UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2001

OR

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

For the transition period from _________ to _________

Commission File Number: 33-98490

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

Delaware	06-1437793
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2187 Atlantic Street, Stamford, Connecticut 06902
(Address of principal executive office)

(203) 328-7300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each issuer's classes of common stock, as of January 25, 2002:

25,151,946	Common Units
3,134,110	Senior Subordinated Units
345,364	Junior Subordinated Units
325,729	General Partner Units

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES
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Part II Other Information:

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2001	December 31, 2001 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 17,228	$ 22,719
Receivables, net of allowance of $11,364 and $12,731, respectively	104,973	129,206
Inventories	41,130	52,638
Prepaid expenses and other current assets	21,931	27,644
Total current assets	185,262	232,207
Property and equipment, net	235,371	238,225
Long-term portion of accounts receivable	6,752	7,324
Intangibles and other assets, net	471,434	480,353
Total assets	$ 898,819	$ 958,109
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	$ 35,800	$ 41,467
Working capital facility borrowings	13,866	61,822
Current maturities of long-term debt	11,886	45,613
Accrued expenses	77,678	72,623
Unearned service contract revenue	24,575	28,375
Customer credit balances	65,207	73,693
Total current liabilities	229,012	323,593
Long-term debt	457,086	422,327
Other long-term liabilities	14,457	14,682
Partners' Capital:		

Common unitholders	209,911	206,646
Subordinated unitholders	2,772	9,728
General partner	(2,220)	(2,268)
Accumulated other comprehensive income	(12,199)	(16,599)
Total Partners' Capital	198,264	197,507
Total Liabilities and Partners' Capital	$ 898,819	$ 958,109

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended December 31,	
(in thousands, except per unit data)	2000	2001
Sales	$ 323,504	$ 286,223
Costs and expenses:		
Cost of sales	231,302	184,247
Delivery and branch expenses	49,334	56,321
Depreciation and amortization	9,647	14,503
General and administrative expenses	6,882	8,185
TG&E customer acquisition expense	653	221
Unit compensation expense	500	640
Operating income	25,186	22,106
Interest expense, net	8,117	10,144
Amortization of debt issuance costs	145	312
Income before income taxes and cumulative effect of change in accounting principle	16,924	11,650
Income tax expense	716	147
Income before cumulative change in accounting principle	16,208	11,503
Cumulative effect of change in accounting principle for adoption of SFAS No. 133, net of income taxes	1,466	-
Net income	$ 17,674	$ 11,503
General Partner's interest in net income	$ 283	$ 139
Limited Partners' interest in net income	$ 17,391	$ 11,364
Net income per Limited Partner Unit:		
Basic	$ 0.87	$ 0.42
Diluted	$ 0.86	$ 0.42
Basic weighted average number of Limited Partner Units outstanding	20,073	26,760
Diluted number of Limited Partner Units	20,186	26,988

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(in thousands)	Three Months Ended December 31, 2000	Three Months Ended December 31, 2001
Net income	$ 17,674	$ 11,503
Other comprehensive loss		
Installation, service and appliances		
Unrealized loss on derivative instruments	(6,305)	(9,065)
Total sales		
Comprehensive income	$ 11,369	$ 2,438
Reconciliation of Accumulated Other Comprehensive Income		
Balance, beginning of period	$ -	$ (12,199)
Cumulative effect of the adoption of SFAS No. 133	10,544	-
Current period reclassification to earnings	(350)	4,665
Current period other comprehensive loss	(6,305)	(9,065)
Balance, end of period	$ 3,889	$ (16,599)

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(unaudited)

(in thousands, except per unit amounts)

	Number of Units									
	Common	Senior Sub.	Junior Sub.	General Partner	Common	Senior Sub.	Junior Sub.	General Partner	Other Compre-hensive Income	Total Partners' Capital
Balance as of September 30, 2001	23,394	2,717	345	326	$209,911	$3,483	$(711)	$(2,220)	$(12,199)	$198,264
Issuance of common units	33				207					207
Issuance of senior subordinated units		303				7,339				7,339
Net income					9,979	1,238	147	139		11,503
Other comprehensive loss, net									(4,400)	(4,400)
Distributions: ($0.575 per unit)					(13,451)	(1,569)	(199)	(187)		(15,406)
Balance as of December 31, 2001	23,427	3,020	345	326	$206,646	$10,491	$(763)	$(2,268)	$(16,599)	$197,507

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	Three Months Ended December 31, 2000	Three Months Ended December 31, 2001
Cash flows provided by (used in) operating activities:		

