ATLAS PIPELINE PARTNERS LP
Form 424B5
April 05, 2004

The information contained in this prospectus supplement and the accompanying prospectus relates to an effective registration statement under the Securities Act of 1933 and is subject to change. 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 April 5, 2004

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated April 5, 2004)

750,000 Common Units

[graphic omitted] ATLAS PIPELINE PARTNERS, L.P.

Representing Limited Partner Interests

We are selling 750,000 of our common units representing limited partner interests. Our common units are quoted on the American Stock Exchange under the symbol "APL."

Our common units are entitled to receive cash distributions of $.42 per quarter, or $1.68 on an annualized basis, before any distributions are paid on our subordinated units. We expect this priority to continue until at least January 1, 2005. During the year ended December 31, 2003, we declared distributions of $2.39 per common unit.

You should read "Supplemental Risk Factors" beginning on page S-8 of this prospectus supplement and "Risk Factors" beginning on page 12 of the accompanying prospectus for a discussion of important factors that you should consider before buying common units.

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.

	Per common unit	Total
Public offering price.........................	$	$
Underwriting discounts........................	$	$
Proceeds, before expenses.....................	$	$

The underwriters may purchase up to an additional 112,500 common units from us at the public offering price, less the underwriting discount, to cover over-allotments.

The underwriters expect to deliver the common units against payment in Arlington, Virginia on _______, 2004.

Friedman Billings Ramsey KeyBanc Capital Markets

Prospectus supplement dated ________, 2004

Interstate Public Utility Pipelines to Which Our Gathering Systems Connect

[graphic of map omitted]

[] COLUMBIA GAS TRANSMISSION	[] TENNESSEE GAS PIPELINE
[] CONSOLIDATED GAS TRANSMISSION	[] NATIONAL FUEL GAS PIPELINE
[] TEXAS EASTERN TRANSMISSION	

* Depicts areas of our gas gathering operations. We have no ownership interest in the utility pipelines depicted. This table excludes local distribution companies to which our gathering systems connect.

ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. The information in this prospectus supplement replaces any inconsistent information in the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information in this prospectus supplement and the accompanying prospectus is current as of the date the information is presented. Our business, financial condition, results of operations and prospects may have changed since those dates.

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PROSPECTUS SUPPLEMENT SUMMARY

Atlas Pipeline

We own and operate natural gas pipeline gathering systems through our operating partnership and its operating subsidiaries. Our primary assets consist of approximately 1,380 miles of intrastate gathering systems located in eastern Ohio, western New York and western Pennsylvania. In September 2003, we entered into a purchase and sale agreement with SEMCO Energy, Inc. (NYSE: SEN) under which we or our designee will purchase all of the outstanding equity of SEMCO's wholly-owned subsidiary, Alaska Pipeline Company, which owns a 354-mile intrastate natural gas transmission pipeline that delivers gas to metropolitan Anchorage. The total consideration, payable in cash at closing, will be approximately $95 million, subject to an adjustment based on the amount of working capital that Alaska Pipeline has at closing.

Currently, our gathering systems serve approximately 4,500 wells with an average daily throughput for the year ended December 31, 2003 of 52.5 million cubic feet, or mmcf, of natural gas. Our gathering systems provide a means through which well owners and operators can transport the natural gas produced by their wells to public utility pipelines for delivery to customers. To a lesser extent, our gathering systems transport natural gas directly to customers. Our gathering systems currently connect with public utility pipelines operated by Peoples Natural Gas Company, National Fuel Gas Supply, Tennessee Gas Pipeline Company, National Fuel Gas Distribution Company, East Ohio Gas Company, Columbia of Ohio, Consolidated Natural Gas Co., Texas Eastern Pipeline, Columbia Gas Transmission Corp. and Equitable Utilities. We do not engage in storage or gas marketing programs, nor do we currently engage

in the purchase and resale for our own account of natural gas transported through our gathering systems.

We originally acquired the gathering systems of Atlas America, Inc. and its affiliates, all of which are subsidiaries of Resource America, Inc. (NASDAQ: REXI), when we commenced operations in January 2000. Throughout this prospectus, we refer to the Resource America energy subsidiaries with which we have contractual relationships, including Atlas America, collectively as "Atlas America," unless specifically stated otherwise. Atlas America and its affiliates sponsor limited and general partnerships to raise funds from investors to explore for natural gas, and produce natural gas and, to a lesser extent, oil from locations in eastern Ohio, western New York and western Pennsylvania. Our gathering systems are connected to 4,100 of those wells. Atlas America drilled and connected 270 wells to our gathering systems during the year ended December 31, 2003, 195 wells during the year ended December 31, 2002 and 196 wells during the year ended December 31, 2001.

We are party to an omnibus agreement with Atlas America that is intended to maximize the use and expansion of our gathering systems and the amount of natural gas they transport. Among other things, the omnibus agreement requires Atlas America to install required flow lines and connect wells it operates that are located within 2,500 feet of one of our gathering systems.

We are also party to natural gas gathering agreements with Atlas America under which it pays us gathering fees generally equal to a percentage, generally 16%, of the gross or weighted average sales price of the natural gas we transport subject, in certain cases, to minimum prices of $.35 or $.40 per thousand cubic feet, or mcf. Our business, therefore, depends in large part on the prices at which the natural gas we transport is sold. Due to the volatility of natural gas prices, our gross revenues can vary materially from period to period. During the year ended December 31, 2003, we received gathering fees averaging $.82 per mcf, while during the previous year, our average gathering fee was $.58 per mcf.

Our principal executive offices are located at 311 Rouser Road, Moon Township, Pennsylvania 15108 and our telephone number is (412) 262-2830.

Objectives and Strategy

Our objective is to increase cash flow, earnings and returns to our unitholders by:

- expanding our revenue base through:
  - construction of extensions necessary to service additional wells drilled by Atlas America and others and
  - accretive acquisitions of mid-stream energy assets such as natural gas gathering, transmission, processing and storage facilities and liquid gathering, transmission and storage facilities;
- limiting operating costs through achievement of economies of scale as a result of expanding our operations through extensions and acquisitions; and
- continuing to strengthen our balance sheet by financing our

growth with a combination of long-term debt and equity to provide the financial flexibility to fund future opportunities.

Since commencing operations in January 2000, we have pursued these objectives by:

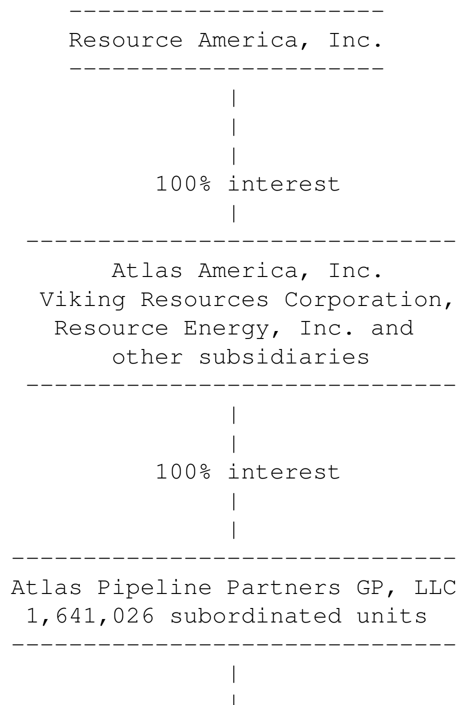
- adding 372 miles of pipeline to our original system;
- connecting 829 wells to our pipeline, 770 of which were drilled by Atlas America;
- acquiring gathering systems in Ohio and Pennsylvania, aggregating 120 miles of pipeline, with approximately 433 wells connected to those systems;
- agreeing in September 2003 to acquire Alaska Pipeline, which we believe will add a significant source of stable income and distributable cash flow; and
- upgrading our system and substantially expanding our capacity.

