ATLAS PIPELINE PARTNERS LP
Form 10-Q
April 23, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number: 1-4998

ATLAS PIPELINE PARTNERS, L.P.
(Exact name of registrant as specified in its charter)

DELAWARE	23-3011077
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
311 Rouser Road Moon Township, Pennsylvania	15108
(Address of principal executive office)	(Zip code)

Registrant's telephone number, including area code: (412) 262-2830

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

As of April 18, 2003, there were outstanding 1,621,159 Common Units and 1,641,026 Subordinated Units

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ATLAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 2003
	(Unaudi
ASSETS	
Current assets:	

Cash and cash equivalents..	$ 2,3
Accounts receivable..	2
Accounts receivable-affiliates...	3
Prepaid expenses...	2
Total current assets...	3,1
Property and equipment:	
Gas gathering and transmission facilities....................................	30,5
Less-accumulated depreciation..	(6,0
Net property and equipment...	24,5
Goodwill (net of accumulated amortization of $285,300)...........................	2,3
Other assets (net of accumulated amortization of $22,400 and $0)...................	3
	$ 30,3

LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)

Current liabilities:	
Accounts payable and accrued liabilities.....................................	$ 2
Accounts payable-affiliates..	
Distribution payable...	1,9
Total current liabilities..	2,1
Long-term debt...	8,5
Partners' capital (deficit):	
Common unitholders, 1,621,159 units outstanding..............................	19,1
Subordinated unitholder, 1,641,026 units outstanding.........................	6
General partner..	(1
Total partners' capital..	19,6
	$ 30,3

See accompanying notes to consolidated financial statements

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ATLAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002
(Unaudited)

20

Revenues:	
Transportation and compression	$ 3,
Interest income	
Total revenues	3,
Costs and expenses:	
Transportation and compression	
General and administrative	
Depreciation	
Interest	
Total costs and expenses	1,
Net income	$ 1,
Net income - limited partners	$ 1,
Net income - general partner	$
Basic and diluted net income per limited partner unit	$
Weighted average limited partner units outstanding	3,

See accompanying notes to consolidated financial statements

ATLAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL (DEFICIT)
FOR THE THREE MONTHS ENDED MARCH 31, 2003
(Unaudited)

Number of Limited Partner Units		Capital (Deficit)		
Common	Subordinated	Common	Subordinated	Gene

Balance at January 1, 2003.........	1,621,159	1,641,026	$19,163,500	$ 683,700	$
Distribution payable...............	-	-	(907,800)	(919,000)	
Net income.........................	-	-	884,500	895,300	
Balance at March 31, 2003..........	1,621,159	1,641,026	$19,140,200	$ 660,000	$

See accompanying notes to consolidated financial statements

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ATLAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002
(Unaudited)

	20
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income..	$ 1,
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation..	
Amortization of deferred finance costs..	
Changes in operating assets and liabilities:	
Increase in accounts receivable and prepaid expenses..........................	(
(Decrease) increase in accounts payable and accrued liabilities................	(
Net cash provided by operating activities..................................	1,
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisitions of gathering systems..	
Capital expenditures...	(1,
Net cash used in investing activities.......................................	(1,

CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowings under revolving credit facility...	2,
Distribution paid to partners..	(1,
Increase in other assets...	(
Net cash used in financing activities..	(
Increase (decrease) in cash and cash equivalents....................................	
Cash and cash equivalents, beginning of period......................................	1,
Cash and cash equivalents, end of period..	$ 2,

See accompanying notes to consolidated financial statements

ATLAS PIPELINE PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The consolidated financial statements of the Partnership and its wholly-owned subsidiaries as of March 31, 2003 and for the three month periods ended March 31, 2003 and 2002 are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. However, in the opinion of management, these interim financial statements include all the necessary adjustments to fairly present the results of the interim periods presented. The unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2002. The results of operations for the three month period ended March 31, 2003 may not necessarily

be indicative of the results of operations for the full year ending December 31, 2003.

Certain reclassifications have been made to the consolidated financial statements for the three month period ended March 31, 2002 to conform to the presentation for the three month period ended March 31, 2003.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value of Financial Instruments

For cash and cash equivalents, receivables and payables, the carrying amounts approximate fair values because of the short maturities of these items.

Net Income Per Unit

There is no difference between basic and diluted net income per limited partner unit since there are no potentially dilutive units outstanding. Net income per limited partner unit is determined by dividing net income, after deducting the general partner's 2% and incentive interest, by the weighted average number of outstanding common units and subordinated units.