Net income	$ 17,674	$ 11,503
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,647	14,503
Amortization of debt issuance cost	145	312
Unit compensation expense	500	640
Provision for losses on accounts receivable	1,337	1,237
Gains on sales of fixed assets	(11)	(19)
Cumulative effect of change in accounting principle for the adoption of SFAS No. 133	(1,466)	-
Changes in operating assets and liabilities:		
Increase in receivables	(86,467)	(25,858)
Increase in inventories	(16,322)	(10,881)
Increase in other assets	(10,155)	(18,051)
Increase in accounts payable	33,726	6,284
(Decrease) increase in other current and long-term liabilities	(6,067)	21,253
Net cash provided by (used in) operating activities	(57,459)	923
Cash flows provided by (used in) investing activities:		
Capital expenditures	(4,118)	(5,381)
Proceeds from sales of fixed assets	127	1,128
Acquisitions	(19,621)	(22,531)
Net cash used in investing activities	(23,612)	(26,784)
Cash flows provided by (used in) financing activities:		
Working capital facility borrowings	79,190	60,850
Working capital facility repayments	(8,657)	(12,894)
Acquisition facility borrowings	11,700	28,650
Acquisition facility repayments	(41,800)	(16,000)
Repayment of debt	(4,258)	(13,682)
Proceeds from issuance of debt	40,292	-
Distributions	(10,749)	(15,406)
Increase in deferred charges	(97)	(120)
Proceeds from issuance of Common Units, net	23,364	-
Other	(539)	(46)
Net cash provided by financing activities	88,446	31,352
Net increase in cash	7,375	5,491
Cash at beginning of period	10,910	17,228
Cash at end of period	$ 18,285	$ 22,719

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1) Partnership Organization

Star Gas Partners, L.P. ("Star Gas Partners" or the "Partnership") is a diversified home energy distributor and services provider, specializing in heating oil, propane, natural gas and electricity. Star Gas Partners is a Master Limited Partnership, which at December 31, 2001 had 23.4 million common limited partner units (trading symbol "SGU" representing a 86.4% limited partner interest in Star Gas Partners) and 3.0 million senior subordinated units (trading symbol "SGH" representing a 11.1% limited partner interest in Star Gas Partners), which are traded on the New York Stock Exchange. Additional interest in Star Gas Partners are comprised of 0.3 million junior subordinated units (representing a 1.3% limited partner interest in Star Gas Partners) and 0.3 million general partner units (representing a 1.2% general partner interest in Star Gas Partners).

Operationally, the Partnership is organized as follows:

- Petro Holdings, Inc. ("Petro" or the "heating oil segment"), is the nation's largest distributor of home heating oil and serves approximately 525,000 customers in the Northeast and Mid-Atlantic. Petro is an indirect wholly owned subsidiary of Star Gas Propane, L.P.

- Star Gas Propane, L.P., ("Star Gas Propane" or the "propane segment") is a wholly owned subsidiary of the Partnership. Star Gas Propane markets and distributes propane gas and related products to more than 280,000 customers in the Midwest, Northeast, Florida and Georgia.

- Total Gas and Electric ("TG&E" or the "natural gas and electric reseller segment") is an energy reseller that markets natural gas and electricity to residential households in deregulated energy markets in the states of New York, New Jersey, Florida, Maryland and the District of Columbia and serves approximately 50,000 residential customers. TG&E is an 80% owned subsidiary of the Partnership.

- Star Gas Partners ("Partners" or the "Public Master Limited Partnership") includes the office of the Chief Executive Officer and in addition has the responsibility for maintaining investor relations and investor reporting for the Partnership.

2) Summary of Significant Accounting Policies

Basis of Presentation
The Consolidated Financial Statements include the accounts of Star Gas Partners, L.P., and its subsidiaries. The Partnership consolidates 80% of TG&E's balance sheet. Revenue and expenses are also consolidated with the Partnership with a deduction for the net loss allocable to the minority interest, which amount has been limited based upon the equity of the minority interest. All material intercompany items and transactions have been eliminated in consolidation

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for the fair statement of financial condition and results for the interim periods. The results of operations for the three month periods ended December 31, 2000 and December 31, 2001 are not necessarily indicative of the results to be expected for the full year.

Inventories
Inventories are stated at the lower of cost or market and are computed on a first-in, first-out basis. At the dates indicated, the components of inventory were as follows:

(in thousands)	September 30, 2001	December 31, 2001
Propane gas	$ 9,546	$ 11,489
Propane appliances and equipment	3,635	3,622
Fuel oil	12,403	20,919
Fuel oil parts and equipment	12,332	12,241
Natural gas	3,214	4,367
	$ 41,130	$ 52,638

Reclassifications
Certain prior year amounts have been reclassified to conform with the current year presentations.

Derivatives and Hedging

The Partnership periodically hedges a portion of its home heating oil, propane and natural gas purchases through the use of futures, options, collars and swap agreements. The purpose of the hedges is to provide a measure of stability in the volatile market of home heating oil, propane and natural gas prices and to manage its exposure to commodity price risk under certain existing sales commitments. The Partnership also has derivative agreements that management has decided not to treat as hedge transactions for accounting purposes and as such, mark-to-market adjustments are recognized currently in earnings.