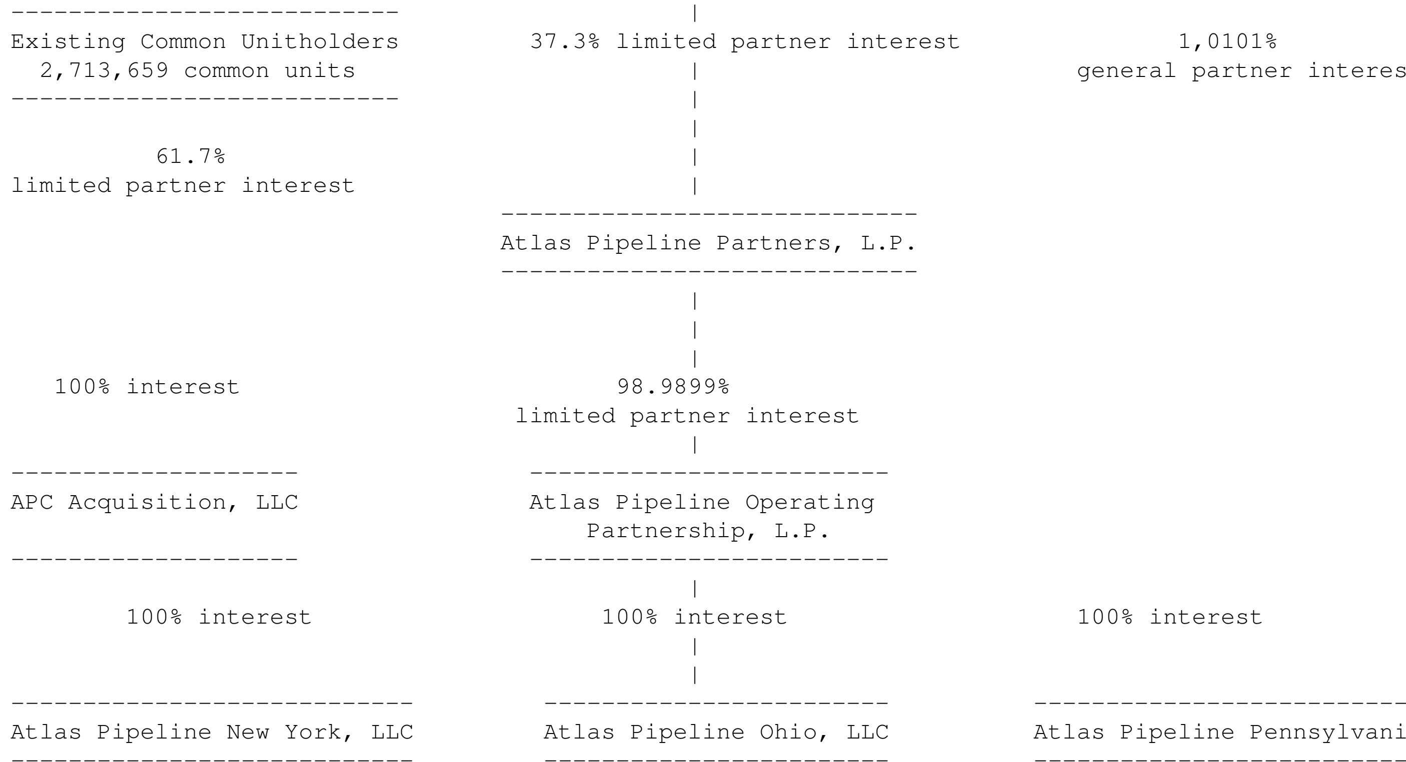
Recent Developments

On March 19, 2004, we declared a distribution of $.63 per common unit for the period ending March 31, 2004.

Partnership Structure

The following chart shows our current organization and ownership.





The Offering

Securities offered.	750,000 common units; 862,500 common units if the underwriters' over-allotment option is exercised in full. For a description of our common units, see the sections entitled "Prospectus Summary--Our Partnership Agreement" and "Our Partnership Agreement" in the accompanying prospectus.
Units outstanding after this offering . . .	3,463,659 common units, representing a 68% limited partnership interest in us on a combined basis, and 1,641,026 subordinated units, representing a 32% limited partnership interest in us. If the underwriters' over-allotment option is exercised in full, 3,576,159 common units, representing a 69% limited partnership interest in us on a combined basis, and 1,641,026

subordinated units, representing a 31% limited partnership interest in us, will be outstanding.

Use of proceeds	We intend to use the estimated $27.6 million of net proceeds of this offering to purchase Alaska Pipeline from SEMCO. The proceeds of this offering will enable us to forgo the mezzanine financing that would otherwise have been provided by Friedman, Billings, Ramsey Group, Inc. and to decrease the use of credit facility debt. To the extent that we do not apply the net proceeds to the purchase of Alaska Pipeline, we intend to use them as working capital.
Cash distributions.	We must distribute all of our cash on hand at the end of each quarter, less reserves established by our general partner in its discretion. The amount of this cash may be greater than or less than the minimum quarterly distribution referred to in the next paragraph. We generally make cash distributions within 45 days after the end of each quarter.

In general, we make cash distributions each quarter based on the following priorities:

o first, 98% to the common units and 2% to our general partner until each common unit has received a minimum quarterly distribution of $.42, plus any arrearages in the payment of the minimum quarterly distribution from prior quarters;

o second, 98% to our existing subordinated units and 2% to our general partner until each subordinated unit has received a minimum quarterly distribution of $.42;

- third, 85% to all units and 15% to our general partner until each unit has received a total distribution of $.52 in that quarter;

- fourth, 75% to all units and 25% to our general partner until each unit has received a total distribution of $.60 in the quarter; and
- after that, 50% to all units and 50% to our general partner.

The distributions to our general partner in the third through fifth distribution levels are incentive distributions and are disproportionate to its 2% interest in us as our general partner.

Ratio of taxable income to distributions. . Assuming that we acquire Alaska Pipeline, we estimate that if you purchase common units in this offering and own them through December 31, 2006, you will be allocated an amount of federal taxable income for that period which is less than 30% of the cash we expect to distribute for that period. If we do not acquire Alaska Pipeline, we expect that the ratio of federal taxable income to distributable cash for that period will be less than 40%. In either case, we anticipate that, for taxable years beginning after December 31, 2006, the taxable income allocable to you will represent a higher percentage of cash distributed to you. We cannot assure you that we will acquire Alaska Pipeline or that these estimates will be correct. See "Risk Factors--We may not be able to complete the acquisition of Alaska Pipeline" in the accompanying prospectus.

SUPPLEMENTAL RISK FACTORS

Limited partner interests are inherently different from the capital stock of a corporation, although many of the business risks we encounter are similar to those that would be faced by a corporation engaged in a similar business. You should consider the following risk factors and those described in the section entitled "Risk Factors" in the accompanying prospectus together with all of the other information included in this prospectus supplement and the accompanying prospectus in evaluating an investment in the common units. If any of these risks actually occurs, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our common units could decline and you may lose some or all of your investment.

Risks Inherent in an Investment in Us

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 the members of our general partner, all of which are subsidiaries of 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. We describe our partnership agreement under "Our Partnership Agreement" in the accompanying prospectus.

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 America under the omnibus agreement to

connect wells to our gathering systems and to provide financing and other assistance for the expansion of our gathering systems will terminate;

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

- any existing arrearages in the payment of minimum quarterly distributions will be extinguished;

- the subordination period will end, and all outstanding subordinated units will immediately convert into common units on a one-for-one basis; 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. The issuance of additional units may increase the risk that we will be unable to pay the minimum quarterly distribution. We may also issue securities senior to the common units without the approval of unitholders after the subordination period terminates. The issuance of additional common units or senior securities may dilute the value of the interests of the existing unitholders in our net assets, dilute the interests of unitholders in distributions by us and, if issued during the subordination period, increase the risk that we will be unable to pay the full minimum quarterly distribution.

Cost reimbursements to our general partner could reduce our cash available for distribution.

Before making any distribution on the common units, we must reimburse our general partner and its affiliates for all expenses incurred by them on our behalf during the related period. Our general partner determines the amount of these expenses in its sole discretion. Our reimbursement to our general partner in the year ended December 31, 2003 was $11.7 million. In addition, our general partner and its affiliates may provide us services for which we will be charged reasonable fees as determined by our general partner. The reimbursement of expenses and the payment of fees could adversely affect our ability to make distributions.

Our general partner has conflicts of interest and limited fiduciary responsibilities, which may permit our general partner to favor its and its affiliates' interests to the detriment of the common unitholders.

