect to our Mid-Continent gathering systems. Failure to connect new wells to our Mid-Continent operations will, as described in The amount of natural gas we transport will decline over time unless we are able to attract new wells to connect to our gathering systems, above, reduce our gross margin and cash flows.

Our Mid-Continent operations currently depend on certain key producers for their supply of natural gas; the loss of any of these key producers could reduce our revenues.

During 2007, Chesapeake Energy Corporation, Kaiser-Francis Oil Company, Burlington Resources Inc., St. Mary Land and Exploration Company, Sanguine Gas Exploration, LLC and Pioneer supplied our Mid-Continent systems with a majority of their natural gas supply. If these producers reduce the volumes of natural gas that they supply to us, our gross margin and cash flows would be reduced unless we obtain comparable supplies of natural gas from other producers.

The curtailment of operations at, or closure of, any of our processing plants could harm our business.

If operations at any of our processing plants were to be curtailed, or closed, whether due to accident, natural catastrophe, environmental regulation or for any other reason, our ability to process natural gas from the relevant gathering system and, as a result, our ability to extract and sell NGLs, would be harmed. If this curtailment or stoppage were to extend for more than a short period, our gross margin and cash flows would be materially reduced.

We may face increased competition in the future in our Mid-Continent service areas.

Our Mid-Continent operations may face competition for well connections. Duke Energy Field Services, LLC, ONEOK, Inc., Carrera Gas Company, Cimmarron Transportation, LLC and Enogex, Inc. operate competing gathering systems and processing plants in our Velma service area. In our Elk City and Sweetwater service area, ONEOK Field Services, Eagle Rock Midstream Resources, L.P., Enbridge Energy Partners, L.P., CenterPoint Energy, Inc. and Enogex Inc. operate competing gathering systems and processing plants. CenterPoint Energy, Inc. s interstate system is the nearest direct competitor to our Ozark Gas Transmission system. CenterPoint and Hiland Partners operate competing gathering systems in Ozark Gas Gathering s service area. Hiland Partners, DCP Midstream, Mustang Fuel Corporation and ONEOK Partners operate competing gathering systems and processing plants in our Chaney Dell service area. DCP Midstream, J.L. Davis, and Targa Resources operate competing gathering systems and processing plants in our Midkiff/Benedum service area. Some of our competitors have greater financial and other resources than we do. If these companies become more active in our Mid-Continent service areas, we may not be able to compete successfully with them in securing new well connections or retaining current well connections. If we do not compete successfully, the amount of natural gas we transport, process and treat will decrease, reducing our gross margin and cash flows.

The amount of natural gas we transport, treat or process may be reduced if the public utility and interstate pipelines to which we deliver gas cannot or will not accept the gas.

Our gathering systems principally serve as intermediate transportation facilities between sales lines from wells connected to our systems and the public utility or interstate pipelines to which we deliver natural gas. If one or more of these pipelines has service interruptions, capacity limitations or otherwise does not accept the natural gas we transport, and we cannot arrange for delivery to other pipelines, local distribution companies or end users, the amount of natural gas we transport may be reduced. Since our revenues depend upon the volumes of natural gas we transport, this could result in a material reduction in our gross margin and cash flows.

The amount of natural gas we transport, treat or process may be reduced if the natural gas liquids pipelines to which we deliver NGLs cannot or will not accept the gas.

If one or more of the pipelines to which we deliver NGLs has service interruptions, capacity limitations or otherwise does not accept the NGLs we sell to or transport on, and we cannot arrange for delivery to other pipelines, the amount of NGLs we sell or transport may be reduced. Since our revenues depend upon the volumes of NGLs we sell or transport, this could result in a material reduction in our gross margin and cash flows.

We may be unsuccessful in integrating the operations from our recent acquisitions or any future acquisitions with our operations and in realizing all of the anticipated benefits of these acquisitions.

We acquired our interest in the Chaney Dell and Midkiff/Benedum systems in July 2007 and are currently in the process of integrating their operations with ours. We also have an active, on-going program to identify other potential acquisitions. The integration of previously independent operations with ours can be a complex, costly and time-consuming process. The difficulties of combining the Chaney Dell and Midkiff/Benedum systems, as well as any operations we may acquire in the future, with us include, among other things:

- operating a significantly larger combined entity;

the necessity of coordinating geographically disparate organizations, systems and facilities;

integrating personnel with diverse business backgrounds and organizational cultures;

consolidating operational and administrative functions;

integrating internal controls, compliance under Sarbanes-Oxley Act of 2002 and other corporate governance matters;

the diversion of management s attention from other business concerns;

customer or key employee loss from the acquired businesses;

a significant increase in our indebtedness; and

potential environmental or regulatory liabilities and title problems.

The process of combining companies or the failure to integrate them successfully could harm our business or future prospects, and result in significant decreases in our gross margin and cash flows.

The acquisitions of our interests in the Chaney Dell and Midkiff/Benedum systems have substantially changed our business, making it difficult to evaluate our business based upon our historical financial information.

The acquisitions of our interests in the Chaney Dell and Midkiff/Benedum systems have significantly increased our size and substantially redefined our business plan, expanded our geographic market and resulted in large changes to our revenues and expenses. As a result of these acquisitions, and our continued plan to acquire and integrate additional companies that we believe present attractive opportunities, our financial results for any period or changes in our results across periods may continue to dramatically change. Our historical financial results, therefore, should not be relied upon to accurately predict our future operating results, thereby making the evaluation of our business more difficult.

The success of our Appalachian operations depends upon Atlas Energy Resources, LLC s ability to drill and complete commercial producing wells.

Substantially all of the wells we connect to our gathering systems in our Appalachian service area are drilled and operated by Atlas Energy Resources, LLC for drilling investment partnerships sponsored by it. As a result, our Appalachian operations depend principally upon the success of Atlas Energy in sponsoring drilling investment partnerships and completing wells for these partnerships. Atlas Energy operates in a highly competitive environment for acquiring undeveloped leasehold acreage and attracting capital. Atlas Energy may not be able to compete successfully in the future in acquiring undeveloped leasehold acreage or in raising additional capital through its drilling investment partnerships. Furthermore, Atlas Energy is not required to connect wells for which it is not the operator to our gathering systems. If Atlas Energy cannot or does not continue to sponsor drilling investment partnerships, if the amount of money raised by those partnerships decreases, or if the number of wells actually drilled and completed as commercially producing wells decreases, the amount of natural gas transported by our Appalachian gathering systems would substantially decrease and could, upon exhaustion of the wells currently connected to our gathering systems, cause us to abandon one or more of our Appalachian gathering systems, thereby materially reducing our gross margin and cash flows.

