

ATLAS PIPELINE PARTNERS LP
Form 424B5
June 19, 2008
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PROSPECTUS SUPPLEMENT

(To Prospectus Dated August 30, 2005)

Atlas Pipeline Partners, L.P.
5,000,000 Common Units
Representing Limited Partner Interests

We are offering 5,000,000 of our common units representing limited partner interests. Our common units trade on the New York Stock Exchange under the symbol APL. Concurrently with the closing of this offering, we will sell approximately \$40.1 million of unregistered common units to Atlas America, Inc. and approximately \$10.0 million of unregistered common units to Atlas Pipeline Holdings, L.P., the parent of our general partner, at the public offering price less underwriting discounts and commissions. The last reported sales price of our common units on the New York Stock Exchange on June 18, 2008 was \$37.52 per common unit.

Shortly following the closing of this offering, subject to market conditions, we expect to issue approximately \$300.0 million in principal amount of senior notes in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933 and to persons outside the United States under Regulation S. The completion of this offering is not conditioned upon the completion of the private placement of senior notes or vice versa.

Investing in our common units involves risks. Before buying any common units, you should read the discussion of material risks in Risk Factors beginning on page S-16 of this prospectus supplement and on page 1 of the accompanying prospectus.

	Per Common Unit	Total
Price to Public	\$ 37.5200	\$ 187,600,000
Underwriting Discount	\$ 1.5008	\$ 7,504,000
Proceeds to Us (Before Expenses)	\$ 36.0192	\$ 180,096,000

We have granted the underwriters a 30-day option to purchase up to an additional 750,000 common units on the same terms and conditions as set forth above if the underwriters sell more than 5,000,000 common units in this offering.

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

a criminal offense.

The underwriters expect to deliver the common units on or about June 24, 2008.

Joint Book-Running Managers

Wachovia Securities
Lehman Brothers

Citi
UBS Investment Bank

Co-Managers

RBC Capital Markets

Banc of America Securities LLC
Friedman Billings Ramsey
Sanders Morris Harris

Credit Suisse
JPMorgan
Stifel Nicolaus

Wells Fargo Securities

The date of this prospectus supplement is June 19, 2008.

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This document is in two parts. The first part is this prospectus supplement, which describes our business and the terms of this offering of common units. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common units. If information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any free writing prospectus we may authorize to be delivered to you. We have not authorized anyone to provide you with different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus or any free writing prospectus we may authorize to be delivered to you is accurate as of any date other than the dates shown in these documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since those dates. We are not making an offer of these securities in any state where the offer is not permitted.

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NOTE ABOUT CERTAIN TERMS USED IN THIS PROSPECTUS SUPPLEMENT

In this prospectus supplement, unless otherwise noted or indicated by the context:

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, a wholly-owned subsidiary of Atlas Pipeline Holdings, L.P. (NYSE: AHD);

we refer to natural gas liquids, such as ethane, propane, normal butane, isobutane and natural gasoline, as NGLs ;

we refer to the Federal Energy Regulatory Commission as FERC ;

we refer to billion cubic feet as Bcf, million cubic feet as MMcf, thousand cubic feet as Mcf, million cubic feet per day as MMcfd, thousand cubic feet per day as Mcfd, barrels as Bbl, barrels per day as Bbld, British Thermal Unit as Btu and million British Thermal Units as MMBtu ; and

the information presented assumes that the underwriters do not exercise their option to purchase additional common units.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and in the accompanying prospectus. You should read the entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. You should read Risk Factors beginning on page S-16 of this prospectus supplement and on page 1 of the accompanying prospectus, as well as the Risk Factors section in any of the documents incorporated by reference in this prospectus supplement, for more information about important factors that you should consider before buying common units in this offering.

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

We own and operate through our Mid-Continent operations:

a 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 and has throughput capacity of approximately 400 MMcfd;

eight active natural gas processing plants with aggregate capacity of approximately 750 MMcfd and one treating facility with a capacity of approximately 200 MMcfd, located in Oklahoma and Texas; and

approximately 7,870 miles of active natural gas gathering systems located in Oklahoma, Arkansas, Kansas and Texas, which transport gas from wells and central delivery points in the Mid-Continent region to our natural gas processing and treating plants or Ozark Gas Transmission, as well as third party pipelines.

Through our Appalachian operations, we own and operate 1,600 miles of active natural gas gathering systems located in eastern Ohio, western New York, western Pennsylvania and northeastern Tennessee. 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 gather substantially all of the natural gas for our Appalachian Basin operations from wells operated by Atlas Energy.

Both our Mid-Continent and Appalachian operations are located in areas of abundant and long-lived natural gas production and significant new drilling activity. We believe our experienced management team and our disciplined growth strategy will enable us to continue to expand our operations and generate significant cash flow from operations.