Comprehensive Income

Comprehensive income includes net income and all other changes in the equity of a business during a period from non-owner sources. These changes, other than net income, are referred to as "other comprehensive income." The Partnership has no elements of comprehensive income, other than net income, to report.

Cash Flow Statements

For purposes of the statements of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Segment Information

The Partnership has one business segment, the transportation segment, which derives its revenues primarily from the transportation of natural gas that it receives from producers. Transportation revenues are, for the most part, based on contractual arrangements with Atlas America, Inc. and its affiliates.

Supplemental Disclosure of Cash Flow Information

Information for the three months ended March 31, 2003 and 2002, respectively, is as follows:

	2003	2002
Cash paid for:		
Interest......................	$ 62,200	$ 8,400

Goodwill

Goodwill is evaluated for impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142. As of January 1, 2002, the date of adoption, the Partnership had unamortized goodwill in the amount of $2.3 million. In 2002, the Partnership completed the transitional impairment and annual tests required by that standard, which involved the use of estimates related to the fair market value of the business operations associated with the goodwill. These tests did not indicate an impairment loss. The Partnership will continue to evaluate its 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. The Partnership will perform its annual impairment evaluation at year end.

Concentration of Credit Risk

Financial instruments, which potentially subject the Partnership to concentrations of credit risk, consist principally of periodic temporary investments of cash. The Partnership places its temporary cash investments in high quality short-term money market instruments and deposits with high quality financial institutions. At March 31, 2003, the Partnership and its subsidiaries had $2.3 million in deposits at one bank, of which $2.2 million was over the insurance limit of the Federal Deposit Insurance Corporation. No losses have been experienced on such investments.

New Accounting Standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. The adoption of SFAS 143 as of January 1, 2003 had no impact on the Partnership's results of operations or financial position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

New Accounting Standards - (Continued)

In May 2002, SFAS 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" was issued.

SFAS 145 rescinds the automatic treatment of gains and losses from extinguishments of debt as extraordinary unless they meet the criteria for extraordinary items as outlined in Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations, Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS 145 also requires sale-leaseback accounting for certain lease modifications that have economic effects similar to a sale-leaseback transaction and makes various corrections to existing pronouncements. The provisions of this statement are effective for financial statements issued by the Partnership in 2003. The adoption of SFAS 145 as of January 1, 2003 did not have a material impact on the Partnership's results of operations or its financial position.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 addresses significant issues relating to the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities, and nullifies the guidance in Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". The provisions of this statement are effective for exit and disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of SFAS 146 as of January 1, 2003 did not have a material impact on the Partnership's results of operations or its financial position.

NOTE 3 - DISTRIBUTION DECLARED

The Partnership will generally make quarterly cash distributions of substantially all of its available cash, generally defined as cash on hand at the end of the quarter less cash reserves deemed appropriate to provide for future operating costs, potential acquisitions and future distributions.

On March 25, 2003, the Partnership declared a cash distribution of $.56 per unit on its outstanding common units and subordinated units. The distribution represents the available cash flow for the three months ended March 31, 2003. The $1,961,700 distribution, which includes a distribution of $134,900 to the general partner, will be paid on May 9, 2003 to unitholders of record on March 31, 2003.

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 in the event that quarterly distributions to unitholders exceed certain 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. The general partner's incentive distribution for the distributions that we declared for the three months ended March 31, 2003 and 2002 was $95,500 and $66,000, respectively.

NOTE 4 - CREDIT FACILITY

In December 2002, the Partnership entered into a $7.5 million credit facility administered by Wachovia Bank, National Association. The facility was increased to $15.0 million through increases of $2.5 million and $5.0 million in January and March 2003, respectively. Borrowings under the facility, which amounted to $8.5 million at March 31, 2003, are secured by a lien on and security interest in all the property of the Partnership and its subsidiaries, including pledges by the Partnership of the issued and outstanding equity interests in its subsidiaries. Up to $3.0 million of the facility may be used for standby letters of credit. No such letters of credit have been issued under the facility. The revolving credit facility has a term ending in December 2005 and bears interest at one of two rates, elected at the Partnership's option:

- the base rate plus the applicable margin; or
- the adjusted LIBOR plus the applicable margin.

The base rate for any day equals the higher of the federal funds rate plus 1/2 of 1% or the Wachovia Bank prime rate. Adjusted LIBOR is LIBOR divided by 1.00 minus the percentage prescribed by the Federal Reserve Board for determining the reserve requirement for euro currency funding. The applicable margin is as follows:

- where the Partnership's leverage ratio, as defined in the credit facility agreement, is less than or equal to 1.5, the applicable margin is 0.00% for base rate loans and 1.50% for LIBOR loans;
- where the Partnership's leverage ratio is greater than 1.5 but less than or equal to 2.5, the applicable margin is 0.25% for base rate loans and 1.75% for LIBOR loans; and
- where the Partnership's leverage ratio is greater than 2.5, the applicable margin is 0.50% for base rate loans and 2.00% for LIBOR loans.

