ARP Barnett Pipeline, LLC
Form 424B3
December 03, 2013
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**As Filed Pursuant to Rule 424(b)(3)**
**Registration No. 333-189741**

**Prospectus**

# ATLAS RESOURCE PARTNERS, L.P.

# ATLAS ENERGY HOLDINGS OPERATING COMPANY, LLC

# ATLAS RESOURCE FINANCE CORPORATION

## Offer to Exchange

Registered 7.75% Senior Notes due 2021

for

All outstanding 7.75% Senior Notes due 2021 issued January 23, 2013

($275,000,000 in principal amount outstanding)

**Terms of the exchange offer**:

We are offering to exchange, upon the terms of and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, all of outstanding 7.75% Senior Notes due 2021 issued on January 23, 2013 by Atlas Energy Holdings Operating Company, LLC and Atlas Resource Finance Corporation, for registered 7.75% Senior Notes due 2021. In this prospectus, we refer to the notes originally issued on January 23, 2013 as the new issue notes and the registered notes the exchange notes.

The terms of the exchange notes will be identical in all material respects to the terms of the new issue notes, except that the transfer restrictions, registration rights and additional interest provisions of the new issue notes will not apply to the exchange notes.

**The exchange offer expires at 5:00 p.m., New York City time, on January 2, 2014, unless extended.**

You may withdraw your tender of new issue notes at any time before the expiration of the exchange offer. We will exchange all new issue notes validly tendered and not withdrawn.

The exchange offer is not subject to any condition other than that the exchange offer not violate applicable law or any applicable interpretation of the staff of the Securities and Exchange Commission.

There is no existing public market for the exchange notes. We do not intend to list the exchange notes on any securities exchange or seek approval for quotation through any automated trading system.

We will not receive any cash proceeds from the exchange offer.

Interest on the exchange notes will be paid at the rate of 7.75% per annum, semi-annually in arrears on each January 15 and July 15.

**Please read Risk Factors beginning on page 13 for a discussion of factors you should consider before participating in the exchange offer.**

**These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

Each broker-dealer that receives the exchange notes for its own account pursuant to this exchange offer must acknowledge by way of the letter of transmittal that it will deliver a prospectus in connection with any resale of the notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of the exchange notes received in exchange for new issue notes where such new issue notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed to make this prospectus available for a period of 180 days from the expiration date of this exchange offer to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

**The date of this prospectus is December 3, 2013.**

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This prospectus is part of a registration statement we filed with the Securities and Exchange Commission. In making your investment decision, you should rely only on the information contained in or incorporated by reference into this prospectus and in the letter of transmittal accompanying this prospectus. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. We are not making an offer to sell these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus or in the documents incorporated by reference into this prospectus are accurate as of any date other than the date on the front cover of this prospectus or the date of such incorporated documents, as the case may be.

**This prospectus incorporates by reference business and financial information about us that is not included in or delivered with this prospectus. This information is available without charge upon written or oral request directed to: Investor Relations, Atlas Resource Partners, L.P., Park Place Corporate Center One, 1000 Commerce Drive, 4th Floor, Pittsburgh, PA 15275-1011; telephone number: (877) 280-2857. To obtain timely delivery, you must request the information no later than December 24, 2013.**

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, forward-looking statements. The forward-looking statements are based on our current expectations and projections about future events. Readers should consider the various factors, including those discussed in our annual report for the year ended December 31, 2012 and our quarterly report on for the quarter ended September 30, 2013 under Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Critical Accounting Policies and Estimates, on file with the SEC for additional factors that may affect our performance. In some cases, you can identify forward-looking statements by terminology such as may, will, should, could, predicts, projects, potential, continue, expects, anticipates, future, intends, plans, negative of those terms and other variations of them or by comparable terminology.

These forward-looking statements are only predictions, not historical facts, and involve certain risks and uncertainties, as well as assumptions. Actual results, levels of activity, performance, achievements and events could differ materially from those stated, anticipated or implied by such forward-looking statements. While we believe that our assumptions are reasonable, it is very difficult to predict the impact of known factors, and of course, it is impossible to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this offering memorandum include, among others:

- future financial and operating results;
- resource potential;
- declines in natural gas and oil prices;
- success in efficiently developing and exploiting our reserves and economically finding or acquiring additional recoverable reserves;
- the accuracy of estimated natural gas and oil reserves;
- the financial and accounting impact of hedging transactions;
- the ability to fulfill our substantial capital investment needs;
- expectations with regard to acquisition activity, or difficulties encountered in connection with acquisitions, dispositions or similar transactions;
- restrictive covenants in indebtedness that may adversely affect operational flexibility;
- potential changes in tax laws which may impair the ability to obtain capital funds through investment partnerships;
- the ability to raise funds through investment or through access to the capital markets;

the ability to obtain adequate water to conduct drilling and production operations, and to dispose of the water used in and generated by these operations at a reasonable cost and within applicable environmental rules;

the costs of Pennsylvania s newly enacted drilling impact fees;

the effects of intense competition in the natural gas and oil industry;

general market, labor and economic conditions and related uncertainties;

the ability to retain certain key customers;

dependence on the gathering and transportation facilities of third parties;

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the availability of drilling rigs, equipment and crews;

potential incurrence of significant costs and liabilities in the future resulting from a failure to comply with new or existing environmental regulations or an accidental release of hazardous substances into the environment;

uncertainties with respect to the success of drilling wells at identified drilling locations;

expirations of undeveloped leasehold acreage;

uncertainty regarding leasing operating expenses, general and administrative expenses and funding and development costs;

exposure to financial and other liabilities of the managing general partners of the investment partnerships;

the ability to comply with, and the potential costs of compliance with, new and existing federal, state, local and other laws and regulations applicable to our business and operations; and

exposure to new and existing litigation.

**TERMS USED IN THIS PROSPECTUS**

Unless otherwise noted or indicated by the context, in this prospectus:

the terms the Partnership, we, our and us refer to Atlas Resource Partners, L.P. and its subsidiaries;

the term our general partner refers to Atlas Resource Partners GP, LLC, a wholly-owned subsidiary of Atlas Energy, L.P. (NYSE: ATLS);

The term Issuers means, collectively, Atlas Energy Holdings Operating Company, LLC and Atlas Resource Finance Corporation;

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

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 $275.0 million of 7.75% senior notes due 2021 we issued on January 23, 2013 are referred to as the new issue notes, the registered notes are referred to as the exchange notes, and the new issue notes and the exchange notes are collectively referred to as the notes.

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## SUMMARY

*This summary highlights information included or incorporated by reference in this prospectus. It may not contain all of the information that is important to you. This prospectus includes information about the exchange offer and includes or incorporates by reference information about our business and our financial and operating data. Before deciding to participate in the exchange offers, you should read this entire prospectus carefully, including the financial data and related notes incorporated by reference in this prospectus and the Risk Factors section.*

### Atlas Resource Partners, L.P.

We are a publicly-traded master limited partnership (NYSE: ARP) and an independent developer and producer of natural gas and oil, with operations in basins across the United States. We are a leading sponsor and manager of tax-advantaged investment partnerships in which we co-invest to finance a portion of our natural gas and oil production activities. We believe we have established a strong track record of growing our reserves, production and cash flows through a balanced mix of natural gas and oil exploitation and development and sponsorship of investment partnerships and acquisition of natural gas and oil properties. Our primary business objective is to generate growing yet stable cash flows allowing us to make increasing cash distributions to our unitholders through the acquisition and development of mature, long-lived natural gas and oil properties. Through September 30, 2013, we have established production positions in the following areas:

- the Barnett Shale and Marble Falls play in the Fort Worth Basin in northern Texas, a hydrocarbon producing shale in which we established a position following our acquisitions of certain assets from Carrizo Oil & Gas, Inc., or Carrizo, Titan Operating, LLC, or Titan, and DTE Energy Company, or DTE, during 2012;

- coal-bed methane producing natural gas assets in the Raton Basin in northern New Mexico, the Black Warrior Basin in central Alabama and the County Line area of Wyoming, where we established a position following our acquisition of certain assets from EP Energy E&P Company, L.P., or EP Energy, during the three months ended September 30, 2013;

- the Appalachia basin, including the Marcellus Shale, a rich, organic shale that generally contains dry, pipeline-quality natural gas, and the Utica Shale, which lies several thousand feet below the Marcellus Shale, is much thicker than the Marcellus Shale and trends primarily towards wet natural gas in the central region and dry natural gas in the eastern region;

- the Mississippi Lime and Hunton plays in northwestern Oklahoma, an area rich in oil and NGLs; and

- other operating areas, including the Chattanooga Shale in northeastern Tennessee, which enables us to access other formations in that region such as the Monteagle and Ft. Payne Limestone; the New Albany Shale in southwestern Indiana, a biogenic shale play with a long-lived and shallow decline profile; the Antrim Shale in Michigan, where we produce out of the biogenic region of the shale similar to the New Albany Shale; and the Niobrara Shale in northeastern Colorado, a predominantly biogenic shale play that produces dry natural gas.

We believe we have created substantial value by executing our strategy of acquiring properties with stable, long-life production, relatively predictable decline curves and lower risk development opportunities. Overall, we have acquired significant net proved reserves and production through the following recent transactions:

- *Carrizo Barnett Shale Assets* On April 30, 2012, we acquired assets in the core of the Barnett Shale from Carrizo for approximately $190 million, which was funded through the private placement of

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$120 million of common units and $70 million of borrowings under our revolving credit facility. The assets include 198 gross producing wells generating approximately 31 Mmcfed of production at the effective date of acquisition on over 12,000 net acres, all of which are held by production. We hedged 100% of available production acquired for the first twelve months after the acquisition date, and between 40% to 80% of anticipated proved developed production for the subsequent four years, thereby mitigating our commodity price exposure and enhancing acquisition economics.

*Titan Barnett Shale Assets* On July 26, 2012, we acquired Titan, which owned assets in the Barnett Shale on approximately 16,000 net acres, 90% of which are held by production, for approximately 3.8 million of our common units and approximately 3.8 million of our Class B convertible preferred units (which had a collective value of $193.2 million based upon the closing price of our publicly-traded common units as of the acquisition closing date) and approximately $15.4 million in cash for closing adjustments. Titan s assets were located in close proximity to the assets we acquired from Carrizo in the Barnett Shale. Net production from the Titan assets at the effective date of acquisition was approximately 24 Mmcfed, including approximately 370 Bpd of NGLs. We hedged 100% of available production acquired through June 2013, and between 40% and 80% of anticipated proved developed production for the subsequent four years, mitigating commodity exposure and enhancing acquisition economics. We believe there are approximately 335 potential undeveloped drilling locations on the Titan acreage.