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The failure of Atlas Energy to perform its obligations under our natural gas gathering agreements with it may adversely affect our business.

Substantially all of our Appalachian operating system revenues currently consist of the fees we receive under the master natural gas gathering agreement and other transportation agreements we have with Atlas Energy and its affiliates. We expect to derive a material portion of our gross margin from the services we provide under our contracts with Atlas Energy for the foreseeable future. Any factor or event adversely affecting Atlas Energy s business or its ability to perform under its contracts with us or any default or nonperformance by Atlas Energy of its contractual obligations to us, could reduce our gross margin and cash flows.

Due to our lack of asset diversification, negative developments in our operations would reduce our ability to make distributions to our unitholders.

We rely exclusively on the revenues generated from our transportation, gathering and processing operations, and as a result, our financial condition depends upon prices of, and continued demand for, natural gas and NGLs. Due to our lack of asset-type diversification, a negative development in one of these businesses would have a significantly greater impact on our financial condition and results of operations than if we maintained more diverse assets.

Our construction of new assets may not result in revenue increases and is subject to regulatory, environmental, political, legal and economic risks, which could impair our results of operations and financial condition.

One of the ways we may grow our business is through the construction of new assets, such as the Sweetwater plant. The construction of additions or modifications to our existing systems and facilities, and the construction of new assets, involve numerous regulatory, environmental, political and legal uncertainties beyond our control and require the expenditure of significant amounts of capital. Any projects we undertake may not be completed on schedule at the budgeted cost, or at all. Moreover, our revenues may not increase immediately upon the expenditure of funds on a particular project. For instance, if we expand a gathering system, the construction may occur over an extended period of time, and we will not receive any material increase in revenues until the project is completed. Moreover, we may construct facilities to capture anticipated future growth in production in a region in which growth does not materialize. Since we are not engaged in the exploration for and development of natural gas reserves, we often do not have access to estimates of potential reserves in an area before constructing facilities in the area. To the extent we rely on estimates of future production in our decision to construct additions to our systems, the estimates may prove to be inaccurate because there are numerous uncertainties inherent in estimating quantities of future production. As a result, new facilities may not be able to attract enough throughput to achieve our expected investment return, which could impair our results of operations and financial condition. In addition, our actual revenues from a project could materially differ from expectations as a result of the price of natural gas, the NGL content of the natural gas processed and other economic factors described in this section.

We recently completed construction of our Sweetwater natural gas processing plant, from which we expect to generate additional incremental cash flow. We also continue to expand the natural gas gathering system surrounding Sweetwater in order to maximize its plant throughput.

In addition to the risks discussed above, expected incremental revenue from the Sweetwater natural gas processing plant could be reduced or delayed due to the following reasons:

- difficulties in obtaining equity or debt financing for additional construction and operating costs;
- difficulties in obtaining permits or other regulatory or third-party consents;
- additional construction and operating costs exceeding budget estimates;
- revenue being less than expected due to lower commodity prices or lower demand;
- difficulties in obtaining consistent supplies of natural gas; and
- terms in operating agreements that are not favorable to us.

If we are unable to obtain new rights-of-way or the cost of renewing existing rights-of-way increases, then we may be unable to fully execute our growth strategy and our cash flows could be reduced.

The construction of additions to our existing gathering assets may require us to obtain new rights-of-way before constructing new pipelines. We may be unable to obtain rights-of-way to connect new natural gas supplies to our existing gathering lines or capitalize on other attractive expansion opportunities. Additionally, it may become more expensive for us to obtain new rights-of-way or to renew existing rights-of-way. If the cost of obtaining new rights-of-way or renewing existing rights-of-way increases, then our cash flows could be reduced.

Regulation of our gathering operations could increase our operating costs, decrease our revenues, or both.

Currently our gathering and processing of natural gas is exempt from regulation under the Natural Gas Act of 1938. However, the implementation of new laws or policies, or interpretations of existing laws, could subject us to regulation by FERC under the Natural Gas Act, the Natural Gas Policy Act, or other laws enacted after the date of this prospectus. Any such regulation would increase our costs, decrease our gross margin and cash flows, or both.

Nonetheless, FERC regulation will still affect our business and the market for our products. FERC s policies and practices affect a range of our natural gas pipeline activities, including, for example, its policies on open access transportation, ratemaking, capacity release, environmental protection and market center promotion, which indirectly affect intrastate markets. In recent years, FERC has pursued pro-competitive policies in its regulation of interstate natural gas pipelines. However, we cannot assure you that FERC will continue this approach as it considers matters such as pipeline rates and rules and policies that may affect rights of access to natural gas transportation capacity.

Since federal law generally leaves any economic regulation of natural gas gathering to the states, state and local regulations may also affect our business. Matters subject to such regulation include access, rates, terms of service and safety. For example, our gathering lines are subject to ratable take, common purchaser, and similar statutes in one or more jurisdictions in which we operate. Common purchaser statutes generally require gatherers to purchase without undue discrimination as to source of supply or producer, while ratable take statutes generally require gatherers to take, without undue discrimination, natural gas production that may be tendered to the gatherer for handling. Texas and Oklahoma have adopted complaint-based

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regulation of natural gas gathering activities, which allows natural gas producers and shippers to file complaints with state regulators in an effort to resolve grievances relating to natural gas gathering access and discrimination with respect to rates or terms of service. Should a complaint be filed or regulation by the Texas Railroad Commission or Oklahoma Corporation Commission become more active, our revenues could decrease. Any of these laws may restrict our right as an owner of gathering facilities to decide with whom we contract to purchase or transport natural gas.

Increased regulatory requirements relating to the integrity of the Ozark Gas Transmission pipeline and our other assets could require us to spend additional money to comply with these requirements. In particular, Ozark Gas Transmission is subject to extensive laws and regulations related to pipeline integrity. Federal legislation signed into law in December 2002 includes guidelines for the U.S. Department of Transportation and pipeline companies in the areas of testing, education, training and communication. Compliance with existing and recently enacted regulations requires significant expenditures. Additional laws and regulations that may be enacted in the future, such as U.S. Department of Transportation implementation of additional hydrostatic testing requirements, could significantly increase the amount of these expenditures.

Ozark Gas Transmission is subject to FERC rate-making policies that could have an adverse impact on our ability to establish rates that would allow us to recover the full cost of operating the pipeline.

