
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of report (Date of earliest event reported) March 12, 2006

STAR GAS PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

011-14129
(Commission File Number)

06-1437793
(IRS Employer Identification No.)

2187 Atlantic Street, Stamford, CT 06902
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (203) 328-7310

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 1.01 Entry Into a Material Definitive Agreement

On March 12, 2006, Star Gas Partners, L.P., a Delaware limited partnership (the “Partnership” or “Star”) entered into a contingent amendment to that certain unit purchase agreement dated as of December 5, 2005 (the “unit purchase agreement”), by and among Star Gas Partners, Star Gas LLC (“Star Gas”), Kestrel Energy Partners, LLC (“Kestrel”), Kestrel Heat, LLC (“Kestrel Heat”) and KM2, LLC (“M2”).

The contingent amendment provides for:

- (i) an increase in Kestrel’s equity investment to \$16.875 million (compared to \$15 million under the original unit purchase agreement) in which Kestrel Heat and M2 will purchase an aggregate of 7,500,000 common units from the Partnership at \$2.25 per unit (compared to \$2.00 per unit under the original unit purchase agreement); and
- (ii) an increase in the size of the rights offering to the Partnership’s common unitholders to \$39.375 million (compared to \$35 million under the original unit purchase agreement) at an exercise price of \$2.25 per unit (compared to \$2.00 per unit under the original unit purchase agreement), with a standby commitment from M2 to purchase all units that are not subscribed for in the rights offering.

The contingent amendment will only become effective, and amend the existing unit purchase agreement, upon the satisfaction of certain conditions. The contingent amendment will become effective if Star Gas Partners receives the consent to the contingent amendment from the holders of 2/3 of Star Gas Partners’ outstanding senior notes prior to the close of business on Tuesday, March 28, 2006. The contingent amendment will also become effective if Kestrel and Star Gas Partners mutually agree in writing to such effectiveness. In the event that neither of the conditions discussed above are satisfied, the contingent amendment will be of no further force and effect and Star Gas Partners will proceed with the existing unit purchase agreement, which will remain in effect without amendment thereto.

Except as set forth above, the original unit purchase agreement remains in full force and effect.

The description of the agreement that is contained in this Form 8-K is qualified in its entirety to the text of the actual agreement that is filed as an exhibit hereto.

Item 9.01(d) Exhibits

- 99.1 Amendment No. 1 to Unit Purchase Agreement dated March 12, 2006
- 99.2 Press Release dated March 13, 2006

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

STAR GAS PARTNERS, L.P.
By: Star Gas LLC (General Partner)

By: _____ /s/ RICHARD AMBURY

Name: Richard Ambury
Title: Chief Financial Officer

Date: March 14, 2006

**AMENDMENT NO. 1
TO
UNIT PURCHASE AGREEMENT**

THIS AMENDMENT NO. 1 TO UNIT PURCHASE AGREEMENT (this "Amendment") is made and entered into this 12th day of March, 2006, by and among Star Gas Partners, L.P., a Delaware limited partnership (the "Partnership") and its general partner, Star Gas LLC, a Delaware limited liability company (the "Partnership GP" and, together with the Partnership and their Subsidiaries, collectively referred to as the "Partnership Entities"); and Kestrel Energy Partners, LLC, a Delaware limited liability company ("Kestrel"), and its Subsidiaries Kestrel Heat, LLC, a Delaware limited liability company ("Kestrel Heat"), and KM2, LLC, a Delaware limited liability company ("M2" and, together with Kestrel and Kestrel Heat, collectively referred to as the "Kestrel Entities").

WITNESSETH:

WHEREAS, the Partnership Parties and the Kestrel Entities are parties to that certain Unit Purchase Agreement dated as of December 5, 2005 (the "Unit Purchase Agreement"); and

WHEREAS, the parties hereto desire to enter into this Amendment to amend the Unit Purchase Agreement to (i) increase the purchase price per Common Unit for the 7,500,000 Common Units to be purchased by Buyers from \$2.00 per Common Unit to \$2.25 per Common Unit and (ii) increase the purchase price for the Common Units to be sold in the Rights Offering to \$2.25 per Common Unit, in each case subject to the satisfaction of the Conditions (as defined below); and

