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Common Reporting Errors for Investors in 2006 Partnerships

If 2006 is the first tax reporting year of an investment you made in one of Atlas' natural gas drilling partnerships, then be on the lookout for errors commonly made by tax preparers in the treatment of the intangible drilling cost (IDC) deduction.

It is important that you confer with your financial advisor to review the reporting of the IDC deduction on your federal income tax return (Form 1040). Improper reporting of the IDC deduction can cost you thousands of dollars of tax savings.



If you invested in an Atlas partnership as a general partner, then the partnership's Schedule K-1 should reflect such designation. An investor-general partner can treat the IDC deduction as an ordinary loss and not as a loss from a passive activity. This distinction is important as it allows an investor-general partner to use this ordinary loss as an offset to income that is derived from any source during the 2006 tax year. The IDC deduction is to be reported on Schedule E, Part II of the 1040 tax return (not

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Atlas Helping More Local Causes

Atlas has made donations to many local causes over the years, and this year is no exception. Fact is, the list of contributions keeps growing.

Below are the most recent local organizations that have benefited.

- Boy Scouts of America, French Creek Council Erie, PA: donation for a new archery pavilion.
- YMCA, Bradford, PA: contribution to the Strong Kids Campaign. This program promotes family fitness, providing memberships for families, kids, senior citizens who can't afford them and involvement for kids in athletic teams if

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Natural Gas Demand to Stay Steady

Trend Watch

The demand for natural gas in the United States is expected to remain steady over the next three decades, the Energy Information Administration reports.

Total natural gas consumption in the *Annual Energy Outlook 2007* through 2030 reference case is projected to increase from 22.0 trillion cubic feet in 2005 to 26.1 trillion cubic feet in 2030, with virtually no growth over the last decade of the projection period.

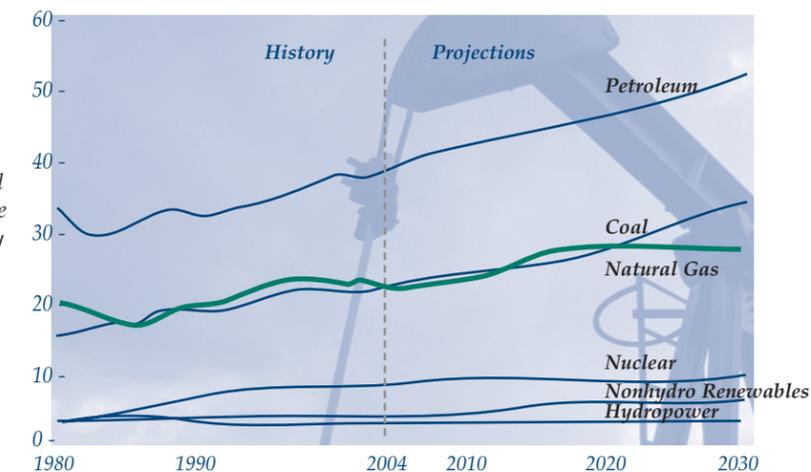
Demand stays steady over time, with lower projected natural gas consumption in the residential, industrial, and electric power sectors more than offsetting higher projected consumption in the commercial sector in the report's reference case, 4.2 trillion cubic feet in 2030 in the report compared with 4.0 trillion cubic feet in the report released a year earlier. The increase results from lower delivered natural gas prices projected

for the commercial sector in the latest reference case.

SPECIAL NOTE: This article is based on selected excerpts from the "Annual Energy Outlook 2007 with Projections to 2030," issued by the U.S. Energy Information Administration, early release on December 5, 2006.

The above discussion includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although Atlas Energy Resources believes that its expectations as reflected in those forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from Atlas Energy Resources' expectations include regulatory

U.S. Energy Consumption by Fuel (1980-2030)



Source: Annual Energy Outlook 2007, Energy Trends to 2030, Early Release Date: December, 2006

changes, changes in local or national economic conditions and other risks detailed from time to time in Atlas Energy Resources' reports filed with the SEC, including quarterly reports on Form 10-Q, reports on Form 8-K and annual reports on Form 10-K, which can be reviewed at the SEC's website at <http://www.sec.gov>. ■

Employee Spotlight

Randy Speerhas – Taking On the Challenge He Was Looking For

In October of 2005, long-time Atlas employee Randy Speerhas left his native Ohio, volunteering to run a new start-up operation in Tennessee. He's been there ever since. "It's the challenge I was looking for," he says modestly, downplaying the fact that he uprooted his wife and left other family and friends behind.

"Randy is very devoted to his job and his years (28 to be exact!) with Atlas has proved that," his wife Darcy said. "Moving here to Tennessee was not an easy decision, but one that is not regretted. With

his love for the job it is worth it. As his wife I am very proud of him and what he has accomplished here."

A production manager for the Oakridge, Tennessee office, Randy takes care of operations, watching over production and making sure that wells are up and running.

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Atlas' dedicated production manager Randy Speerhas checking a well, with Tennessee's beautiful mountain scenery as backdrop.