Rate-making policies by FERC could affect Ozark Gas Transmission s ability to establish rates, or to charge rates that would cover future increases in its costs, or even to continue to collect rates that cover current costs. Natural gas companies may only charge rates that have been determined to be just and reasonable by FERC. The rates, terms and conditions of service provided by natural gas companies are required to be on file with FERC in FERC-approved tariffs. Pursuant to FERC s jurisdiction over rates, existing rates may be challenged by complaint and proposed rate increases may be challenged by protest. We cannot assure you that FERC will continue to pursue its approach of pro-competitive policies as it considers matters such as pipeline rates and rules and policies that may affect rights of access to natural gas capacity and transportation facilities. Any successful complaint or protest against Ozark Gas Transmission s rates could reduce our revenues associated with providing transmission services. We cannot assure you that we will be able to recover all of Ozark Gas Transmission s costs through existing or future rates.

Ozark Gas Transmission is subject to regulation by FERC in addition to FERC rules and regulations related to the rates it can charge for its services.

FERC s regulatory authority also extends to:

- operating terms and conditions of service;
- the types of services Ozark Gas Transmission s may offer to its customers;
- construction of new facilities;
- acquisition, extension or abandonment of services or facilities;
- accounts and records; and
- relationships with affiliated companies involved in all aspects of the natural gas and energy businesses.

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FERC action in any of these areas or modifications of its current regulations can impair Ozark Gas Transmission s ability to compete for business, the costs it incurs in its operations, the construction of new facilities or its ability to recover the full cost of operating its pipeline. For example, revisions to interstate gas quality standards by FERC could create two distinct markets for natural gas an interstate market subject to minimum quality standards and an intrastate market with different minimum quality standards. Such a bifurcation of markets could make it difficult for our pipelines to compete in both markets or to attract certain gas supplies away from the intrastate market. The time FERC takes to approve the construction of new facilities could raise the costs of our projects to the point where they are no longer economic.

FERC has authority over the terms and conditions of interstate pipeline services. Under FERC s open access requirements, service generally must be undertaken pursuant to the terms and conditions of the pipeline s open access tariff. Contracts for such services that deviate in a material manner from a pipeline s tariff must be filed for approval by FERC or, alternatively, the pipeline must amend its generally available tariff to include the deviating terms, thereby offering it to all shippers. If FERC audits a pipeline s contracts and finds deviations that appear to be unduly discriminatory, FERC could conduct a formal enforcement investigation, resulting in serious penalties and/or onerous ongoing compliance obligations.

Should Ozark Gas Transmission fail to comply with all applicable FERC administered statutes, rules, regulations and orders, it could be subject to substantial penalties and fines. Under the recently enacted Energy Policy Act of 2005, FERC has civil penalty authority under the Natural Gas Act to impose penalties for current violations of up to $1,000,000 per day for each violation.

Finally, we cannot give any assurance regarding the likely future regulations under which we will operate Ozark Gas Transmission or the effect such regulation could have on our business, financial condition, and results of operations.

Compliance with pipeline integrity regulations issued by the DOT and state agencies could result in substantial expenditures for testing, repairs and replacement.

DOT and state agency regulations require pipeline operators to develop integrity management programs for transportation pipelines located in high consequence areas. The regulations require operators to:

- perform ongoing assessments of pipeline integrity;
- identify and characterize applicable threats to pipeline segments that could impact a high consequence area;
- improve data collection, integration and analysis;
- repair and remediate the pipeline as necessary; and
- implement preventative and mitigating actions.

We do not believe that the cost of implementing integrity management program testing along certain segments of our pipeline will have a material effect on our results of operations. This does not include the costs, if any, of any repair, remediation, preventative or mitigating actions that may be determined to be necessary as a result of the testing program, which costs could be substantial.

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Our midstream natural gas operations may incur significant costs and liabilities resulting from a failure to comply with new or existing environmental regulations or a release of hazardous substances into the environment.

The operations of our gathering systems, plant and other facilities are subject to stringent and complex federal, state and local environmental laws and regulations. These laws and regulations can restrict or impact our business activities in many ways, including restricting the manner in which we dispose of substances, requiring remedial action to remove or mitigate contamination, and requiring capital expenditures to comply with control requirements. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements, and the issuance of orders enjoining future operations. Certain environmental statutes impose strict, joint and several liability for costs required to clean up and restore sites where substances and wastes have been disposed or otherwise released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of substances or wastes into the environment.

There is inherent risk of the incurrence of environmental costs and liabilities in our business due to our handling of natural gas and other petroleum products, air emissions related to our operations, historical industry operations including releases of substances into the environment, and waste disposal practices. For example, an accidental release from one of our pipelines or processing facilities could subject us to substantial liabilities arising from environmental cleanup, restoration costs and natural resource damages, claims made by neighboring landowners and other third parties for personal injury and property damage, and fines or penalties for related violations of environmental laws or regulations. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase our compliance costs and the cost of any remediation that may become necessary. We may not be able to recover some or any of these costs from insurance.

Limitations on our access to capital or the market for our common units will impair our ability to execute our growth strategy.

Our ability to raise capital for acquisitions and other capital expenditures depends upon ready access to the capital markets. Historically, we have financed our acquisitions, and to a much lesser extent, expansions of our gathering systems by bank credit facilities and the proceeds of public and private equity offerings of our common units and preferred units of our operating partnership. If we are unable to access the capital markets, we may be unable to execute our strategy of growth through acquisitions.

We may issue additional units, which may increase the risk of not having sufficient available cash to maintain or increase our per unit distribution level.

We have wide discretion to issue additional units, including units that rank senior to our common units as to quarterly cash distributions, on the terms and conditions established by our general partner. The payment of distributions on these additional units may increase the risk that we will not be able to maintain or increase our per unit distribution level. To the extent new units are senior to our common units, their issuance will increase the uncertainty of the payment of distributions on the common units.

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Our hedging strategies may fail to protect us and could reduce our gross margin and cash flow.

We pursue various hedging strategies to seek to reduce our exposure to losses from adverse changes in the prices for natural gas, condensate and NGLs. Our hedging activities will vary in scope based upon the level and volatility of natural gas, condensate and NGL prices and other changing market conditions. Our hedging activity may fail to protect or could harm us because, among other things:

- hedging can be expensive, particularly during periods of volatile prices;
- available hedges may not correspond directly with the risks against which we seek protection;
- the duration of the hedge may not match the duration of the risk against which we seek protection; and
- the party owing money in the hedging transaction may default on its obligation to pay.