*Equal Mississippi Lime Assets* On April 4, 2012, we entered into an agreement with Equal Energy, Ltd., or Equal, to acquire a 50% interest in Equal s approximately 14,500 net undeveloped acres in the core of the oil and liquids rich Mississippi Lime play in northwestern Oklahoma for approximately $18 million. On September 24, 2012, we acquired Equal s remaining 50% interest in approximately 8,500 net undeveloped acres included in the joint venture, approximately 8 Mmcfed of net production in the region at the effective date of acquisition and substantial salt water disposal infrastructure for approximately $40 million. Both transactions were financed through borrowings under our revolving credit facility. The transaction increased our position in the Mississippi Lime play to 19,800 net acres in Alfalfa, Grant and Garfield counties in Oklahoma.

*DTE Fort Worth Basin Assets* On December 20, 2012, we acquired 210 Bcfe of proved reserves in the Fort Worth basin from DTE for $257.4 million. The assets include 261 gross producing wells generating approximately 23 Mmcfed of production at the date of acquisition on over 88,000 net acres, approximately 40% of which are held by production and approximately 33% are in continuous development. This acreage position includes approximately 75,000 net acres prospective for the oil and NGL-rich Marble Falls play, in which there are over 700 identified vertical drilling locations. We believe that there are further potential development opportunities through vertical down-spacing and horizontal drilling in the Marble Falls formation, in which we commenced drilling operations in the first quarter of 2013. The assets we acquired from DTE are in close proximity to our other assets in the Barnett Shale.

*EP Energy Coal-bed Methane Assets* On July 31, 2013, we acquired natural gas proved reserves in the Raton (New Mexico) and Black Warrior (Alabama) Basins from EP Energy, a wholly owned subsidiary of EP Energy LLC, for $733 million. The assets acquired include approximately 466 billion cubic feet, or Bcf, of proved reserves, of which 93% are proved developed, approximately 1,500 miles of gathering pipelines, and a salt-water disposal system which includes 10 salt water disposal wells. The transaction had an effective date of May 1, 2013.

In addition to our acquisition strategy, we have targeted certain high-returning plays, including the Marcellus Shale in northeastern Pennsylvania and the Utica Shale in eastern Ohio, for organic leasing efforts and development. In the Marcellus Shale, we have leased acreage in Lycoming County in northeast Pennsylvania, a highly desirable and productive dry natural gas area, where we have completed three pad sites that will each accommodate multiple horizontal wells, of which eight wells were producing as of October 31, 2013. As of

October 31, 2013, there were a total of 131 frac stages completed amongst the eight wells, which had an average lateral length of approximately 4,000 feet. The wells were flowed at an average casing pressure of approximately 3,600 psi. As of October 31, 2013, we have observed aggregate peak flow rates for these wells of approximately 150 Mmcfd or an average of approximately 18 Mmcfd per well, with one well having a peak rate as high as 32 Mmcfd.

We also have prospective Utica Shale acreage in Harrison, Tuscarawas, and Stark counties, highly desirable areas which have experienced escalated permitting and drilling activity. We have five horizontal wells producing in Harrison County as of October 31, 2013. We currently have interests in over 2,500 wells in Ohio and operate three field offices, from which we intend to manage future Utica Shale development. We believe these development opportunities, coupled with the undeveloped drilling opportunities on our acreage in the Barnett Shale and the Mississippi Lime, could potentially provide us with approximately $2.0 billion of total potential capital investments in future periods.

We were formed in October 2011 to own and operate substantially all of the operations of the subsidiaries of Atlas Energy, L.P., or Atlas Energy, that held Atlas Energy s natural gas and oil development and production operations and its partnership management business, substantially all of which Atlas Energy transferred to us on March 5, 2012. Atlas Energy is a publicly-traded master limited partnership that owns 100% of our general partner Class A units and incentive distribution rights and an approximate 36.9% limited partnership interest in us as of September 30, 2013.

**Business strategy**

The key elements of our business strategy are:

*Expand our natural gas and oil production.* We generate a significant portion of our revenue and net cash flow from natural gas and oil production. We believe our strategy of increasing our natural gas and oil production through our sponsorship of investment partnerships as well as drilling wells directly to exploit our acreage opportunities provides us with enhanced economic returns. For the five year period ended December 31, 2012, we raised over $1.2 billion from outside investors through our investment partnerships. We intend to continue to add value through reserve and production growth by developing our inventory of proved undeveloped locations through both sponsorship of investment partnerships and direct well drilling.

*Expand our fee-based revenue through our sponsorship of investment partnerships.* We generate substantial revenue and cash flow from fees paid by our investment partnerships to us for acting as the managing general partner. As we continue to sponsor investment partnerships, we expect that our fee revenues from our drilling and operating agreements with our investment partnerships will increase. We expect that the fee revenue we generate with respect to fees paid by the investment partnerships to us for partnership management will add stability to our revenue and cash flows. Furthermore, the carried interests and fees we earn reduce the net investment in our drilling programs and therefore enhance our rates of return on investment.

*Expand operations through strategic acquisitions.* We continually evaluate opportunities to expand our operations through acquisitions of developed and undeveloped properties or companies that will generate attractive risk adjusted expected rates of return and increase our cash available for distribution. Our acquisitions have been characterized by long-lived production, relatively low decline rates and predictable production profiles, as well as relatively low-risk development opportunities. We will continue to seek strategic opportunities in our current areas of operation, as well as other regions of the United States.

*Continue to maintain control of operations and costs.* We believe it is important to be the operator of wells in which we or our investment partnerships have an interest because we believe it will allow us to achieve operating efficiencies and control costs. As operator, we are better positioned to control the timing and plans for future enhancement and exploitation efforts, costs of enhancing, drilling, completing and producing our wells, and marketing negotiations for our natural gas and oil production to maximize both volumes and wellhead price. We were the operator of the vast majority of the properties in which we or our investment partnerships had a working interest at September 30, 2013.

*Continue to manage our exposure to commodity price risk.* To limit our exposure to changing commodity prices and enhance and stabilize our cash flow, we use financial hedges for a portion of our natural gas and oil production. We principally use fixed price swaps and collars as the mechanism for the financial hedging of commodity prices.

**Competitive strengths**

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

*We have a high quality, long-lived reserve base.* Our natural gas properties are located principally in the Appalachian Basin and the Barnett Shale, and are characterized by long-lived reserves, favorable pricing for our production and readily available transportation. Moreover, because our production in the Appalachian Basin is located near markets in the northeast United States, we believe we will generally receive a premium over quoted prices on the New York Mercantile Exchange for the natural gas we produce.

*Our partnership management business can improve the economic rates of return associated with our natural gas and oil production activities.* A well drilled, net to our equity interest, in our partnership management business will provide us with an enhanced rate of return. For each well drilled in a partnership, we receive an upfront fee on the investors well construction and completion costs and a fixed administration and oversight fee. Further, we receive an incremental equity interest in each well for which we do not make any corresponding capital contribution. Consequently, our economic interest in each well is significantly greater than our proportional contribution to the total cash costs, which enhances our overall rate of return. Additionally, we receive monthly per well fees from the partnership for the life of each individual well, which also increases our rate of return.

*Fee-based revenues from our investment partnerships provide a stable foundation for our distributions.* Our investment partnerships provide us with stable, fee-based revenues which diminish the influence of commodity price fluctuations on our cash flows. Our fees for managing our investment partnerships accounted for approximately 37% of our segment margin for the year ended December 31, 2012. In addition, because our investment partnerships reimburse us on a cost-plus basis for drilling capital expenses, we are partially protected against increases in drilling costs.

*We are one of the leading sponsors of tax-advantaged investment partnerships.* We and our predecessor have sponsored limited and general partnerships to raise funds from investors to finance our development drilling activities since 1968, and we believe that we are one of the leading sponsors of such investment partnerships in the country. We believe that our lengthy association with many of the broker-dealers that act as placement agents for our investment partnerships provides us with a competitive advantage over entities with similar operations. We also believe that our sponsorship of investment partnerships has allowed us to generate attractive returns on drilling, operating and production activities.

*We have significant experience in making accretive acquisitions.* Our management team has extensive experience in consummating accretive acquisitions. We believe we will be able to generate acquisition opportunities of both producing and non-producing properties through our management s extensive industry relationships. We intend to use these relationships and experience to find, evaluate and execute on acquisition opportunities.

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*We have significant engineering, geologic and management experience.* Our technical team of geologists and engineers has extensive industry experience. We believe that we have been one of the most active drillers in our core operating areas and, as a result, that we have accumulated extensive geological and geographical knowledge about these areas. We have added geologists and engineers to our technical staff that have significant experience in other productive basins within the continental United States, which will allow us to evaluate and possibly expand our core operating areas.

**Recent developments**

*EP Energy Acquisition.* On July 31, 2013, we completed the acquisition of assets from EP Energy, a wholly-owned subsidiary of EP Energy, LLC, and EPE Nominee Corp. Pursuant to the purchase and sale agreement, we acquired certain assets from EP Energy for approximately $705.9 million in cash, net of purchase price adjustments, or the EP Energy Acquisition. The purchase price was funded through borrowings under our revolving credit facility, the issuance of our 9.25% Senior Notes due August 15, 2021, or 9.25% Senior Notes, the issuance of 14,950,000 common limited partner units, and the issuance of our newly created Class C convertible preferred units. The assets acquired included coal-bed methane producing natural gas assets in the Raton Basin in northern New Mexico, the Black Warrior Basin in central Alabama, and the County Line area of Wyoming. The EP Energy Acquisition had an effective date of May 1, 2013.

*Issuance of Preferred Units.* In connection with the closing of the EP Energy Acquisition on July 31, 2013, we issued $86.6 million of our newly created Class C convertible preferred units to Atlas Energy, at a negotiated price per unit of $23.10, which was the face value of the units. The Class C preferred units were offered and sold in a private transaction exempt from registration under Section 4(2) of the Securities Act. The Class C preferred units pay cash distributions in an amount equal to the greater of (i) $0.51 per unit and (ii) the distributions payable on each common unit at each declared quarterly distribution date. The initial Class C preferred distribution was paid for the quarter ending September 30, 2013. The Class C preferred units have no voting rights, except as set forth in the certificate of designation for the Class C preferred units, which provides, among other things, that the affirmative vote of 75% of the Class C Preferred Units is required to repeal such certificate of designation. Holders of the Class C preferred units have the right to convert the Class C preferred units on a one-for-one basis, in whole or in part, into common units at any time before July 31, 2016. Unless previously converted, all Class C preferred units will convert into common units on July 31, 2016. Upon issuance of the Class C preferred units, Atlas Energy, as purchaser of the Class C preferred units, also received 562,497 warrants to purchase our common units at an exercise price equal to the face value of the Class C preferred units. The warrants are exercisable beginning October 29, 2013 into an equal number of our common units at an exercise price of $23.10 per unit subject to adjustments as provided therein. The warrants will expire on July 31, 2016.