Our general partner has a fiduciary duty to manage us in a manner beneficial to us and our unitholders. However, because our general partner is a corporate subsidiary of Atlas America, its officers and directors have fiduciary duties to manage its business in a manner beneficial to Atlas America. As a result,

conflicts of interest may arise in the future between us and our unitholders, on the one hand, and Atlas America and its affiliates, on the other hand. We describe the situations which could give rise to conflicts of interest, and our general partner's modified fiduciary responsibilities to us and our common unitholders, in the accompanying prospectus under "Conflicts of Interest and Fiduciary Responsibilities."

If we were to lose the management expertise of Atlas America, we would not have sufficient stand-alone resources to operate.

We do not directly employ any of the persons responsible for our management. Rather, Atlas America personnel manage and operate our business. Therefore, if we were to lose the management expertise of Atlas America, we would not have sufficient stand-alone resources to operate. Further, neither we nor our general partner has or intends to obtain key man life insurance for the officers and employees of our general partner.

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 supplement.

Recent tax laws may affect the relative attractiveness of an investment in our common units.

Recent changes to the tax laws exempt dividends from taxation at the individual income rate in certain circumstances. Since distributions with respect to our units are not dividends and are not taxed at the partnership level, they are not eligible for such preferential tax treatment. This tax treatment may adversely affect the attractiveness of an investment in our common units as compared to other equity securities, which may adversely affect the price at which common units may be sold.

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 Law Firm, P.C., 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 our characterization as a limited partnership.

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 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 adversely 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. Our general partner has agreed to receive additional special allocations from our operating subsidiary through the year 2006. See "Tax Considerations--Tax Consequences of Unit Ownership--Ratio of Taxable Income to Distributions." Since these special allocations increase 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 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. Very little of our income will be qualifying income to a regulated investment company. Distributions to foreign persons will be reduced by withholding taxes.

We registered as a tax shelter; this may increase the risk of an audit of us or a unitholder.

We registered as a "tax shelter" with the Secretary of the Treasury. The Secretary of the Treasury requires partnerships meeting specified characteristics to register as "tax shelters" in response to the perception that they claim to generate tax benefits that the IRS may believe to be unwarranted. We cannot assure unitholders that as a result of our registration as a tax shelter we will not be audited by the IRS or that tax adjustments will not be made. The rights of a unitholder owning less than a 1% profit interest in us to participate in the income tax audit process are very limited. Further, any adjustments in our tax returns will lead to adjustments in the unitholders' tax returns and may lead to audits of unitholders' tax returns and adjustments of items unrelated to us. Each unitholder would bear the cost of any expenses incurred in connection with an examination of his personal tax return.

We treat a purchaser of units as having the same tax benefits as the seller; the IRS may challenge this treatment which could adversely affect 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 adversely affect 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 Ohio, Pennsylvania and New York. Each of these states 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.

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USE OF PROCEEDS

The net proceeds from this offering will be $27.6 million, assuming an offering price of $39.68, which is the average closing price for our common units during the 15 business days up to and including March 30, 2004, assuming the underwriters do not exercise their over-allotment option, and after deducting underwriting discounts and commissions of $1.8 million and expenses of $350,000 incurred in connection with the offering. We intend to use the net proceeds of this offering to purchase Alaska Pipeline from SEMCO by increasing our investment in APC Acquisition LLC, our subsidiary that will purchase Alaska Pipeline, from $24.4 million to $52 million. The proceeds of this offering will enable us to forgo using the mezzanine financing that would otherwise have been provided by Friedman, Billings, Ramsey Group and to decrease the use of credit facility debt. We intend to finance the balance of the $95 million purchase price of Alaska Pipeline, plus estimated expenses of $4.4 million, as follows:

- borrowing $47.4 million under APC Acquisition's $50 million revolving credit facility loan, administered by Wachovia Bank, National Association,
- borrowing $20 million under our existing $20 million revolving credit facility administered by Wachovia Bank, which we will use to fund a portion of our $52 million investment in APC Acquisition, and
- borrowing $4.4 million from our general partner or its parent, Atlas America.

To the extent that we do not apply the net proceeds to the purchase of Alaska Pipeline, we intend to use them as working capital.

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MARKET PRICE RANGE AND CASH DISTRIBUTIONS ON COMMON UNITS

Our common units trade on the American Stock Exchange under the symbol "APL." Approximately 74 record holders held our common units as of December 31, 2003. In connection with our initial public offering, we also issued 1,641,026 subordinated units, all of which are held by our general partner. There is no established public trading market for the subordinated units.

The following table sets forth the range of high and low sales prices of our common units and distributions on our common and subordinated units for the periods indicated.

Fiscal 2004

First quarter..

Fiscal 2003

Fourth quarter	
Third quarter	
Second quarter	
First quarter	

Fiscal 2002

Fourth quarter	
Third quarter	
Second quarter	
First quarter	

Fiscal 2001

Fourth quarter	
Third quarter	
Second quarter	
First quarter	

SELECTED FINANCIAL DATA

We derived the financial data set forth below for the three years ended December 31, 2003 from our consolidated financial statements for those periods, which have been audited by Grant Thornton LLP, independent accountants. You should read the financial data in this table together with, and such financial data is qualified by reference to, our consolidated financial statements, the notes to our consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere or incorporated by reference in this prospectus supplement.

	2
	(i
Income statement data:	
Revenues	$1
Total transportation and compression, general and administrative expenses	$
Depreciation and amortization	$
Net income	$
Net income per limited partner unit--basic and diluted	$

Distributions declared per common unit	$

	2
Balance sheet data:	
Total assets	$4
Long-term debt	$
Common unitholders' capital	$4
Subordinated unitholder's capital	
General partner's capital (deficit)	
Total partners' capital	$4

Selected Operating Data

The following table summarizes information concerning the volumes of natural gas we transported during the years ended December 31, 2003, 2002 and 2001 as well as the average transportation fees we received during those periods.

	Fo
	20
Total volume of natural gas transported (in mcf)	19,15
Average daily volume of natural gas transported (in mcf)	5
Average transportation rate per mcf	$
Available cash from operating surplus(1)	$10,80

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(1) We define available cash from operating surplus under "Our Partnership Agreement--Cash Distribution Policy--Distributions of Available Cash from Operating Surplus" in the accompanying prospectus. Available cash from operating surplus is not a measure of cash flow as determined by generally accepted accounting principles. We have included information concerning available cash from operating surplus because it provides investors and management additional information as to our ability to pay distributions to common unitholders and fixed charges and is presented solely as a supplemental financial measure. Available cash from operating surplus should not be considered as an alternative to, or more meaningful

than, net income or cash flow as determined in accordance with generally accepted accounting principles or as an indicator of our operating performance or liquidity. Available cash from operating surplus is not necessarily comparable to a similarly titled measure of another company. The table below shows how we calculated available cash from operating surplus.

Net cash provided by operating activities	
Net borrowings less capital expenditures and acquisitions	
Capital contributions and net proceeds from offering	
Increase in other assets	
Reserves	
Available cash from operating surplus	

PRO FORMA FINANCIAL DATA

Following are our unaudited pro forma financial statements as of and for the year ended December 31, 2003. The unaudited pro forma balance sheet is prepared as though the acquisition of Alaska Pipeline described in this prospectus supplement occurred as of December 31, 2003, and the unaudited pro forma statement of operations is prepared as though the acquisition occurred as of January 1, 2003. The acquisition and offering adjustments are described in the notes to the unaudited pro forma financial statements. The unaudited pro forma financial statements and accompanying notes should be read together with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our and Alaska Pipeline's historical financial statements and related notes included elsewhere, or incorporated by reference, in this prospectus supplement.

We accounted for the acquisition of Alaska Pipeline in the unaudited pro forma financial statements using the purchase method in accordance with the guidance of Statement of Financial Accounting Standards No. 141, "Business Combinations." For purposes of developing the unaudited pro forma financial information, we have allocated the purchase price to Alaska Pipeline's gas gathering and transmission facilities based on fair market value.

The unaudited pro forma financial statements presented are for informational purposes only and are based upon available information and assumptions that we believe are reasonable under the circumstances. You should not construe the unaudited pro forma financial statements as indicative of the combined financial position or results of operations that we and Alaska Pipeline would have achieved had the transaction been consummated on the dates assumed. Moreover, they do not purport to represent our and Alaska Pipeline's combined financial position or results of operations for any future date or period or constitute a representation that we will complete the Alaska Pipeline

acquisition. See "Risk Factors--We may not be able to complete the acquisition of Alaska Pipeline" in the accompanying prospectus.