WHEREAS, the parties desire that this Amendment shall only become effective upon the satisfaction of the Conditions;

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein and in the Unit Purchase Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Partnership Parties and the Kestrel Entities agree as follows:

Section 1. Conditions. This Amendment shall become effective immediately upon, but only at such time, as the Partnership receives any required consent to enter into this Amendment to the Unit Purchase Agreement from its senior noteholders, as may be required by the terms of the lockup agreements entered into with such noteholders, so long as such consent is received prior to 5:00 p.m. Eastern Standard Time on Tuesday, March 28, 2006. Notwithstanding the foregoing, this Amendment shall become effective at such time as the Partnership and Kestrel mutually agree in writing that this Amendment is effective, it being understood that Kestrel and the Partnership shall mutually agree to such effectiveness if the requisite noteholder consent is received after 5:00 p.m. Eastern Standard Time on Tuesday, March 28, 2006 and, upon the advice of their respective counsel, Kestrel and the Partnership conclude that declaring this Amendment effective at such time would not prevent the transactions contemplated by the Unit Purchase Agreement as amended by this Amendment from being consummated on or prior to April 30, 2006. The conditions to the effectiveness of this Amendment contained in this paragraph are collectively referred to herein as the "Conditions." For the purpose of clarity, in the event that neither of the Conditions in the first two sentences of this paragraph are satisfied, this Amendment shall not become effective and shall be of no further force and effect and the Unit Purchase Agreement shall remain in full force and effect without any amendment thereto. Kestrel and the Partnership agree to use their reasonable best efforts to work cooperatively with each other, and appropriate third parties, to pursue ways which would allow Kestrel and the Partnership to consummate the transactions contemplated by the Unit Purchase Agreement as amended by this Amendment upon its effectiveness.

Section 2. Certain Definitions. Terms used in this Amendment and not otherwise defined shall have the meanings set forth in the Unit Purchase Agreement. All references to the "Agreement" in the Unit Purchase Agreement shall be deemed to refer to the Unit Purchase Agreement as amended by this Amendment.

Section 3. Purchase Price and Payment. The Unit Purchase Agreement is hereby amended in order to delete Section 1.2 and to replace such section with a new Section 1.2, to read in its entirety as follows:

“1.2. Purchase Price and Payment. The aggregate purchase price for the Common Units shall be equal to \$2.25 per Common Unit times the total number of Common Units to be purchased by Buyers at the Closing pursuant to Section 1.1 (the “Purchase Price”). The Purchase Price payable by Buyers for the Units to be purchased by it shall be paid at the Closing in immediately available funds by confirmed wire transfer to a bank account to be designated by the Partnership (such designation to occur no later than the third Business Day prior to the Closing Date). As further acknowledged in Section 5.10, the New General Partner Units shall be issuable for no consideration.”

Section 4. Intent of the Parties. The Unit Purchase Agreement is hereby amended in order to delete subsection (b) to Section 1.3 and to replace such subsection with a new subsection (b) to Section 1.3 to read in its entirety as follows:

“(b) As used herein, the “Rights Offering” shall mean that certain distribution by the Partnership to each record holder of Common Units, as of a record date after the Special Meeting to be set by the Partnership, of the non-transferable right (the “Rights”) to purchase, at \$2.25 per Common Unit, a pro-rata portion of 17,500,000 Common Units (subject to rounding as set forth below). It is currently anticipated that in the Rights Offering (i) the Partnership will distribute .5441 non-transferable Rights with respect to each Common Unit outstanding as of the record date for the Rights Offering, at no cost to the record holders; (ii) one Right plus \$2.25 in cash will entitle the holder to purchase one Common Unit; (iv) the Rights will be evidenced by non-transferable subscription certificates; (v) no fractional Rights or cash in lieu thereof will be issued or paid, and the number of Rights distributed to each holder of Common Units will be rounded up to the nearest whole number of Rights (provided that such rounding shall not cause the total purchase price of the Common Units issuable upon exercise of the Right to exceed \$39,375,000); and (vi) brokers, dealers and other nominees holding Common Units on the record date for more than one beneficial owner will be entitled to obtain separate subscription certificates for their beneficial owners so that they may each receive the benefit of rounding.”