Upon issuance of the Class C preferred units and warrants on July 31, 2013, we entered into a registration rights agreement pursuant to which we agreed to file a registration statement with the SEC to register the resale of the common units issuable upon conversion of the Class C preferred units and upon exercise of the warrants. We agreed to use commercially reasonable efforts to file such registration statement within 90 days of the conversion of the Class C preferred units into common units or the exercise of the warrants.

*Credit Facility Amendment.* On July 31, 2013, in connection with the acquisition of assets from EP Energy, we entered into a second amended and restated credit agreement (see Description of Other Indebtedness Revolving Credit Facility ).

*Senior Notes.* On July 30, 2013, we issued $250.0 million of 9.25% Senior Notes in a private placement transaction at an offering price of 99.297% of par value, yielding net proceeds of approximately $242.8 million, net of underwriting fees and other offering costs of $5.5 million. The net proceeds were used to partially fund the EP Acquisition. The 9.25% Senior Notes were presented combined with a net $1.7 million unamortized discount as of September 30, 2013. Interest on the 9.25% Senior Notes accrued from July 30, 2013, and is payable semi-annually on February 15 and August 15, with the first interest payment date being February 15, 2014. At any time prior to August 15, 2017, we may redeem some or all of the 9.25% Senior Notes at a redemption price of 104.625%. On or after August 15, 2018, we may redeem some or all of the 9.25% Senior Notes at the redemption prices of 102.313% and on or after August 15, 2019, We may redeem some or all of the 9.25% Senior Notes at the redemption price of 100.0%. In addition, at any time prior to August 15, 2016, we may redeem up to 35% of the 9.25% Senior Notes with the proceeds received from certain equity offerings at 109.250%. Under certain conditions, including if we sell certain assets and do not reinvest the proceeds or repay senior indebtedness or if it experiences specific kinds of changes of control, we must offer to repurchase the 9.25% Senior Notes.

In connection with the issuance of the 9.25% Senior Notes, we entered into a registration rights agreement, whereby we agreed to (a) file an exchange offer registration statement with the SEC to exchange the privately issued notes for registered notes, and (b) cause the exchange offer to be consummated not later than 365 days after the issuance of the 9.25% Senior Notes. Under certain circumstances, in lieu of, or in addition to, a registered exchange offer, we have agreed to file a shelf registration statement with respect to the 9.25% Senior Notes. If we fail to comply with our obligations to register the 9.25% Senior Notes within the specified time periods, the 9.25% Senior Notes will be subject to additional interest, up to 1% per annum, until such time that the exchange offer is consummated or the shelf registration statement is declared effective, as applicable.

*Common Unit Offering.* In June 2013, in connection with the EP Energy Acquisition, we sold an aggregate of 14,950,000 of our common limited partner units (including a 1,950,000 over-allotment) in a public offering at a price of $21.75 per unit, yielding net proceeds of approximately $313.1 million. We utilized the net proceeds from the sale to repay the outstanding balance under our revolving credit facility.

*Equity Distribution Program.* In May 2013, we entered into an equity distribution program with Deutsche Bank Securities Inc., as representative of several banks. Pursuant to the equity distribution program, we may sell, from time to time through the agents, common units having an aggregate offering price of up to $25.0 million. Sales of common limited partner units, if any, may be made in negotiated transactions or transactions that are deemed to be at-the-market offerings as defined in Rule 415 of the Securities Act of 1933, as amended, including sales made directly on the New York Stock Exchange, the existing trading market for the common limited partner units, or sales made to or through a market maker other than on an exchange or through an electronic communications network. We will pay each of the agents a commission, which in each case shall not be more than 2.0% of the gross sales price of common limited partner units sold through such agent. During the nine months ended September 30, 2013, we issued 309,174 common limited partner units under the equity distribution program for net proceeds of $7.0 million, net of $0.4 million in commissions paid. We utilized the net proceeds from the sale to repay borrowings outstanding under our revolving credit facility.

**Our organizational structure**

We were formed in October 2011 to own and operate substantially all of the Atlas Energy E&P Operations, which were transferred to us on March 5, 2012 by Atlas Energy (NYSE: ATLS), a publicly-traded master limited partnership which owns 100% of our general partner Class A units and incentive distribution rights and an approximate 36.9% limited partner interest (20,962,485 limited partner units and 3,749,986 preferred limited partner units) in us as of September 30, 2013. 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 Park Place Corporate Center One, 1000 Commerce Drive, Suite 400, Pittsburgh, Pennsylvania 15275, telephone number (877) 280-2857. Our website address is www.atlasresourcepartners.com. The information on our website

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is not part of this offering memorandum and you should rely only on the information contained or incorporated by reference in this offering memorandum when making a decision as to whether or not to invest in the notes.

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**Summary of the Exchange Offer**

*On January 23, 2013, we completed a private offering of the new issue notes. As part of this private offering, we entered into a registration rights agreement with the initial purchasers of the new issue notes in which we agreed, among other things, to deliver this prospectus to you and to use our reasonable best efforts to complete the exchange offer within 365 days of the issue date. The following is a summary of the exchange offer.*

| | |
|---|---|
| New issue notes | \$275.0 million aggregate principal amount of 7.75% Senior Notes due 2021. |
| Exchange notes | 7.75% Senior Notes due 2021. The terms of the exchange notes are substantially identical to those terms of the new issue notes, except that the transfer restrictions, registration rights and provisions for additional interest relating to the new issue notes do not apply to the exchange notes. |
| Exchange offer | We are offering to exchange up to \$275.0 million principal amount of our 7.75% Senior Notes due 2021 that have been registered under the Securities Act of 1933 for an equal amount of our outstanding 7.75% Senior Notes due 2021 to satisfy our obligations under the registration rights agreement. |
| Expiration date | The exchange offer will expire at 5:00 p.m., New York City time, on January 2, 2014, unless we decide to extend it. |
| Conditions to the exchange offer | The registration rights agreement does not require us to accept new issue notes for exchange if the exchange offer or the making of any exchange by a holder of the new issue notes would violate any applicable law or interpretation of the staff of the SEC or if any legal action has been instituted or threatened that would impair our ability to proceed with the exchange offer. A minimum aggregate principal amount of new issue notes being tendered is not a condition to the exchange offer. Please read Exchange Offer Conditions to the Exchange Offer for more information about the conditions to the exchange offer. |
| Procedures for tendering new issue notes | To participate in the exchange offer, you must follow the automatic tender offer program, or ATOP, procedures established by The Depository Trust Company, or DTC, for tendering notes held in book-entry form. The ATOP procedures require that the exchange agent receive, before the expiration date of the exchange offer, a computer-generated message known as an agent s message that is transmitted through ATOP and that DTC confirms that:<br><br>DTC has received instructions to exchange your notes; and<br><br>you agree to be bound by the terms of the letter of transmittal.<br><br>For more details, please read Exchange Offer Terms of the Exchange Offer and Exchange Offer Procedures for Tendering. |

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| Guaranteed delivery procedures | None. |
| Withdrawal of tenders | You may withdraw your tender of new issue notes at any time before the expiration date. To withdraw, you must submit a notice of withdrawal to the exchange agent using ATOP procedures before 5:00 p.m., New York City time, on the expiration date of the exchange offer. Please read Exchange Offer Withdrawal of Tenders. |
| Acceptance of new issue notes and delivery of exchange notes | If you fulfill all conditions required for proper acceptance of new issue notes, we will accept any and all new issue notes that you properly tender in the exchange offer before 5:00 p.m., New York City time, on the expiration date. We will return any new issue note that we do not accept for exchange to you without expense promptly after the expiration date. We will deliver the exchange notes promptly after the expiration date and acceptance of the new issue notes for exchange. Please read Exchange Offer Terms of the Exchange Offer. |
| Fees and expenses | We will bear all expenses related to the exchange offer. Please read Exchange Offer Fees and Expenses. |
| Use of proceeds | The issuance of the exchange notes will not provide us with any new proceeds. We are making the exchange offer solely to satisfy our obligations under the registration rights agreement. |
| Consequences of failure to exchange new issue notes | If you do not exchange your new issue notes in the exchange offer, your new issue notes will continue to be subject to the restrictions on transfer currently applicable to the new issue notes. In general, you may offer or sell your new issue notes only:<br><br>if they are registered under the Securities Act and applicable state securities laws;<br><br>if they are offered or sold under an exemption from registration under the Securities Act and applicable state securities laws; or<br><br>if they are offered or sold in a transaction not subject to the Securities Act and applicable state securities laws.<br><br>We do not currently intend to register the new issue notes under the Securities Act. Under some circumstances, however, holders of the new issue notes, including holders who are not permitted to participate in the exchange offer or who may not freely resell exchange notes received in the exchange offer, may require us to file, and to cause to become effective, a shelf registration statement covering resales of new issue notes by these holders. For more information regarding the consequences of not tendering your new issue notes and our obligation to file a shelf registration statement, please read Exchange Offer Consequences of Failure to Exchange and Description of the Exchange Notes Registration Rights; Additional Interest. |

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| U.S. federal income tax consequences | The exchange of exchange notes for new issue notes in the exchange offer should not be a taxable event for U.S. federal income tax purposes. Please read Certain Federal Income Tax Consequences. |
| Exchange agent | We have appointed U.S. Bank National Association as the exchange agent for the exchange offer. You should direct questions and requests for assistance and requests for additional copies of this prospectus (including the letter of transmittal) to the exchange agent addressed as follows: Attn: William Diaz, U.S. Bank Corporate Trust Services, Specialized Finance Dept., 60 Livingston Avenue, St. Paul, Minnesota 55107; telephone number (651) 466-6781. Eligible institutions may make requests by facsimile at (651) 466-7372. |

**Summary of Terms of the Exchange Notes**

*The exchange notes will be identical to the new issue notes, except that the exchange notes are registered under the Securities Act and will not have restrictions on transfer, registration rights or provisions for additional interest. The exchange notes will evidence the same debt as the new issue notes, and the same indenture will govern the exchange notes and the new issue notes.*

*The following summary contains basic information about the exchange notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the exchange notes, please read Description of the Exchange Notes.*