Litigation or governmental regulation relating to environmental protection and operational safety may result in substantial costs and liabilities.

Our operations are subject to federal and state environmental laws under which owners of natural gas pipelines can be liable for clean-up costs and fines in connection with any pollution caused by their pipelines. We may also be held liable for clean-up costs resulting from pollution which occurred before our acquisition of the gathering systems. In addition, we are subject to federal and state safety laws that dictate the type of pipeline, quality of pipe protection, depth, methods of welding and other construction-related standards. Any violation of environmental, construction or safety laws could impose substantial liabilities and costs on us.

We are also subject to the requirements of the Occupational Health and Safety Act, or OSHA, and comparable state statutes. Any violation of OSHA could impose substantial costs on us.

We cannot predict whether or in what form any new legislation or regulatory requirements might be enacted or adopted, nor can we predict our costs of compliance. In general, we expect that new regulations would increase our operating costs and, possibly, require us to obtain additional capital to pay for improvements or other compliance action necessitated by those regulations.

We are subject to operating and litigation risks that may not be covered by insurance.

Our operations are subject to all operating hazards and risks incidental to transporting and processing natural gas and NGLs. These hazards include:

- damage to pipelines, plants, related equipment and surrounding properties caused by floods and other natural disasters;
- inadvertent damage from construction and farm equipment;

- leakage of natural gas, NGLs and other hydrocarbons;
- fires and explosions;
- other hazards, including those associated with high-sulfur content, or sour gas, that could also result in personal injury and loss of life, pollution and suspension of operations; and
- acts of terrorism directed at our pipeline infrastructure, production facilities, transmission and distribution facilities and surrounding properties.

As a result, we may be a defendant in various legal proceedings and litigation arising from our operations. We may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for some of our insurance policies have increased substantially, and could escalate further. In some instances, insurance could become unavailable or available only for reduced amounts of coverage. For example, insurance carriers are now requiring broad exclusions for losses due to war risk and terrorist acts. If we were to incur a significant liability for which we were not fully insured, our gross margin and cash flows would be materially reduced.

Risks Related to Our Structure

Atlas America and its affiliates, including Atlas Energy, have conflicts of interest and limited fiduciary responsibilities, which may permit them to favor their own interests to the detriment of our unitholders.

Atlas America and its affiliates own and control our general partner, which also owns an 14% limited partner interest in us. We do not have any employees and rely solely on employees of Atlas America and its affiliates who serve as our agents, including all of the senior managers who operate our business. A number of officers and employees of Atlas America also own interests in us. Conflicts of interest may arise between Atlas America, our general partner and their affiliates, on the one hand, and us, on the other hand. As a result of these conflicts, our general partner may favor its own interests and the interests of its affiliates over our interests and the interests of our unitholders. These conflicts include, among others, the following situations:

- Employees of Atlas America who provide services to us also devote significant time to the businesses of Atlas America in which we have no economic interest. If these separate activities are significantly greater than our activities, there could be material competition for the time and effort of the employees who provide services to our general partner, which could result in insufficient attention to the management and operation of our business.
- Neither our partnership agreement nor any other agreement requires Atlas America to pursue a future business strategy that favors us or, apart from our agreements with Atlas America relating to our Appalachian region operations, use our assets for transportation or processing services we provide. Atlas America s directors and officers have a fiduciary duty to make these decisions in the best interests of the stockholders of Atlas America.
- Our general partner is allowed to take into account the interests of parties other than us, such as Atlas America, in resolving conflicts of interest, which has the effect of limiting its fiduciary duty to us.

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Our general partner controls the enforcement of obligations owed to us by our general partner and its affiliates, including our agreements with Atlas Energy.

Conflicts of interest with Atlas America and its affiliates, including the foregoing factors, could exacerbate periods of lower or declining performance, or otherwise reduce our gross margin and cash flows.

Cost reimbursements due our general partner may be substantial and will reduce the cash available for distributions to our unitholders.

We reimburse Atlas America, our general partner and their affiliates, including officers and directors of Atlas America, for all expenses they incur on our behalf. Our general partner has sole discretion to determine the amount of these expenses. In addition, Atlas America and its affiliates provide us with services for which we are charged reasonable fees as determined by Atlas America in its sole discretion. The reimbursement of expenses or payment of fees could adversely affect our ability to make distributions to our unitholders.

You will have very limited voting rights and ability to control management, which may diminish the price at which the common units will trade.

Unlike the holders of common stock in a corporation, you will have only limited voting rights on matters affecting our business. You will have no right to elect our general partner or its managing board on an annual or other continuing basis. The managing board of our general partner is chosen by Atlas America.

In addition, our general partner may be removed only upon the vote of the holders of at least 66 2/3% of the outstanding common units, excluding common units held by our general partner and its affiliates, and a successor general partner must be elected by a vote of the holders of at least a majority of the outstanding common units, excluding common units held by our general partner and its affiliates. Further, if any person or group, other than our general partner or its affiliates, acquires beneficial ownership of 20% or more of any class of units, that person or group will lose voting rights for all of its units. These provisions have the practical effect of making removal of our general partner difficult. Our partnership agreement requires that amendments to our partnership agreement must first be proposed or consented to by our general partner before they can be considered by unitholders. As a result, unitholders will not be able to initiate amendments to our partnership agreement not supported by our general partner. These provisions may diminish the price at which the common units trade.

Our partnership agreement contains provisions that will discourage attempts to change control of us, which may diminish the price at which the common units trade and may prevent a change of control even if doing so would be beneficial to the holders of common units.

Our partnership agreement contains provisions that may discourage a person or group from attempting to remove our general partner or otherwise seeking to change our management. As described in the immediately preceding risk factor, any person or group, other than our general partner or its affiliates, that acquires beneficial ownership of 20% or more of any class of units will lose voting rights for all of its units. In addition, if our general partner is removed under circumstances where cause does not exist and our general partner does not consent to that removal, then:

the obligations of Atlas Energy under the omnibus agreement to connect wells to our Appalachian Basin gathering systems and to provide assistance for the expansion of our Appalachian Basin gathering systems will terminate;

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- the obligations of Atlas Energy under the master natural gas gathering agreement will terminate as to any future wells drilled and completed by Atlas Energy; and

- our general partner will have the right to convert its general partner interest and incentive distribution rights into common units or receive cash in exchange for those interests.

These provisions may diminish the price at which the common units trade. These provisions may also prevent a change of control of us even if a change of control would be beneficial to the holders of the common units.