The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated as a hedge, and if so, the type of hedge. For derivatives designated as cash flow hedges, changes in fair value are recognized in other comprehensive income until the hedged item is recognized in earnings. All of the Partnership's derivative instruments entered into for the purchase of heating oil, propane and natural gas to be sold to price plan customers are designated as cash flow hedges. For derivatives recognized as fair value hedges, changes in fair value are recognized in the statement of operations and are offset by related results of the hedged item. Substantially all of the derivative instruments entered into in order to mitigate the price exposure for firm commitments relating to the purchase of heating oil, propane and natural gas to be sold to price plan customers are designated as fair value hedges. Changes in the fair value of derivative instruments, which are not designated as hedges or which do not qualify for hedge accounting are recognized currently in earnings.

For the three month period ended December 31, 2001, the Partnership recorded a net decrease to accumulated other comprehensive income of $4.4 million, principally representing an increase in the effective portion of cash flow hedges. In addition, the Partnership reclassified approximately $4.7 million of other comprehensive income into earnings in order to offset gains resulting from changes in the fair market value of fair value hedges.

Accounting Principles Not Yet Adopted

In July 2001, the FASB issued Statement No. 141, "Business Combinations" and Statement No. 142, "Goodwill and Other Intangible Assets." Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as for all purchase method business combinations completed after June 30, 2001. Statement No. 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement No. 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of Statement No. 142. Statement No. 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

The Partnership adopted the provisions of Statement No. 141 effective July 1, 2001 and Statement No. 142 is required to be adopted effective October 1, 2002. Futhermore, any goodwill and any intangible asset determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001 will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-Statement No. 142 accounting literature. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of Statement No. 142.

Statement No. 141 will require upon adoption of Statement No. 142, that the Partnership evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in Statement No. 141 for recognition apart from goodwill. Upon adoption of Statement No. 142, the Partnership will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Partnership will be required to test the intangible asset for impairment in accordance with the provisions of Statement No. 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of change in accounting principle in the first interim period.

2) Summary of Significant Accounting Policies - (continued)

In connection with the transitional goodwill impairment evaluation, Statement No. 142 will require the Partnership to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this the Partnership must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The Partnership will then have up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Partnership must perform the second step of the transitional impairment test. In the second step, the Partnership must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with Statement No. 141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Partnership's statement of operations.

As of December 31, 2001, the Partnership had unamortized goodwill in the amount of $267.9 million. The Partnership also had $211.8 million of unamortized identifiable intangible assets, of which $205.9 will be subject to the transition provisions of SFAS No. 141 and No. 142. Amortization expense related to goodwill was $1.9 million and $2.1 million for the three months ended December 31, 2000 and 2001, respectively. Because of the extensive effort needed to comply with adopting Statements No. 141 and No. 142, it is not practicable to reasonably estimate the impact of adopting these Statements on the Partnership's financial statements at the date of this report, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of change in accounting principle.

In August 2001, the FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 requires recording the fair market value of an asset retirement obligation as a liability in the period in which a legal obligation associated with the retirement of tangible long-lived assets is incurred. SFAS No. 143 also requires recording the contra asset to the initial obligation as an increase to the carrying amount of the related long-lived asset and to depreciate that cost over the life of the asset. The liability is then increased at the end of each period to reflect the passage of time and changes in the initial fair value measurement. The Partnership is required to adopt the provisions of SFAS No. 143, effective October 1, 2002 and has not yet determined the extent of its impact, if any.

In October 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. It also extends the reporting requirements to report separately as discontinued operations, components of an entity that have either been disposed of or classified as held for sale. The Partnership is required to adopt the provisions of SFAS No. 144, effective October 1, 2002 and has not yet determined the extent of its impact, if any.

3) Segment Reporting

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", the Partnership has four reportable segments, a retail distributor of heating oil, a retail distributor of propane, a reseller of natural gas and electricity and the public master limited partnership, Star Gas Partners. Management has chosen to organize the enterprise under these four segments in order to leverage the expertise it has in each industry, allow each segment to continue to strengthen its core competencies and provide a clear means for evaluation of operating results.

The heating oil segment is primarily engaged in the retail distribution of home heating oil, related equipment services, and equipment sales to residential and commercial customers. It operates primarily in the Northeast and Mid-Atlantic states. Home heating oil is principally used by the Partnership's residential and commercial customers to heat their homes and buildings, and as a result, weather conditions have a significant impact on the demand for home heating oil.

3) Segment Reporting (continued)

The propane segment is primarily engaged in the retail distribution of propane and related supplies and equipment to residential, commercial, industrial, agricultural and motor fuel customers, in the Midwest, Northeast, Florida and Georgia. Propane is used primarily for space heating, water heating and cooking by the Partnership's residential and commercial customers and as a result, weather conditions also have a significant impact on the demand for propane.