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| Issuers | Atlas Energy Holdings Operating Company, LLC and Atlas Resource Finance Corporation |
| Notes offered | $275.0 million aggregate principal amount of 7.75% Senior Notes due 2021. |
| Maturity date | January 15, 2021. |
| Interest payment dates | January 15 and July 15 of each year. |
| Guarantees | The notes are unconditionally guaranteed on an unsecured senior basis by us and all of our current domestic restricted subsidiaries (other than Atlas Energy Securities, LLC and its subsidiary), and any future restricted subsidiary that guarantees our other indebtedness or that of any other subsidiary or incurs any indebtedness under any credit facility. Our non-guarantor subsidiaries accounted for none of our revenues or EBITDA for the three months ended September 30, 2013. In addition, as of September 30, they held less than 1% of our consolidated assets. |
| Ranking | The notes are senior unsecured obligations of the Issuers and will rank senior in right of payment to all of the Issuers existing and future debt that is expressly subordinated in right of payment to the notes. The notes will rank equal in right of payment with all of the Issuers existing and future senior debt and will be effectively subordinated to all of the Issuers secured debt to the extent of the |

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| | value of the collateral securing such debt and structurally subordinated to all of the liabilities of any of the Issuers subsidiaries that do not guarantee the notes. |
| | The guarantees are general unsecured obligations of the guarantors and will rank senior in right of payment to all their existing and future debt that is expressly subordinated in right of payment to the guarantees. The guarantees will rank equal in right of payment with all existing and future liabilities of such guarantors that are not so subordinated and will be effectively subordinated to all of such guarantors secured debt to the extent of the collateral securing such debt and structurally subordinated to all of the liabilities of any of our subsidiaries that do not guarantee the notes. |
| | As of September 30, 2013, we had $948.3 million of debt outstanding, including $425.0 million outstanding under our senior secured revolving credit facility and $275.0 million outstanding of our 7.75% Senior Notes, and had borrowing capacity under our revolving credit facility of $410.0 million, excluding $2.1 million in outstanding letters of credit. |
| Optional redemption | At any time prior to January 15, 2016, the Issuers may redeem up to 35% of the notes with the net cash proceeds of certain equity offerings at the redemption price set forth under Description of Exchange Notes Optional Redemption. |
| | At any time prior to January 15, 2017, the Issuers may redeem the notes, in whole or in part, at a make whole redemption price, plus accrued and unpaid interest and additional interest, if any, to the date of redemption as set forth under Description of the Exchange Notes Optional Redemption. On and after January 15, 2017, the Issuers may redeem the notes, in whole or in part, at the redemption prices set forth under Description of the Exchange Notes Optional Redemption. |
| Basic covenants of the indenture | The indenture governing the notes restricts our ability and the ability of our restricted subsidiaries to, among other things: |
| | incur additional indebtedness and issue preferred stock; |
| | make certain distributions, investments and other restricted payments; |
| | sell certain assets |
| | agree to any restrictions on the ability of restricted subsidiaries to make payments to us; |
| | create certain liens; |
| | merge, consolidate or sell substantially all of our assets; and |

enter into transactions with affiliates.

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| | These covenants are subject to important exceptions and qualifications described under the heading Description of the Exchange Notes Covenants. |
| Covenant suspension | Certain of these covenants will be suspended when the notes have investment grade ratings from both Standard & Poor s Rating Services ( Standard & Poor s ) and Moody s Investor Service, Inc. ( Moody s ). For more details, see Description of the Exchange Notes Covenant Suspension. |
| Transfer restrictions; absence of a public market for the exchange notes | The exchange notes generally will be freely transferable, but will also be new securities for which there will not initially be a market. We do not intend to make a trading market in the exchange notes after the exchange offer. Therefore, we cannot assure you as to the development of an active market for the exchange notes or as to the liquidity of any such market. |
| Form of exchange notes | The exchange notes will be represented initially by one or more global notes. The global exchange notes will be deposited with the trustee, as custodian for DTC. |
| Same-day settlement | The global exchange notes will be shown on, and transfers of the global exchange notes will be effected only through, records maintained in book-entry form by DTC and its direct and indirect participants. |
| | The exchange notes are expected to trade in DTC s Same Day Funds Settlement System until maturity or redemption. Therefore, secondary market trading activity in the exchange notes will be settled in immediately available funds. |
| Trading | We do not expect to list the exchange notes for trading on any securities exchange. |
| Registrar and paying agent | U.S. Bank National Association |
| Governing law | The exchange notes and the indenture relating to the exchange notes will be governed by, and construed in accordance with, the laws of the State of New York. |

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## RISK FACTORS

*In addition to the other information set forth elsewhere or incorporated by reference in this prospectus, you should consider carefully the risks described below before deciding whether to participate in the exchange offer.*

### Risks Related to the Exchange Offer

***If you fail to exchange new issue notes, existing transfer restrictions will remain in effect and the notes may be more difficult to sell.***

If you fail to exchange new issue notes for exchange notes under the exchange offer, then you will continue to be subject to the existing transfer restrictions on the new issue notes. In general, the new issue notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except in connection with this exchange offer or as required by the registration rights agreement, we do not intend to register resales of the new issue notes.

The tender of new issue notes under the exchange offer will reduce the principal amount of the currently outstanding new issue notes. Due to the corresponding reduction in liquidity, this may decrease, and increase the volatility of, the market price of any currently outstanding new issue notes that you continue to hold following completion of the exchange offer.

***You must comply with the exchange offer procedures in order to receive new, freely tradable exchange notes.***

Delivery of exchange notes in exchange for new issue notes tendered and accepted for exchange pursuant to the exchange offer will be made only after timely receipt by the exchange agent of book-entry transfer of new issue notes into the exchange agent s account at DTC, as depositary, including an agent s message. We are not required to notify you of defects or irregularities in tenders of new issue notes for exchange. New issue notes that are not tendered or that are tendered but we do not accept for exchange will, following consummation of the exchange offer, continue to be subject to the existing transfer restrictions under the Securities Act and, upon consummation of the exchange offer, certain registration and other rights under the registration rights agreement will terminate. See Exchange Offer Procedures for Tendering and Exchange Offer Consequences of Failure to Exchange.

***Some holders who exchange their new issue notes may be deemed to be underwriters, and these holders will be required to comply with the registration and prospectus delivery requirements in connection with any resale transaction.***

If you exchange your new issue notes in the exchange offer for the purpose of participating in a distribution of the exchange notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

### Risks Related to the Notes

***We distribute all of our available cash to our unitholders and are not required to accumulate cash for the purpose of meeting our future obligations to our noteholders, which may limit the cash available to service the notes.***

Subject to the limitations on restricted payments contained in the indenture governing the notes and our credit facility, we distribute all of our available cash each quarter to our limited partners and our general partner. Available cash is defined in our partnership agreement, and it generally means, for each fiscal quarter:

- all cash on hand at the end of the quarter;

- less the amount of cash that our general partner determines in its reasonable discretion is necessary or appropriate to:

provide for the proper conduct of our business;

comply with applicable law, any of our debt instruments, or other agreements; or

provide funds for distributions to our unitholders and to our general partner for any one or more of the next four quarters;

plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter. Working capital borrowings are generally borrowings that are made under a credit facility and in all cases are used solely for working capital purposes or to pay distributions to partners. We are unable to borrow under our revolving credit facility to pay distributions of available cash to unitholders because such borrowings would not constitute working capital borrowings pursuant to our partnership agreement.

As a result, we do not expect to accumulate significant amounts of cash. Depending on the timing and amount of our cash distributions, these distributions could significantly reduce the cash available to us in subsequent periods to make payments on the notes.

***We may not be able to generate sufficient cash to service our debt obligations, including our obligations under the notes.***

Our ability to make payments on and to refinance our indebtedness, including the notes, will depend on our financial and operating performance, which may fluctuate significantly from quarter to quarter, based on, among other things:

the amount of natural gas and oil we produce;

the price at which we sell our natural gas and oil;

the level of our operating costs;

our ability to acquire, locate, and produce new reserves;

results of our hedging activities;

the level of our interest expense, which depends on the level of our indebtedness and the interest payable on it; and

the level of our capital expenditures.

We cannot assure you that we will continue to generate sufficient cash flow or that we will be able to borrow funds in amounts sufficient to enable us to service our indebtedness, or to meet our working capital and capital expenditure requirements. If we are not able to generate sufficient cash flow from operations or to borrow sufficient funds to service our indebtedness, we may be required to sell assets or issue equity, reduce capital expenditures, refinance all or a portion of our existing indebtedness or obtain additional financing. We cannot assure you that we will be able to refinance our indebtedness, sell assets or equity, or borrow more funds on terms acceptable to us, if at all.

***We have a holding company structure in which our subsidiaries conduct our operations and own our operating assets.***

We are a holding company, and our operating partnership and its operating subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than our interest in our operating partnership As a result, our ability to make required payments on the notes depends on the performance of the operating partnership and its subsidiaries and their ability to distribute funds to us. If we are unable to obtain the funds necessary to pay the principal amount at maturity of the notes, or to repurchase the exchange notes upon the occurrence of a change of control, we may be required to adopt one or more alternatives, such as a refinancing of the notes or a sale of assets. They may not be able to refinance the exchange notes or sell assets on acceptable terms, or at all.

***We have a substantial amount of indebtedness which could adversely affect our financial position and prevent us from fulfilling our obligations under the notes.***

We currently have, and following this offering will continue to have, a substantial amount of indebtedness. As of September 30, 2013, we had $948.3 million of debt outstanding, including $425.0 million outstanding under our senior secured revolving credit facility and $275.0 million outstanding of our 7.75% Senior Notes, and had borrowing capacity under our revolving credit facility of $410.0 million, excluding $2.1 million in outstanding letters of credit.

Our substantial indebtedness may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments on the notes and our other indebtedness;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

***Despite our and our subsidiaries current level of indebtedness, we may still be able to incur substantially more indebtedness. This could further exacerbate the risks associated with our substantial indebtedness.***

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the indenture governing the notes will not prohibit us or our subsidiaries from doing so if we meet applicable coverage tests. If we incur any additional indebtedness that ranks equally with the notes and the guarantees, the holders of that indebtedness will be entitled to share ratably with the holders of the notes and the guarantees in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us. This may have the effect of reducing the amount of proceeds paid to you. If we add new indebtedness to our current debt levels, the related risks that we and our subsidiaries now face could intensify.

***The notes and the guarantees are unsecured and effectively subordinated to our and the guarantors existing and future secured indebtedness.***

The notes and the guarantees are general unsecured obligations ranking effectively junior in right of payment to all of our existing and future secured indebtedness and that of each guarantor, respectively. As of September 30, 2013, we had $948.3 million of debt outstanding, including $425.0 million outstanding under our senior secured revolving credit facility and $275.0 million outstanding of our 7.75% Senior Notes, and had borrowing capacity under our revolving credit facility of $410.0 million, excluding $2.1 million in outstanding letters of credit.