At March 31, 2003, borrowings under the Wachovia credit facility bore interest at rates ranging from 2.80% to 2.92%.

The Wachovia credit facility requires the Partnership to maintain specified net worth and specified ratios of current assets to current liabilities and debt to EBITDA, and requires it to maintain a specified interest coverage ratio. The Partnership used this credit facility to pay off its previous revolving credit facility at PNC Bank.

NOTE 5 -SUBSEQUENT EVENT

On April 2, 2003, the Partnership filed a registration statement on From S-2 for a proposed public offering of up to 1,092,500 common units of limited partner interest. The net proceeds from the proposed offering are intended to pay down existing debt and fund capital expenditures.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

Forward-Looking Statements

When used in this Form 10-Q, the words "believes" "anticipates" "expects" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties more particularly described in Item 1, under the caption "Risk Factors", in our annual report on Form 10-K for 2002. These risks and uncertainties could cause actual results to differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly release the results of any revisions to forward-looking statements which we may make to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.

The following discussion provides information to assist in understanding our financial condition and results of operation. This discussion should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this report.

General

Our principal business objective is to generate income for distribution to our unitholders from the transportation of natural gas through our gathering systems. We completed an initial public offering of our common units in February 2000 and used the proceeds of that offering to acquire the gathering systems formerly owned by Atlas America and its affiliates, all subsidiaries of Resource America. The 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, the gathering systems transport natural gas to end-users.

Results of Operations

In the three months ended March 31, 2003 and 2002, 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 North-Eastern 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:

	200
Average daily throughput volumes in mcf..	

Average transportation rate per mcf..	$
Transportation and compression revenues..	$ 3,3

Three Months Ended March 31, 2003 Compared to March 31, 2002

Revenues. Our transportation and compression revenue increased to $3,328,400 in the three months ended March 31, 2003 from $2,576,100 in the three months ended March 31, 2002. The increase of $752,300 (29%) resulted from an increase in the average transportation fee paid to us ($743,700) and an increase in the volumes of natural gas we transported ($8,600).

Our average daily throughput volumes were 50,045 mcf in the three months ended March 31, 2003 as compared to 49,918 mcf in the three months ended March 31, 2002, an increase of 127 mcf. During the quarter ended March 31, 2003 we added 73 new wells to our system. Gas delivery associated with these new wells, as well as volumes from wells already connected to our system, were constrained by cold weather related operating problems experienced by many of the wells that deliver gas into our system and by certain pipeline systems into which we deliver natural gas. Furthermore, landowners, on whose land each well is situated, have the contractual right to take natural gas from the well for their personal use before it enters our gathering system, thus reducing the amount of natural gas that we transport. Temperatures in our operating area were relatively colder during the quarter ended March 31, 2003 compared to the similar quarter of 2002 and, as a result, landowner gas usage was higher. In addition, during the first quarter of 2003, gas delivery was held back pending our completion of the first phase of a major expansion project to our system in Crawford County, Pennsylvania. That phase, to add a delivery point onto a major inter-state pipeline system, including significant compression capability, and to expand pipeline size and system length, was completed and began operation in mid-March 2003. We anticipate that additional transportation volumes will result from the completion of this phase of the project beginning in the quarter ending June 30, 2003. We expect to complete the second and final phase of the project in June 2003.

Our transportation rates are primarily at fixed percentages of the sales price of natural gas transported. Our transportation rates for most of the natural gas produced by Atlas America and its affiliates also have specified minimums. Our average transportation rate was $.74 per mcf in the three months ended March 31, 2003 as compared to $.57 per mcf in the three months ended March 31, 2002, an increase of $.17 per mcf (30%). In the first quarter of 2003, natural gas prices increased significantly over the prior year period. As a result, our average transportation rate increased. We anticipate transportation rates for the remainder of 2003 to be higher than the previous year.

Costs and Expenses. Our transportation and compression expenses

increased to $608,200 in the three months ended March 31, 2003 as compared to $512,100 in the three months ended March 31, 2002, an increase of $96,100 (19%). Our average cost per mcf of transportation and compression was $.14 in the three months ended March 31, 2003 as compared to $.11 in the three months ended March 31, 2002, an increase of $.03 (27%). This increase resulted primarily from an increase in compressor expenses due to increased lease rates and the addition of more compressors in the three months ended March 31, 2003 as compared to the prior year.