The natural gas and electric reseller segment is primarily engaged in offering natural gas and electricity to residential consumers in deregulated energy markets. In deregulated energy markets, customers have a choice in selecting energy suppliers to power and / or heat their homes. As a result, a significant portion of this segment's revenue is directly related to weather conditions. TG&E operates in ten markets in the Northeast, Mid-Atlantic, Florida and the District of Columbia, where competition for energy suppliers range from independent resellers, like TG&E, to large public utilities. TG&E is currently instituting new credit policies and installing new information systems which hopefully will improve TG&E's credit deficiency and collection problems.

The public master limited partnership segment includes the office of the Chief Executive Officer and has the responsibility for maintaining investor relations and investor reporting for the Partnership.

The following are the statements of operations and balance sheets for each segment as of and for the periods indicated. There were no inter-segment sales.

(in thousands)	Three Months Ended									
	December 31, 2000 (unaudited)					December 31, 2001 (unaudited)				
Statements of Operations	Heating Oil	Propane	TG&E	Partners	Consol.	Heating Oil	Propane	TG&E	Partners	Consol.
Sales	$232,063	$ 71,443	$ 19,998	$ -	$323,504	$222,403	$ 54,375	$ 9,445	$ -	$286,223
Cost of sales	172,036	41,391	17,875	-	231,302	150,369	25,614	8,264	-	184,247
Delivery and branch	35,677	13,657	-	-	49,334	42,452	13,869	-	-	56,321
Deprec.and amortization	6,273	3,133	239	2	9,647	10,247	3,903	351	2	14,503
G & A expense	2,403	1,646	1,692	1,141	6,882	2,713	1,621	2,468	1,383	8,185
TG&E customer acquisition expense	-	-	653	-	653	-	-	221	-	221
Unit compensation	-	-	-	500	500	-	-	-	640	640
Operating income (loss)	15,674	11,616	(461)	(1,643)	25,186	16,622	9,368	(1,859)	(2,025)	22,106
Net interest expense (income)	5,164	2,726	526	(299)	8,117	6,658	3,373	875	(762)	10,144
Amortization of debt issuance costs	-	94	51	-	-	145	248	64	-	312
Income (loss) before income taxes	10,416	8,839	(987)	(1,344)	16,924	9,716	5,931	(2,734)	(1,263)	11,650
Income tax expense	675	41	-	-	716	100	47	-	-	147
Income (loss) before cumulative change in accounting principle	9,741	8,798	(987)	(1,344)	16,208	9,616	5,884	(2,734)	(1,263)	11,503
Cumulative change in accounting principle	2,093	(229)	(398)	-	1,466	-	-	-	-	-
Net income (loss)	$ 11,834	$ 8,569	$ (1,385)	$ (1,344)	$ 17,674	$ 9,616	$ 5,884	$ (2,734)	$ (1,263)	$ 11,503

Capital expenditures	$ 2,440	$ 1,621	$ 57	$ -	$ 4,118	$ 3,128	$ 1,893	$ 360	$ -	$ 5,381

3) Segment Reporting (continued)

(in thousands)

Balance Sheets	September 30, 2001 Heating Oil	Propane	TG&E	Partners	(1) Consol.	December 31, 2001 (unaudited) Heating Oil	Propane	TG&E	Partners	(1) Consol.
Assets										
Current assets:										
Cash and cash equivalents	$ 7,181	$ 3,655	$ 102	$ 6,290	$ 17,228	$ 8,664	$ 13,973	$ -	$ 82	$ 22,719
Receivables, net	82,484	12,002	10,487	-	104,973	101,868	16,767	10,571	-	129,206
Inventories	24,735	13,181	3,214	-	41,130	33,160	15,111	4,367	-	52,638
Prepaid expenses and other current assets	16,921	3,523	2,349	-	21,931	22,465	4,011	2,030	-	27,644
Total current assets	131,321	32,361	16,152	6,290	185,262	166,157	49,862	16,968	82	232,207
Property and equipment, net	72,204	162,680	487	-	235,371	69,400	168,029	796	-	238,225
Long-term portion of accounts receivable	6,752	-	-	-	6,752	7,324	-	-	-	7,324
Investment in subsidiaries	-	108,035	-	194,647	-	-	109,410	-	200,155	-
Intangibles and other assets, net	381,348	77,750	12,117	219	471,434	377,366	90,953	11,817	217	480,353
Total assets	$ 591,625	$ 380,826	$ 28,756	$ 201,156	$ 898,819	$ 620,247	$ 418,254	$ 29,581	$ 200,454	$ 958,109