On July 27, 2007, we acquired control of Anadarko Petroleum Corporation's 100% interest in the Chaney Dell natural gas gathering system and processing plants located in Oklahoma and its 72.8% undivided joint venture interest in the Midkiff/Benedum natural gas gathering system and processing plants located in Texas, which we refer to as the Anadarko Assets. The Chaney Dell system includes approximately 3,500 miles of gathering pipeline and three processing plants with 260 MMcfd of processing capacity, and the Midkiff/Benedum system includes approximately 2,500 miles of gathering pipeline and two processing plants with 140 MMcfd of processing capacity. The transaction was effected by the formation of two joint venture companies which own the respective systems, to which we contributed \$1.9 billion and Anadarko contributed the Anadarko Assets. We manage and control both systems.

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Competitive Strengths

We believe we are well-positioned to successfully execute our business strategy because of the following competitive strengths:

Diversified asset base. Our operations are divided between the active Mid-Continent region, including Arkansas, Oklahoma, southern Kansas, southeastern Missouri, northern and western Texas and the Texas panhandle, where we transport, gather, process and treat third-party gas volumes, and the Appalachian Basin, where we gather new volumes through long-term agreements with Atlas Energy. As a result of our acquisition of a 72.8% joint venture interest in the Midkiff/Benedum gathering system, we are one of the largest gas processors in the Spraberry Trend of the Permian Basin in west Texas. Our joint venture partner is Pioneer Natural Resources Company (NYSE:PXD), the largest producer in the Spraberry Trend. In addition, we generate our revenues under a variety of contract structures, including FERC-regulated transmission fees from Ozark Gas Transmission, fixed fees from our gathering and treating businesses, percentage-of-proceeds contracts from processing and keep-whole contracts from our Elk City/Sweetwater and Chaney Dell systems. In the Elk City/Sweetwater and Chaney Dell systems, we can bypass volumes during periods of unfavorable processing margins.

Stability from long-term contracts and relationships with active producers. Our gas supply strategy in the Mid-Continent region is to establish long-term, service-driven relationships with our producing customers, who comprise some of the largest producers in the region. We have long-standing relationships with many of the Mid-Continent customers which account for a substantial majority of our gathering and processing throughput. We have an agreement with Pioneer through 2022 under which Pioneer has dedicated all of its production in an eight county area in the Permian Basin to the Midkiff/Benedum joint venture. The Chaney Dell system benefits from a long-term relationship with Chesapeake Energy Corporation (NYSE: CHK), the most active driller in the region, which has announced plans to continue to organically grow its total production by at least 10% during 2008. In addition, our Appalachian operations generate substantially all of their volumes under long-term agreements with Atlas Energy. We believe that our relationships with these key producers will provide us with a competitive advantage in adding new natural gas supplies and retaining previously connected volumes and in continuing to increase our scale and presence in our operating areas.

Strategically positioned for organic growth. The regions in which we operate are characterized by substantial developed and undeveloped natural gas reserves, which we believe will continue to experience significant drilling activity. We provide our gathering and processing services to over 14,500 central delivery points or wells, giving us significant scale in our service areas. We have made significant investments in efficient and reliable infrastructure of high performance pipelines, compressors and processing plants which we believe provide our customers with long-term, flexible solutions for their gathering and processing needs, which makes us a very desirable partner. Additionally, we expect the breadth of our operations in our service areas, our customer focus and our relationships with major producers throughout our geographic footprint will allow us to continue to connect new wells and capture new natural gas volumes relatively quickly and cost-effectively.

Efficient assets which offer low maintenance capital expenditure requirements. Our existing transportation and gathering systems and processing plants have relatively low capital expenditure needs. In addition, approximately 41% of our gathering systems and processing plants, as measured by total processing capacity, consisting of our Sweetwater processing plant completed in September 2006 and the Waynoka facility completed in December 2006, are new. We are scheduled to complete a 60 MMcfd expansion of the Sweetwater processing plant in June 2008, and our 9 Mile processing plant, scheduled for completion in December 2008, will have processing capacity of 120 MMcfd. These new plants will possess technologically advanced controls, systems and processes with recovery rates of approximately 90% for ethane and greater than 98% for all other NGLs.

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Experienced management and engineering team. Through our general partner we have significant management and technical expertise. Our senior management team averages approximately 22 years of experience in the oil and natural gas industry. Our operational and technical expertise has enabled us to identify assets that have not been fully utilized and to improve their performance upon integration into our operations.

Business Strategy

Our primary objective is to increase cash flow and achieve sustainable, profitable growth while maintaining a strong credit profile and financial flexibility by executing the following strategies:

Maximize use of operating facilities and control our operating costs. We intend to control our operating costs by efficiently managing our existing and acquired businesses and achieving economies of scale. We use state-of-the-art measures and programs to reduce fuel loss and unaccounted-for natural gas on our systems. We have additional capacity in our gathering systems and have, or can increase at relatively low cost, capacity at our processing and treating facilities. As a result, we can readily increase the amount of natural gas we transport and process in response to our customer requests, market conditions and the commodity price environment.

