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 March 31, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [No Fee Required]

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)	(Zip Code)

(203) 328-7300

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 of the issuer's classes of common stock, as of May 6, 1998:

Star Gas Partners, L.P. 3,831,727 Common Units
2,396,078 Subordinated Units

STAR GAS PARTNERS, L.P. AND SUBSIDIARY

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STAR GAS PARTNERS, L.P. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	SEPTEMBER 30, 1997	MARCH 31, 1998 (UNAUDITED)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 889	$ 8,250
Receivables, net of allowance of $273 and $330, respectively	5,720	9,698
Inventories	6,597	3,659
Prepaid expenses and other current assets	959	707
Total current assets	14,165	22,314
Property and equipment, net	95,282	107,626
Intangibles and other assets, net	38,022	48,368
Total assets	$147,469	$178,308
LIABILITIES AND PARTNERS' CAPITAL		

Current liabilities:		
Accounts payable	$ 3,178	$ 2,608
Accrued expenses	3,004	3,229
Accrued interest	321	313
Customer credit balances	4,343	1,323
Total current liabilities	10,846	7,473
Long-term debt	85,000	96,000
Other long-term liabilities	45	84
Partners' Capital:		
Common unitholders	47,573	68,952
Subordinated unitholder	4,034	5,344
General partner	(29)	455
Total Partners' Capital	51,578	74,751
Total Liabilities and Partners' Capital	$147,469	$178,308

See accompanying notes to consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1997	1998
Sales	$46,442	$37,884
Cost of sales	24,919	15,558
Gross profit	21,523	22,326
Delivery and branch	9,504	9,590
Depreciation and amortization	2,630	2,906
General and administrative	2,294	1,449
Net gain (loss) on sales of assets	8	(136)
Operating income	7,103	8,245
Interest expense, net	1,771	1,875
Income before income taxes	5,332	6,370
Income tax expense	7	7
Net income	$ 5,325	$ 6,363
General Partner's interest in net income	$ 107	$ 127
Limited Partners' interest in net income	$5,218	$6,236
Basic and diluted net income per Limited Partner unit	$ 0.99	$ 1.00
Weighted average number of Limited Partner units outstanding	5,271	6,228

See accompanying notes to consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)
(UNAUDITED)

	SIX MONTHS ENDED MARCH 31, 1997	SIX MONTHS ENDED MARCH 31, 1998
Sales	$97,318	$79,728
Cost of sales	53,946	37,208
Gross profit	43,372	42,520
Delivery and branch	19,352	19,743
Depreciation and amortization	5,216	5,731
General and administrative	3,893	2,818
Net loss on sales of assets	(62)	(184)
Operating income	14,849	14,044
Interest expense, net	3,619	3,961
Income before income taxes	11,230	10,083
Income tax expense	13	13
Net income	$11,217	$10,070
General Partner's interest in net income	$ 225	$ 201
Limited Partners' interest in net income	$10,992	$ 9,869
Basic and diluted net income per Limited Partner unit	$ 2.09	$ 1.69
Weighted average number of Limited Partner units outstanding	5,271	5,834

See accompanying notes to consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	SIX MONTHS ENDED MARCH 31, 1997	SIX MONTHS ENDED MARCH 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$11,217	$ 10,070
Adjustments to reconcile net income to net cash provided by operating activities:		

Depreciation and amortization	5,216	5,731
Provision for losses on accounts receivable	204	126
Loss on sales of assets	62	184
Changes in operating assets and liabilities:		
Increase in receivables	(4,961)	(3,964)
Decrease in inventories	4,942	3,244
Decrease (increase) in other assets	(309)	174
Increase (decrease) in accounts payable	687	(673)
Decrease in other current and long-term liabilities	(1,873)	(3,024)
Net cash provided by operating activities	15,185	11,868
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(3,788)	(3,028)
Proceeds from sales of fixed assets	176	159
Cash acquired in conveyance	--	1,825
Acquisition related costs	--	(922)
Net cash used in investing activities	(3,612)	(1,966)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Credit facility borrowings	5,000	11,060
Credit facility repayments	(7,350)	(11,060)
Acquisition facility borrowings	3,350	21,000
Acquisition facility repayments	(3,350)	(21,000)
Distributions	(5,916)	(6,453)
Increase in deferred charges	(94)	(177)
Proceeds from issuance of Common Units, net	--	16,089
Repayment of debt	--	(23,000)
Proceeds from issuance of debt	--	11,000
Net cash used in financing activities	(8,360)	(2,541)
Net increase in cash	3,213	7,361
Cash at beginning of period	1,106	889
Cash at end of period	$ 4,319	$ 8,250
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 3,417	$ 4,014
Non-cash investing activities:		
Acquisitions		$ 26,467
Assumption of note payable		$(23,000)
Non-cash financing activities:		
Issuance of Common Units		$ (3,399)
Additional General Partner interest		$ (68)