Liabilities and Partners' Capital	Heating Oil	Propane	TG&E	Partners	(1) Consol.	Heating Oil	Propane	TG&E	Partners	(1) Consol.
Current Liabilities:										
Accounts payable	$ 22,407	$ 5,682	$ 7,711	$ -	$ 35,800	$ 27,813	$ 6,766	$ 6,888	$ -	$ 41,467
Working capital Facility borrowings	-	8,400	5,466	-	13,866	49,000	8,600	4,222	-	61,822
Current maturities of of long-term debt	1,184	8,702	2,000	-	11,886	26,911	16,702	2,000	-	45,613
Accrued expenses and other current liabilities	63,895	10,267	1,052	2,464	77,678	54,595	14,270	1,311	2,447	72,623
Due to affiliate	(185)	(1,450)	2,069	(434)	-	930	(3,788)	3,220	(362)	-
Unearned service contract revenue	24,575	-	-	-	24,575	28,375	-	-	-	28,375
Customer credit balances	45,456	18,053	1,698	-	65,207	52,167	16,113	5,413	-	73,693
Total current liabilities	157,332	49,654	19,996	2,030	229,012	239,791	58,663	23,054	2,085	323,593
Long-term debt	314,148	142,375	563	-	457,086	258,739	163,025	563	-	422,327
Other long-term liabilities	12,110	2,307	40	-	14,457	12,307	2,335	40	-	14,682
Partners' Capital:										
Equity Capital	108,035	186,490	8,157	199,126	198,264	109,410	194,231	5,924	198,369	197,507
Total liabilities and Partners' Capital	$ 591,625	$ 380,826	$ 28,756	$ 201,156	$ 898,819	$ 620,247	$ 418,254	$ 29,581	$ 200,454	$ 958,109

(1) The consolidated amounts include the necessary entries to eliminate the investment in Petro Holdings, Star Gas Propane and TG&E.

4) Acquisitions

During the three-month period ending December 31, 2001, the Partnership acquired one unaffiliated retail heating oil dealer and three unaffiliated retail propane dealers. The aggregate consideration for these acquisitions accounted for by the purchase method of accounting was approximately $22.5 million. Purchase prices have been allocated to the acquired assets and liabilities based on their respective fair market values on the dates of acquisition. The purchase prices in excess of the fair values of net assets acquired were classified as intangibles in the Condensed Consolidated Balance Sheets.

The following table indicates the allocation of the aggregate purchase price paid for these acquisitions and the respective periods of amortization assigned:

(in thousands)		Useful Lives
Land	$ 80	-
Buildings	120	30 years
Furniture & fixtures	400	10 years
Fleet	1,056	5 - 30 years
Tanks and equipment	4,216	5 - 30 years
Customer lists	11,144	7 - 15 years
Restrictive covenants	10	5 years
Goodwill	4,879	-
Working capital	626	-
	$ 22,531	
Total		

Sales and net income have been included in the Condensed Consolidated Statements of Operations from the respective dates of acquisition. The following pro forma information presents the results of operations for the three months ending December 31, 2001 of the Partnership and the acquisitions previously described, as if the acquisitions had taken place on October 1, 2001.

(in thousands, except per unit data)	
Sales	$ 286,829
Net income	$ 11,571
General Partner's interest in net income	$ 140
Limited Partners' interest in net income	$ 11,431
Basic net income per limited partner unit	$ 0.43
Diluted net income per limited partner unit	$ 0.42

5) Supplemental Disclosure of Cash Flow Information

(in thousands)	Three Months Ended December 31,	
	2000	2001
Cash paid during the period for:		
Income taxes	$ 16	$ 349
Interest	$ 10,187	$ 9,356

6) Earnings Per Limited Partner Unit

(in thousands, except per unit data)	Three Months Ended December 31, (unaudited)	
	2000	2001
Income before cumulative effect of change in accounting principle per Limited Partner unit		
Basic	$ 0.80	$ 0.42
Diluted	$ 0.79	$ 0.42

Cumulative effect of change in accounting principle per

Limited Partner unit		
Basic	$ 0.07	$ -
Diluted	$ 0.07	$ -
Net income per Limited Partner unit		
Basic	$ 0.87	$ 0.42
Diluted	$ 0.86	$ 0.42
Basic Earnings Per Unit:		
Net income	$17,674	$11,503
Less: General Partner's interest in net income	283	139
Limited Partners' interest in net income	$17,391	$11,364
Common Units	17,052	23,395
Senior Subordinated Units	2,676	3,020
Junior Subordinated Units	345	345
Weighted average number of Limited Partner units Outstanding	20,073	26,760
Basic earnings per unit	$ 0.87	$ 0.42
Diluted Earnings Per Unit:		
Limited Partners' interest in net income	$17,391	$11,364
Weighted average number of Limited Partner units outstanding	20,073	26,760
Senior subordinated units anticipated to be issued under employee incentive plan	113	228
Diluted number of Limited Partner units	20,186	26,988
Diluted earnings per unit	$ 0.86	$ 0.42

7) Subsequent Events

Cash Distributions - On January 31, 2002, the Partnership announced that it would pay a cash distribution of $0.575 per unit on all units for the quarter ended December 31, 2001. The distribution will be paid on February 14, 2002, to unitholders of record on February 11, 2002.