Section 5. Ratification of Unit Purchase Agreement. The Unit Purchase Agreement, as amended by this Amendment, is hereby ratified and confirmed in all respects and shall remain in full force and effect.

Section 6. Counterparts. This Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of Page Left Blank]

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Amendment, or caused this Amendment to be executed by their duly authorized representatives, all as of the day and year first above written.

Address:
2187 Atlantic Street
Stamford, CT 06902
Attention: Joe Cavanaugh
Fax: (203) 328-7393

with a copy to:

Phillips Nizer LLP
666 Fifth Avenue
28th Floor
New York, NY 10103
Attention: Alan Shapiro, Esq.
Fax: (212) 262-5152

Address:
2 Count Rumford Lane
Huntington, NY 11743
Attention: Paul A. Vermynen, Jr.
Fax: (631) 614-4238

with a copy to:

Thompson & Knight LLP
Suite 3300
Dallas, Texas 75201
Attention: Jeffrey A. Zlotky, Esq.
Fax: (214) 969-1751

THE PARTNERSHIP/PARTNERSHIP GP:

STAR GAS PARTNERS, L.P.

By: STAR GAS LLC, its general partner

By: /s/ Joseph P. Cavanaugh
Name: Joseph P. Cavanaugh
Title: CEO - Director

STAR GAS LLC

By: /s/ Joseph P. Cavanaugh
Name: Joseph P. Cavanaugh
Title: CEO - Director

KESTREL/BUYERS:

KESTREL ENERGY PARTNERS, LLC

By: /s/ Paul A. Vermynen, Jr.
Paul A. Vermynen, Jr., President

KESTREL HEAT, LLC

By: /s/ Paul A. Vermynen, Jr.
Paul A. Vermynen, Jr., President

KM2, LLC

By: /s/ Paul A. Vermynen, Jr.
Paul A. Vermynen, Jr., President

STAR GAS ENTERS INTO CONTINGENT AMENDMENT TO KESTREL UNIT PURCHASE AGREEMENT**- Two Senior Noteholders Decline to Consent—**

STAMFORD, CT (March 13, 2006)—Star Gas Partners, L.P. (the “Partnership” or “Star”) (NYSE: SGU, SGH), announced today it had entered into a contingent amendment to the Kestrel Unit Purchase Agreement (the “Contingent Amendment”) with Kestrel Energy Partners, LLC (“Kestrel”) and its affiliates. The Partnership further stated that both Star and Kestrel desire the Contingent Amendment to become fully effective, resulting in an effective amendment to the Kestrel Unit Purchase Agreement. Star is disappointed that two of its senior noteholders are jeopardizing the increased value of Kestrel’s revised proposal to all of the Partnership’s stakeholders by refusing to consent to the amendment.

As previously announced on March 9, 2006, the Partnership entered into a letter agreement with Kestrel which contemplated an amendment to the Kestrel Unit Purchase Agreement. The Contingent Amendment, which reflects the terms of that letter agreement, provides for an increased equity investment by Kestrel of \$16.875 million at a price of \$2.25 per common unit and an increased rights offering of \$39.375 million to Star’s common unitholders at a price of \$2.25 per common unit. The Contingent Amendment results in the aggregate issuance of 25 million new common units (exclusive of new common units to be issued to noteholders in the notes for units exchange and new common units issued to existing holders of Star’s senior subordinated and junior subordinated units) and cash to the Partnership of \$56.25 million.

The Contingent Amendment will only become effective, and amend the existing Unit Purchase Agreement, upon the satisfaction of certain conditions. The Contingent Amendment will become effective if the Partnership receives the consent to the Contingent Amendment from holders of 2/3 of Star’s outstanding senior notes prior to the close of business on Tuesday, March 28, 2006. The Contingent Amendment will also become effective if Kestrel and the Partnership mutually agree in writing to such effectiveness. In the event that neither of the conditions discussed above are satisfied, the Contingent Amendment will be of no further force and effect and the Partnership will proceed with the existing Unit Purchase Agreement, which will remain in effect without amendment thereto.