See accompanying notes to consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(IN THOUSANDS, EXCEPT PER UNIT DATA)
(UNAUDITED)

	NUMBER OF UNITS					TOTAL
	COMMON	SUBORDINATED	COMMON	SUBORDINATED	GENERAL PARTNER	PARTNERS' CAPITAL
Balance as of September 30, 1997	2,875	2,396	$47,573	$ 4,034	$ (29)	$51,578
Issuance of Common Units, net	809	--	15,745	--	344	16,089
Conveyance of Assets, net	148	--	3,399	--	68	3,467
Net Income	--	--	5,925	3,944	201	10,070
Distributions ($1.10 per unit)	--	--	(3,690)	(2,634)	(129)	(6,453)
Balance as of March 31, 1998	3,832	2,396	$68,952	$ 5,344	$ 455	$74,751

See accompanying notes to consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1998

1) BASIS OF PRESENTATION

The unaudited consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the interim periods presented. All adjustments to the financial statements were of a normal recurring nature.

The propane industry is seasonal in nature because propane is used primarily for heating in residential and commercial buildings. Therefore, the results of operations for the periods ended March 31, 1997 and March 31, 1998 are not necessarily indicative of the results to be expected for a 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:

	SEPTEMBER 30, 1997	MARCH 31, 1998
Propane gas	$4,805	$1,817
Appliances and equipment	1,792	1,842
	$6,597	$3,659

2) BASIC AND DILUTED NET INCOME PER LIMITED PARTNER UNIT

Basic net income per Limited Partner Unit is computed by dividing net income, after deducting the General Partner's 2.0% interest, by the weighted average number of Common Units and Subordinated Units outstanding. Diluted net income per Limited Partner Unit, reflects the dilutive effect of the unit option plan.

3) COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Partnership is threatened with, or is named in, various lawsuits. The Partnership is not a party to any litigation which individually or in the aggregate could reasonably be expected to have a material adverse effect on the company.

4) RELATED PARTY TRANSACTIONS

The Partnership has no employees, except for certain employees of its corporate subsidiary, Stellar Propane Service Corporation, and is managed and controlled by Petroleum Heat and Power Co., Inc. ("Petro"). Pursuant to the Partnership Agreement, the General Partner is entitled to reimbursement

for all direct and indirect expenses incurred or payments it makes on behalf of the Partnership, and all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business. For the six months ended March 31, 1998, the Partnership reimbursed the

General Partner and Petro $10.0 million representing salary, payroll tax and other compensation paid to the employees of the General Partner and to Petro for certain corporate functions such as finance and compliance. In addition, the Partnership reimbursed Petro $0.3 million relating to the Partnership's share of the costs incurred by Petro in conducting the operations of a certain shared branch location which includes managerial services.

5) ACQUISITIONS

On October 22, 1997, pursuant to a purchase agreement ("Stock Purchase Agreement") dated as of October 20, 1997, Star Gas Corporation ("General Partner") purchased 240 shares of Common Stock ($100 par value) of Pearl Gas Co. ("Pearl"), an Ohio Corporation, representing all of the issued and outstanding capital stock of Pearl.

The purchase price for said stock was $22.6 million and was paid in cash. The assets purchased included working capital of $1.9 million. Funding for the stock purchase and related transaction expenses of $0.4 million was provided by a $23.0 million bank acquisition facility. Subsequent to the acquisition of the common stock of Pearl, Pearl was merged into the General Partner in a tax-free liquidation.

Immediately following the merger, a Conveyance and Contribution Agreement was entered into by, and among, the Partnership, the OLP and the General Partner. The General Partner contributed to the OLP all of the Pearl assets it obtained in the merger of Pearl into the General Partner. In exchange, the General Partner received a 2.7% limited partnership interest in the OLP and a 0.00028% general partnership interest in the OLP. In addition, the OLP assumed all of the liabilities associated with the Pearl stock purchase prior and subsequent to the merger, including the $23.0 million of bank debt. The aggregate value of the Partnership's interests transferred to the General Partner from the OLP was $3.5 million.

The issuance of the partnership interests to the General Partner is intended to compensate the General Partner for additional significant income tax liabilities which would be reflected in the consolidated federal income tax return of Star Gas' parent corporation, Petro. The issuance of such partnership interests was approved by the Audit Committee of the General Partner and the Executive Committee of Petro.

The General Partner then exchanged the above described interest in the OLP for a 0.00027% general partnership interest in the Partnership and 148 common units in the Partnership, at a per unit price based upon the average closing price of the Partnership's common units ten days prior to the execution of the Stock Purchase Agreement. The OLP then repaid the $23.0 million acquisition facility with $2.0 million of available cash and $21.0 million borrowed under the OLP's own acquisition facility.