Continue to increase the amount of our operating cash flow generated by long-term contracts. We intend to continue to seek to secure long-term contracts both in our existing operations and through strategic acquisitions in order to further diversify our contract mix. For example, we have a contract with Pioneer through 2022 which accounts for approximately 50% of our Midkiff/Benedum volumes, and we recently secured a new long-term contract with SandRidge Energy in our Chaney Dell system which provides significant new acreage dedication.

Expand existing systems through organic growth opportunities. We continually evaluate opportunities to expand our operations through the construction of pipeline extensions to connect additional wells and access additional reserves. For example, in order to offer greater transportation flexibility to our customers and expand our operating footprint in Oklahoma, we recently completed a 105-mile 16-inch pipeline connecting the Elk City/Sweetwater system to the Chaney Dell system. Along this new pipeline, we are currently constructing the 120 MMcfd 9 Mile processing plant that is scheduled to be completed in December 2008. We are also currently completing an expansion to the Sweetwater facility that will increase processing capacity 50% to 180 MMcfd. As part of this expansion project, we will also be extending 20 miles of pipeline into the Roberts County, Texas area and the Granite Wash play, which we believe will further enhance our presence in the region. In 2008, we expect to activate over 200 MMcfd of additional processing capacity through these and other initiatives. We also expect to expand the throughput capacity on our NOARK pipeline system from 400 MMcfd to 500 MMcfd during 2008 through additional compression. In 2009, we intend to construct the new 150 MMcfd Midkiff consolidator plant, which will replace the existing 100 MMcfd legacy plant.

Expand operations through strategic acquisitions. We intend to continue to make accretive acquisitions of midstream energy assets such as natural gas gathering systems and processing facilities, as well as NGL and natural gas transmission and storage assets. We will continue to seek strategic opportunities in our current areas of operation, as well as other regions of the U.S. with significant natural gas and oil reserves or with growing demand for natural gas and oil.

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Maintain a flexible capital structure based on a strong balance sheet by financing our growth through a balanced combination of debt and equity. To provide financial flexibility to fund future acquisitions and expansion opportunities, we will continue to opportunistically access the capital markets. We intend to maintain a strong balance sheet by financing growth with a combination of long-term debt and equity. Including our initial public offering in 2000, we have accessed the equity markets nine times, raising approximately \$1.6 billion in gross proceeds. Because of our financial flexibility, we have historically been able to take advantage of opportunities for expansion and optimization as they arise.

Recent Developments

Early Termination of Crude Oil Derivative Contracts. We will use the proceeds from both this offering and the private placement of common units to Atlas America and Atlas Pipeline Holdings, discussed elsewhere in this prospectus supplement, to fund the early termination of approximately 81% of our crude oil derivative contracts that we entered into as a proxy hedge for the prices we receive for the ethane and propane portion of our NGL equity volume. This termination will relate to production periods from the end of the second quarter of 2008 through the fourth quarter of 2009. These hedges were put in place simultaneously with our acquisition of the Anadarko Assets in July 2007 and have become less effective as a result of significant increases in the price of crude oil and less significant increases in the price of ethane and propane.

The amount of derivative contracts we expect to terminate is based upon estimated prevailing commodity prices of \$130 per barrel of crude oil, \$0.98 per gallon of ethane, \$1.72 per gallon of propane and \$2.60 per gallon of butane+. The first table below sets forth our crude oil derivative contracts associated with our NGLs as of March 31, 2008, and the second table shows such positions as adjusted to give effect to the amount of contracts we expect to terminate based upon the estimated prevailing commodity prices referred to above.

Crude oil collars associated with NGL volumes at March 31, 2008

Production period ended	Option type	Average crude strike price (per barrel)	Crude volume (barrels)	Associated NGL volumes (gallons)	Percentage related to ethane and propane (%)	Percentage related to butane + (%)
December 31, 2008	Puts purchased	\$ 60.00	3,517,200	240,141,888	57%	43%
2008	Calls sold	\$ 79.08	3,517,200	240,141,888	57%	43%
2009	Puts purchased	\$ 60.00	5,184,000	354,533,760	57%	43%
2009	Calls sold	\$ 78.88	5,184,000	354,533,760	57%	43%
2010	Puts purchased	\$ 61.08	3,127,500	213,088,050	57%	43%
2010	Calls sold	\$ 81.09	3,127,500	213,088,050	57%	43%
2011	Puts purchased	\$ 70.59	606,000	34,869,240	57%	43%
2011	Calls sold	\$ 95.56	606,000	34,869,240	57%	43%
2012	Puts purchased	\$ 70.80	450,000	25,893,000	57%	43%
2012	Calls sold	\$ 97.10	450,000	25,893,000	57%	43%