We may issue additional common units or securities senior to the common units without your approval, which would dilute existing unitholders interests.

Our general partner can cause us to issue additional common units without the approval of unitholders. We may also issue securities senior to the common units without the approval of unitholders. The issuance of additional common units or senior securities may dilute the value of the interests of the existing unitholders in our net assets and dilute the interests of unitholders in distributions by us.

Future sales of our common units may depress the price of our units.

Our general partner owns 5,476,253 of our common units which are not currently registered for public resale. We are required to register the common units for resale upon our general partner s demand if our general partner cannot sell them under Rule 144. We cannot predict the effect, if any, that future sales of our common units or the availability of units for future sales will have on the market price of our common units. Sales of substantial amounts of common units or the perception that such sales could occur could reduce the price that our common units might otherwise obtain.

Tax Risks to Common Unitholders

For a discussion of the expected material federal income tax consequences of owning and disposing of common units, see Tax Considerations in this prospectus.

The IRS could treat us as a corporation, which would substantially reduce the cash available for distribution to unitholders.

The federal income tax benefit of an investment in the common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other matter affecting us. We have, however, received an opinion of Ledgewood, counsel to us and our general partner, that we will be classified as a partnership for federal income tax purposes. Opinions of counsel are based on specific factual assumptions and are not binding on the IRS or any court.

If we were classified as a corporation for federal income tax purposes, we would pay tax on our income at the corporate tax rate, which is currently 35%. Distributions would generally be taxed again to the unitholders as corporate distributions, and no income, gains, losses or deductions would flow through to unitholders. Because a tax would be imposed upon us as an entity, the cash available for distribution to you would be substantially reduced, likely causing a substantial reduction in the value of the common units.

We cannot assure you that the law will not be changed and cause us to be treated as a corporation for federal income tax purposes or otherwise to be subject to entity-level taxation. Our partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, then specified provisions of the partnership agreement will be subject to change, including a decrease in distributions to reflect the impact of that law on us.

We may incur significant legal, accounting and related costs if the IRS challenges the federal income tax positions we take.

We have not requested a ruling from the IRS with respect to any matter affecting us. The IRS may adopt positions that differ from the conclusions of our counsel expressed in this prospectus supplement or from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain counsel s conclusions or the positions we take. A court may not concur with our conclusions. Any contest with the IRS may materially and negatively impact the market for the common units and the prices at which common units trade. In addition, the costs of any contest with the IRS, principally legal, accounting and related fees and expenses, will be borne directly or indirectly by our unitholders and our general partner.

You may be required to pay taxes on income from us even if you do not receive cash distributions.

You will be required to pay federal income taxes and, in certain cases, state and local income taxes on your allocable share of our income, whether or not you receive cash distributions from us. We cannot assure you that you will receive cash distributions equal to your allocable share of our taxable income or even equal to the tax liability to you resulting from that income. Further, you may incur a tax liability in excess of the amount of cash received upon the sale of your common units or upon our liquidation.

In prior taxable years, unitholders received cash distributions that exceeded the amount of taxable income allocated to the unitholders. This excess was partially the result of depreciation deductions, but was primarily the result of special allocations to our general partner of taxable income earned by our operating subsidiary, which caused a corresponding reduction in the amount of taxable income allocable to us. Since these special allocations increased our general partner s capital account, it will receive an increased distribution upon our liquidation and distributions to unitholders will be correspondingly reduced.

Tax gain or loss on disposition of common units could be different than expected.

Upon the sale of common units, you will recognize gain or loss equal to the difference between the amount realized and your adjusted tax basis in those common units. Prior distributions in excess of the net taxable income you were allocated for a common unit which decreased your tax basis in that common unit will, in effect, become taxable income if you sell the common unit at a price greater than your tax basis in that common unit, even if the price is less than your original cost. A substantial portion of the amount realized, whether or not

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representing gains, may be ordinary income. Furthermore, should the IRS successfully contest our conventions, including our method of allocating income and loss as between transferors and transferees, you could realize more gain on the sale of common units than would be the case under those conventions without the benefit of decreased income in prior years.

Investors, other than individuals who are U.S. residents, may have adverse tax consequences from owning units.

Investment in common units by tax-exempt entities, regulated investment companies and foreign persons raises issues unique to them. For example, virtually all of our income will be unrelated business taxable income and will be taxable to organizations exempt from federal income tax, including IRAs and other retirement plans. Distributions to foreign persons will be reduced by withholding taxes.

We treat a purchaser of common units as having the same tax benefits without regard to the actual common units purchased; the IRS may challenge this treatment which could reduce the value of the units.

Because we cannot match transferors and transferees of common units, we will take certain tax positions that may not conform with all aspects of proposed and final Treasury regulations. For example, upon a transfer of units, we treat a portion of the Section 743(b) adjustment to a common unitholder s tax basis in our assets as amortizable over the same remaining life and by the same method as the underlying assets, or nonamortizable if the underlying assets are nonamortizable. A successful IRS challenge to those conventions, including our method of amortizing Section 743(b) adjustments, could reduce the amount of tax benefits available to you. It also could affect the timing of these tax benefits or the amount of gain from your sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to your tax returns.

You will likely be subject to state and local taxes as a result of an investment in common units.

In addition to federal income taxes, you will likely be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes imposed by the various jurisdictions in which we do business or own property. You will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of the various jurisdictions in which we do business or own property. Further, you may be subject to penalties for failure to comply with those requirements. We currently own assets and do business in Arkansas, Kansas, Missouri, Ohio, Oklahoma, Pennsylvania, Texas and New York. Each of these states, except Texas, currently imposes a personal income tax. It is your responsibility to file all United States federal, state and local tax returns. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in the common units.

The sale or exchange of 50% or more of our capital and profits interests during any 12-month period will result in the termination of our partnership for federal income tax purposes.

We will be considered to have terminated for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a 12-month period. Our termination would, among other things, result in the closing of our taxable year for all unitholders and could result in a deferral of depreciation deductions allowable in computing our taxable income.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

The matters discussed or incorporated by reference in this prospectus may include forward-looking statements. These statements may be identified by the use of forward-looking terminology such as anticipate, believe, continue, could, estimate, expect, intend, may, m potential, predict, should, or will, or the negative thereof or other variations thereon or comparable terminology. In particular, statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance contained in this report are forward-looking statements.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond our control. These and other important factors may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations include:

- the volatility of natural gas prices and demand for natural gas and NGLs;
- our ability to connect new wells to our gathering systems;
- our ability to integrate newly acquired businesses with our operations;
- adverse effects of governmental and environmental regulation;
- limitations on our access to capital or on the market for our common units; and
- the strength and financial resources of our competitors.