Pearl markets and distributes propane in Ohio and Michigan through a storage and distribution system consisting of five offices, fifteen bulk storage plants, fifty employees and over forty-five vehicles. For the twelve months ended September 30, 1997, Pearl sold approximately 14.3 million gallons of propane, primarily to residential customers. Pearl currently serves over 12,000 active customers.

Sales and net income have been included in the Consolidated Statements of Operations from October 22, 1997.

On February 20, 1998, the Partnership acquired the propane operations and assets of Tri-County Propane, which is based in Williamstown, Kentucky. The aggregate consideration for this acquisition, accounted for under the purchase method was approximately $0.6 million.

Unaudited pro forma data giving effect to the acquisitions as if they had been acquired on October 1 of the year preceding the year of purchase is as follows:

	SIX MONTHS ENDED

	MARCH 31,	
	1997	1998
Sales	$108,855	$80,319
Net income	$ 13,805	$10,208
Basic and diluted net income per limited partner unit	$ 2.17	$ 1.61

6) PUBLIC OFFERING

On December 16, 1997, the Partnership completed a public offering of 809,000 Common Units, representing Limited Partner interests, at a price of $21.25 a unit. The net proceeds received of $15.7 million, after deducting underwriting discounts, commissions and expenses, were used to repay $10.0 million borrowed under the Partnership's bank acquisition facility and $5.7 million borrowed under its working capital facility. In connection with the issuance of the Common Units, the General Partner made a capital contribution of $0.3 million.

7) FIRST MORTGAGE NOTES

In January 1998, the Operating Partnership issued $11.0 million of First Mortgage Notes with an annual interest rate of 7.17%. The proceeds from these notes were used to repay $11.0 million borrowed under the Operating Partnership's acquisition facility. These First Mortgage Notes will mature on September 15, 2010, and will require a prepayment of $5.5 million on March 15, 2010. Interest is payable semi-annually on March 15 and September 15.

8) SUBSEQUENT EVENT - CASH DISTRIBUTION

On April 21, 1998 the Partnership announced that it would pay a cash distribution of $0.55 per Limited Partner Unit for the three months ended March 31, 1998. The distribution is payable on May 14, 1998 to holders of record as of May 1, 1998.

STAR GAS PARTNERS, L.P. AND SUBSIDIARY

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

THREE MONTHS ENDED MARCH 31, 1998

COMPARED TO THREE MONTHS ENDED MARCH 31, 1997

OVERVIEW

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

Propane's primary use is for 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 profit margins vary according to the customer mix. For example, sales to residential customers generate higher gross profit margins than sales to other customer groups, such as agricultural customers. Accordingly, a change in customer mix can affect gross profit without necessarily impacting total sales.

Lastly, the propane industry is seasonal in nature with peak activity occurring during the winter months. Accordingly, results of operations for the periods presented are not necessarily indicative of the results to be expected for a full year.

This quarterly report on form 10-Q contains forward-looking information that is subject to risks and uncertainties. The factors that could cause actual results to differ materially include the effects of weather, competitive and propane pricing pressure and other factors impacting the propane distribution industry. Readers are cautioned not to place undue reliance on this forward-looking information, which generally speak only as of the date of this report on form 10-Q.

VOLUME

For the three months ended March 31, 1998, retail propane volume increased 1.1 million gallons, or 3.3%, to 34.0 million gallons, as compared to 32.9 million for the three months ended March 31, 1997. The increase was due to the additional volume provided by the october 1997 acquisition of pearl gas, which was mostly offset by the impact of temperatures, as measured on a degree day basis, that were 14.3% warmer than the previous year's comparable period. In addition, for the three months ended March 31, 1998, temperatures were 21.1% warmer than normal.

For the three months ended March 31, 1998, wholesale propane volume declined by 3.3 million gallons, or 34.6%, to 6.3 million gallons, as compared to 9.6 million gallons for the three months ended March 31, 1997. This decline was due in part to the abnormally warm winter weather and a reduction in spot sales to certain customers.

SALES

For the three months ended March 31, 1998, sales declined $8.6 million, or 18.4%, to $37.9 million, as compared to $46.4 million for the three months ended March 31, 1997. This decline was primarily due to weather-related reductions in volume and lower retail and wholesale selling prices. Retail and wholesale selling prices declined versus the prior year's comparable period in response to the lower propane supply costs. To a certain extent, the additional sales provided by the Pearl operations mitigated the effects of the warm winter weather.

COST OF SALES

For the three months ended March 31, 1998, cost of sales decreased $9.4 million, or 37.6%, to $15.6 million, as compared to $24.9 million for the three months ended March 31, 1997. Cost of sales declined from the prior period due to lower wholesale propane supply costs and a decline in wholesale volume sold. This decline was partially offset by the cost of sales attributable to the Pearl operations.