Table of Contents**Pro forma crude oil collars associated with NGL volumes**

Production period ended	Option type	Average crude strike price (per barrel)	Crude volume (barrels)	Associated NGL volumes (gallons)	Percentage related to ethane and propane (%)	Percentage related to butane + (%)
December 31, 2008	Puts purchased	\$ 60.00	1,968,811	121,277,778	21%	79%
2008	Calls sold	\$ 79.08	1,968,811	121,277,778	21%	79%
2009	Puts purchased	\$ 60.00	2,239,980	137,981,663	21%	79%
2009	Calls sold	\$ 78.88	2,239,980	137,981,663	21%	79%
2010	Puts purchased	\$ 61.08	3,127,500	213,088,050	57%	43%
2010	Calls sold	\$ 81.09	3,127,500	213,088,050	57%	43%
2011	Puts purchased	\$ 70.59	606,000	34,869,240	57%	43%
2011	Calls sold	\$ 95.56	606,000	34,869,240	57%	43%
2012	Puts purchased	\$ 70.80	450,000	25,893,000	57%	43%
2012	Calls sold	\$ 97.10	450,000	25,893,000	57%	43%

The amount of crude oil derivative contracts that we will be able to terminate will depend upon movements in crude oil pricing. Generally, if crude oil pricing moves lower than the prices used for purposes of the above pro forma table, we will likely terminate a greater amount of derivative contracts than reflected in the pro forma table. Conversely, if crude oil prices move higher, we will likely terminate fewer derivative contracts than reflected in the pro forma table.

We expect to return to the hedging strategy that we used before July 2007: utilizing direct swaps, collars and/or puts for new hedges related to our ethane and propane production. We will continue to hedge our butane and natural gasoline production with direct or crude oil swaps, collars and/or puts. The following table represents our intended hedging strategy for natural gas, NGLs and condensate:

Commodity	Derivative instruments/specifics	Minimum rolling forward period hedge percentage		
		Year 1	Year 2	Year 3
<i>NGLs</i>				
Long position	Ethane Swaps, Collars and/or Puts			
Hedged based upon value	Propane Swaps, Collars and/or Puts Butane+ Swaps, Collars and/or Puts on Butane+ or Crude Oil	50%	33%	15%
<i>Condensate</i>				
Long Position	Crude oil Swaps, Collars and/or Puts	60%	40%	20%
Hedged based upon volume				
<i>Natural gas</i>				
Short and Long Position	Hedge short position on a btu basis equivalent to the our hedged NGL position to lock-in a Frac spread	70%(1)	50%(1)	25%(1)
Hedged based upon volume	Natural Gas Swaps, Collars and/or Puts and Calls			

(1) Based upon equity volumes of long natural gas associated with percentage of proceeds contracts. Upon termination of the derivative contracts, we expect to incur an estimated charge against earnings for the second quarter of 2008 of approximately \$10.0 million, based upon estimated current commodity

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prices. The anticipated dollar cost of the termination of the derivative contracts is approximately \$234.5 million. As of June 11, 2008, the fair value of our aggregate derivative contracts was a liability of approximately \$714.5 million as compared to \$265.9 million at March 31, 2008. Of the \$448.6 million increase in derivative liability, which represents the change in fair value of open derivative contracts, approximately \$322.3 million would reduce second quarter GAAP earnings if recorded at current commodity prices and the balance would be recognized in accumulated other comprehensive loss, subject, in either case, to further changes resulting from changes in commodity prices. Please read **Risk Factors** Due to the accounting of our derivative contracts, increases in prices for natural gas, crude oil and NGLs could result in non-cash balance sheet reductions.

As a result of terminating these contracts, we expect that our net revenue and, as a result, our distributable cash flow per unit, will increase in both the second half of 2008 and for the full year 2009. We anticipate that the removal of the crude oil derivatives contracts will significantly reduce the risk to us of further charges due to increases in the price of crude oil where the price of crude oil has become less correlated with the prices of ethane and propane. Consequently, future cash flow should more accurately reflect the revenues generated from NGLs produced in our natural gas processing operations. Wachovia Bank, National Association, an affiliate of an underwriter in this offering, is the counterparty on some of the hedges being terminated and, accordingly, will receive a substantial majority of the net proceeds from this offering. Please read **Underwriting**.

In connection with our anticipated termination of these instruments, we amended our revolving credit and term loan agreement to, among other things, exclude from the calculation of Consolidated EBITDA the costs associated with terminating hedging agreements to the extent such costs are financed with or paid out of the net proceeds of an equity offering. In addition, consistent with several other recent energy master limited partnership agreements, our general partner's managing board and conflicts committee approved an amendment to our limited partnership agreement, effective June 12, 2008, to exclude from the calculation of **Operating Surplus** any payments made or received, or charges incurred, including premiums or penalties paid, in connection with the breakage, termination or unwinding of any hedging agreement before its scheduled termination or expiration date. As a result of this amendment, the cash expenditure to terminate the derivative contracts will not reduce **Operating Surplus**.