If we or a guarantor is declared bankrupt, becomes insolvent or is liquidated or reorganized, any indebtedness that ranks ahead of the notes and the guarantees will be entitled to be paid in full from our assets or the assets of the guarantor, as applicable, before any payment may be made with respect to the notes or the affected guarantees. Holders of the notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In the event of the liquidation, dissolution, reorganization, bankruptcy or similar proceeding of the business of a subsidiary that is not a guarantor, creditors of that subsidiary would generally have the right to be paid in full before any distribution is made to us or the holders of the notes. In any of the foregoing events, we cannot assure you that there will be sufficient remaining assets to pay amounts due on the notes. As a result, holders of the notes may receive less, ratably, than holders of secured indebtedness.

***Federal and state fraudulent transfer laws may permit a court to void the notes and the guarantees, and if that occurs, you may not receive any payments on the notes.***

The issuance of the notes and the guarantees may be subject to review under federal and state fraudulent transfer and conveyance statutes. While the relevant laws may vary from state to state, under such laws the payment of consideration will be a fraudulent conveyance if (1) we paid the consideration with the intent of hindering, delaying or defrauding creditors or (2) we or any of the guarantors, as applicable, received less than reasonably equivalent value or fair consideration in return for issuing either the notes or a guarantee, and, in the case of (2) only, one of the following is also true:

- we or any of the guarantors were insolvent or rendered insolvent by reason of the incurrence of the indebtedness;
- payment of the consideration left us or any of the guarantors with an unreasonably small amount of capital to carry on the business;
- we or any of the guarantors intended to, or believed that it would, incur debts beyond our ability to pay as they mature; or
- we were a defendant in an action for money damages docketed against it if, in either case, after final judgment the judgment is unsatisfied.

If a court were to find that the issuance of the notes or a guarantee was a fraudulent conveyance, the court could void the payment obligations under the notes or such guarantee or further subordinate the notes or such guarantee to presently existing and future indebtedness of us or such guarantor, or require the holders of the notes to repay any amounts received with respect to the notes or such guarantee. In the event of a finding that a fraudulent conveyance occurred, you may not receive any repayment on the notes.

Further, the voiding of the notes could result in an event of default with respect to our and our subsidiaries other debt that could result in acceleration of such debt. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, was greater than the fair salable value of all its assets;
- the present fair salable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts and liabilities, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

We cannot be certain as to the standards a court would use to determine whether or not we or the guarantors were solvent at the relevant time or, regardless of the standard that a court uses, that the issuance of the notes and the guarantees would not be further subordinated to our or any of our guarantors other debt.

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We believe that at the time the notes are initially issued each issuer and each guarantor will be:

- neither insolvent nor rendered insolvent thereby;
- in possession of sufficient capital to run its businesses effectively;
- incurring indebtedness within its ability to pay as the same mature or become due; and
- will have sufficient assets to satisfy any probable money judgment against it in any pending action.

In reaching these conclusions, we have relied upon our analysis of internal cash flow projections, which, among other things, assume that we will in the future realize certain selling price and volume increases and favorable changes in business mix, and estimated values of assets and liabilities. We cannot assure you, however, that a court passing on such questions would reach the same conclusions. Further, to the extent that the notes are guaranteed in the future by any subsidiary, a court passing on such guarantor regarding any such guarantee could conclude that such guarantee constituted a fraudulent conveyance or transfer.

The indenture governing the notes contains a provision intended to limit each guarantor s liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer. This provision may not be effective to protect the guarantees from being voided under fraudulent transfer law, or may eliminate the guarantor s obligations or reduce the guarantor s obligations to an amount that effectively makes the guarantee worthless. In a recent Florida bankruptcy case, this kind of provision was found to be ineffective to protect the guarantees.

If the guarantees were legally challenged, any guarantee could also be subject to the claim that, since the guarantee was incurred for our benefit, and only indirectly for the benefit of the applicable guarantor, the obligations of the applicable guarantor were incurred for less than fair consideration. A court could thus void the obligations under the guarantees, subordinate them to the applicable guarantor s other debt or take other action detrimental to the holders of the notes.

***We may not be able to repurchase the notes upon a change of control.***

Upon the occurrence of specific kinds of change of control events, each holder of a note will have the right to require us to make an offer to repurchase such holder s note at a price equal to 101% of the principal amount thereof, together with accrued and unpaid interest and additional interest, if any, to the date of repurchase.

We may not have sufficient financial resources to purchase all of the notes that are tendered upon a change of control offer. The occurrence of a change of control could also constitute an event of default under our credit facility. Our bank lenders may have the right to prohibit any such purchase or redemption, in which event we will seek to obtain waivers from the required lenders under our credit facility, but may not be able to do so. See Description of the Exchange Notes Change of Control.

***Our general partner will not have any liability for the notes.***

The indenture governing the notes provides that our general partner will have no liability for our obligations under the notes. Accordingly, if we and the subsidiary guarantors are unable to make payments on the notes, you will not be able to recover against our general partner.

***Claims of noteholders will be structurally subordinate to claims of creditors of our subsidiaries that do not guarantee the notes.***

The notes are not be guaranteed by Atlas Energy Securities, LLC and its subsidiary or by certain future subsidiaries that we designate as unrestricted in accordance with the terms of the indenture. Accordingly, claims of holders of the notes will be structurally subordinated to the claims of creditors of these non-guarantor

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subsidiaries, including trade creditors. All obligations of our non-guarantor subsidiaries will have to be satisfied before any of the assets of these subsidiaries would be available for distribution, upon a liquidation or otherwise, to us or a guarantor of the notes. Although all of our subsidiaries, other than Atlas Energy Securities, LLC and Anthem Securities, guarantee the notes, the guarantees are subject to release under certain circumstances and we may have subsidiaries that are not guarantors. In the event of the liquidation, dissolution, reorganization, bankruptcy or similar proceeding of the business of a subsidiary that is not a guarantor, creditors of that subsidiary would generally have the right to be paid in full before any distribution is made to us or the holders of the notes. In any of these events, we may not have sufficient assets to pay amounts due on the notes with respect to the assets of that subsidiary.

## Risks Relating to Our Business

***If commodity prices decline significantly, our cash flow from operations will decline.***

Our revenue, profitability and cash flow substantially depend upon the prices and demand for natural gas and oil. The natural gas and oil markets are very volatile, and a drop in prices can significantly affect our financial results and impede our growth. Changes in natural gas and oil prices will have a significant impact on the value of our reserves and on our cash flow. Prices for natural gas and oil may fluctuate widely in response to relatively minor changes in the supply of and demand for natural gas or oil, market uncertainty and a variety of additional factors that are beyond our control, such as:

- the level of domestic and foreign supply and demand;
- the price and level of foreign imports;
- the level of consumer product demand;
- weather conditions and fluctuating and seasonal demand;
- overall domestic and global economic conditions;
- political and economic conditions in natural gas and oil producing countries, including those in the Middle East and South America;
- the ability of members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- the impact of the U.S. dollar exchange rates on natural gas and oil prices;
- technological advances affecting energy consumption;
- domestic and foreign governmental relations, regulations and taxation;
- the impact of energy conservation efforts;

- the cost, proximity and capacity of natural gas pipelines and other transportation facilities; and

- the price and availability of alternative fuels.

In the past, the prices of natural gas and oil have been extremely volatile, and we expect this volatility to continue. For example, during the year ended December 31, 2012, the NYMEX Henry Hub natural gas index price ranged from a high of $3.90 per MMBtu to a low of $1.91 per MMBtu, and West Texas Intermediate oil prices ranged from a high of $109.77 per Bbl to a low of $77.69 per Bbl. Between January 1, 2013 and November 20, 2013, the NYMEX Henry Hub natural gas index price ranged from a high of $4.41 per MMBtu to a low of $3.11 per MMBtu, and West Texas Intermediate oil prices ranged from a high of $110.53 per Bbl to a low of $86.68 per Bbl.

***Competition in the natural gas and oil industry is intense, which may hinder our ability to acquire natural gas and oil properties and companies and to obtain capital, contract for drilling equipment and secure trained personnel.***

We operate in a highly competitive environment for acquiring properties and other natural gas and oil companies, attracting capital through our investment partnerships, contracting for drilling equipment and securing trained personnel. Our competitors may be able to pay more for natural gas and oil properties and drilling equipment and to evaluate, bid for and purchase a greater number of properties than our financial or personnel resources permit. Moreover, our competitors for investment capital may have better track records in their programs, lower costs or stronger relationships with participants in the oil and gas investment community than we do. All of these challenges could make it more difficult for us to execute our growth strategy. We may not be able to compete successfully in the future in acquiring leasehold acreage or prospective reserves or in raising additional capital.

Furthermore, competition arises not only from numerous domestic and foreign sources of natural gas and oil but also from other industries that supply alternative sources of energy. Competition is intense for the acquisition of leases considered favorable for the development of natural gas and oil in commercial quantities. Product availability and price are the principal means of competition in selling natural gas and oil. Many of our competitors possess greater financial and other resources than we do, which may enable them to identify and acquire desirable properties and market their natural gas and oil production more effectively than we can.

***Shortages of drilling rigs, equipment and crews, or the costs required to obtain the foregoing in a highly competitive environment, could impair our operations and results.***

Increased demand for drilling rigs, equipment and crews, due to increased activity by participants in our primary operating areas or otherwise, can lead to shortages of, and increasing costs for, drilling equipment, services and personnel. Shortages of, or increasing costs for, experienced drilling crews and oil field equipment and services could restrict our ability to drill the wells and conduct the operations that we currently have planned. Any delay in the drilling of new wells or significant increase in drilling costs could reduce our revenues.

***Many of our leases are in areas that have been partially depleted or drained by offset wells.***

Our key project areas are located in active drilling areas in the Appalachian Basin, and many of our leases are in areas that have already been partially depleted or drained by earlier offset drilling. This may inhibit our ability to find economically recoverable quantities of natural gas in these areas.

***Our operations require substantial capital expenditures to increase our asset base. If we are unable to obtain needed capital or financing on satisfactory terms, our asset base will decline, which could cause our revenues to decline and affect our ability to pay debt service.***

The natural gas and oil industry is capital intensive. If we are unable to obtain sufficient capital funds on satisfactory terms with capital raised through equity and debt offerings, cash flow from operations, bank borrowings and the investment partnerships, we may be unable to increase or maintain our inventory of properties and reserve base, or be forced to curtail drilling or other activities. This could cause our revenues to decline and diminish our ability to service any debt that we may have at such time. If we do not make sufficient or effective expansion capital expenditures, including with funds from third-party sources, we will be unable to expand our business operations, and may not generate sufficient revenue or have sufficient available cash to pay debt service.