GROSS PROFIT

For the three months ended March 31, 1998, gross profit increased $0.8 million, or 3.7%, to $22.3 million, as compared to $21.5 million for the three months ended March 31, 1997. This increase in gross profit was attributable to higher retail and wholesale per gallon margins and the increase in retail volume associated with the Pearl acquisition. This increase in gross profit was less than expected due to the impact on volume of the abnormally warm temperatures.

DELIVERY AND BRANCH EXPENSES

For the three months ended March 31, 1998, delivery and branch expenses increased $0.1 million, or 0.9%, to $9.6 million, as compared to $9.5 million for the three months ended March 31, 1997. This increase was primarily due to expenses of $0.8 million relating to the Pearl operations. Excluding the costs of the Pearl operations, delivery and branch expenses declined $0.7 million, as the Partnership was able to reduce branch costs in response to the warm winter weather.

DEPRECIATION AND AMORTIZATION EXPENSE

For the three months ended March 31, 1998, depreciation and amortization expense increased $0.3 million, or 10.5%, to $2.9 million, as compared to $2.6 million for the three months ended March 31, 1997. This increase was due to the impact of the Pearl acquisition.

GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended March 31, 1998, general and administrative expenses declined $0.9 million, or 36.8%, to $1.4 million, as compared to $2.3 million for the three months ended March 31, 1997. The decline was primarily due to the recognition of expenses relating to the strategic initiative, which was concluded during March 1997.

INTEREST EXPENSE, NET

For the three months ended March 31, 1998, interest expense, net increased $0.1 million, or 5.9%, to $1.9 million, as compared to $1.8 million for the three months ended March 31, 1997. This change was primarily due to an increase in long-term debt associated with the Pearl acquisition.

NET INCOME

For the three months ended March 31, 1998, net income increased $1.1 million, or 19.5% to $6.4 million, as compared to $5.3 million for the three months ended March 31, 1997. The increase in net income was primarily attributable to the impact of the Pearl acquisition. During the three months ended March 31, 1998, the Partnership, excluding the Pearl operations, was able to achieve approximately the same level of net income as the prior year's comparable period, despite the effect of temperatures that were 14.3% warmer.

EBITDA

For the three months ended March 31, 1998, EBITDA (defined as operating income plus depreciation and amortization less net gain (loss) on sales of assets) increased $1.6 million, or 16.1%, to $11.3 million, as compared to $9.7 million for the three months ended March 31, 1997. The increase in EBITDA exceeded the increase in both retail volume and gross profit, primarily through a reduction in delivery and branch expenses in response to the warm temperatures and a lower level of general and administrative expenses. 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.

SIX MONTHS ENDED MARCH 31, 1998
COMPARED TO SIX MONTHS ENDED MARCH 31, 1997

VOLUME

For the six months ended March 31, 1998, retail propane volume increased 5.3 million gallons, or 7.8%, to 72.6 million gallons, as compared to 67.3 million gallons for the six months ended March 31, 1997. The increase was entirely due to the October 22, 1997 acquisition of Pearl Gas, which provided 9.0 million gallons of additional volume. The positive impact of the Pearl acquisition was partially offset by the effect of temperatures which were 6.9% warmer than the prior year's comparable period and 11.4% warmer than normal.

For the six months ended March 31, 1998, wholesale propane volume declined by 7.9 million gallons, or 33.3%, to 15.9 million gallons, as compared to 23.8 million gallons for the six months ended March 31, 1997. This decline was due in part to the abnormally warm winter weather and a reduction in spot sales to certain customers.

SALES

For the six months ended March 31, 1998, sales declined $17.6 million, or 18.1%, to $79.7 million, as compared to $97.3 million for the six months ended March 31, 1997. This decline was due to weather-related reductions in retail and wholesale volume, the reduction in wholesale spot sales and lower retail and wholesale selling prices, partially offset by the additional sales provided by the Pearl operations. During the six months ended March 31, 1998, retail and wholesale selling prices declined versus the prior year's comparable period in response to lower propane supply costs.

COST OF SALES

For the six months ended March 31, 1998, cost of sales declined $16.7 million, or 31.0%, to $37.2 million, as compared to $53.9 million for the six months ended March 31, 1997. This decline was largely due to lower propane supply costs and lower wholesale sales volume, partially offset by the cost of sales attributable to the Pearl operations.

GROSS PROFIT

For the six months ended March 31, 1998, gross profit declined $0.9 million, or 2.0%, to $42.5 million, as compared to $43.4 million for the six months ended March 31, 1997. This change was attributable to lower wholesale volume and a decline in wholesale and retail margins. As expected, per gallon margins were lower than the prior year's comparable period when the Partnership benefited from unusual supply and wholesale market conditions.