ATLAS PIPELINE PARTNERS, L.P.

PRO FORMA BALANCE SHEET (UNAUDITED)
DECEMBER 31, 2003
(in thousands)

	Historical Atlas Pipeline	Historical Alaska Pipeline	Acquisition adjustments	Pro f consolid
ASSETS				
Current assets:				
Cash and cash equivalents	$15,078	$ --	$ --	$ 15,0
Accounts receivable	--	714	(714)(a)	
Accounts receivable affiliates	12	11,555	(11,555)(a)	
Prepaid expenses	67	124	(124)(a)	
Total current assets	15,157	12,393	(12,393)	15,1
Property and equipment:				
Gas gathering and transmission facilities	37,018	58,888	36,885(b)	132,7
Less accumulated depreciation	(7,390)	(12,212)	12,212(b)	(7,3
Net property and equipment	29,628	46,676	49,097	125,4
Goodwill	2,305	46,472	(46,472)(a)	2,3
Other assets	2,422	267	3,315(a)(b)(c)	6,0
	$49,512	$105,808	$ (6,453)	$148,8
LIABILITIES AND PARTNERS' CAPITAL				
Current liabilities:				
Accounts payable and accrued liabilities	$ 521	$ 8,245	$ (8,245)(a)	$ 5
Accounts payable -- affiliates	1,673	--	4,355(a)(b)(c)	6,0
Distribution payable	3,073	--	--	3,0
Total current liabilities	5,267	8,245	(3,890)	9,6
Long-term debt	--	35,900	34,100(a)(b)	70,0
Regulatory liability	--	1,819	(1,819)(b)	
Deferred income taxes	--	6,947	(6,947)(a)	
Preferred equity subject to redemption	--	--	25,000(b)	25,0
Stockholder's equity	--	52,897	(52,897)(a)	
Members equity	--	--	--(a)(b)	
Partners' capital:				
Common unitholders	43,551	--	--	43,5
Subordinated unitholders	354	--	--	3
General partner	340	--	--	3

Total partners' capital................	44,245	--	--	44,2
	$49,512	$105,808	$ (6,453)	$148,8

See notes to pro forma financial statements

ATLAS PIPELINE PARTNERS, L.P.

PRO FORMA STATEMENT OF OPERATIONS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2003
(in thousands, except per unit data)

	Historical Atlas Pipeline	Historical Alaska Pipeline	Acquisition adjustments	Pro f consolid
Revenues:				
Transportation and compression	$15,651	$67,733	$(52,581)(d)	$30,8
Pipeline management services	--	3,110	(3,110)(d)	
	15,651	70,843	(53,544)	30,8
Costs and expenses:				
Transportation and compression	2,421	--	--	2,4
Cost of gas sold	-	55,549	(55,549)(d)	
General and administrative	1,661	3,575	(2,104)(e)	3,1
Operations and maintenance	--	4,007	(1,470)(e)	2,5
Depreciation and amortization	1,770	3,265	(293)(g)(h)	4,7
	5,852	66,396	(59,416)	12,8
Operating income..........................	9,799	4,447	3,725	17,9
Other income (deductions):				
Interest expense	(258)	(2,937)	(4,674)(f)(i)	(7,8
Other	98	263	(263)(d)	
	(160)	(2,674)	(4,937)	(7,7
Income (loss) before income taxes..........	9,639	1,773	(1,212)	10,2
Provision for income taxes.................	--	733	(733)(j)	
Net income	$ 9,639	$ 1,040	$ (479)	$10,2
Net income--limited partners...............	$ 8,651			$ 7,5
Net income--general partner................	$ 988			$ 2,6
Basic and diluted net income per limited partner unit............................	$ 2.17			$ 1.

Weighted average units outstanding.........	3,981	3,9
	=======	=====
Per unit distributions (limited partner unit)..................................	$ 2.39	$ 2.
	=======	=====

See notes to pro forma financial statements

Atlas Pipeline Partners, L.P.
Notes to Pro Forma Financial Statements

a. Immediately prior to the closing, Alaska Pipeline will convert from a corporation to a Delaware limited liability company ("LLC"), transfer its pipeline assets to the newly formed LLC, and dividend all of its remaining net assets to SEMCO.

b. To reflect our purchase of 100% of the interest in the LLC for $96.5 million including estimated transaction costs and the payment of $250,000 for the tower license fee and $450,000 for the gas control services fee. The acquisition will be financed by a $25 million preferred equity mezzanine investment, a $50 million revolving credit facility and $20 million from bank borrowings under our existing credit facility. The remaining $1.5 million is funded through borrowings from our parent, which appear as an increase to accounts payable affiliates.

c. To reflect the payment of $2.9 million of estimated financing costs which appear in the pro forma balance sheet as an increase in accounts payable - affiliates.

d. Reflects the adjustment to gas sales and transportation and compression revenue in accordance with the terms of the Special Contract for Gas Transportation to be entered into with ENSTAR Natural Gas Company (the division of SEMCO which conducts its Alaska distribution business) in connection with the acquisition and the elimination of Alaska Pipeline's pipeline management services and other income. The adjustment also reflects the elimination of Alaska Pipeline's cost of gas sold. The revenue Alaska Pipeline earned for gas sales and the expense it recognized for the cost of gas sold are the result of an intercompany gas sales agreement with ENSTAR that requires Alaska Pipeline to sell ENSTAR the gas volumes it purchases from gas producing entities.

e. Reflects the general and administrative costs in accordance with the terms of the Operation and Maintenance and Administrative Services Agreement to be entered into with ENSTAR in connection with the acquisition.

f. Reflects the adjustment to interest expense resulting from the $25 million preferred equity (treated as debt for financial reporting purposes) bearing a fixed interest rate of 12% and the $50 million of new borrowings bearing an interest rate of LIBOR plus 350 basis points, assumed to be 4.82% for the six months ended June 30, 2003 and 4.55% for the six months ended December 31, 2003. In addition, reflects additional borrowings under our existing credit facility and inter-company line with our parent bearing an interest rate of LIBOR plus 200 basis points, assumed to be 3.32% for the six months ended June 30, 2003 and 3.05% for the six months ended December 31, 2003.

g. Reflects the adjustment to depreciation expense based upon the cost of the acquired gas gathering and transmission facilities using a 33 year depreciable life and using the straight-line method.

h. Reflects the amortization of the gas control services and tower license fees on a straight-line basis over the 10 year term of the contract.

i Reflects the amortization of deferred financing costs related to the various borrowing facilities to finance the acquisition over their respective terms.

j. Reflects the elimination of federal and state income taxes following the conversion of Alaska Pipeline to a LLC and its acquisition by us, a master limited partnership not subject to income taxes.

k. Reflects the impact to limited partner distributions from adjusting our distributable cash flow as a result of the acquisition of Alaska Pipeline.

l. To reflect net proceeds of $27.6 million after offering costs of $2.1 million from the issuance of 750,000 common units at a price of $39.68 per unit used to repay the $25 million preferred equity mezzanine investment and $2.6 million of borrowings under the $50 million revolving credit facility loan to be entered into between APC Acquisition and Wachovia Bank.

m. Reflects a 2% capital contribution from our general partner in accordance with the terms of our partnership agreement.

n. Reflects the adjustment to interest expense resulting from the issuance of common units and the repayment of debt provided to finance the Alaska Pipeline acquisition.

o. Reflects the impact to limited partner distributions from adjusting our distributable cash flow as a result of the offering of common units to repay the $25 million preferred equity mezzanine investment and $2.6 million of borrowings under the $50 million revolving credit facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Our principal business objective is to generate income for distribution to our unitholders from the transportation of natural gas through our gathering systems. Our gathering systems gather natural gas from wells in eastern Ohio, western New York, and western Pennsylvania and transport the natural gas primarily to public utility pipelines. To a lesser extent, our gathering systems transport natural gas to end-users.

In May 2003, we completed a public offering of 1,092,500 common units. The net proceeds after underwriting discounts and commissions were approximately

$25.2 million. We used these proceeds to repay existing indebtedness of $8.5 million. We intend to use the balance of these proceeds to fund future capital projects and for working capital.