Equity Offering - On January 7, 2002, the Partnership sold 1.7 million Common Units (including the exercise of the over-allotment option) of limited partner interests in a publicly underwritten offering. The offering price was $21.10 per unit. A portion of the net proceeds of $34.2 million were used to repay $18.7 million of the propane operations' revolving acquisition line of credit. The remaining net proceeds will be used to fund acquisitions and growth capital expenditures. Pending such uses, the funds will be used to finance seasonal working capital requirements and for general partnership purposes.

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

Statement Regarding Forward-Looking Disclosure

This Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act which represent the Partnership's expectations or beliefs concerning future events that involve risks and uncertainties, including those associated with the effect of weather conditions on the Partnership's financial performance, the price and supply of home heating oil, propane, electricity and natural gas and the ability of the Partnership to obtain new accounts and retain existing accounts. All statements other than statements of historical facts included in this Report including, without limitation, the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere herein, are forward-looking statements. Although the Partnership believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Partnership's expectations ("Cautionary Statements") are disclosed in this Report, including without limitation and in conjunction with the forward-looking statements included in this Report. All subsequent written and oral forward-looking statements attributable to the Partnership or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements.

Overview

In analyzing the financial results of the Partnership, the following matters should be considered.

The primary use for heating oil, propane and natural gas is for space heating in residential and commercial applications. As a result, weather conditions have a significant impact on financial performance and should be considered when analyzing changes in financial performance. In addition, gross margins vary according to customer mix. For example, sales to residential customers generate higher profit margins than sales to other customer groups, such as agricultural customers. Accordingly, a change in customer mix can effect gross margins without necessarily impacting total sales.

The heating oil, propane and natural gas industries are seasonal in nature with peak activity occurring during the winter months. Accordingly, results of operations for the periods presented are not indicative of the results to be expected for a full year.

The Partnership adopted SFAS No. 133 on October 1, 2000 and has since recorded its derivatives at fair market value. As a result, net income for the quarter ended December 31, 2000 was $1.2 million more than it would have been had the Standard not been adopted and net income for the quarter ended December 31, 2001 was $6.2 million more than it would have been had the Standard not been adopted. The effect of the Standard has no impact in how the Partnership evaluates its ability to make the minimum quarterly distribution.

THREE MONTHS ENDED DECEMBER 2001
COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2000

Volume

For the three months ended December 31, 2001, retail volume of home heating oil and propane decreased 4.2 million gallons, or 2.4%, to 170.7 million gallons, as compared to 174.9 million gallons for the three months ended December 31, 2000. This decrease was due to a 4.5 million gallon decrease in the propane segment partially offset by a 0.3 million gallon increase in the heating oil segment. The impact of additional volume provided by acquisitions was offset by the impact of significantly warmer temperatures. Temperatures in the Partnership's areas of operations were an average of 29.1% warmer than in the prior year's comparable quarter and approximately 16% warmer than normal.

Sales

For the three months ended December 31, 2001, sales decreased $37.3 million, or 11.5%, to $286.2 million, as compared to $323.5 million for the three months ended December 31, 2000. This decrease was due to $9.7 million lower home heating oil sales, $17.1 million lower propane segment sales and a $10.6 million decrease in TG&E sales. Sales decreased largely as a result of lower selling prices and from a lesser extent due to the lower retail volume. Selling prices decreased versus the prior year's comparable period in response to lower supply costs. These decreases were partially offset in the heating oil segment by $7.2

million and by $1.1 million in the propane segment due to an increase in the sales of rationally related products including heating equipment installation and service and water softeners.

Cost of Sales

For the three months ended December 31, 2001, cost of sales decreased $47.1 million, or 20.3%, to $184.2 million, as compared to $231.3 million for the three months ended December 31, 2000. This decrease was due to $21.7 million of lower cost of sales at the home heating oil segment, $15.8 million lower propane segment cost of sales and a $9.6 million decrease in TG&E cost of sales. Cost of sales decreased due to the impact of lower supply cost and to a lesser extent as a result of lower retail volume sales. In addition, cost of sales decreased by $6.5 million due to the impact of SFAS No. 133. While selling prices and supply cost decreased on a per gallon basis for all three business segments, the decrease in selling prices was less than the decrease in supply costs (excluding the impact of SFAS No. 133), which resulted in an increase in per gallon margins.

Delivery and Branch Expenses

For the three months ended December 31, 2001, delivery and branch expenses increased $7.0 million, or 14.2%, to $56.3 million, as compared to $49.3 million for the three months ended December 31, 2000. This increase was due to an additional $6.8 million of delivery and branch expenses at the heating oil segment and a $0.2 million increase in delivery and branch expenses for the propane segment. Delivery and branch expenses increased both at the heating oil and propane segments due to additional operating cost associated with acquired companies and for the impact of inflation. The increase in delivery and branch expenses was mitigated due to the purchase of weather insurance that allowed the Partnership to record approximately $6.1 million of net weather insurance recoveries.

Depreciation and Amortization Expenses

For the three months ended December 31, 2001, depreciation and amortization expenses increased $4.9 million, or 50.3%, to $14.5 million, as compared to $9.6 million for the three months ended December 31, 2000. This increase was primarily due to additional depreciation and amortization related to heating oil and propane acquisitions.