GROSS PROFIT (CONTINUED)

While retail margins for the six months ended March 31, 1998 were lower than the comparable 1997 period, these margins compare favorably with those achieved during the six month periods ending March 31, 1996 and March 31, 1995.

DELIVERY AND BRANCH EXPENSES

For the six months ended March 31, 1998, delivery and branch expenses increased $0.4 million, or 2.0%, to $19.7 million, as compared to $19.4 million for the six months ended March 31, 1997. This increase was solely due to the additional operating costs associated with the Pearl operations. Excluding the Pearl operations, delivery and branch expenses were $1.0 million less than the prior year's comparable period due to lower insurance costs and management's ability to reduce operating costs in response to the warm winter weather.

DEPRECIATION AND AMORTIZATION

For the six months ended March 31, 1998, depreciation and amortization expense increased $0.5 million, or 9.9%, to $5.7 million, as compared to $5.2 million for the six months ended March 31, 1997, primarily due to additional depreciation expense associated with the Pearl acquisition.

GENERAL AND ADMINISTRATIVE EXPENSES

For the six months ended March 31, 1998, general and administrative expenses decreased $1.1 million, or 27.6%, to $2.8 million, as compared to $3.9 million for the six months ended March 31, 1997. This decline was primarily due to the recognition of expenses relating to the strategic initiative, which was concluded during March 1997.

INTEREST EXPENSE, NET

For the six months ended March 31, 1998, interest expense, net increased $0.3 million, or 9.5%, to $4.0 million, as compared to $3.7 million for the six months ended March 31, 1997. This change was primarily due to the additional long-term borrowing associated with the Pearl Gas acquisition.

INCOME TAX EXPENSE

Income tax expense primarily represents certain state income taxes related to the partnership's wholly-owned corporation which conducts non-qualifying master limited partnership business.

NET INCOME

For the six months ended March 31, 1998, net income decreased $1.1 million, or 10.2%, to $10.1 million, as compared to $11.2 million for the six months ended March 31, 1997. This decline was primarily due to lower wholesale gross profit and increases in depreciation and amortization expenses, as well as interest costs relating to the financing of the Pearl Gas acquisition.

EBITDA

For the six months ended March 31, 1998, EBITDA (defined as operating income plus depreciation and amortization less net gain (loss) on sales of assets) declined only $0.2 million to $20.0 million. This slight reduction was achieved in a period which was impacted by 11.4% warmer than normal temperatures, as the effects of the abnormally warm winter weather were mostly offset by the additional EBITDA provided from the Pearl acquisition and reductions in total operating expenses. 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.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended March 31, 1998, net cash provided by operating activities decreased $3.3 million, to $11.9 million, as compared to $15.2 million for the six months ended March 31, 1997. This decrease was primarily due to the additional cash requirements of inventory and accounts payable and lower cash flow due to lower net income.

Net cash used in investing activities decreased $1.6 million to $2.0 million for the six months ended March 31, 1998, as compared to $3.6 million for the six months ended March 31, 1997. The decline was primarily due to the receipt of $1.8 million in cash from the October 1997 Pearl Gas Conveyance.

Net cash flows used in financing activities declined $5.8 million to $2.5 million for the six months ended March 31, 1998, as compared to $8.4 million for the six months ended March 31, 1997. Additional capital was raised during the six months ended March 31, 1998 to finance the Partnership's acquisition program. The Partnership raised $27.1 million in capital through the offering of additional Common Units, $16.1 million in net proceeds, including a General Partner contribution of $0.3 million, and the private placement of $11.0 million of 7.17% First Mortgage Notes due 2010. These proceeds were used to repay $23.0 million of long-term debt conveyed in the Pearl Gas acquisition. For the six months ended March 31, 1998, unitholder distributions of $6.5 million were paid.

The Partnership's cash requirements for the remainder of fiscal 1998 include maintenance capital expenditures of approximately $1.0 million and interest payments of $3.8 million on its First Mortgage Notes. In addition, the Partnership plans to pay $7.0 million of Limited and General Partner distributions. Based on its current cash position, bank credit availability and expected net cash from operating activities, the partnership expects to be able to meet all of these obligations for fiscal 1998, as well as all of its other current obligations as they become due.

The Partnership has a number of information system improvement initiatives under way that will require increased expenditures during the next several years. These initiatives include the modification of certain computer software and hardware systems to be Year 2000 compliant. Although the final estimates to modify current systems have not yet been determined, the Partnership does not expect that such costs will have a material effect on the Partnership's results of operations or financial position.