Common Reporting Errors for Investors in 2006 Partnerships

TAX TIME

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Schedule C) and from there it will wind up on the face of your Form 1040 as an above-the-line deduction.

Probably the biggest reporting error is treating the full amount of the IDC deduction as a tax preference item. As long as the IDC deduction does not reduce alternative minimum taxable (AMT) income by more than 40%, there is no tax preference associated with the investment. Many preparers do not know this rule and report the full IDC deduction as a tax preference item.

Lastly, for those investor-general partners that are self-employed, the IDC deduction can be used in

computing net earnings from self-employment and offset Schedule C net income when computing self-employment tax (Form SE).

All of these tax reporting positions are supported by the provisions of the Internal Revenue Code.

Please Note: Taxpayers are urged to consult with their own licensed financial professionals or tax advisors regarding tax reporting. This summary is provided as a general explanation and is not intended to be, nor should it be construed as, tax advice with regard to the preparation of your individual tax return. The partnership tax laws are very complex and may be subject to varying interpretations. ■

New Website for Atlas Energy Resources



In the previous issue of this newsletter, the commencement of the Initial Public Offering for Atlas Energy Resources, LLC ("Atlas Energy") was announced. A wholly owned subsidiary of Atlas America, Inc., Atlas Energy owns and operates substantially all of the natural

gas and oil production assets and the investment partnership management business of Atlas, and is focused on the development and production of natural gas and, to a lesser extent, oil principally in the Appalachian Basin.

More recently, Atlas Energy announced its new website — www.atlasenergyresources.com. The site, which was under construction as we went to press, is to be organized into four main sections: "Company Overview," "Drilling Investment Programs," "Management Team," and "Investor Relations." Also, the "Latest News" will be posted on the site.

Visit the website often for updates and information. ■

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Atlas Helping More Local Causes

their families cannot afford it. Additionally, summer camp and child care is provided to those in need.

■ YWCA, Bradford, PA: donation to Eliminating Racism Empowering Women. This annual campaign supports a homeless shelter, housing and employment services, and domestic violence/sexual assault shelter (legal, counseling, 24-hr hotline, prevention education & children's outreach), and a leadership and technology center for girls, as well as a food pantry.

■ YMCA, Fayette County; Uniontown, PA: helped to subsidize scholarships for underprivileged children and families for memberships and other programs. The amount was sufficient to help 100 local children.

■ Big Brothers and Sisters of Crawford County, PA: gave to the Bowl for Kids' Sake campaign for the second year in a row. Atlas was a "Diamond Level" sponsor, one of the largest contributors.

■ Salvation Army, Fayette County, PA: contributed through the Herald Standard Tribune's annual Give-A-Christmas campaign. Atlas donated the same amount last year as well. The funds go toward Christmas toys for needy children, gifts for the elderly in nursing homes, food, and help with daily operations.

Atlas frequently makes charitable contributions in the local communities in which it operates. "When we work in an area, we often come to know the community's needs and the local charities that do the most to fulfill those needs," explained Mike Hartzell, Atlas Vice President, Land. "We are pleased to help." ■

Randy Speerhas —Taking On the Challenge He Was Looking For

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"We have about 140 wells now," he said. "The work's been pretty much continuous. We're pretty busy." The tremendous progress made in the area in the little over a year since Randy came to town is a direct tribute to his dedication and work ethic. With a crew consisting of a production foreman, Bruce Reid, and just three well tenders, the responsibilities often fall squarely on Randy's shoulders. Not one to rest on his laurels, Randy adds excitedly, "We seem to be doing pretty well here, but I think we're just getting started."

His enthusiasm for the work and for a job well done hasn't changed over the years. He began with the company, then Atlas Resources, in 1979 working out of the Deerfield, Ohio office. "They gave me a route of wells," he explains. He eventually became a production foreman and rose through the ranks after that. By the time he chose to move out of state for his new territory, he said, "We had about 1200 wells, and about 25 guys, and we weren't doing any new wells, so I was kind of getting burnt out."

His son and daughter grown and out of the house, Randy and his wife decided they were ready for a new chapter. "We were in Ohio all of our lives," he said. The couple put their house on the market, and moved to a townhouse they rented a few miles from the Atlas office, eventually

buying a new home in Tennessee, which he's come to love.

"I'm here to help the company grow, take care of hook up and production, and I really like the idea of the challenge here," he said. "The most rewarding part of the job," he explains, "is meeting new people and working with new people, trying to make everybody happy." He added, "The people are nice and easy going and really courteous," citing qualities it's obvious he himself possesses, making it understandable his transition here has been a very successful one.

Randy has also come to love the natural beauty of his new surroundings. "The weather is so mild here; we have a much less harsh winter here, and all you see are mountains, he commented. Randy added that when he gets the chance when not working he rides his 2003 Harley Davidson and takes in the beautiful mountain vistas. He enjoys the "curvy, hilly roads in the country," he says. "It's very scenic. We love it down here."

With Randy, his comments always come back to the job he loves also. "I think it's going well down here for the company, and I enjoy doing what I'm doing, and I'm keeping it rolling," he said. "There's a lot of potential for developing gas and oil here. We've got something going on." ■



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