New Derivatives Positions. In May 2008, we entered into derivative contracts to mitigate the upward movements in crude oil commodity prices relative to our hedge positions at March 31, 2008. The derivative contracts we entered into are as follows:

Production				
period ended		Associated	Average	
December 31,	Crude volume	NGL volume	crude	Option type
	<i>(barrels)</i>	<i>(gallons)</i>	strike	
			price	
			<i>(per barrel)</i>	
2008	2,735,744	114,901,248	\$ 131.71	Puts sold
2008	3,572,800	150,057,600	138.29	Calls purchased
2009	3,396,480	142,652,160	126.05	Puts sold
2009	3,396,480	142,652,160	143.00	Calls purchased

Private Placement of Senior Unsecured Notes. Shortly following the closing of this offering, subject to market conditions, we expect to issue approximately \$300 million in principal amount of senior notes in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933 and to persons outside the United States under Regulation S. The completion of this offering is not conditioned upon the completion of the private placement of senior notes or vice versa. Please see **Use of Proceeds** and **Capitalization**. We expect to use the net proceeds from the private placement of senior notes to repay indebtedness outstanding under our term loan and revolving credit facility. We do not expect to use the senior notes proceeds to terminate additional derivative contracts.

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Acquisition of Appalachian Assets. On February 22, 2008, we acquired a gas gathering system and related facilities located in northeastern Tennessee for \$9.1 million. The system serves several counties northwest of Knoxville, an area of active drilling and production including that of Atlas Energy. In conjunction with the acquisition of the gathering system, we also announced that we intend to construct a new 20 MMcfd cryogenic processing facility that will service natural gas produced in this northeastern Tennessee area.

Chaney Dell Plant Reactivation. In February 2008, we reactivated the Chaney Dell gas processing plant due to drilling activity in the Anadarko Basin and high utilization rates at the Waynoka and Chester gas processing plants within the Chaney Dell system. The Chaney Dell plant added approximately 30 MMcfd of processing capacity to the Chaney Dell system, for an aggregate capacity of 260 MMcfd.

Our Organizational Structure

We conduct our operations through, and our operating assets are owned by, our subsidiaries. Our general partner has sole responsibility for conducting our business and managing our operations. Our general partner does not receive any management fee or other compensation in connection with its management of our business apart from its general partner interest and incentive distribution rights, but it is reimbursed for direct and indirect expenses incurred on our behalf. Our executive offices are located at 1550 Coraopolis Heights Road, Moon Township, Pennsylvania 15108, telephone number (412) 262-2830. Our website address is www.atlaspipelinepartners.com.

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The Offering

Common units offered	<p>5,000,000 common units.</p> <p>5,750,000 common units if the underwriters exercise their option to acquire an additional 750,000 common units.</p>
Private placement of common units	<p>Concurrently with the closing of this offering, we will sell approximately \$40.1 million of unregistered common units to Atlas America and approximately \$10.0 million of unregistered common units to Atlas Pipeline Holdings in a private placement exempt from the requirements of the Securities Act of 1933, as amended at the public offering price, less underwriting discounts and commissions. We will use all of the proceeds from these sales for the early termination of derivative contracts, as discussed in Use of Proceeds.</p>
Units outstanding after this offering and the private placement	<p>45,172,448 common units, including the sale to Atlas America and Atlas Pipeline Holdings of 1,390,000 common units.</p> <p>45,922,448 common units if the underwriters exercise their option to acquire an additional 750,000 common units, including the sale to Atlas America and Atlas Pipeline Holdings of 1,390,000 common units.</p>
Use of proceeds	<p>We will use the net proceeds from this offering, which we estimate will be approximately \$179.6 million, and the proceeds from the private placement of common units to Atlas America and Atlas Pipeline Holdings and an approximate \$4.9 million capital contribution from our general partner, to fund the early termination of certain crude oil derivative contracts. Wachovia Bank, National Association, an affiliate of an underwriter in this offering, is the counterparty on some of these derivative contracts and, accordingly, will receive a substantial majority of the net proceeds from this offering. See Use of Proceeds and Underwriting.</p>
Cash distribution policy	<p>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.</p> <p>When quarterly cash distributions exceed \$0.42 per unit in any quarter, our general partner receives a higher percentage of the cash distributed in excess of that amount, in increasing percentages up to 50% if the quarterly cash distribution exceeds \$0.60 per unit. We refer to our general partner's right to receive these higher amounts of cash as incentive distribution rights.</p>

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In connection with our acquisition of the Chaney Dell and Midkiff/Benedum systems in July 2007, our general partner agreed to

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allocate up to \$5.0 million of incentive distributions per quarter back to us through the quarter ending June 30, 2009, and up to \$3.75 million per quarter thereafter. Atlas Pipeline Holdings also agreed that the resulting allocation would be after it received the initial \$3.7 million per quarter of incentive distribution rights through the quarter ended December 31, 2007, and \$7.0 million per quarter thereafter.

For a discussion of our cash distribution policy, please read "Our Partnership Agreement - Cash Distribution Policy" in the accompanying prospectus.

On May 15, 2008 we paid a quarterly cash distribution of \$0.94 per common unit for the quarter ended March 31, 2008, to holders of record as of May 7, 2008. The \$44.3 million distribution included \$7.9 million paid to our general partner, after the allocation of \$3.8 million of its incentive distributions back to us.