PART II: OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

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(a) Exhibits Included Within:

(10.12) THIRD AMENDMENT dated as of April 15, 1998 (this "Third Amendment"), to the Credit Agreement dated as of December 13, 1995 (as amended prior to the date hereof, the "Credit Agreement"), among Star Gas Propane, L.P., a Delaware limited partnership (the "Borrower"), the lenders party thereto, The First National Bank of Boston (now known as BankBoston, N.A.), as Administrative Agent (the "Administrative Agent"), and NationsBank, N.A., as Documentation Agent (the "Documentation Agent", and together with the Administrative Agent, the "Agents").

(27) Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during this quarter for which this report is filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company 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 Corporation (General Partner)

SIGNATURE	TITLE	DATE
/s/ Joseph P. Cavanaugh ------------------- Joseph P. Cavanaugh	President Star Gas Corporation (Principal Executive Officer)	May 7, 1998
/s/ Richard F. Ambury ------------------- Richard F. Ambury	Vice President Finance Star Gas Corporation (Principal Financial & Accounting Officer)	May 7, 1998

EXHIBIT 10.12

THIRD AMENDMENT

THIRD AMENDMENT dated as of April 15, 1998 (this "Third Amendment"), to the Credit Agreement dated as of December 13, 1995 (as amended prior to the date hereof, the "Credit Agreement"), among Star Gas Propane, L.P., a Delaware limited partnership (the "Borrower"), the lenders party thereto, The First National Bank of Boston (now known as BankBoston, N.A.), as Administrative Agent (the "Administrative Agent"), and NationsBank, N.A., as Documentation Agent (the "Documentation Agent", and together with the Administrative Agent, the "Agents").

The Borrower has requested the Agents and the Lenders to make various changes to the Credit Agreement. The parties hereto have agreed, subject to the terms and conditions hereof, to amend the Credit Agreement as provided herein.

Capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement (the Credit Agreement, as amended by, and together with, this Third Amendment, and as hereinafter amended, modified, extended or restated from time to time, being called the "Amended Agreement").

Accordingly, the parties hereto hereby agree as follows:

SECTION 1.01. Amendments to Section 1.01. (a) The following definitions are hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order:

""Como Acquisition" shall mean the acquisition by the Borrower of substantially all of the propane and home heating oil assets of Como Gas and Oil Company pursuant to the Purchase Agreement."

""Purchase Agreement" shall mean the agreement pursuant to which the Como Acquisition is consummated, the terms of which shall be acceptable to the Lenders in all respects."

(b) The definition of "Eligible Propane Acquisition" in Section 1.01 of the Credit Agreement is hereby amended by adding the following sentence to the end of such definition:

"Notwithstanding the foregoing, the Como Acquisition shall be deemed an Eligible Propane Acquisition; provided that the following conditions have been met: (a) ten days prior to the consummation of the Como Acquisition, the Agents shall have received from the Borrower satisfactory evidence that the purchase price to be paid pursuant to the Purchase Agreement shall not exceed $16,000,000 plus amounts paid for working capital (including Inventory, Accounts Receivable (each as defined in the Security Agreement) and prepaid items) and that the terms and conditions set forth in the Purchase Agreement are consistent with the information provided to the Agents on April 14, 1998 regarding the Como Acquisition; (b) upon the consummation of the Como Acquisition (i) the Agents shall have received (A) an opinion of counsel to the Borrower in form and substance satisfactory to the Agents and their counsel and (B) such other documents, instruments and certificates relating to the Como Acquisition as they shall reasonably request (which shall be satisfactory in form and substance to the Agents) and (ii) the Borrower shall have taken such actions as are necessary to accomplish the following: (A) all UCC-1 financing statements required to be filed in appropriate jurisdictions in order to perfect the liens and security interests of the Trustee (on behalf of the holders of the Mortgage Notes and the Lenders hereunder) in and to all personal property acquired pursuant to the Purchase Agreement that is of the type in which a security interest can be perfected under Article 8 or Article 9 of the UCC, shall have been filed in the appropriate jurisdictions; (B) Lockbox Accounts in favor of the Trustee covering any new Deposit Accounts of the Borrower resulting from the Como Acquisition shall have been executed and delivered to the Trustee within 60 days of the consummation of the Como Acquisition, and the liens and security interest of the Trustee perfected in such Deposit Accounts; (C) Mortgages covering all real property acquired in the Como Acquisition shall be recorded in the appropriate jurisdictions, the liens and security interests created pursuant thereto shall be perfected pursuant to the terms of Section 6.22, and the terms of Section 6.22 shall be, in all respects, satisfied with respect to such real properties, within 30 days of the consummation of the Como Acquisition; (D) landlord's lien waivers, bailee agreements and similar instruments, in form and substance acceptable to the Agents, covering Equipment or Inventory acquired in the Como Acquisition shall have been obtained with respect to such acquired Equipment or Inventory that is located on properties not owned by Como Gas and Oil Company, or that is in the possession of third parties (except that nothing in this clause (D) shall require the Borrower to perfect security interests in propane tanks that are commonly referred to as "customer tanks") and (E) Motor Vehicle titles covering all Motor Vehicles acquired in the Como Acquisition, and issued to indicate the existence of liens and security interests in favor of the Trustee in accordance with applicable law, shall have been delivered to the Trustee within 60 days of the consummation of the Como Acquisition."