General and Administrative Expenses

For the three months ended December 31, 2001, general and administrative expenses increased $1.3 million, or 18.9%, to $8.2 million, as compared to $6.9 million for the three months ended December 31, 2000. The increase was due to additional general and administration expenses for the acquisition of Meenan Oil Co., Inc. and other acquisitions as well as for increased compensation expense for TG&E staff additions.

TG&E Customer Acquisition Expense

For the three months ended December 31, 2001, TG&E customer acquisition expense decreased $0.4 million, or 66.2% to $0.2 million, as compared to $0.7 million for the three months ended December 31, 2000. This TG&E segment expense is for the cost of acquiring new accounts through the services of a third party direct marketing company.

Unit Compensation Expense

For the three months ended December 31, 2001, unit compensation expense increased $0.1 million, or 28.0%, to $0.6 million, as compared to $0.5 million for the three months ended December 31, 2000. This expense was incurred under the Partnership's Unit Incentive Plan pursuant to which certain employees were granted senior subordinated units as an incentive for increased efforts during employment and as an inducement to remain in the service of the Partnership.

Interest Expense, net

For the three months ended December 31, 2001, interest expense net increased

$2.0 million, or 25.0%, to $10.1 million, as compared to $8.1 million for the three months ended December 31, 2000. This increase was due to additional interest expense for the financing of propane and heating oil acquisitions partially offset by lower interest expense for working capital borrowings.

Income Tax Expense

For the three months ended December 31, 2001, income tax expense decreased $0.6 million to $0.1 million, as compared to $0.7 million for the three months ended December 31, 2000. This decrease was due to lower state income taxes based upon the lower pretax earnings achieved for the three months ended December 31, 2001.

Cumulative Effect of Adoption of Accounting Principle

For the three months ended December 31, 2000, the Partnership recorded a $1.5 million increase in income arising from the adoption of SFAS No. 133.

Net Income

For the three months ended December 31, 2001, net income decreased $6.2 million, or 34.9%, to $11.5 million, as compared to $17.7 million for the three months ended December 31, 2000. The decrease was due to $2.2 million decrease in net income at the heating oil segment, a $2.7 million decrease in net income at the propane segment and $1.3 million increase in the net loss at TG&E. The reduction in the net income for these segments was due to the impact of the warmer weather, partially offset by a per gallon improvement in gross profit margins, net weather insurance recoveries and from net income generated by acquisitions.

Earnings before interest, taxes, depreciation and amortization, TG&E customer acquisition expense and unit compensation expense, less net gain (loss) on sales of fixed assets and before the impact of SFAS No. 133 (EBITDA)

For the three months ended December 31, 2001, earnings before interest, taxes, depreciation and amortization, TG&E customer acquisition expense and unit compensation expense, less net gain (loss) on sales of fixed assets and before the impact of SFAS No. 133 (EBITDA) decreased $5.0 million, or 13.8% to $31.3 million as compared to $36.3 million, for the three months ended December 31, 2000. This decrease was due to $2.6 million of less EBITDA generated by the heating oil segment, a $0.9 million decrease in the propane segment EBITDA and a $1.3 million decrease in the TG&E segment's EBITDA. The decrease in EBITDA was due to the impact of warmer temperatures, partially offset by higher per gallon gross profit margins, net weather insurance recoveries and EBITDA generated by acquisitions. EBITDA should not be considered as an alternative to net income (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations), but provides additional information for evaluating the Partnership's ability to make the Minimum Quarterly Distribution. The definition of "EBITDA" set forth above may be different from that used by other companies.

Liquidity and Capital Resources

During the three months ended December 31, 2001, net cash was provided by $60.6 million in net working capital and acquisition facility borrowings, $1.1 million in proceeds from the sale of fixed assets, and $0.9 million from operating activities, totaling $62.6 million. Such funds were used for acquisitions of $22.5 million, distributions of $15.4 million, debt repayment of $13.7 million, capital expenditures of $5.4 million and other financing activities of $0.1 million. As a result of the above activity cash increased by $5.5 million to $22.7 million.

On January 7, 2002, the Partnership sold 1.7 million Common Units (including the exercise of the over-allotment option) of limited partner interests in a publicly underwritten offering. The offering price was $21.10 per unit. A portion of the net proceeds of $34.2 million were used to repay $18.7 million of the propane operations' revolving acquisition line of credit. The balance of the net proceeds will be used to fund acquisitions and for growth capital expenditures. Pending such uses, the funds will be used to finance seasonal working capital requirements and for general partnership purposes.