***Our cash distribution policy limits our ability to grow.***

Because we distribute our available cash rather than reinvesting it in our business, our growth may not be as significant as businesses that reinvest their available cash to expand ongoing operations. If we issue additional common units or incur debt to fund acquisitions and expansion and investment capital expenditures, the payment

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of distributions on those additional units or interest on that debt could increase the risk that we will be unable to maintain or increase our per unit distribution level. There are no limitations in our partnership agreement on our ability to issue additional units, including units ranking senior to the common units.

***Significant physical effects of climatic change have the potential to damage our facilities, disrupt our production activities and cause us to incur significant costs in preparing for or responding to those effects.***

Climate change could have an effect on the severity of weather (including hurricanes and floods), sea levels, the arability of farmland, and water availability and quality. If such effects were to occur, our exploration and production operations have the potential to be adversely affected. Potential adverse effects could include damages to our facilities from powerful winds or rising waters in low lying areas, disruption of our production activities either because of climate-related damages to our facilities or our costs of operation potentially rising from such climatic effects, less efficient or non-routine operating practices necessitated by climate effects or increased costs for insurance coverage in the aftermath of such effects. Significant physical effects of climate change could also have an indirect effect on our financing and operations by disrupting the transportation or process-related services provided by midstream companies, service companies or suppliers with whom we have a business relationship. We may not be able to recover through insurance some or any of the damages, losses or costs that may result from potential physical effects of climate change.

***We depend on certain key customers for sales of our natural gas, crude oil and natural gas liquids. To the extent these customers reduce the volumes of natural gas, crude oil and natural gas liquids they purchase from us, or cease to purchase natural gas, crude oil and natural gas liquids from us, our revenues and cash available for distribution could decline.***

We market the majority of our natural gas production to gas utility companies, gas marketers, local distribution companies and industrial or other end-users. Crude oil produced from our wells flow directly into leasehold storage tanks where it is picked up by an oil company or a common carrier acting for an oil company. Natural gas liquids are extracted from the natural gas stream by processing and fractionation plants enabling the remaining dry gas (low Btu content) to meet pipeline specifications for transport to end users or marketers operating on the receiving pipeline. For the year ended December 31, 2012, Chevron and Atmos Energy Marketing, LLC accounted for approximately 43% and 11% of our total natural gas, crude oil and natural gas liquids production revenue, respectively, with no other single customer accounting for more than 10% for this period. To the extent these and other key customers reduce the amount of natural gas, crude oil and natural gas liquids they purchase from us, our revenues and cash available for distributions to unit holders could temporarily decline in the event we are unable to sell to additional purchasers.

***An increase in the differential between the NYMEX or other benchmark prices of oil and natural gas and the wellhead price that we receive for our production could significantly reduce our cash available for debt service and adversely affect our financial condition.***

The prices that we receive for our oil and natural gas production sometimes reflect a discount to the relevant benchmark prices, such as NYMEX. The difference between the benchmark price and the price that we receive is called a differential. Increases in the differential between the benchmark prices for oil and natural gas and the wellhead price that we receive could significantly reduce our cash available for debt service and adversely affect our financial condition. We use the relevant benchmark price to calculate our hedge positions, and we do not have or plan to have any commodity derivative contracts covering the amount of the basis differentials we experience in respect of our production. As such, we will be exposed to any increase in such differentials, which could adversely affect our results of operations.

***Some of our undeveloped leasehold acreage is subject to leases that may expire in the near future.***

As of December 31, 2012, leases covering approximately 49,786 of our 321,642 net undeveloped acres, or 15.5%, are scheduled to expire on or before December 31, 2013. An additional 10% are scheduled to expire in

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each of the years 2014 and 2015. If we are unable to renew these leases or any leases scheduled for expiration beyond their expiration date, on favorable terms, we will lose the right to develop the acreage that is covered by an expired lease, which would reduce our cash flows from operations.

***Drilling for and producing natural gas are high-risk activities with many uncertainties.***

Our drilling activities are subject to many risks, including the risk that we will not discover commercially productive reservoirs. Drilling for natural gas can be uneconomic, not only from dry holes, but also from productive wells that do not produce sufficient revenues to be commercially viable. In addition, our drilling and producing operations may be curtailed, delayed or canceled as a result of other factors, including:

- the high cost, shortages or delivery delays of equipment and services;
- unexpected operational events and drilling conditions;
- adverse weather conditions;
- facility or equipment malfunctions;
- title problems;
- pipeline ruptures or spills;
- compliance with environmental and other governmental requirements;
- unusual or unexpected geological formations;
- formations with abnormal pressures;
- injury or loss of life;
- environmental accidents such as gas leaks, ruptures or discharges of toxic gases, brine or well fluids into the environment or oil leaks, including groundwater contamination;
- fires, blowouts, craterings and explosions; and
- uncontrollable flows of natural gas or well fluids.

Any one or more of the factors discussed above could reduce or delay our receipt of drilling and production revenues, thereby reducing our earnings, and could reduce revenues in one or more of our investment partnerships, which may make it more difficult to finance our drilling operations through sponsorship of future partnerships. In addition, any of these events can cause substantial losses, including personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination, loss of wells and regulatory penalties.

Although we maintain insurance against various losses and liabilities arising from our operations, insurance against all operational risks are not available to us. Additionally, we may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the perceived risks presented. Losses could, therefore, occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance could reduce our results of operations.

***Unless we replace our oil and natural gas reserves, our reserves and production will decline, which would reduce our cash flow from operations and income.***

Producing natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Our natural gas reserves and production and, therefore, our cash flow and income are highly dependent on our success in efficiently developing and exploiting our reserves and economically finding or acquiring additional recoverable reserves. Our ability to find and acquire additional recoverable reserves to replace current and future production at acceptable costs depends on our generating sufficient cash flow from operations and other sources of capital, principally from the sponsorship of new investment partnerships, all of which are subject to the risks discussed elsewhere in this section.

***A decrease in natural gas prices could subject our oil and gas properties to a non-cash impairment loss under U.S. generally accepted accounting principles.***

U.S. generally accepted accounting principles require oil and gas properties and other long-lived assets to be reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Long-lived assets are reviewed for potential impairments at the lowest levels for which there are identifiable cash flows that are largely independent of other groups of assets. We test our oil and gas properties on a field-by-field basis, by determining if the historical cost of proved properties less the applicable depletion, depreciation and amortization and abandonment is less than the estimated expected undiscounted future cash flows. The expected future cash flows are estimated based on our economic interests and our plans to continue to produce and develop proved reserves. Expected future cash flow from the sale of production of reserves is calculated based on estimated future prices. We estimate prices based on current contracts in place at the impairment testing date, adjusted for basis differentials and market related information, including published future prices. The estimated future level of production is based on assumptions surrounding future levels of prices and costs, field decline rates, market demand and supply, and the economic and regulatory climates. Accordingly, further declines in the price of natural gas may cause the carrying value of our oil and gas properties to exceed the expected future cash flows, and a non-cash impairment loss would be required to be recognized in the financial statements for the difference between the estimated fair market value (as determined by discounted future cash flows) and the carrying value of the assets.

***Hedging transactions may limit our potential gains or cause us to lose money.***

Pricing for natural gas and oil has been volatile and unpredictable for many years. To limit exposure to changing natural gas and oil prices, we use financial hedges for our production which may include purchases of regulated NYMEX futures and options contracts and non-regulated over-the-counter futures contracts with qualified counterparties. The futures contracts are commitments to purchase or sell natural gas at future dates and generally cover one-month periods for up to six years in the future.

These hedging arrangements may reduce, but will not eliminate, the potential effects of changing commodity prices on our cash flow from operations for the periods covered by these arrangements. Furthermore, while intended to help reduce the effects of volatile commodity prices, such transactions, depending on the hedging instrument used, may limit our potential gains if commodity prices were to rise substantially over the price established by the hedge. If, among other circumstances, production is substantially less than expected, the counterparties to our futures contracts fail to perform under the contracts or a sudden, unexpected event materially changes commodity prices, we may be exposed to the risk of financial loss. In addition, it is not always possible for us to engage in a derivative transaction that completely mitigates our exposure to commodity prices and interest rates. Our financial statements may reflect a gain or loss arising from an exposure to commodity prices and interest rates for which we are unable to enter into a completely effective hedge transaction.

***Due to the accounting treatment of derivative contracts, increases in prices for natural gas, crude oil and NGLs could result in non-cash balance sheet reductions and non-cash losses in our statement of operations.***

We account for our derivative contracts by applying the mark-to-market accounting treatment required for these derivative contracts. We could recognize incremental derivative liabilities between reporting periods resulting from increases or decreases in reference prices for natural gas, crude oil and NGLs, which could result in us recognizing a non-cash loss in our combined statements of operations and a consequent non-cash decrease in our equity between reporting periods. Any such decrease could be substantial. In addition, we may be required to make cash payments upon the termination of any of these derivative contracts.

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***Regulations promulgated by the Commodities Futures Trading Commission could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our business.***

The Dodd-Frank Wall Street Reform and Consumer Protection Act is intended to change fundamentally the way swap transactions are entered into, transforming an over-the-counter market in which parties negotiate directly with each other into a regulated market in which most swaps are to be executed on registered exchanges or swap execution facilities and cleared through central counterparties. These statutory requirements must be implemented through regulation, primarily through rules to be adopted by the Commodities Futures Trading Commission. Many market participants will be newly regulated as swap dealers or major swap participants, with new regulatory capital requirements and other regulations that impose business conduct rules and mandate how they hold collateral or margin for swap transactions. All market participants will be subject to new reporting and recordkeeping requirements. The new regulations may require us to comply with margin requirements and with certain clearing and trade-execution requirements in connection with our existing or future derivative activities. As a commercial end-user which uses swaps to hedge or mitigate commercial risk, rather than for speculative purposes, we are permitted to opt out of the clearing and exchange trading requirements. However, we could be exposed to greater liquidity and credit risk with respect to our hedging transactions if we do not use cleared and exchange-traded swaps. Counterparties to our derivative instruments which are federally insured depository institutions are required to spin off some of their derivatives activities to separate entities, which may not be as creditworthy as the current counterparties. The new regulations could significantly increase the cost of derivative contracts; materially alter the terms of derivative contracts; reduce the availability of derivatives to protect against risks we encounter; reduce our ability to monetize or restructure our derivative contracts in existence at that time; and increase our exposure to less creditworthy counterparties. If we reduce or change the way we use derivative instruments as a result of the legislation or regulations, our results of operations may become more volatile and cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Finally, the legislation was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. Our revenues could therefore be adversely affected if a consequence of the legislation and regulations is to lower commodity prices. Any of these consequences could have a material adverse effect on our combined financial position, results of operations and/or cash flows.