(c) The definition of "Funded Debt" in Section 1.01 of the Credit Agreement is hereby amended by inserting the following phrase immediately before the period at the end of such definition:

"*provided, further*, that Funded Debt shall not include Intercompany Indebtedness permitted pursuant to Section 6.01(d)"

(d) The definition of "Tranche A Maturity Date" in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

"*Tranche A Maturity Date*" shall mean June 30, 2000."

(e) The definition of "Tranche B Conversion Date" in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

"*Tranche B Conversion Date*" shall mean June 30, 1999."

(f) The definition of "Tranche B Maturity Date" in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

""*Tranche B Maturity Date*" shall mean September 30, 2002."

SECTION 1.02. *Amendment to Section 4.03.* Section 4.03(a) of the Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

"(a) At the time of and immediately after any Tranche B Revolving Credit Borrowing made or any Tranche B Letter of Credit issued (i) on or before December 31, 1998, the Leverage Ratio as of the date of such Borrowing or issuance (after giving affect to the acquisition or Growth-Related Capital Expenditure for which such Borrowing or Letter of Credit is being used) shall be no greater than 5.00:1.00 and (ii) after December 31, 1998, the Leverage Ratio as of the date of such Borrowing or issuance (after giving affect to the acquisition or Growth-Related Capital Expenditure for which such Borrowing or Letter of Credit is being used) shall be no greater than 4.50:1.00; and, in the case of each such Borrowing or issuance of each such Letter of Credit, the Borrower shall have prepared and furnished to the Agents prior to such Borrowing or issuance pro forma financial statements demonstrating the fulfillment of such condition to the satisfaction of the Agents. For purposes of calculating the Leverage Ratio as required by this Section 4.03(a), Consolidated Cash Flow for the

Reference Period shall mean the greater of (A) Consolidated Cash Flow for the most recent period of four consecutive fiscal quarters prior to the date of determination and (B) 50% of Consolidated Cash Flow for the most recent period of eight consecutive fiscal quarters prior to the date of determination."

SECTION 1.03. Amendment to Section 6.31. (a) Section 6.31(a) of the Credit Agreement is hereby deleted in its entirety and the following is hereby substituted in lieu thereof:

"(a) The Borrower will not permit the ratio on any day (the "date of determination") of (i) Total Funded Debt as of the last day of the Reference Period with respect to such date of determination to (ii) Consolidated Cash Flow for such Reference Period to be greater than the ratio set forth below opposite the calendar period during which such date of determination occurs:

Calendar Period	Ratio
January 1, 1996 through June 30, 1997	5.00:1.00
July 1, 1997 through September 30, 1997	4.75:1.00
October 1, 1997 through December 31, 1997	4.95:1.00
January 1, 1998 through December 31, 1998	5.00:1.00
After December 31, 1998	4.50:1.00"

(b) Section 6.31(b) of the Credit Agreement is hereby deleted in its entirety and the following is hereby substituted in lieu thereof:

"Notwithstanding the foregoing, the Borrower shall not be required to comply with the foregoing covenant on any date of determination when (after giving effect to any borrowings, repayments or other credit events on such day) there are no outstanding Tranche B Revolving Loans or Tranche B Term Loans and there is no outstanding Tranche B Letter of Credit Exposure. Furthermore, for purposes of (i) this Section 6.31 only, but not (except as otherwise expressly provided in clause (ii) below) for purposes of determining the Applicable Margin or any other purpose and (ii) calculating the Leverage Ratio as required by Section 4.03(a), Consolidated Cash Flow for the Reference Period shall mean the greater of (A) Consolidated Cash Flow for the most recent period of four consecutive fiscal quarters prior to the date of determination and (B) 50% of Consolidated Cash Flow for the most recent period of eight consecutive fiscal quarters prior to the date of determination. In addition, it is understood and agreed that, when and to the extent that another provision of this Agreement expressly provides otherwise, the Borrower shall not be required to calculate Consolidated Cash Flow on a pro forma basis as of any date of determination other than the last day of each fiscal quarter of the Borrower."

SECTION 1.04. Amendment to Intercompany Note. The Intercompany Note made by the Borrower and the Restricted Subsidiaries and payable to the General Partner and the Public Partnership in the principal amount of up to $10,000,000 is hereby amended in its entirety as attached hereto as Annex I.