Ratio of taxable income to distributions

We estimate that if you purchase common units in this offering and own them through December 31, 2010, you will be allocated an amount of federal taxable income for that period which is less than 20% of the cash we expect to distribute for that period. We anticipate that, for taxable years beginning after December 31, 2010, the taxable income allocable to you will represent a higher percentage of cash distributed to you. Please read "Tax Consequences - Tax Consequences of Unit Ownership - Ratio of Taxable Income to Distributions" in this prospectus supplement for an explanation of the basis of this estimate.

New York Stock Exchange symbol

APL.

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Summary Historical and Unaudited Pro Forma Financial and Operating Data

The following table sets forth selected consolidated financial data as of and for each of the three years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2007 and 2008. We derived the historical financial data for each of the years ended December 31, 2005, 2006 and 2007 and at December 31, 2005, 2006 and 2007 from our consolidated financial statements incorporated by reference in this prospectus supplement, which have been audited by Grant Thornton LLP, independent registered accountants. We derived the historical financial data as of and for the three months ended March 31, 2007 and 2008 from our unaudited consolidated financial statements incorporated by reference in this prospectus supplement. The following table also includes unaudited pro forma financial data that reflects our historical results as adjusted on a pro forma basis to give effect to certain transactions described below.

The unaudited pro forma balance sheet information as of March 31, 2008 and the unaudited pro forma statement of operations information for the three months ended March 31, 2008 reflect the following transactions as if they had occurred as of March 31, 2008, in the case of the balance sheet, and January 1, 2008, in the case of the statement of operations:

the public offering of 5,000,000 common units hereby at an offering price of \$37.52 per unit for net proceeds of approximately \$179.6 million, after the underwriting discount and estimated offering expenses;

the private placement of a total of 1,390,000 common units to Atlas America and Atlas Pipeline Holdings concurrently with the closing of the public offering at \$36.02 per unit, the public offering price less underwriting discounts and commissions, for gross proceeds of approximately \$50.1 million; and

the capital contribution by our general partner of approximately \$4.9 million to maintain its 2% general partner interest in us and our operating subsidiary.

The unaudited pro forma statement of operations information for the year ended December 31, 2007 reflects the above transactions as well as the following transactions as if they had occurred as of January 1, 2007:

our issuance of \$8.5 million of 8.125% senior unsecured notes due 2015 to Sunlight Capital Partners, LLC in April 2007 in consideration for its agreement to amend certain provisions of our 6.5% cumulative convertible preferred units issued to Sunlight during 2006;

our acquisition on July 27, 2007 of the Anadarko Assets for approximately \$1.9 billion;

the July 2007 private placement of approximately 25.6 million common units, of which our general partner purchased approximately 3.8 million common units, at a purchase price of \$44.00 per unit, for gross proceeds of approximately \$1.1 billion and the capital contribution by our general partner of \$23.1 million to maintain its 2% general partner interest in us and our operating subsidiary, the net proceeds of which were used to finance a portion of the purchase price of the Anadarko Assets; and

the July 2007 borrowing of \$830.0 million under our senior secured term loan and \$300.0 million under our senior secured revolving credit facility to fund the remaining portion of the purchase price of the Anadarko Assets and related acquisition and financing costs. The pro forma financial data do not give effect to (i) the anticipated private placement of \$300.0 million of senior notes, the net proceeds of which would be used to repay indebtedness, or (ii) the intended use of net proceeds from the public offering and the private placement and the related general partner capital contribution to fund the termination of certain of our crude oil derivative contracts as described in Use of Proceeds. Upon termination of the derivative contracts, we expect to incur an estimated charge against earnings for the second quarter of 2008 of approximately \$10.0 million, based upon estimated current commodity prices. The anticipated dollar cost of the termination of the derivative contracts is approximately

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\$234.5 million. The determination of which derivative contracts we will terminate with respect to this amount and for which production periods will depend upon then prevailing commodity prices at the date of termination. For more information about the termination of the derivative contracts, please read [Summary](#) [Recent Developments](#) [Early Termination of Crude Oil Derivative Contracts](#).

In connection with the Chaney Dell and Midkiff/Benedum acquisitions, we reached an agreement with Pioneer, which currently holds an approximate 27.2% interest in the Midkiff/Benedum system, under which Pioneer will have an option to buy up to an additional 14.6% interest in the Midkiff/Benedum system beginning on June 15, 2008 and ending on November 1, 2008, and up to an additional 7.4% interest beginning on June 15, 2009 and ending on November 1, 2009; the aggregate 22.0% additional interest can be entirely purchased during the period beginning June 15, 2009 and ending on November 1, 2009. As of the date of this prospectus supplement, representatives of Pioneer have not yet notified us if they will exercise this option. If Pioneer fully exercises its options, it would increase its interest in the system to approximately 49.2% and would pay approximately \$230.0 million, subject to certain adjustments, for the additional 22% interest. We will manage and control the Midkiff/Benedum system regardless of whether Pioneer exercises the purchase options. Also in connection with the Chaney Dell and Midkiff/Benedum acquisitions, our general partner and holder of all of our incentive distribution rights agreed to allocate up to \$5.0 million of incentive distributions per quarter to us through the quarter ending June 30, 2009, and up to \$3.75 million per quarter after that. Atlas Pipeline Holdings also agreed that the resulting allocation would be after it received the initial \$3.7 million per quarter of incentive distribution rights through the quarter ended December 31, 2007, and \$7.0 million per quarter thereafter.