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

Any acquisition, including our recent EP Energy Acquisition (see Summary Recent Developments ), involves potential risks, including, among other things:

- the validity of our assumptions about reserves, future production, revenues, capital expenditures and operating costs;
- an inability to successfully integrate the businesses we acquire;
- a decrease in our liquidity by using a portion of our available cash or borrowing capacity under our revolving credit facility to finance acquisitions;
- a significant increase in our interest expense or financial leverage if we incur additional debt to finance acquisitions;
- the assumption of unknown environmental and other liabilities, losses or costs for which we are not indemnified or for which our indemnity is inadequate;
- the diversion of management s attention from other business concerns and increased demand on existing personnel;
- the incurrence of other significant charges, such as impairment of oil and natural gas properties, goodwill or other intangible assets, asset devaluation or restructuring charges;

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- unforeseen difficulties encountered in operating in new geographic areas; and
- customer or key employee losses at the acquired businesses.

The scope and cost of these risks may be materially greater than estimated at the time of the acquisition. Any of these factors could adversely affect our future growth.

***We may be unsuccessful in integrating the operations from the EP Energy Acquisition and any future acquisitions with our operations and in realizing all of the anticipated benefits of these acquisitions.***

The integration of operations acquired through the EP Energy Acquisition (See Summary Recent Developments ), or other previously independent operations, can be a complex, costly and time-consuming process. The difficulties of combining these systems, as well as any operations we may acquire in the future, include, among other things:

- operating a significantly larger combined entity;
- the necessity of coordinating geographically disparate organizations, systems and facilities;
- integrating personnel with diverse business backgrounds and organizational cultures;
- consolidating operational and administrative functions;
- integrating internal controls, compliance under Sarbanes-Oxley Act of 2002 and other corporate governance matters;
- the diversion of management s attention from other business concerns;
- customer or key employee loss from the acquired businesses;
- a significant increase in our indebtedness; and
- potential environmental or regulatory liabilities and title problems.

Costs incurred and liabilities assumed in connection with an acquisition and increased capital expenditures and overhead costs incurred to expand our operations could harm our business or future prospects, and result in significant decreases in our gross margin and cash flows.

***Properties that we acquired in the separation from Atlas Energy or afterward may not produce as projected and we may be unable to determine reserve potential, identify liabilities associated with the properties or obtain protection from sellers against such liabilities.***

One of our growth strategies is to capitalize on opportunistic acquisitions of natural gas reserves. However, reviews of acquired properties are often incomplete because it generally is not feasible to review in depth every individual property involved in each acquisition. A detailed review of records and properties also may not necessarily reveal existing or potential problems, and may not permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and potential. Inspections may not always be performed on every well that we acquire. Potential problems, such as deficiencies in the mechanical integrity of equipment or environmental conditions that may require significant remedial expenditures, are not necessarily observable even when we inspect a well. Any unidentified problems could result in material liabilities and costs that negatively affect our financial condition and results of operations.

Even if we are able to identify problems with an acquisition, the seller may be unwilling or unable to provide effective contractual protection or indemnity against all or part of these problems. Even if a seller agrees to provide indemnity, the indemnity may not be fully enforceable and may be limited by floors and caps on such indemnity.

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***Our acquisitions may prove to be worth less than we paid, or provide less than anticipated proved reserves, because of uncertainties in evaluating recoverable reserves, well performance, and potential liabilities as well as uncertainties in forecasting oil and natural gas prices and future development, production and marketing costs.***

Successful acquisitions require an assessment of a number of factors, including estimates of recoverable reserves, development potential, well performance, future oil and natural gas prices, operating costs and potential environmental and other liabilities. Our estimates of future reserves and estimates of future production for our acquisitions are initially based on detailed information furnished by the sellers and subject to review, analysis and adjustment by our internal staff, typically without consulting independent petroleum engineers. Such assessments are inexact and their accuracy is inherently uncertain; our proved reserves estimates may thus exceed actual acquired proved reserves. In connection with our assessments, we perform a review of the acquired properties that we believe is generally consistent with industry practices. However, such a review will not reveal all existing or potential problems. In addition, our review may not permit us to become sufficiently familiar with the properties to fully assess their deficiencies and capabilities. We do not inspect every well. Even when we inspect a well, we do not always discover structural, subsurface and environmental problems that may exist or arise. As a result of these factors, the purchase price we pay to acquire oil and natural gas properties may exceed the value we realize.

Also, our reviews of the properties included in the acquisitions are inherently incomplete because it is generally not feasible to perform an in-depth review of the individual properties involved in each acquisition given the time constraints imposed by the applicable acquisition agreement. Even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to fully assess their deficiencies and potential.

***We may not identify all risks associated with the acquisition of oil and natural gas properties, or existing wells, and any indemnifications we receive from sellers may be insufficient to protect us from such risks, which may result in unexpected liabilities and costs to us.***

Our business strategy focuses on acquisitions of undeveloped oil and natural gas properties that we believe are capable of production. We consummated the EP Energy Acquisition in July 2013 (See Summary Recent Developments ), and may make additional acquisitions of undeveloped oil and gas properties from time to time, subject to available resources. Any acquisitions require an assessment of recoverable reserves, title, future oil and natural gas prices, operating costs, potential environmental hazards, potential tax and other liabilities and other factors. Generally, it is not feasible for us to review in detail every individual property involved in a potential acquisition. In making acquisitions, we generally focus most of our title, environmental and valuation efforts on the properties that we believe to be more significant, or of higher-value. Even a detailed review of properties and records may not reveal all existing or potential problems, nor would it permit us to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. In addition, we do not inspect in detail every well that we acquire. Potential problems, such as deficiencies in the mechanical integrity of equipment or environmental conditions that may require significant remedial expenditures, are not necessarily observable even when we perform a detailed inspection. Any unidentified problems could result in material liabilities and costs that negatively impact our financial condition and results of operations.

Even if we are able to identify problems with an acquisition, the seller may be unwilling or unable to provide effective contractual protection or indemnity against all or part of these problems. Even if a seller agrees to provide indemnity, the indemnity may not be fully enforceable or may be limited by floors and caps, and the financial wherewithal of such seller may significantly limit our ability to recover our costs and expenses. Any limitation on our ability to recover the costs related any potential problem could materially impact our financial condition and results of operations.

***Ownership of our oil and gas production depends on good title to our property.***

Good and clear title to our oil and gas properties is important. Although we will generally conduct title reviews before the purchase of most oil, gas and mineral producing properties or the commencement of drilling

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wells, such reviews do not assure that an unforeseen defect in the chain of title will not arise to defeat our claim, which could result in a reduction or elimination of the revenue received by us from such properties.

***Federal legislation and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays.***

Hydraulic fracturing is used to stimulate production of hydrocarbons, particularly natural gas, from tight formations. The process involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. The process is typically regulated by state oil and natural gas commissions or by state environmental agencies.

Some states have adopted, and other states are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances. For example:

New York has imposed a *de facto* moratorium on the issuance of permits for high volume, horizontal hydraulic fracturing until state administered environmental studies are finalized. The Department of Environmental Conservation, orNYDEC, is accepting comments on its revised proposal to amend state regulations to address high-volume hydraulic fracturing until January 11, 2013. Final Regulations have not yet been issued. In October 2012, the New York Department of Environmental Conservation asked the New York Health Department to assess the health impacts of high volume hydraulic fracturing. The Health Department has not completed its assessment. NYDEC is not expected to take any final action or make any decision regarding hydraulic fracturing until after the health review is completed and the Department of Environmental Conservation, through the environmental impact statement, is satisfied that hydraulic fracturing can be done safely in New York State.

Pennsylvania has adopted a variety of regulations limiting how and where fracturing can be performed. In February 2012, legislation was passed in Pennsylvania requiring, among other things, disclosure of chemicals used in hydraulic fracturing. To implement the new legislative requirements, in August of 2012 the Pennsylvania Department of Environmental Protection, orPADEP, issued proposed conceptual changes to its environmental regulations governing oil and gas operations. The conceptual changes would include requiring secondary containment for tanks associated with hydraulic fracturing and the submission of increased water withdrawal information necessary to secure required Water Management Plans. In April 2013, PADEP presented a draft of the proposed regulatory language to the Pennsylvania Oil and Gas Advisory Board.

In June 2012, Ohio passed legislation that made several significant amendments to the state s oil and gas law, including additional permitting requirements, chemical disclosure requirements, and site investigation requirements for horizontal wells.

In September 2012, the Texas Railroad Commission approved new proposed regulations relating to the commercial recycling of produced water and/or hydraulic fracturing flowback fluid. In June 2013, the SEC adopted amendments to the Texas Administrative Code regarding casing, cementing, drilling, completion and well control.

In June 2012, the West Virginia Department of Environmental Protection introduced a proposed legislative rule titled Rules Governing Horizontal Well Development, which imposes more stringent regulation of horizontal drilling. The proposed rule was developed to provide further direction in the implementation and administration of the Natural Gas Horizontal Well Control Act that became effective on December 14, 2011.

In addition to state law, local land use restrictions, such as city ordinances, may restrict or prohibit the performance of well drilling in general and/or hydraulic fracturing in particular. If state, local, or municipal legal restrictions are adopted in areas where we are currently conducting, or in the future plan to conduct, operations, we may incur additional costs to comply with such requirements that may be significant in nature, experience

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delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps even be precluded from the drilling of wells. Generally, Federal, state and local restrictions and requirements are applied consistently to similar types of producers (e.g., conventional, unconventional, etc.), regardless of size of the producing company.

Although, to date, the hydraulic fracturing process has not generally been subject to regulation at the federal level, there are certain governmental reviews either under way or being proposed that focus on environmental aspects of hydraulic fracturing practices, and some federal regulation has taken place. A few of these initiatives are listed here, although others may exist now or be implemented in the future. In April 2012, President Obama established an Interagency Working Group to Support Safe and Responsible Development of Unconventional Domestic Natural Gas Resources with the purpose of coordinating the policies and activities of agencies regarding unconventional gas development. The Environmental Protection Agency, or the EPA, has asserted federal regulatory authority over certain hydraulic fracturing activities involving diesel fuel as an additive under the Safe Drinking Water Act. In May 2012, the EPA issued draft permitting guidance for oil and gas hydraulic fracturing activities using diesel fuel. After reviewing comments submitted on the draft guidance in September 2012, the EPA is considering withdrawing the draft guidance and reissuing the policies contained therein as a proposed rulemaking. In addition, legislation that would provide for increased federal regulation of hydraulic fracturing and require disclosure of the chemicals used in the hydraulic fracturing process could be introduced in the future. Furthermore, a number of federal agencies are analyzing, or have been requested to review, a variety of environmental issues associated with hydraulic fracturing. For example, the EPA is currently studying the potential environmental effects of hydraulic fracturing on drinking water and groundwater. The EPA issued a progress report regarding the hydraulic fracturing study on December 21, 2012. However, the progress report did not provide any results or conclusions. Research results are expected to be released in draft form in late 2014 for review by the public and the EPA Science Advisory Board. The EPA has not provided an anticipated date for completion of the report after peer review. The EPA is also proposing to issue a draft criteria document updating the water quality criteria for chloride in the summer of 2014, and a proposed rule regarding effluent limitation guidelines for natural gas extraction from shale gas in 2014. On May 16, 2012, the U.S. Department of the Interior, Bureau of Land Management published a supplemental notice of proposed rulemaking that includes provisions requiring disclosure of chemicals used in hydraulic fracturing and construction standards for hydraulic fracturing on federal lands.