In September 2003, we entered into a purchase and sale agreement with SEMCO under which we or our designee will purchase all of the outstanding equity of SEMCO's wholly-owned subsidiary, Alaska Pipeline, which owns a 354-mile intrastate natural gas transmission pipeline that delivers gas to metropolitan Anchorage. The total consideration, payable in cash at closing, will be approximately $95 million, subject to an adjustment based on the amount of working capital that Alaska Pipeline has at closing. Completion of the transaction is subject to a number of conditions, including receipt of governmental and non-governmental consents and approvals and the absence of a material adverse change in Alaska Pipeline's business. Among the required governmental authorizations are approval of the Regulatory Commission of Alaska and expiration, without adverse action, of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. We received an early termination of the Hart-Scott-Rodino waiting period in January 2004. The purchase and sale agreement may be terminated by either SEMCO or us if the transaction is not completed by June 16, 2004.

Results of Operations

In the years ended December 31, 2003, 2002 and 2001, our principal revenues came from the operation of our pipeline gathering systems which transport and compress natural gas. Two variables which affect our transportation revenues are:

- the volumes of natural gas transported by us which, in turn, depend upon the number of wells connected to our gathering system, the amount of natural gas they produce, and the demand for that natural gas; and

- the transportation fees paid to us which, in turn, depend upon the price of the natural gas we transport, which itself is a function of the relevant supply and demand in the mid-Atlantic and northeastern areas of the United States.

We set forth the average volumes we transported, our average transportation rates per mcf and revenues received by us for the periods indicated in the following table:

	Fo
	20
Average daily throughput volumes, in mcf	5
Average transportation rate per mcf	$
Total transportation and compression revenues	$15,65

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Revenues. Our transportation and compression revenues increased to $15,650,800 in the year ended December 31, 2003 from $10,660,300 in the year ended December 31, 2002. This increase of $4,990,500

(47%) resulted from an increase in the average transportation rate paid to us ($4,361,500) and an increase in the volumes of natural gas we transported ($629,000).

Our transportation rate was $.82 per mcf in the year ended December 31, 2003 as compared to $.58 per mcf in the year ended December 31, 2002, an increase of $.24 per mcf (41%). During the year ended December 31, 2003, natural gas prices increased significantly over the year ended December 31, 2002. Since our transportation rates are generally at fixed percentages of the sale prices of the natural gas we transport, the higher prices resulted in an increase in our average transportation rate.

Our average daily throughput volumes were 52,472 mcfs in the year ended December 31, 2003 as compared to 50,363 mcfs in the year ended December 31, 2002, an increase of 2,109 mcfs (4%). The increase in the average daily throughput volume resulted principally from volumes associated with new wells added to our pipeline system; we turned on-line 270 and 214 wells in the years ended December 31, 2003 and 2002, respectively. These increases were partially offset by the natural decline in production volumes from existing wells connected to our gathering systems.

Costs and Expenses. Our transportation and compression expenses increased to $2,420,500 in the year ended December 31, 2003 as compared to $2,061,600 in the year ended December 31, 2002, an increase of $358,900 (17%). Our average cost per mcf of transportation and compression increased to $.13 in the year ended December 31, 2003 as compared to $.11 in the year ended December 31, 2002, an increase of $.02 (18%). This increase resulted primarily from an increase in compressor expenses due to the addition of more compressors and increased lease rates for our compressors. We have substantially completed the process of purchasing several compressors which we previously leased. We anticipate this will reduce future compressor expenses on a per mcf basis.

Our general and administrative expenses increased to $1,660,900 in the year ended December 31, 2003 as compared to $1,481,900 in the year ended December 31, 2002, an increase of $179,000 (12%). This increase primarily resulted from an increase of $600,000 in allocations of compensation and benefits from Atlas America and its affiliates due to an increase in management time spent during the year on acquisitions, potential acquisitions and our public offering. This increase was largely offset by a decrease in professional fees which, in the prior period, had been higher than normal due to costs associated with the proposed acquisition of Triton Coal Company. We were also reimbursed $156,100 by Atlas America in the current year for one half of our unreimbursed costs associated with the proposed Triton acquisition.

Our depreciation and amortization expense increased to $1,770,500 in the year ended December 31, 2003 as compared to $1,475,600 in the year ended December 31, 2002, an increase of $294,900 (20%). This increase resulted from our increased asset base associated with pipeline extensions and compressor upgrades and purchases. We anticipate that our depreciation expense will increase in 2004 as a result of our pipeline extensions and compressor upgrades.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Revenues. Our transportation revenue decreased to $10,660,300 in the year ended December 31, 2002 from $13,094,700 in the year ended December 31, 2001. This decrease of $2,434,400 (19%) resulted from a decrease in the average transportation rate paid to us ($3,163,700), partially offset by an increase in the volumes of natural gas we transported ($729,300).

Our average daily throughput volumes were 50,363 mcfs in the year ended December 31, 2002 as compared to 46,918 mcfs in the year ended December 31, 2001, an increase of 3,445 mcfs (7%). The increase in the average daily throughput volume resulted principally from volumes associated with new wells added to our pipeline system; we turned on-line 214 and 234 wells in the years ended December 31, 2002 and 2001, respectively. These increases were partially offset by the natural decline in production volumes inherent in the life of a well.

Our average transportation rate was $.58 per mcf in the year ended December 31, 2002 as compared to $.76 per mcf in the year ended December 31, 2001, a decrease of $.18 per mcf (24%). The decrease in our average transportation rate resulted from the decrease in the average natural gas price received by producers for gas transported through our pipeline system.

Costs and Expenses. Our transportation and compression expenses increased to $2,061,600 in the year ended December 31, 2002 as compared to $1,929,200 in the year ended December 31, 2001, an increase of $132,400 (7%), principally due to the increased volumes of natural gas we transported in 2002. Our average cost per mcf of transportation and compression was $.11 in both the years ended December 31, 2002 and 2001.

Our general and administrative expenses increased to $1,481,900 in the year ended December 31, 2002 as compared to $1,112,800 in the year ended December 31, 2001, an increase of $369,100 (33%). This increase primarily resulted from professional fees of $268,500 incurred in connection with the terminated Triton transaction (see Note 10 to our consolidated financial statements) and our cost of insurance ($92,000) reflecting increased operating activities and assets, as well as significant increases in insurance rates in general.

Our depreciation and amortization expense increased to $1,475,600 in the year ended December 31, 2002 as compared to $1,356,100 in the year ended December 31, 2001, an increase of $119,500 (9%). This increase resulted from the increased asset base associated with pipeline extensions and acquisitions partially offset by a reduction in goodwill amortization as compared to the previous period due to the adoption of Statement of Financial Accounting Standards No. 142, on January 1, 2002.

Our interest expense increased to $249,800 in the year ended December 31, 2002 as compared to $175,600 in the year ended December 31, 2001. This increase of $74,200 (42%) resulted primarily from the write-off of deferred finance fees of $51,000 relating to our former credit facility with PNC Bank, which we paid off upon obtaining our current credit facility with Wachovia Bank. In addition, we had an increase in the amount of funds borrowed due to an increase in pipeline extensions. These increases were partially offset by lower borrowing rates.

Liquidity and Capital Resources

Our primary cash requirements, in addition to normal operating expenses, are for debt service, maintenance capital expenditures, expansion capital expenditures and quarterly distributions to our unitholders and general partner. In addition to cash generated from operations, we have the ability to meet our cash requirements, (other than distributions to our unitholders and general partner) through borrowings under our credit facility. In general, we expect to fund:

- cash distributions and maintenance capital expenditures through existing cash and cash flows from operating activities;

- o expansion capital expenditures and working capital deficits through the retention of cash and additional borrowings;

- o debt principal payments through additional borrowings as they become due or by the issuance of additional common units.

In September 2003 we entered into an agreement to purchase Alaska Pipeline, subject to certain conditions. We discuss this transaction and its potential effects on our liquidity and capital resources in "--Pending Acquisition."

At December 31, 2003, we had no outstanding borrowings and $20 million of remaining borrowing capacity under our credit facility.