Other factors that could cause actual results to differ from those implied by the forward-looking statements in this report are more fully described in the Risk Factors section of this prospectus. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included or incorporated by reference in this prospectus are made only as of the date hereof. We do not undertake and specifically decline any obligation to update any such statements or to publicly announce the results of any revisions to any of these statements to reflect future events or developments.

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USE OF PROCEEDS

This prospectus relates to our common units that may be offered and sold from time to time by the selling unitholders referred to in this prospectus. We will not receive any of the proceeds from the sale of the common units contemplated by this prospectus.

DESCRIPTION OF COMMON UNITS

We describe our common units under the heading Our Partnership Agreement.

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SELLING UNITHOLDERS

The selling unitholders may from time to time offer and sell any or all of the common units set forth below pursuant to this prospectus. When we refer to selling unitholders in this prospectus, we mean those persons listed in the table below, and the pledges, donees, permitted transferees, assignees, successors and others who later come to hold any of the selling unitholders interests in our common units other than through a public sale.

The following table sets forth, as of the date of this prospectus, the name of each selling unitholder for whom we are registering units for resale to the public, and the number of common units that each selling unitholder may offer pursuant to this prospectus. Unless otherwise noted, the common units being offered by the selling unitholders were acquired from us in the private placement that was completed on July 27, 2007. The common units offered by the selling unitholders were issued pursuant to exemptions from the registration requirements of the Securities Act. We have agreed to file a registration statement covering the common units received by the selling unitholders. Except as noted below, none of the selling unitholders has, or within the past three years has had, any material relationship with us or any of our predecessors or affiliates and none of the selling unitholders is or was affiliated with registered broker-dealers.

Based on the information provided to us at the time of the initial filing of the registration statement of which this prospectus is a part by each selling unitholder and as of the date the same was provided to us, assuming that the selling unitholders sell all of the common units beneficially owned by them that have been registered by us and do not acquire any additional units during the offering, each selling unitholder will not own any units other than those appearing in the column entitled Number of common units owned after the offering. We cannot advise you as to whether the selling unitholders will in fact sell any or all of such common units. In addition, the selling unitholders may have sold, transferred or otherwise disposed of, or may sell, transfer or otherwise dispose of, at any time and from time to time, the commons unit in transactions exempt from the registration requirements of the Securities Act after the date on which they provided the information set forth on the table below.

Name of selling unitholder	Number of common units owned before the offering	Number of common units being registered	Number of common units owned after the offering[1]	Percentage of common units owned after the offering
Robert R. Firth[2]	48,500	24,000	24,500	*
David Hall[2]	21,000	21,000	0	
Tom B. Williams[2]	12,000	12,000	0	
Mark B. Wade[2]	3,000	3,000	0	
Atlas Pipeline Partners GP, LLC[3]	1,641,026	1,641,026	0	
Atlas Pipeline Holdings, L.P. [3]	3,835,227	3,835,227	0	
Lehman Brothers Inc. [4]	1,471,004	1,321,363	149,641	*
LB I GROUP, Inc. [5]	965,909	965,909	0	
Lehman Brothers MLP Opportunity Fund L.P. [6]	193,182	193,182	0	
Magnetar Capital Fund, LP[7]	772,727	772,727	0	
Swank MLP Convergence Fund, LP[8]	289,772	289,772	0	
The Cushing MLP Opportunity Fund I, LP[8]	1,642,045	1,642,045	0	
ZLP Fund, L.P. [9]	772,727	772,727	0	
Cobalt Partners, LP[10]	309,136	309,136	0	
Cobalt Capital SPV 2 LLC[10]	295,900	295,900	0	
Cobalt Partners II, LP[10]	26,900	26,900	0	

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Name of selling unitholder	Number of common units owned before the offering	Number of common units being registered	Number of common units owned after the offering[1]	Percentage of common units owned after the offering
Guggenheim Portfolio Company XI, LLC[10]	44,200	44,200	0	
Omega Capital Partners, L.P. [11]	621,018	621,018	0	
Omega Capital Investors, L.P. [11]	116,300	116,300	0	
Omega SPV Partners II, L.P. [11]	471,900	471,900	0	
Omega Equity Investors, L.P. [11]	160,200	160,200	0	
Beta Equities, Inc. [11]	391,700	391,700	0	
GS&Co Profit Sharing Master Trust[11]	103,700	103,700	0	
Presidential Life Corporation[11]	8,000	8,000	0	
The Ministers and Missionaries Benefit Board of America Baptist Churches[11]	59,000	59,000	0	
Brahman Partners II, LP[12]	104,047	104,047	0	
Brahman Partners III, LP[12]	180,973	180,973	0	
BY Partners, LP[12]	292,090	292,090	0	
Brahman C.P.F. Partners, LP[12]	69,082	69,082	0	
Brahman Partners IV, LP[12]	174,830	174,830	0	
UBS AG London Branch[13]	965,909	965,909	0	
Iridian Principals Fund, LP[14]	19,318	19,318	0	
First Eagle Fund of America[15]	270,455	270,455	0	
Leon G. Cooperman	193,182	193,182	0	
Toby Cooperman[16]	38,636	38,636	0	
Michael Cooperman[17]	19,318	19,318	0	
Watchung Road Associates, L.P. [11]	96,591	96,591	0	
Morgan Stanley Strategic Investments, Inc. [18]	1,757,954	1,757,954	0	
Structured Finance Americas, LLC[19]	3,084,282	2,868,749	215,533	*
TPG-Axon Partners, LP[20]	127,500	127,500	0	
Royal Bank of Canada[21]	1,444,445	1,429,545	14,900	*
Sunlight Capital Partners, LLC[22]	676,136	676,136	0	
Credit Suisse Management LLC[23]	772,727	772,727	0	
Baupost Limited Partnership 1983 A-1[24]	230,000	230,000	0	
Baupost Limited Partnership 1983 B-1[24]	100,900	100,900	0	
Baupost Limited Partnership 1983 C-1[24]	569,563	569,563	0	
HB Institutional Limited Partnership[24]	251,500	251,500	0	
PB Institutional Limited Partnership[24]	118,700	118,700	0	
YB Institutional Limited Partnership[24]	82,800	82,800	0	
Baupost Value Partnership, L.P. - I[24]	140,700	140,700	0	
Baupost Value Partnership, L.P. - II[24]	104,600	104,600	0	
Baupost Value Partnership, L.P. III[24]	62,600	62,600	0	
Natixis Financial Products Inc. [25]	1,448,864	1,448,864	0	

* Less than 1%.