For the remainder of fiscal 2002, the Partnership anticipates paying interest of approximately $30 million and anticipates growth and maintenance capital additions of approximately $12 million. In addition, the Partnership plans to pay distributions on its units to the extent there is sufficient available cash in accordance with the partnership agreement. The Partnership also plans to pursue strategic acquisitions as part of its business strategy and to prudently fund such acquisitions through a combination of debt and equity. The Partnership's note and bank facility agreements contain various restrictive and affirmative covenants that could negatively impact the Partnership's availability to incur additional debt, pay distributions and cause certain debt to become currently payable, if such covenants are not complied with. Based on its current cash position, proceeds from the above mentioned common unit offering, bank credit availability and anticipated net cash to be generated from operating activities, the Partnership expects to be able to meet all of its obligations for the next twelve months.

Impact of Recently Issued Accounting Standards

In July 2001, the FASB issued Statement No. 141, "Business Combinations" and Statement No. 142, "Goodwill and Other Intangible Assets." Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as for all purchase method business combinations completed after June 30, 2001. Statement No. 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement No. 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of Statement No. 142. Statement No. 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

The Partnership adopted the provisions of Statement No. 141 effective July 1, 2001 and Statement No. 142 is required to be adopted effective October 1, 2002. Futhermore, any goodwill and any intangible asset determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001 will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-Statement No. 142 accounting literature. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of Statement No. 142.

Statement No. 141 will require upon adoption of Statement No. 142, that the Partnership evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in Statement No. 141 for recognition apart from goodwill. Upon adoption of Statement No. 142, the Partnership will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Partnership will be required to test the intangible asset for impairment in accordance with the provisions of Statement No. 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of change in accounting principle in the first interim period.

In connection with the transitional goodwill impairment evaluation, Statement No. 142 will require the Partnership to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this the Partnership must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The Partnership will then have up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Partnership must perform the second step of the transitional impairment test. In the second step, the Partnership must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with Statement No. 141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Partnership's statement of operations.

As of December 31, 2001, the Partnership had unamortized goodwill in the amount of $267.9 million. The Partnership also had $211.8 million of unamortized identifiable intangible assets, of which $205.9 will be subject to the transition provisions of SFAS No. 141 and No. 142. Amortization expense related to goodwill was $1.9 million and $2.1 million for the three months ended December 31, 2000 and 2001, respectively. Because of the extensive effort needed to comply with adopting Statements No. 141 and No. 142, it is not practicable to reasonably estimate the impact of adopting these Statements on the Partnership's financial statements at the date of this report, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of change in accounting principle.

In August 2001, the FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 requires recording the fair market value of an asset retirement obligation as a liability in the period in which a legal obligation associated with the retirement of tangible long-lived assets is incurred. SFAS No. 143 also requires recording the contra asset to the initial obligation as an increase to the carrying amount of the related long-lived asset and to depreciate that cost over the life of the asset. The liability is then increased at the end of each period to reflect the passage of time and changes in the initial fair value measurement. The Partnership is required to adopt the provisions of SFAS No. 143, effective October 1, 2002 and has not yet determined the extent of its impact, if any.

In October 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. It also extends the reporting requirements to report separately as discontinued operations, components of an entity that have either been disposed of or classified as held for sale. The Partnership is required to adopt the provisions of SFAS No. 144, effective October 1, 2002 and has not yet determined the extent of its impact, if any.

Item. 3. Quantitive and Qualitative Disclosures About Market Risk

The Partnership is exposed to interest rate risk primarily through its bank credit facilities. The Partnership utilizes these borrowings to meet its working capital needs and also to fund the short-term needs of its acquisition program.

At December 31, 2001, the Partnership had outstanding borrowings of approximately $92.5 million under its Bank Credit Facilities. In the event that interest rates associated with these facilities were to increase 100 basis points, the impact on future cash flows would be a decrease of approximately $0.9 million annually.

The Partnership also selectively uses derivative financial instruments to manage its exposure to market risk related to changes in the current and future market price of home heating oil, propane and natural gas. The Partnership does not hold derivatives for trading purposes. The value of market sensitive derivative instruments is subject to change as a result of movements in market prices. Consistent with the nature of hedging activity, associated unrealized gains and losses would be offset by corresponding decreases or increases in the purchase price the Partnership would pay for the product being hedged. Sensitivity analysis is a technique used to evaluate the impact of hypothetical market value changes. Based on a hypothetical ten percent increase in the cost of product at December 31, 2001, the potential gain on the Partnership's hedging activity would be to increase the fair market value of these outstanding derivatives by

$1.9 million to a fair market value of a negative $5.2 million; and conversely a hypothetical ten percent decrease in the cost of product would decrease the fair market value of these outstanding derivatives by $1.9 million to a fair market value of negative $9.0 million.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits Included Within:

None

(b) Reports on Form 8-K:

None

SIGNATURE

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

Star Gas Partners, L.P.
By: Star Gas LLC (General Partner)

Signature	Title	Date
/s/ Ami Trauber Ami Trauber	Chief Financial Officer Star Gas LLC (Principal Financial Officer)	January 31, 2002
/s/ James J. Bottiglieri James J. Bottiglieri	Vice President Star Gas LLC	January 31, 2002