The Partnership is disappointed that two of its senior noteholders are withholding their consent to amending the Kestrel agreement, effectively prohibiting the Partnership from obtaining the increased value for all stakeholders provided by the revised Kestrel proposal. The Partnership believes that these noteholders are withholding their consent in order to obtain leverage to renegotiate their existing lockup agreements, so that they may obtain the opportunity to convert a portion of their senior notes to common units. These noteholders were both given the opportunity to convert notes to common units in connection with the negotiation of their existing agreements (at a conversion price of \$2.00 per common unit when the Partnership’s common units were trading at \$1.39), and specifically rejected such an opportunity.

The board of directors (the “Board”) of Star Gas, LLC, the Partnership’s general partner, believes that the amendments contained in the Contingent Amendment are not material to the agreements entered into by the Partnership’s senior noteholders. The Partnership is engaged in discussions with Kestrel and certain of Star’s noteholders who have indicated a willingness to consent to the Contingent Amendment regarding ways to proceed with the Contingent Amendment regardless of whether the consent of 2/3 of the noteholders is obtained. While there are strong arguments supporting the Board’s view that the terms of the Contingent Amendment are not material to the noteholders, the risk of losing the important protections contained in the current agreements with the Partnership’s noteholders required the Board to conclude that the Partnership could not proceed with an effective amendment to the Unit Purchase Agreement at this time, although, as noted above, the Partnership and Kestrel are pursuing alternatives which would allow the Partnership and Kestrel to declare the Contingent Amendment effective. The Partnership intends to continue discussions with Star’s senior noteholders in an effort to ensure that the additional value contained in the Contingent Amendment can be realized for the Partnership and its stakeholders, and is not further jeopardized by the actions of two noteholders. There can be no assurances that Star will be able to

resolve this matter with the noteholders in a sufficiently timely fashion such that the Contingent Amendment becomes effective.

In the event noteholder consent to the Contingent Amendment is not received, the Partnership continues to believe that the existing agreement with Kestrel has a high likelihood of closing, subject to unitholder approval, following the special meeting of Star's unitholders which, as previously announced, has been postponed to March 24, 2006. The Board continues to recommend that the Partnership's unitholders vote for approval and adoption of the Kestrel Unit Purchase Agreement.

As previously announced on December 5, 2005, the Partnership has entered into agreements with Kestrel and holders of approximately 94% in principal amount of its senior notes.

The Board is still reviewing the revised Soros Group proposal and has not yet made a determination as to whether such proposal would constitute a "Superior Proposal" under the Kestrel Unit Purchase Agreement and related Contingent Amendment.

The agreements relating to the Kestrel transaction can be found as exhibits to the Partnership's Form 8-K, filed on December 5, 2005. The Partnership also filed proxy material relating to the Kestrel transaction on January 24, 2006 and a supplement thereto relating to the initial Soros Group proposal on March 1, 2006.

Additional proxy materials relating to, among other things, the foregoing will be mailed to unitholders shortly.

Forward Looking Information

This news release includes "forward-looking statements" which represent the Partnership's expectations or beliefs concerning future events that involve risks and uncertainties, including those associated with the approval of the recapitalization; the effect of weather conditions on our financial performance; anticipated proceeds from weather insurance; the price and supply of home heating oil; the consumption patterns of our customers; our ability to obtain satisfactory gross profit margins; our ability to obtain new customers and retain existing customers; our ability to effect strategic acquisitions or redeploy underperforming assets; the ultimate disposition of excess proceeds from the sale of the propane segment should the recapitalization not be consummated; the impact of litigation; the ongoing impact of the business process redesign project at the heating oil segment and our ability to address issues related to that project; natural gas conversions; future union relations and the outcome of current and future union negotiations; the impact of current and future environmental, health and safety regulations; customer creditworthiness; and marketing plans. All statements other than statements of historical facts included in this news release 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 news release and in the Partnership's Annual Report on Form 10-K for the year ended September 30, 2005 and its Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2005, including without limitation and in conjunction with the forward-looking statements included in this news release. 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. Unless otherwise required by law, the Partnership undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this news release.

About Star Gas Partners

Star Gas Partners, L.P. is the nation's largest retail distributor of home heating oil. Additional information is available by obtaining the Partnership's SEC filings and by visiting Star's website at www.star-gas.com.

CONTACT: Star Gas Partners

Investor Relations
203/328-7310

Robert Rinderman, Steven Hecht
Jaffoni & Collins Incorporated
212/835-8500 or SGU@jcir.com