Our general and administrative expenses increased to $319,100 in the three months ended March 31, 2003 as compared to $310,000 in the three months ended March 31, 2002, an increase of $9,100 (3%). This increase primarily resulted from an increase in our cost of insurance, reflecting an increase in our operating activities and assets and insurance rates in general.

Our depreciation expense increased to $406,700 in the three months ended March 31, 2003 as compared to $345,400 in the three months ended March 31, 2002, an increase of $61,300 (18%). This increase resulted from the increased asset base associated with pipeline extensions.

Our interest expense increased to $83,500 in the three months ended March 31, 2003 as compared to $37,800 in the three months ended March 31, 2002. This increase of $45,700 (121%) resulted from an increase in amounts outstanding on our credit facility to finance pipeline extensions and an increase in amortization of deferred finance costs in the current period as compared to the prior period due to costs associated with obtaining our new credit facility.

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, sustaining capital expenditures and interest payments through existing cash and cash flows from operating activities;
- expansion capital expenditures and working capital deficits through the retention of cash and additional borrowings; and
- debt principal payments through additional borrowings as they become due or by the issuance of additional common units.

At March 31, 2003, we had $6.5 million of remaining borrowing capacity under our credit facility.

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

	2003
Current ratio..	1.4
Working capital..	$ 979,
Ratio of long-term debt to total partners' capital.........................	.43

During the three months ended March 31, 2003, net cash provided by operations of $1,791,200 was derived principally from $2,341,100 of income from operations before depreciation and amortization. The decrease in cash flow provided by operations from $2,445,700 in 2002, was principally due to the increase, during the three months ended March 31, 2002, in our accounts payable to Atlas America as a result of its advances to us in connection with expenses associated with the then-pending acquisition of Triton Coal Company, and the subsequent repayment of a substantial portion of those advances as we received reimbursements from the sellers following termination of the transaction, including reimbursements in the three months ended March 31, 2003. The increase in net income was a result of an increase in the transportation rate per mcf we received for the three months ended March 31, 2003 as compared to the previous year.

Net cash used in financing activities was $138,600 for the three months ended March 31, 2003, a decrease of $1,197,100 from cash used in financing activities of $1,335,700 in the three months ended March 31, 2002. The principal reason for the change was that we had borrowings of $2,000,000 which we used to fund pipeline extensions and compressor upgrades in the three months ended March 31, 2003. In the prior fiscal period, we borrowed $728,500 to fund pipeline extensions compressor upgrades. In addition, distributions paid to partners in the quarter decreased $175,800 as compared to the three months ended March 31, 2002.

Capital Expenditures

Our property and equipment was approximately 81% and 83% of our total consolidated assets at March 31, 2003 and December 31, 2002, respectively. Capital expenditures, other than the acquisitions of pipelines, were $1,191,700 and $1,097,300 for the quarters ended March 31, 2003 and 2002, respectively. These capital expenditures principally consisted of costs relating to expansion of our existing gathering systems to accommodate new wells drilled in our service area and compressor upgrades. During the three months ended March 31, 2003, we connected 73 wells to our gathering system. As of March 31, 2003, we were committed to expend approximately $2.25 million for pipeline extensions of which approximately $1.0 million is related to the Crawford County expansion project. Our capital expenditures could increase materially if the number of wells connected to our gathering systems in fiscal 2003 increases significantly.

Long-Term Debt

We increased our credit facility to $15.0 million in March 2003. Our principal purpose in obtaining the increase in the facility was to enable us to fund the expansion of our existing gathering systems and the acquisitions of other gas gathering systems. In the three months ended March 31, 2003 and 2002, we used $2,000,000 and $728,500, respectively, of the facility to fund capital expenditures for expansions of our existing gathering systems and compressors. At March 31, 2003, $8,500,000 was outstanding under this facility.

Contractual Obligations and Commercial Commitments

We had no commercial commitments at March 31, 2003. The following table summarizes our contractual obligations at March 31, 2003:

		Payments Due	
Contractual cash obligations	Total	Less than 1 Year	1 - 3 Years
Long-term debt	$ 8,500,000	$ -	$ 8,500,000
Capital lease obligations	-	-	-
Operating leases	562,300	198,900	342,000
Unconditional purchase obligations	-	-	-
Other long-term obligations	-	-	-
Total contractual cash obligations	$ 9,062,300	$ 198,900	$ 8,842,000

The operating leases represent lease commitments for compressors with varying expiration dates. These commitments are routine and were made in the normal course of our business.