The unaudited pro forma balance sheet and the pro forma statements of operations were derived by adjusting our historical financial statements. However, our management believes that the adjustments provide a reasonable basis for presenting the significant effects of the transactions described above. The unaudited pro forma financial data presented are for informational purposes only and are based upon available information and assumptions that we believe are reasonable under the circumstances. The historical statements of assets acquired and liabilities assumed and of revenues and direct operating expenses of the Chaney Dell system and the Midkiff/Benedum system, which were used in the preparation of the unaudited pro forma financial data, do not reflect all of the costs of doing business. You should not construe the unaudited pro forma financial data as indicative of the combined financial position or results of operations that we, the Chaney Dell system and the Midkiff/Benedum system would have achieved had the transactions been consummated on the dates assumed. Moreover, they do not purport to represent our, the Chaney Dell system's, or the Midkiff/Benedum system's combined financial position or results of operations for any future date or period. The historical financial information for the Anadarko Assets for the period from January 1, 2007 through the date of acquisition included in the pro forma financial statement of operations have not been reviewed by independent auditors. Such financial information is based on financial information that management believes to be accurate and reliable.

The financial data below should be read together with, and are qualified in their entirety by reference to, our historical consolidated and pro forma combined financial statements and the accompanying notes, [Management's Discussion and Analysis of Financial Condition and Results of Operations](#), and the historical statements of assets acquired and liabilities assumed and of revenues and direct operating expenses and the accompanying notes of the Chaney Dell system and the Midkiff/Benedum system, each of which is incorporated by reference in this prospectus supplement.

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	Year ended December 31,			Three months ended March 31,		Pro forma	
	2005(1)	2006(2)	2007(3)	2007	2008	Year ended December 31, 2007	Three months ended March 31, 2008
(in thousands, except per unit and operating data)							
Statements of operations data:							
Revenue:							
Natural gas and liquids	\$ 338,672	\$ 391,356	\$ 761,118	\$ 102,176	\$ 366,119	\$ 1,064,312	\$ 366,119
Transportation, compression and other fees	30,309	60,924	81,785	17,558	24,021	95,664	24,021
Other income (loss), net	2,519	12,412	(174,103)	(2,197)	(86,754)	(169,944)	(86,754)
Total revenues and other income (loss), net	371,500	464,692	668,800	117,537	303,386	990,032	303,386
Costs and expenses:							
Natural gas and liquids	288,180	334,299	587,524	87,810	276,664	820,298	276,664
Plant operating	10,557	15,722	34,667	4,530	14,935	47,765	14,935
Transportation and compression	4,053	10,753	13,484	3,112	3,812	13,484	3,812
General and administrative	13,608	22,569	60,986	6,333	5,499	63,486	5,499
Depreciation and amortization	13,954	22,994	50,982	6,534	25,825	78,019	25,825
Loss on arbitration settlement, net	138						
Interest	14,175	24,572	61,526	6,759	20,381	96,826	20,381
Minority interests(4)	1,083	118	3,940		2,090	6,231	2,090
Total costs and expenses	345,748	431,027	813,109	115,078	349,206	1,126,109	349,206
Net income (loss)	25,752	33,665	(144,309)	2,459	(45,820)	(136,077)	(45,820)
Preferred unit imputed dividend cost		(1,898)	(2,494)	(499)	(505)	(2,494)	(505)
Preferred unit dividends					(137)		(137)
Preferred unit dividend effect			(3,756)			(3,756)	
Net income (loss) attributable to common limited partners and the general partner	\$ 25,752	\$ 31,767	\$ (150,559)	\$ 1,960	\$ (46,462)	\$ (142,327)	\$ (46,462)
Balance sheet data (at period end):							
Property, plant and equipment, net	\$ 445,066	\$ 607,097	\$ 1,748,661	\$ 619,537	\$ 1,812,029		\$ 1,812,029
Total assets	742,726	786,884	2,877,614	784,563	2,942,899		3,177,437
Total debt, including current portion	298,625	324,083	1,229,426	339,026	1,289,391		1,289,391
Total partners capital	329,510	379,134	1,273,960	362,134	1,220,331		1,454,869
Cash flow data:							
Net cash provided by operating activities	\$ 49,520	\$ 45,029	\$ 99,769	\$ 17,287	\$ 54,878		
Net cash used in investing activities	(409,607)	(104,499)	(2,024,64)	(16,535)	(83,039)		
Net cash provided by (used in) financing activities	376,110	27,028	1,935,059	(708)	18,736		
Other financial data:							
Gross margin(5)	\$ 79,711	\$ 119,071	\$ 265,802	\$ 31,924	\$ 113,476	\$ 350,101	\$ 113,476
EBITDA(6)	52,791	82,321	(21,378)	15,752	386	49,191	386
Adjusted EBITDA(6)	56,509	86,320	185,780	19,824	74,447	256,349	74,447
Maintenance capital expenditures	\$ 1,922	\$ 4,649	\$ 9,115	\$ 772	\$ 1,619		
Expansion capital expenditures	50,576	79,182	143,775	15,857	82,450		
Total capital expenditures	\$ 52,498	\$ 83,831	\$ 152,890	\$ 16,629	\$ 84,069		