SECTION 1.05. Representations and Warranties. The Borrower hereby represents and warrants to each of the Agents and the Lenders, as follows:

(a) The representations and warranties set forth in Article III of the Agreement, and in each other Loan Document, are true and correct in all material respects on and as of the date hereof and on and as of the Third Amendment Effective Date (as hereinafter defined) with the same effect as if made on and as of the date hereof or the Third Amendment Effective Date, as the case may be, except to the extent such representations and warranties expressly relate solely to an earlier date.

(b) Each of the Borrower and the Subsidiaries is in compliance with all the terms and conditions of the Agreement and the other Loan Documents on its part to be observed or performed and no Default or Event of Default has occurred or is continuing.

(c) The execution, delivery and performance by the Borrower of this Third Amendment, the Purchase Agreement and the transactions contemplated thereby have been duly authorized by the Borrower.

(d) This Third Amendment constitutes the legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its terms.

(e) The execution, delivery and performance by the Borrower of this Third Amendment (i) will not violate (A) any provision of law, statute, rule or regulation, or of the agreement of limited partnership of the Borrower, (B) any order of any Governmental Authority or (C) any provision of any indenture, agreement or other instrument to which the Borrower is a party or by which it or any of its property may be bound and (ii) do not require any consents under, result in a breach of or constitute (with notice or lapse of time or both) a default or give rise to increased, additional, accelerated or guaranteed rights of any Person under any such indenture, agreement or other instrument.

SECTION 1.06. Effectiveness. This Third Amendment shall become effective only upon satisfaction of the following conditions precedent (the first date upon which each such condition has been satisfied being herein called the "Third Amendment Effective Date"):

(a) the Administrative Agent shall have received duly executed counterparts of this Third Amendment which, when taken together, bear the authorized signatures of the Borrower and the Lenders.

(b) The Agents shall be satisfied that the representations and warranties set forth in Section 1.05 are true and correct on and as of the Third Amendment Effective Date.

(c) There shall not be any action pending or any judgment, order or decree in effect which, in the judgment of the Agents or the Lenders, is likely to restrain, prevent or impose materially adverse conditions upon performance by the Borrower of its obligations under the Amended Agreement.

(d) The Agents shall have received such other documents, legal opinions, instruments and certificates relating to this Third Amendment as they shall reasonably request and such other documents, legal opinions, instruments and certificates shall be satisfactory in form and substance to the Agents and the Lenders. All corporate and other proceedings taken or to be taken in connection with this Third Amendment and all documents incidental thereto, whether or not referred to herein, shall be satisfactory in form and substance to the Agents and the Lenders.

(e) The Agents and the Lenders shall be satisfied with the proposed terms and conditions of the Purchase Agreement.

(f) The Trustee, on behalf of the Secured Parties, shall have received an Intercompany Note in the form attached hereto as Annex I, duly executed by the Borrower, accompanied by an undated assignment executed in blank.

SECTION 1.07. APPLICABLE LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, EXCEPT TO THE EXTENT THAT THE FEDERAL LAWS OF THE UNITED STATES OF AMERICA MAY APPLY.

SECTION 1.08. Expenses. The Borrower shall pay all reasonable out-of-pocket expenses incurred by the Agents and the Lenders in connection with the preparation, negotiations execution, delivery and enforcement of this Third Amendment, including, but not limited to, the reasonable fees and disbursements of counsel.

SECTION 1.09. Counterparts. This Third Amendment may be executed in any number of counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one agreement.

SECTION 1.10. Loan Documents. Except as expressly set forth herein, the amendments provided herein shall not by implication or otherwise limit, constitute a waiver of, or otherwise affect the rights and remedies of the Lenders, the Agents, the Trustee or the other Secured Parties under the Amended Agreement or any other Loan Document, nor shall they constitute a waiver of any Default or Event of Default, nor shall they alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Amended Agreement or any other Loan Document. Each of the amendments provided herein shall apply and be effective only with respect to the provisions of the Amended Agreement specifically referred to by such amendments. Except as expressly amended herein, the Amended Agreement and the other Loan Documents shall continue in full force and effect in accordance with the provisions thereof. As used in the Amended Agreement, the terms "Agreement", "herein", "hereinafter", "hereunder", "hereto" and words of similar import shall mean, from and after the date hereof, the Amended Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be duly executed by duly authorized officers, all as of the date first above written.

STAR GAS PROPANE, L.P., as Borrower

By: Star Gas Corporation, its General Partner

by

Name:
Title:

BANKBOSTON, N.A.,
as Administrative Agent and as a Lender

by

Name:
Title:

NATIONSBANK, N.A., as Documentation Agent
and as a Lender

by

Name:
Title:

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM STAR GAS
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AND CONSOLIDATED STATEMENT OF OPERATIONS FOR THE INTERIM PERIOD OCTOBER 1, 1997
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EITHER COMMON OR PREFERRED STOCK.
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