(1) Assumes the selling unitholder sells all of the common units he or it is offering pursuant to this prospectus.

(2) Mr. Firth has been the Chief Operating Officer and President of Atlas Pipeline Mid-Continent, LLC, our mid-continent subsidiary, since 2004; Mr. Hall has been its Chief Financial Officer since 2004; Mr. Williams has been its Senior Vice President, Technical Services since 2004 and Mr. Wade has been its Vice President, Optimization since 2005. Amounts shown in Number of common units being registered column represents common units issuable under the base incentive and additional incentive components of our executive group incentive program no later than December 31, 2007. For a description of our executive group incentive program, please see Item 11: Executive Compensation in our annual report on Form 10-K for the year ended December 31, 2006.

(3) Atlas Pipeline Partners GP, LLC is our general partner and its managing board has voting and investment power over the securities held by it. The common units held by Atlas Pipeline Partners GP, LLC were issued to it in connection with our initial public offering. Atlas Pipeline Holdings, L.P. owns all of the outstanding membership interests of our general partner. Both selling unitholders are affiliates of us and may be deemed to be underwriters with respect to the securities they sell pursuant to this prospectus.

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(4) The selling unitholder is a broker-dealer registered under the Securities Exchange Act of 1934. Any selling unitholder that is a broker-dealer may be deemed to be an underwriter with respect to the securities it sells pursuant to this prospectus. Lehman Brothers Holdings Inc., a public reporting company and the parent of the selling unitholder, may be deemed to have voting and investment power over these securities.

(5) The selling unitholder is a wholly-owned subsidiary of Lehman Brothers Inc., which is a registered broker-dealer. The selling unitholder has represented to us that it is not acting as an underwriter with respect to securities sold pursuant to this prospectus, it purchased the units it is offering under this prospectus in the ordinary course of business, and, at the time of such purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities. Lehman Brothers Inc. and Lehman Brothers Holdings Inc., a public reporting company and the parent of Lehman Brothers Inc., may be deemed to have voting and investment power over these securities.

(6) The selling unitholder is an affiliate of a broker-dealer and has represented to us that it is not acting as an underwriter with respect to securities sold pursuant to this prospectus, it purchased the units it is offering under this prospectus in the ordinary course of business, and, at the time of such purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities. The selling unitholder s general partner is Lehman Brothers MLP Opportunity Associates LP, which is wholly-owned by Lehman Brothers MLP Opportunity Associates LLC. Lehman Brothers MLP Opportunity Associates LLC and its parent, Lehman Brothers Holdings Inc., a public reporting company, may be deemed to have voting and investment power over these securities.

(7) Magnetar Financial LLC is the investment advisor of the selling unitholder and consequently has voting control and investment discretion over securities held by it. Magnetar Financial LLC disclaims beneficial ownership of the units held by the selling unitholder. Alec Litowitz has voting control over Supernova Management LLC, the general partner of Magnetar Capital Partners LP, the sole managing member of Mangetar Financial LLC. As a result, Mr. Litowitz may be considered the beneficial owner of any units deemed to be beneficially owned by Magnetar Financial LLC. Mr. Litowitz disclaims beneficial ownership of these units.

(8) Jerry V. Swank, managing member of Swank Capital, LLC, the general partner of the investment advisor to the selling unitholder, has voting and investment power over these securities.

(9) Stuart Zimmer and Craig Lucas share voting and investment power over these securities.

(10) Wayne Cooperman, managing member of Cobalt Management, LLC GP, has voting and investment power over these securities.

(11) Leon G. Cooperman has voting and investment power over these securities.

(12) Peter A. Hochfelder, Mitchell A. Kuflik and Robert J. Sobel share voting and investment power over these securities.

(13) The selling unitholder is an affiliate of a broker-dealer and certifies that it bought the securities in the ordinary course of business, and at the time of the purchase of the securities to be resold, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities. Chris Coward has voting and investment power over these securities.

(14) Iridian Asset Management LLC is investment advisor for the selling unitholder and has voting and investment power over these securities. The portfolio manager for the unitholder is Harold Levy.

(15) Iridian Asset Management LLC is investment advisor for the selling unitholder and has voting and investment power over these securities. The portfolio manager for the unitholder is Harold Levy.

(16) Toby Cooperman and Leon G. Cooperman share voting and investment power over these securities.

(17) Michael Cooperman and Leon G. Cooperman share voting and investment power over these securities.

(18) The selling unitholder is an affiliate of a broker-dealer and certifies that it bought the securities in the ordinary course of business, and at the time of the purchase of the securities to be resold, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities. Morgan Stanley, a public reporting company, may be deemed to have voting and investment power over these securities.

(19) Deutsche Bank AG, the ultimate parent of the selling unitholder, has voting and investment power over these securities. The selling unitholder is an affiliate of a broker-dealer and certifies that it bought the securities in the ordinary course of business, and at the time of the purchase of the securities to be resold, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities.

(20) Dinakar Singh, managing member of the selling unitholder s general partner, has voting and investment power over these securities.

(21) Royal Bank of Canada has voting and investment power over these securities. The selling unitholder is an affiliate of a broker-dealer and certifies that it bought the securities in the ordinary course of business, and at the time of the purchase of the securities to be resold, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities.

(22) Paul E. Singer, principal of the general partners of Elliott Associates, L.P., the selling unitholder s parent, has voting and investment power over these securities.

(23) Credit Suisse (USA), Inc., the controlling shareholder of the selling unitholder, has voting and investment power over these securities. The selling unitholder is an affiliate of a broker-dealer and certifies that it bought the securities in the ordinary course of business, and at the time of the purchase of the securities to be resold, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities.

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(24) The Baupost Group, L.L.C. is the investment manager of the selling unitholder and consequently has voting control and investment discretion over securities held by it.

(25) The selling unitholder is an affiliate of a broker-dealer and certifies that it bought the securities in the ordinary course of business, and at the time of the purchase of the securities to be resold, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities. The selling unitholder obtained beneficial ownership of the shares via a swap arrangement with the record holder, Wingate Capital Ltd.

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OUR PARTNERSHIP AGREEMENT

The following is a summary of our partnership agreement, as amended through the date of this prospectus. The limited partnership agreement defines the rights and obligations pertaining to the common units.