The following table summarizes our financial condition and liquidity at the dates indicated:

	At December 31,		
	2003	2002	200
Current ratio	2.9x	1.0x	1.
Working capital (in thousands)	$9,890	$ 57	$1,3
Ratio of long-term debt to total partners' capital	N/A	.33x	.1

Net cash provided by operations of $13,701,900 in the year ended December 31, 2003, increased $5,563,900 from $8,138,000 in the year ended December 31, 2002 was derived principally from income from operations and changes in our operating assets and liabilities. Net income before depreciation and amortization was $11,515,200 in the year ended December 31, 2003. This increase was principally due to the increase in the average transportation rate we received in the year ended December 31, 2003 as compared to the year ended December 31, 2002. During the year ended December 31, 2003, our accounts payable-affiliates increased as a result of advances from Atlas America in connection with expenses associated with the pending acquisition of Alaska Pipeline.

Net cash used in investing activities was $9,153,600 for the year ended December 31, 2003, an increase of $3,923,000 from $5,230,600 in the year ended December 31, 2002. The reason for this increase was an increase in expenditures related to gathering system extensions and compressor upgrades to accommodate new wells drilled by Atlas America and its affiliates and expenditures of $1,519,400 associated with our pending acquisition.

Net cash provided by financing activities was $8,671,200 for the year ended December 31, 2003, an increase of $11,882,200 from cash used in financing activities of $3,211,000 in the year ended December 31, 2002. The principal reason for the increase was the completion of our public offering in May 2003, which provided net cash of $17,220,100 after repayment of our outstanding indebtedness and the receipt of a $538,500 capital contribution from our general partner. Offsetting this increase was an increase in distributions of $2,039,600 and cash spent on other assets as a result of financing costs associated with obtaining a new credit facility.

Partnership Distributions

Our partnership agreement requires that we distribute 100% of available cash to our partners within 45 days following the end of each calendar quarter in accordance with their respective percentage interests. Available cash consists generally of all of our cash receipts, less cash disbursements and net additions to reserves, including any reserves required under debt instruments for future principal and interest payments.

Our general partner is granted discretion by our partnership agreement to establish, maintain and adjust reserves for future operating expenses, debt service, maintenance capital expenditures, rate refunds and distributions for the next four quarters. These reserves are not restricted by magnitude, but only by type of future cash requirements with which they can be associated. When our general partner determines our quarterly distributions, it considers current and expected reserve needs along with current and expected cash flows to identify the appropriate sustainable distribution level.

Available cash is initially distributed 98% to our limited partners and 2% to our general partner. These distribution percentages are modified to provide for incentive distributions to be paid to our general partner if quarterly distributions to unitholders exceed specified targets. Incentive distributions are generally defined as all cash distributions paid to our general partner that are in excess of 2% of the aggregate amount of cash being distributed. Our general partner's incentive distribution for year ended December 31, 2003 was $594,000.

Capital Expenditures

Our property and equipment was approximately 60% and 83% of our total consolidated assets at December 31, 2003 and 2002, respectively. Capital expenditures, other than the acquisitions of gathering systems, were $7.6 million and $5.1 million for the years ended December 31, 2003 and 2002, respectively. These capital expenditures principally consisted of costs relating to the expansion of our existing gathering systems to accommodate new wells drilled in our service area and compressor upgrades. During 2003, we connected 270 wells to our gathering system. As of December 31, 2003, we were committed to expend approximately $1,117,000 in connection with our decision to purchase our compressors rather than lease them and approximately $810,000 on pipeline extensions. In addition, we anticipate capital expenditures of $5.2 million in 2004 for maintenance and expansion associated with Alaska Pipeline, our pending acquisition. We anticipate that our capital expenditures will increase in 2004 as a result of an increase in the estimated number of well connections to our gathering systems.

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Pending Acquisition

As described in note 9 to our consolidated financial statements, we have agreed to acquire Alaska Pipeline for $95 million. We anticipate incurring approximately $4 million in costs in connection with the transaction. The acquisition is contingent upon the satisfaction of certain conditions, principally approval of the transaction by the Regulatory Commission of Alaska and the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. We received an early termination of the Hart-Scott-Rodino waiting period in January 2004. We originally intended to fund the acquisition price and expenses as follows:

- We will borrow all of the $20 million available under our existing credit facility. We will use this amount, plus $4 million of advances from our general partner, to make a common equity contribution to APC Acquisition, the newly-formed entity that will acquire Alaska Pipeline.

- Friedman, Billings, Ramsey Group has committed to make a $25 million preferred equity contribution in APC Acquisition.

- APC Acquisition has received a commitment for a $50 million credit facility to be administered by Wachovia Bank. It will borrow $50 million under this facility.

As described in "Use of Proceeds," we intend to use the proceeds of this offering to increase our investment in APC Acquisition, thereby forgoing the $25 million investment committed by Friedman, Billings, Ramsey Group and reducing the amount to be borrowed by APC Acquisition under its credit facility to $47.4 million. Although the continuation of the financings under the Wachovia Bank credit facilities will reduce our capacity for further borrowing and reduce the amount of cash from operations that would otherwise be available to us from the combination of our operations with those of Alaska Pipeline, we believe that our remaining liquidity and capital resources would be more than sufficient to meet our post-acquisition operational needs.

Inflation and Changes in Prices

Inflation affects the operating expenses of our gathering systems. Increases in those expenses are not necessarily offset by increases in transportation fees that the gathering operations are able to charge. We have not been materially affected by inflation because we were formed relatively recently and have only a limited period of operations. While we anticipate that inflation will affect our future operating costs, we cannot predict the timing or amounts of any such effects. In addition, the value of our gathering systems has been and will continue to be affected by changes in natural gas prices. Natural gas prices are subject to fluctuations which we are unable to control or accurately predict.

Environmental Regulation

Our operations are subject to federal, state and local laws and regulations governing the release of regulated materials into the environment or otherwise relating to environmental protection or human health or safety. We believe that our operations and facilities are in substantial compliance with applicable environmental laws and regulations. Any failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of remedial requirements, and issuance of injunction as to future compliance or other mandatory or consensual measures. We have an ongoing environmental compliance program. However, risks of accidental leaks or spills are associated with the transportation of natural gas. There can be no assurance that we will not incur significant costs and liabilities relating to claims for damages to property, the environment, natural resources, or persons resulting from the operation of our business. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies there under, could result in increased costs and liabilities to us.

Environmental laws and regulations have changed substantially and rapidly over the last 25 years, and we anticipate that there will be continuing changes. One trend in environmental regulation is to increase reporting obligations and place more restrictions and limitations on activities, such as emissions of pollutants, generation and disposal of wastes and use, storage and handling of chemical substances, that may impact human health, the environment and/or endangered species. Increasingly strict environmental restrictions and

limitations have resulted in increased operating costs for us and other similar businesses throughout the United States. It is possible that the costs of compliance with environmental laws and regulations may continue to increase. We will attempt to anticipate future regulatory requirements that might be imposed and to plan accordingly, but there can be no assurance that we will identify and properly anticipate each such charge, or that our efforts will prevent material costs, if any, from arising.

Long-Term Debt

We increased our credit facility to $20 million in September 2003. Our principal purpose in obtaining the increase in the facility was to enable us to fund our acquisition of Alaska Pipeline and acquisitions of other gas gathering systems. In May 2003 we used proceeds from our public offering to repay our existing indebtedness of $8.5 million under the facility.

Contractual Obligations and Commercial Commitments

The following table summarizes our contractual obligations and commercial commitments at December 31, 2003:

	Pa	
Contractual cash obligations:	Total	Less t 1 ye
Long-term debt	$ --	$
Capital lease obligations	--	
Operating leases	370,500	171,
Unconditional purchase obligations	--	
Other long-term obligations	--	
Total contractual cash obligations	$370,500	$171,

	Amount of co	
Other commercial commitments:	Total	Less 1
Lines of credit	$ --	$
Standby letter of credit	--	
Guarantees	--	
Standby replacement commitments	--	
Other commercial commitments	1,927,000	1,9
Total commercial commitments	$1,927,000	$1,9

Other commercial commitments relate to commitments to purchase our compressors which we had been leasing and for expenditures for pipeline extensions.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to

make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of actual revenues and expenses during the reporting period. Although we believe our estimates are reasonable, actual results could differ from those estimates. We summarize our significant accounting policies in note 2 to our consolidated financial statements. We discuss below the critical accounting policies that we have identified.