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	Year ended December 31,		Three months ended March 31,		
	2005(1)	2006(2)	2007(3)	2007	2008
	(in thousands, except per unit and operating data)				
Operating data(7):					
Appalachia:					
Average throughput volumes (Mcf)	55,204	61,892	68,715	62,532	75,632
Mid-Continent:					
Velma system:					
Gathered gas volume (Mcf)	67,075	60,682	62,497	61,017	62,400
Processed gas volume (Mcf)	62,538	58,132	60,549	58,508	59,867
Residue gas volume (Mcf)	50,880	45,466	47,234	45,689	47,138
NGL production (Bpd)	6,643	6,423	6,451	6,247	6,688
Condensate volume (Bpd)	256	193	225	200	254
Elk City system:					
Gathered gas volume (Mcf)	250,717	277,063	298,200	287,892	305,377
Processed gas volume (Mcf)	119,324	154,047	225,783	207,253	236,403
Residue gas volume (Mcf)	109,553	140,969	206,721	190,940	213,130
NGL production (Bpd)	5,303	6,400	9,409	8,515	10,677
Condensate volume (Bpd)	127	140	212	322	363
Chaney Dell system(8):					
Gathered gas volume (Mcf)			259,270		251,487
Processed gas volume (Mcf)			253,523		247,861
Residue gas volume (Mcf)			221,066		220,194
NGL production (Bpd)			12,900		12,401
Condensate volume (Bpd)			572		707
Midkiff/Benedum system(7):					
Gathered gas volume (Mcf)			147,240		142,542
Processed gas volume (Mcf)			133,356		136,654
Residue gas volume (Mcf)			94,281		96,612
NGL production (Bpd)			20,618		20,349
Condensate volume (Bpd)			1,346		720
NOARK system(8):					
Average Ozark Gas Transmission throughput volume (Mcf)	255,777	249,581	326,651	286,891	390,293

- (1) Includes our acquisition of Elk City on April 14, 2005, representing approximately eight and one-half months operations, and a 75% ownership interest in NOARK on October 31, 2005, representing approximately two months operations, for the year ended December 31, 2005. Operating data for the NOARK system represents 100% of its operating activity for the period described in Note 8 below.
- (2) Includes our acquisition of the remaining 25% ownership interest in NOARK on May 2, 2006, representing approximately eight months of an additional 25% ownership interest in NOARK's operations for the year ended December 31, 2006. Operating data for the NOARK system represents 100% of its operating activity.
- (3) Includes our acquisition of control of a 100% interest in the Chaney Dell natural gas gathering system and processing plants and a 72.8% undivided joint interest in the Midkiff/Benedum natural gas gathering system and processing plants on July 27, 2007, representing approximately five months operations for the year ended December 31, 2007. Operating data for the Chaney Dell and Midkiff/Benedum systems represents 100% of their operating activity for the period described in Note 7 below.
- (4) For the years ended December 31, 2005 and 2006, this represents Southwestern's 25% minority interest in the net income of NOARK. We acquired Southwestern's 25% ownership interest on May 2, 2006. For the year ended December 31, 2007 and the three months ended March 31, 2008, this represents Anadarko's 5% minority interest in the operating results of the Chaney Dell and Midkiff/Benedum systems, which we acquired on July 27, 2007.
- (5) We define gross margin as revenue less purchased product costs. Purchased product costs include the cost of natural gas and NGLs that we purchase from third parties. Gross margin, as we define it, does not include plant operating and transportation and compression expenses as movements in gross margin generally do not result in directly correlated movements in these categories. Plant operating and transportation and compression expenses generally include the costs required to operate and maintain our pipelines and processing facilities, including salaries and wages, repair and maintenance expense, real estate taxes and other overhead costs. Our management views gross margin as an important performance measure of core profitability for our operations and as a key component of our

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internal financial reporting. We believe that investors benefit from having access to the same financial measures that our management uses. The following table reconciles our net income (loss) to gross margin (in thousands):

	Year ended December 31,			Three months ended March 31,		Pro forma	
	2005(1)	2006(2)	2007(3)	2007	2008	Year ended December 31, 2007	Three months ended March 31, 2008
Net income (loss)	\$ 25,752	\$ 33,665	\$ (144,309)	\$ 2,459	\$ (45,820)	\$	\$