Organization and Duration

We were formed in May 1999. We will dissolve on December 31, 2098, unless sooner dissolved under the terms of our partnership agreement.

Purpose

Our purpose under our partnership agreement is limited to serving as the limited partner of our operating partnership and engaging in any business activity that may be engaged in by our operating partnership or that is approved by our general partner. The operating partnership agreement provides that our operating partnership may, directly or indirectly, engage in:

- operations as conducted on February 2, 2000, including the ownership and operation of our gathering systems;
- any other activity approved by our general partner, but only to the extent that our general partner reasonably determines that, as of the date of the acquisition or commencement of the activity, the activity generates qualifying income as that term is defined in Section 7704 of the Internal Revenue Code; or
- any activity that enhances the operations described above.

The Units

Our common units represent limited partner interests in us. The holders of units are entitled to participate in partnership distributions and exercise the rights or privileges available to limited partners under our partnership agreement.

Limited Voting Rights

Holders of our units have limited voting rights and generally are entitled to vote only with respect to the following matters:

- a sale or exchange of all or substantially all of our assets;
- our dissolution or reconstitution;
- our merger; and
- termination or material modification of the omnibus agreement or master natural gas gathering agreement with Atlas America.

Removal of our general partner requires a two-thirds vote of all outstanding common units, excluding those held by our general partner and its affiliates. Our partnership agreement permits our general partner generally to make amendments to it that do not materially adversely affect unitholders without the approval of any unitholders.

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Cash Distribution Policy

Quarterly Distributions of Available Cash. Our operating partnership is required by the operating partnership agreement to distribute to us, within 45 days of the end of each fiscal quarter, all of its available cash for that quarter. We, in turn, distribute to our partners all of the available cash received from our operating partnership for that quarter.

Available cash generally means, for any of our fiscal quarters, all cash on hand at the end of the quarter less cash reserves that our general partner determines are appropriate to provide for our operating costs, including potential acquisitions, and to provide funds for distributions to the partners for any one or more of the next four quarters. We generally make distributions of all available cash within 45 days after the end of each quarter to holders of record on the applicable record date.

Distributions of Available Cash from Operating Surplus. Cash distributions are characterized as distributions from either operating surplus or capital surplus. This distinction affects the amounts distributed to unitholders relative to our general partner.

Operating surplus means:

- our cash balance, excluding cash constituting capital surplus, less
- all of our operating expenses, debt service payments, maintenance costs, capital expenditures and reserves established for future operations.

Capital surplus means capital generated only by borrowings other than working capital borrowings, sales of debt and equity securities and sales or other dispositions of assets for cash, other than inventory, accounts receivable and other assets disposed of in the ordinary course of business.

We treat all available cash distributed from any source as distributed from operating surplus until the sum of all available cash distributed since we began operations equals our total operating surplus from the date we began operations until the end of the quarter that immediately preceded the distribution. This method of cash distribution avoids the difficulty of trying to determine whether available cash is distributed from operating surplus or capital surplus. We treat any excess available cash, irrespective of its source, as capital surplus, which would represent a return of capital, and we will distribute it accordingly. For a discussion of distributions of capital surplus, see Distributions of Capital Surplus below.

We distribute available cash from operating surplus for any quarter in the following manner:

- first, 98% to the common units, pro rata, and 2% to our general partner, until we have distributed $.42 for each outstanding common unit, which we refer to as the minimum quarterly distribution; and
- after that, in the manner described in Incentive Distribution Rights below.

The 2% allocation of available cash from operating surplus to our general partner includes our general partner s percentage interest in distributions from us and our operating partnership on a combined basis.

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Adjusted operating surplus for any period generally means operating surplus generated during that period, less:

- any net increase in working capital borrowings during that period and
- any net reduction in cash reserves for operating expenditures during that period not relating to an operating expenditure made during that period,

and plus:

- any net decrease in working capital borrowings during that period and
- any net increase in cash reserves for operating expenditures during that period required by any debt instrument for the repayment of principal, interest or premium.

Operating surplus generated during a period is equal to the difference between:

- the operating surplus determined at the end of that period and
- the operating surplus determined at the beginning of that period.

Incentive Distribution Rights. By incentive distribution rights we mean our general partner s right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after we have made the minimum quarterly distributions and we have met specified target distribution levels, as described below. Our general partner may transfer its incentive distribution rights separately from its general partner interest without the consent of the unitholders.

We make incentive distributions to our general partner for any quarter in which we have distributed available cash from operating surplus to the common unitholders in an amount equal to the minimum quarterly distribution plus amounts necessary to eliminate any cumulative arrearages in payment of the minimum quarterly distribution on the common units. If this condition is satisfied, the remaining available cash will be distributed as follows:

- first, 85% to all units, pro rata, and 15% to our general partner, until each unitholder has received a total of $.52 per unit for that quarter;
- second, 75% to all units, pro rata, and 25% to our general partner, until each unitholder has received a total of $.60 per unit for that quarter; and
- after that, 50% to all units, pro rata, and 50% to our general partner.

The distributions to our general partner that exceed its aggregate 2% general partner interest represent the incentive distribution rights.

In connection with our private placement in July 2007, we recently amended our partnership agreement to subordinate incentive distributions as follows:

For each quarter from the quarter beginning July 1, 2007 until the quarter ending December 31, 2007, after the holders of the incentive distribution rights have

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received an aggregate of $3.7 million with respect to those rights, they will not be entitled to further distributions with respect to those rights until the amount distributable, but for the application of this provision, to the holders of the incentive distribution rights would have been $8.7 million.

For each quarter from the quarter beginning January 1, 2008 until the quarter ending June 30, 2009, after the holders of the incentive distribution rights have received an aggregate of $7.0 million with respect to those rights, they will not be entitled to further distributions with respect to those rights until the amount distributable, but for the application of this provision, to the holders of the incentive distribution rights would have been $12.0 million.

For each quarter from and after the quarter beginning July 1, 2009, after the holders of the incentive distribution rights have received an aggregate of $7.0 million with respect to those rights, they will not be entitled to further distributions with respect to those rights until the amount distributable, but for the application of this provision, to the holders of the incentive distribution rights would have been $10.75 million.

Any amounts not distributed to the holders of incentive distribution rights because of the operation of these provisions will be distributed 1.0101% to our general partner and 98.9899% to all unitholders.

Distributions from Capital Surplus. We distribute available cash from capital surplus in the following manner:

first, 98% to all units, pro rata, and 2% to our general partner, until each common unit has received distributions equal to $13.00 per unit; and