Revenue and Expenses

We routinely make accruals for both revenues and expenses due to the timing of receiving information from third parties and reconciling our records with those of third parties. We have determined these estimates

using available market data and valuation methodologies. We believe our estimates for these items are reasonable, but cannot assure you that actual amounts will not vary from estimated amounts.

Depreciation and Amortization

We calculate our depreciation based on the estimated useful lives and salvage values of our assets. However, factors such as usage, equipment failure, competition, regulation or environmental matters could cause us to change our estimates, thus impacting the future calculation of depreciation and amortization.

Impairment of Assets

In accordance with Statement of Financial Accounting Standards 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," we review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable. We determine if our long-lived assets are impaired by comparing the carrying amount of an asset or group of assets with the estimated future cash flows associated with such asset or group of assets. If the carrying amount is greater than the estimated future cash flows, an impairment loss is recognized in the amount of the excess, if any.

Our gathering systems are subject to numerous factors which could affect future cash flows which we discuss in "Risk Factors" in the accompanying prospectus. We continuously monitor these factors and pursue alternative strategies to maintain or enhance cash flows associated with these assets; however, we cannot assure you that we can mitigate the effects, if any, on future cash flows related to any changes in these factors.

Goodwill

At December 31, 2003, we had $2.3 million of goodwill, all of which relates to our acquisition of pipeline assets. We test our goodwill for impairment at each year end by comparing fair values to our carrying values. The evaluation of impairment under SFAS 142 requires the use of projections, estimates and assumptions as to the future performance of the operations, including anticipated future revenues, expected future operating costs and the discount factor used. Actual results could differ from projections resulting in revisions to our assumptions and, if required, recognition of an impairment loss. Our test during the current year resulted in no impairment. We will continue to evaluate our goodwill at least annually and will reflect the impairment of goodwill, if any, in operating income in the income statement in

the period in which the impairment is indicated.

MANAGEMENT

Our Management

Our general partner manages our activities. Unitholders do not directly or indirectly participate in our management or operation or have actual or apparent authority to enter into contracts on our behalf or to otherwise bind us. Our general partner will be liable, as general partner, for all of our debts to the extent not paid, except to the extent that indebtedness or other obligations incurred by us are made specifically non-recourse to our general partner. Whenever possible, our general partner intends to make any indebtedness or other obligations non-recourse to it.

Three members of the managing board of our general partner who are neither officers nor employees of our general partner nor directors, managing board members, officers or employees of any affiliate of our general partner (and have not been for the past five years) serve on the conflicts committee. Messrs. Bagnell, Beyer and Levin currently serve as the conflicts committee. The conflicts committee has the authority to review specific matters as to which the managing board believes there may be a conflict of interest in order to determine if the resolution of the conflict proposed by our general partner is fair and reasonable to us. Any matters approved by the conflicts committee are conclusively judged to be fair and reasonable to us, approved by all our partners and not a breach by our general partner or its managing board of any duties they may owe us or the unitholders. See "Conflicts of Interest and Fiduciary Responsibilities--Fiduciary Duties" in the accompanying prospectus. In addition, the members of the conflicts committee also constitute an audit committee which reviews the external financial reporting by our management and reviewed by our independent public accountants and reviews procedures for internal auditing and the adequacy of our internal accounting controls.

As is commonly the case with publicly traded limited partnerships, we do not directly employ any of the persons responsible for our management or operation. Rather, Resource America personnel manage and operate our business. Officers of our general partner may spend a substantial amount of time managing the business and affairs of Resource America and its affiliates and may face a conflict regarding the allocation of their time between our business and affairs and their other business interests.

Managing Board Members and Executive Officers of Our General Partner

The following table sets forth information with respect to the executive officers and managing board members of our general partner. Executive officers and managing board members are elected for one year terms.

Name	Age	Position with general partner	Year in which service began
Edward E. Cohen	65	Chairman of the Managing Board	1999
Jonathan Z. Cohen	33	Vice Chairman of the Managing Board	1999
Michael L. Staines	54	President, Chief Operating Officer and Managing Board Member	1999
Steven J. Kessler	61	Chief Financial Officer	2002

Tony C. Banks	48	Managing Board Member	1999
William R. Bagnell	41	Managing Board Member	1999
Donald W. Delson	53	Managing Board Member	2003
Murray S. Levin	61	Managing Board Member	2001

Edward E. Cohen has been Chairman of the Board of Directors of Resource America since 1990, Chief Executive Officer and a director of Resource America since 1988 and President of Resource America from 2000 to October 2003. He has been Chairman of the Board of Directors, Chief Executive Officer and President of Atlas America since 1998. He is Chairman of the Board of Directors of Brandywine Construction & Management, Inc., a property management company, and a director of TRM Corporation, a publicly traded consumer services company. Mr. Cohen is the father of Jonathan Z. Cohen.

Jonathan Z. Cohen has been President of Resource America since October 2003 and Chief Operating Officer and a director since 2002. Before being named president, Mr. Cohen served as Resource America's Executive Vice President from 1999 to 2001 and Vice President from 1998 to 1999. Mr. Cohen has been Vice Chairman of Atlas America since 1998. Mr. Cohen has also served as Trustee and Secretary of RAIT Investment Trust, a real estate investment trust, since 1997 and Chairman of the Board of Directors of The Richardson Company, a sales consulting company, since 1999. Mr. Cohen is the son of Edward E. Cohen.

Michael L. Staines has been Senior Vice President of Resource America since 1989 and served as a director from 1989 through 2000 and Secretary from 1989 through 1998. Since 1998, Mr. Staines has been Executive Vice President, Secretary and a director of Atlas America. Mr. Staines is a member of the Ohio Oil and Gas Association and the Independent Oil and Gas Association of New York.

Steven J. Kessler has been Senior Vice President and Chief Financial Officer of Resource America since 1997. Before that he was Vice President, Finance and Acquisitions, at Kravco Company, a national shopping center developer and operator.

Tony C. Banks is a consultant to utilities, energy service companies and energy technology firms. From 2000 through early 2002, Mr. Banks was President of RAI Ventures, Inc. and Chairman of the Board of Optiron Corporation, which was an energy technology subsidiary of Atlas America until 2002. In addition, Mr. Banks served as President of our general partner during 2000. He was Chief Executive Officer and President of Atlas America from 1998 through 2000. From 1995 to 1998, Mr. Banks was Vice President of various subsidiaries of Atlas America.

William R. Bagnell has been Vice President-Energy for Planalytics, Inc., an energy industry software company, since March 2000. Before that, he was from 1998 the Director of Sales for Fisher Tank Company, a national manufacturer of carbon and stainless steel bulk storage tanks. From 1992 through 1998, Mr. Bagnell was a Manager of Business Development for Buckeye Pipeline Partners, L.P., a publicly traded master limited partnership which is a transporter of refined petroleum products. Mr. Bagnell has been a director of Atlas America since February 2004.

Donald W. Delson has been a managing director in corporate finance at Keefe, Bruyette & Woods, Inc. since 1997. Before that, he was a managing director at Alex. Brown & Sons. Mr. Delson has been a director of Atlas America since February 2004.

Murray S. Levin is a senior litigation partner at Pepper Hamilton LLP. Mr. Levin served as the first American president of the Association Internationale des Jeunes Avocats (Young Lawyers International Association), headquartered in Western Europe. He is a past president of the American Chapter and a member of the board of directors of the Union Internationale des Avocats (International Association of Lawyers), a Paris-based organization that is the world's oldest international lawyers association.

Other Significant Employees

Nancy J. McGurk, 48, has been the Chief Accounting Officer of our general partner since 1999. Ms. McGurk has been Vice President of Resource America since 1992 and Treasurer and Chief Accounting Officer since 1989.

Reimbursement of Expenses of Our General Partner and its Affiliates

Our general partner does not receive any management fee or other compensation for its services apart from its general partner and incentive distribution interests. We reimburse our general partner and its affiliates, including Atlas America, for all expenses incurred on our behalf. These expenses include the costs of employee, officer and managing board member compensation and benefits properly allocable to us, and all other expenses necessary or appropriate to the conduct of our business. Our partnership agreement provides that our general partner will determine the expenses that are allocable to us in any reasonable manner determined by our general partner in its sole discretion. Our general partner allocates the costs of employee and officer compensation and benefits based upon the amount of business time spent by those employees and officers on our business. We reimbursed our general partner $11.7 million for expenses incurred during 2003,

which constituted all of our transportation and compression, general and administrative and capital expenditures costs.