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 in our annual report on Form 10-K for 2002. The critical accounting policies and estimates that we have identified are discussed below.

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 there is no assurance 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 SFAS No. 144, whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable, we review our long-lived assets for impairment and recognize an impairment loss if estimated future cash flows associated with an asset or group of assets are less than the asset carrying amount.

Our gathering systems are subject to numerous factors which could affect future cash flows. 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 March 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 each year. Our test during 2002 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. Our next annual evaluation of goodwill for impairment will be as of December 31, 2003.

Recently Issued Financial Accounting Standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. The adoption of SFAS 143 as of January 1, 2003 did not have a material impact on our results of operations or financial position.

In May 2002, SFAS 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" was issued. SFAS 145 rescinds the automatic treatment of gains and losses from extinguishments of debt as extraordinary unless they meet the criteria for extraordinary items as outlined in Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations, Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS 145 also requires sale-leaseback accounting for certain lease modifications that have economic effects similar to a sale-leaseback transaction and makes various corrections to existing pronouncements. The provisions of this statement are effective for financial statements issued by us in 2003. The adoption of SFAS 145 as of January 1, 2003 did not have a material impact on our results of operations or financial

position.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 addresses significant issues relating to the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities, and nullifies the guidance in Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". The provisions of this statement are effective for exit and disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 did not have a material impact on our results of operations or financial position.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

All of our assets and liabilities are denominated in U.S. dollars, and as a result, we do not have exposure to currency exchange risks.

We do not engage in any interest rate, foreign currency exchange rate or commodity price-hedging transactions, and as a result, we do not have exposure to derivatives risk.

Our major market risk exposure is in the pricing applicable to natural gas sales. Realized pricing is primarily driven by spot market prices for natural gas. Pricing for natural gas production has been volatile and unpredictable for several years.

Market risk inherent in our debt is the potential change arising from increases or decreases in interest rates. Changes in variable rate debt usually do not affect the fair value of the debt instrument, but may affect our future earnings and cash flows.

We have a $15.0 million revolving credit facility to fund the expansion of our existing gathering systems and the acquisition of other gas gathering systems. The carrying value of our debt was $8,500,000 and $6,500,000 and the weighted average interest rate was 2.9% and 2.9% at both March 31, 2003 and December 31, 2002. A hypothetical 10% change in the average interest rate applicable to this debt would result in a change of approximately $25,000 in our annual net income and would not affect the market value of this debt.

ITEM 4. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer of our general partner, after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) as of a date (the "Evaluation Date") within 90 days before the filing date of this quarterly report, have concluded that as of the Evaluation Date, our disclosure controls and procedures were adequate and designed to ensure that material information relating to us would be made known to them by others within the Partnership.

Changes in Internal Controls

There were no significant changes in the Partnership's internal controls or in other factors that could significantly affect these controls since the date of the Partnership's last evaluation of internal controls.

PART II. OTHER INFORMATION

ITEM 6. Exhibits And Reports On Form 8-K

(a) Exhibits:

3.1 (1) First Amended and Restated Agreement of Limited Partnership

3.2 (1) Certificate of Limited Partnership of Atlas Pipeline Partners, L.P.

99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

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(1) Previously filed as an exhibit to the Partnership's registration statement on Form S-1, Registration No. 333-85193 and incorporated herein by reference.

(b) Reports on Form 8K:

None

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SIGNATURES

ATLAS PIPELINE PARTNERS, L.P.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: Atlas Pipeline Partners GP, LLC,
its General Partner

Date: April 23, 2003

By: /s/ Edward E. Cohen

EDWARD E. COHEN
Chairman of the Managing
Board of the General Partner
(Chief Executive Officer of
the General Partner)

Date: April 23, 2003

By: /s/ Steven J. Kessler

STEVEN J. KESSLER
Chief Financial Officer of
the General Partner

Date: April 23, 2003

By: /s/ Michael L. Staines

MICHAEL L. STAINES
President, Chief Operating
Officer, Secretary and
Managing Board Member of the
General Partner

Date: April 23, 2003

By: /s/ NANCY J. McGURK

Chief Accounting Officer of
the General Partner

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CERTIFICATIONS

I, Edward E. Cohen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Atlas Pipeline Partners, L.P.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 23, 2003
/s/ Edward E. Cohen
Edward E. Cohen
Chairman of the Managing Board of the General Partner

CERTIFICATIONS

I, Steven J. Kessler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Atlas Pipeline Partners, L.P.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this

quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 23, 2003
/s/ Steven J. Kessler
Steven J. Kessler
Chief Financial Officer of the General Partner