Certain members of U.S. Congress have called upon the U.S. Government Accountability Office to investigate how hydraulic fracturing might adversely affect water resources, and Congress has asked the SEC to investigate the natural gas industry and any possible misleading of investors or the public regarding the economic feasibility of pursuing natural gas deposits in shales by means of hydraulic fracturing. In addition, Congress requested the U.S. Energy Information Administration to provide a better understanding of that agency s estimates regarding natural gas reserves, including reserves from shale formations, as well as uncertainties associated with those estimates. These ongoing or proposed studies, depending on their degree of pursuit and any meaningful results obtained, could result in initiatives to further regulate hydraulic fracturing under the Safe Drinking Water Act or one or more other regulatory mechanisms. If new laws or regulations that significantly restrict hydraulic fracturing are adopted at the state and local level, such laws could make it more difficult or costly for us to perform hydraulic fracturing to stimulate production from dense subsurface rock formations and, in the event of local prohibitions against commercial production of natural gas, may preclude our ability to drill wells. In addition, if hydraulic fracturing becomes regulated at the federal level as a result of federal legislation or regulatory initiatives by the EPA or other federal agencies, our fracturing activities could be significantly affected. Some of the potential effects of changes in Federal, state or local regulation of hydraulic fracturing operations could include, but are not limited to, the following: additional permitting requirements, permitting delays, increased costs, changes in the way operations, drilling and/or completion must be conducted, increased recordkeeping and reporting, and restrictions on the types of additives that can be used, among other potential effects that are not listed here. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that we are ultimately able to produce from our reserves.

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***Recently promulgated rules regulating air emissions from oil and natural gas operations could cause us to incur increased capital expenditures and operating costs.***

In August 2012, the EPA published final rules that establish new air emission controls for oil and natural gas production and natural gas processing operations. Specifically, the EPA s rule package includes New Source Performance Standards, or the NSPS, to address emissions of sulfur dioxide and volatile organic compounds, orVOCs, and a separate set of emission standards to address hazardous air pollutants frequently associated with oil and natural gas production and processing activities. The NSPS require operators, starting in 2015, to reduce VOC emissions from oil and natural gas production facilities by conducting green completions for hydraulic fracturing, that is, recovering rather than venting the gas and natural gas liquids that come to the surface during completion of the fracturing process. The NSPS also establish specific requirements regarding emissions from compressors, dehydrators, storage tanks, and other production equipment. In addition, effective in 2012, the rules establish new notification requirements before conducting hydraulic fracturing and more stringent leak detection requirements for natural gas processing plants. The NSPS became effective October 15, 2012 and will likely require a number of modifications to our operations, including the installation of new equipment. Compliance with the new rules could result in significant costs, including increased capital expenditures and operating costs, and could adversely impact our business.

States are also proposing more stringent requirements in air permits for well sites and compressor stations. For example, Pennsylvania has proposed to revise a list of sources exempt from air permitting requirements such that certain sources associated with oil and gas exploration and production would be required to obtain an air permit. In conjunction with this proposal, Pennsylvania has proposed to revise its General Permit for Natural Gas Production Facilities to include well sites. Ohio is also considering revising its current General Permit for Natural Gas Production Operations to cover emissions from completion activities.

***Climate change legislation or regulations restricting emissions of greenhouse gases could result in increased operating costs and reduced demand for our services.***

Both houses of U.S. Congress have actively considered legislation to reduce emissions of greenhouse gases, and almost half of the states have already taken legal measures to reduce emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Most of these cap and trade programs work by requiring either major sources of emissions or major producers of fuels to acquire and surrender emission allowances, with the number of allowances available for purchase reduced each year until the overall greenhouse gas emission reduction goal is achieved. The adoption of any legislation or regulations that limits emissions of greenhouse gases from our equipment and operations could require us to incur costs to reduce emissions of greenhouse gases associated with our operations, and such requirements also could adversely affect demand for the oil and natural gas that we produce.

In response to findings that emissions of carbon dioxide, methane, and other greenhouse gases present a danger to public health and the environment because emissions of such gases are contributing to the warming of the earth s atmosphere and other climate changes, the EPA has adopted regulations under existing provisions of the Clean Air Act that require entities that produce certain gases to inventory, monitor and report such gases. On November 30, 2010, the EPA published a final greenhouse gas emissions reporting rule relating to natural gas processing, transmission, storage, and distribution activities, which required reporting by September 28, 2012 for emissions occurring in 2011. Additionally, in 2010, the EPA issued rules to regulate greenhouse gas emissions through traditional major source construction and operating permit programs. The EPA confirmed the permitting thresholds established in the 2010 rule in July 2012. These permitting programs require consideration of and, if deemed necessary, implementation of best available control technology to reduce greenhouse gas emissions. As a result, our operations could face additional costs for emissions control and higher costs of doing business.

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***The third parties on whom we rely for gathering and transportation services are subject to complex federal, state and other laws that could adversely affect the cost, manner or feasibility of conducting our business.***

The operations of the third parties on whom we rely for gathering and transportation services are subject to complex and stringent laws and regulations that require obtaining and maintaining numerous permits, approvals and certifications from various federal, state and local government authorities. These third parties may incur substantial costs in order to comply with existing laws and regulation. If existing laws and regulations governing such third-party services are revised or reinterpreted, or if new laws and regulations become applicable to their operations, these changes may affect the costs that we pay for such services. Similarly, a failure to comply with such laws and regulations by the third parties on whom we rely could have a material adverse effect on our business, financial condition, results of operations and our ability to service our debt.

***Our drilling and production operations require adequate sources of water to facilitate the fracturing process and the disposal of that water. If we are unable to dispose of the water we use or remove from the strata at a reasonable cost and within applicable environmental rules, our ability to produce gas commercially and in commercial quantities could be impaired.***

A significant portion of our natural gas extraction activity utilizes hydraulic fracturing, which results in water that must be treated and disposed of in accordance with applicable regulatory requirements. Environmental regulations governing the withdrawal, storage and use of surface water or groundwater necessary for hydraulic fracturing may increase operating costs and cause delays, interruptions or termination of operations, the extent of which cannot be predicted, all of which could have an adverse effect on our operations and financial performance. For example, Pennsylvania requires the development of a Water Management Plan before hydraulically fracturing an unconventional well. The requirements of these plans continue to be modified by state laws and PADEP policies. In June 2012, Ohio passed legislation that established a water withdrawal and consumptive use permit program in the Lake Erie watershed. If certain withdrawal thresholds are triggered due to our water needs for a particular project, we will be required to develop a Water Conservation Plan and obtain a withdrawal permit for that project.

Our ability to collect and dispose of water will affect our production, and potential increases in the cost of water treatment and disposal may affect our profitability. The imposition of new environmental initiatives and regulations could include restrictions on our ability to conduct hydraulic fracturing or disposal of produced water, drilling fluids and other substances associated with the exploration, development and production of gas and oil. For example, in October 2012, the Ohio Department of Natural Resources promulgated amendments to the regulations governing disposal wells in Ohio. The rules provide the Department with the authority to require certain testing as part of the process for obtaining a permit for the underground injection of produced water, and require all new disposal wells to be equipped with continuous pressure monitors and automatic shut off devices.

***Impact fees and severance taxes could materially increase our liabilities.***

In an effort to offset budget deficits and fund state programs, many states have imposed impact fees and/or severance taxes on the natural gas industry. In February 2012, Pennsylvania implemented an impact fee for unconventional wells drilled in the Commonwealth. An unconventional gas well is a well that is drilled into an unconventional formation, which would include the Marcellus Shale. The impact fee, which changes from year to year, is computed using the prior year s trailing 12 month NYMEX natural gas price and is based upon a tiered pricing matrix. For example, based upon natural gas prices for 2012, the impact fee for qualifying unconventional horizontal wells spudded during 2012 was $45,000 per well and the impact fee for unconventional vertical wells was reduced to twenty percent of the horizontal well fee. The impact fee is due by April 1 of the year following the year that a horizontal unconventional well is spudded or a vertical unconventional well is put into production. The fee will continue for 15 years for a horizontal unconventional well and ten years for a vertical unconventional well. The impact fee for our wells including the wells in our

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drilling partnerships, which we refer to herein as Drilling Partnerships, was in excess of $2.1 million for the year ended December 31, 2012. In total, the natural gas industry paid more than $200 million to the Commonwealth of Pennsylvania, which will be distributed between state agencies, local entities and other related groups.

Ohio Governor John Kasich has proposed a severance tax on gas, oil and natural gas liquids produced from high-volume producing formations that are recovered through hydraulic fracturing. Under the tax plan as initially proposed, oil and natural gas liquids recovered through hydraulic fracturing in the Utica and Marcellus shales would be taxed at 1.5% of annual gross sales in the first year and 4% per year for each year thereafter. Natural gas would be taxed yearly at 1% of gross sales. The proposed plan also levies a $25,000 up front impact fee for each well drilled in the state. The plan is presently under review by the General Assembly, and the final version will be included in the biannual budget bill to be enacted by June 30, 2013.

President Obama s budget proposals for 2013 and 2014 included proposed provisions with significant tax consequences. If enacted, U.S. tax laws could be amended to eliminate certain deductions for drilling, exploration and development and the mandatory funding of certain public lands and research and development of transportation alternatives.

***Because we handle natural gas and oil, we may incur significant costs and liabilities in the future resulting from a failure to comply with new or existing environmental regulations or an accidental release of substances into the environment.***

How we plan, design, drill, install, operate and abandon natural gas wells and associated facilities are matters subject to stringent and complex federal, state and local environmental laws and regulations. These include, for example:

- The federal Clean Air Act and comparable state laws and regulations that impose obligations related to air emissions;