Compensation Committee Interlocks and Insider Participation

Neither we nor the managing board of our general partner has a compensation committee. Compensation of the personnel of Resource America and its affiliates who provide us with services is set by Resource America and such affiliates. The independent members of the managing board of our general partner, however, do review the allocation of the salaries of such personnel for purposes of reimbursement. None of the independent managing board members is an employee or former employee of ours or of our general partner. No executive officer of our general partner is a director or executive officer of any entity in which an independent managing board member is a director or executive officer.

Code of Business Conduct and Ethics

Because we do not directly employ any persons, we rely on a Code of Business Conduct and Ethics adopted by Resource America that applies to the principal executive officer, principal financial officer and principal accounting officer of our general partner, as well as to persons performing services for us generally. You may obtain a copy of this code of ethics by a request to our general partner at 311 Rouser Road, Moon Township, Pennsylvania 15108. We will disclose any amendment to, or waiver from, a provision of our code of ethics by filing a current report on Form 8-K.

Executive Compensation

We do not directly compensate the executive officers of our general partner. Rather, Resource America and its affiliates allocate the compensation of the executive officers between activities on behalf of our general partner and us and activities on behalf of itself and its affiliates based upon an estimate of the time spent by such persons on activities for us and for Resource America and its affiliates. We reimburse our general partner for the compensation allocated to us. The compensation allocation was $1,035,000, $406,000 and $401,500 for the years ended December 31, 2003, 2002 and 2001, respectively. The following table sets forth the compensation allocation for the last three fiscal years for our general partner's Chief Executive Officer and President. No other executive officer of the general partner received an allocation of aggregate salary and bonus in excess of $100,000 during the periods indicated.

Summary Compensation Table

Name and principal position	Year	Salary	Bonus
Edward E. Cohen, Chairman of the Managing Board and Chief Executive Officer	2003	$179,600	$119,700
	2002	0	0
	2001	0	0
Michael L. Staines, President, Chief Operating Officer and Managing Board Member	2003	$133,300	$ 10,000
	2002	169,979	28,058
	2001	193,500	0

Compensation of Managing Board Members

Our general partner does not pay additional remuneration to officers or employees of Resource America who also serve as managing board members. In fiscal year 2003, each non-employee managing board member received an annual retainer of $6,000 together with $1,000 for each board meeting attended, $1,000 for each committee meeting attended where he was chairman of the committee and $500 for each committee meeting attended where he was not chairman. Effective January 1, 2004, each non-employee managing board member will receive an annual retainer of $20,000 in cash and an annual grant of phantom units in an amount equal to the lesser of 500 units or $15,000 worth of units pursuant to our Long-Term Incentive Plan, which was approved by our unitholders on February 11, 2004. In addition, our general partner reimburses each non-employee board member for out-of-pocket expenses in connection with attending meetings of the board or committees. We reimburse our general partner for these expenses and indemnify our general partner's managing board members for actions associated with being managing board members to the extent permitted under Delaware law.

DESCRIPTION OF OUR COMMON UNITS

We describe our common units under "Prospectus Summary--Our Partnership Agreement" and "Our Partnership Agreement" in the accompanying prospectus.

TAX CONSIDERATIONS

General

The following summarizes material federal income tax considerations that may

be relevant to a prospective unitholder who is a citizen or resident of the United States. The tax consequences of investing in us may not be the same for all investors. A careful analysis of your particular tax situation is required to analyze an investment in our common units properly. Moreover, this summary does not purport to address all aspects of taxation that may be relevant to particular unitholders, such as insurance companies, tax-exempt organizations, foreign corporations and persons who are not citizens or residents of the United States who may be subject to special treatment under federal income tax laws, except to the extent specifically discussed in this summary. As a consequence, we urge you to consult your own tax advisor.

Opinion of Tax Counsel

We have obtained an opinion from Ledgewood Law Firm, P.C., our tax counsel, concerning the federal tax issues described in this section. The opinion is based on the facts described in this prospectus supplement and the accompanying prospectus and on additional facts that we provided to tax counsel about how we plan to operate. Any alteration of our activities from the description we gave to tax counsel may render the opinion unreliable.

The statements in this discussion and our counsel's opinion are based on current provisions of the Internal Revenue Code, existing, temporary and currently proposed Treasury Regulations promulgated under the Internal Revenues Code, the legislative history of the Internal Revenue Code, existing administrative rulings and practices of the IRS, and judicial decisions. Future legislative, judicial or administrative actions or decisions, which may be retroactive in effect, may cause actual tax consequences to vary substantially from those discussed in this summary. Moreover, the tax opinion represents only tax counsel's best legal judgment. It is not binding on the IRS nor does it have any other official status. We cannot assure you that the IRS will accept tax counsel's conclusions.

For the reasons set forth in the more detailed discussion as to each item, Ledgewood Law, P.C. has not rendered an opinion with respect to the following specific federal income tax issues:

- the treatment of a unitholder whose common units are loaned to a short seller to cover a short sale of common units (see "--Tax Consequences of Unit Ownership--Treatment of Short Sales"),

- whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations (see "--Disposition of Common Units--Allocations Between Transferors and Transferees"), and

- whether our method for depreciating Section 743 adjustments is sustainable (see "--Disposition of Common Units--Section 754 Election").

Partnership Status

A partnership is not a taxable entity and incurs no federal income tax liability. Instead, each partner of a partnership is required to take into account his or her allocable share of the partnership's items of income, gain, loss and deduction in computing his or her federal income tax liability, regardless of whether cash distributions are made. Distributions by a partnership to a partner are generally not taxable unless the amount of cash distributed is in excess of his or her adjusted basis in the partnership interest immediately before the distribution.

Our counsel is of the opinion that we and our operating partnership will be treated as a partnerships for federal income tax purposes. We have not and will not request a ruling from the IRS on this matter. Counsel's opinion is based partially upon our representations that:

- neither we nor our operating partnership or any operating subsidiary has elected or will elect to be treated as an association or corporation;

- we, our operating partnership and each operating subsidiary have been operated and will be operated in accordance with all applicable partnership statutes, its applicable partnership agreement or limited liability company agreement; and

- for each taxable year, more than 90% of our gross income has been and will be derived from:

  - the exploration, development, production, processing, refining, transportation or marketing of any mineral or natural resource, including oil, gas or products thereof, or

  - other items of income as to which counsel has opined or will opine are "qualifying income" within the meaning of Section 7704(d) of the Code.

Section 7704 of the Code provides that publicly-traded partnerships such as us will, as a general rule, be taxed as corporations. However, an exception, referred to as the "qualifying income exception" exists if at least 90% of a publicly-traded partnership's gross income for every taxable year consists of "qualifying income." Qualifying income includes income and gains derived from the transportation of crude oil, natural gas and products thereof. Other types of qualifying income include interest from other than a financial business, dividends, gains from the sale or lease of real property and gains from the sale or other disposition of capital assets held for the production of income that otherwise constitutes qualifying income. For this purpose, our share of the gross income earned by our operating subsidiaries will be included in our gross income as if we directly earned such income. We estimate that less than 1% of our current gross income is not qualifying income; however, this estimate could change from time to time. Based upon and subject to this estimate, the factual representations made by us and our general partner, and a review of the applicable legal authorities, Ledgewood Law Firm, P.C. is of the opinion that at least 90% of our gross income will constitute qualifying income. Because this opinion is based on future operations, it is impossible for the opinion to be more definitive. Unless our business changes from that of transporting natural gas, it is unlikely that we would fail to meet the 90% test.

If we fail to meet the qualifying income exception, other than a failure which is determined by the IRS to be inadvertent and which is cured within a reasonable time after discovery, we will be treated as if we had transferred all of our assets, subject to liabilities, to a newly formed corporation on the first day of the year in which we fail to meet the qualifying income exception in return for stock in that corporation, and then distributed that stock to our unitholders in liquidation of their units. This contribution and liquidation should be tax-free to us and our unitholders so long as we, at that time, do not have liabilities in ex