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 June 30, 2000

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)	(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 issuer's classes of common stock, as of July 28, 2000:

16,044,967	Common Units
2,578,797	Senior Subordinated Units
345,364	Junior Subordinated Units
325,729	General Partner Units

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

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STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 1999	June 30, 2000 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 4,492	$ 7,649
Receivables, net of allowance of $948 and $2,725 respectively	42,295	79,968
Inventories	26,317	19,521
Prepaid expenses and other current assets	13,764	14,308
Total current assets	86,868	121,446
Property and equipment, net	154,967	166,740
Long-term portion of accounts receivable	5,590	7,138
Intangibles and other assets, net	291,919	312,015
Total assets	$539,344	$607,339
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	$ 12,939	$ 18,089
Bank credit facility borrowings	3,150	12,050
Current maturities of long-term debt	1,391	14,838
Accrued expenses	43,044	39,311

Unearned service contract revenue	14,007	14,333
Customer credit balances	31,094	12,915
Total current liabilities	105,625	111,536
Long-term debt	276,638	302,681
Other long-term liabilities	6,905	6,421
Partners' Capital:		
Common unitholders	145,906	175,142
Subordinated unitholders	5,878	12,476
General partner	(1,608)	(917)
Total Partners' Capital	150,176	186,701
Total Liabilities and Partners' Capital	$539,344	$607,339

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
(in thousands, except per unit data)	1999	2000	1999	2000
Sales:				
Product	$ 59,022	$104,243	$135,925	$562,795
Installation, service and appliances	20,070	25,920	25,505	75,949
Total sales	79,092	130,163	161,430	638,744
Costs and expenses:				
Cost of product	28,642	66,204	58,471	328,038
Cost of installation, service and appliances	24,021	28,552	26,651	88,886
Delivery and branch	32,122	35,410	54,447	120,987
Depreciation and amortization	8,458	8,847	14,489	25,447
General and administrative	4,070	5,073	7,226	14,349
TG&E customer acquisition expense	-	932	-	932
Unit compensation expense	-	599	-	599
Net gain (loss) on sales of assets	(5)	6	(96)	56
Operating income (loss)	(18,226)	(15,448)	50	59,562
Interest expense, net	5,221	6,608	9,760	19,981
Amortization of debt issuance costs	128	141	218	398
Income (loss) before income taxes and minority interest	(23,575)	(22,197)	(9,928)	39,183
Minority interest in net loss of TG&E	-	251	-	251
Income tax expense (benefit)	(5,362)	45	(5,324)	373
Net income (loss)	$(18,213)	$(21,991)	$ (4,604)	$ 39,061
General Partner's interest in net income (loss)	$ (364)	$ (374)	$ (92)	$ 691
Limited Partners' interest in net income (loss)	$(17,849)	$(21,617)	$ (4,512)	$ 38,370
Basic and diluted net income (loss) per Limited Partner unit	$ (1.11)	$ (1.15)	$ (0.46)	$ 2.13
Basic and diluted weighted average number of Limited Partner units outstanding	16,011	18,872	9,717	18,056

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	Total Partners' Capital
Balance as of September 30, 1999	14,378	2,477	345	326	$145,906	$ 5,938	$(60)	$(1,608)	$150,176
Issuance of Common Units	1,667				22,611				22,611
Issuance of Senior Subordinated Units		102				599			599
Net income					32,371	5,265	734	691	39,061
Distributions ($1.725 per common unit)					(25,746)				(25,746)
Balance as of June 30, 2000	16,045	2,579	345	326	$175,142	$11,802	$674	$ (917)	$186,701

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	Nine Months Ended June 30, 1999	2000
Cash flows from operating activities:		
Net income (loss)	$ (4,604)	$ 39,061
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	14,489	25,447
Amortization of debt issuance cost	218	398
Minority interest in net loss of TG&E	-	(251)
Unit compensation expense	-	599
Provision for losses on accounts receivable	168	1,425
Loss (gain) on sales of assets	96	(56)
Deferred tax benefit	(5,368)	-
Other	(7)	(11)
Changes in operating assets and liabilities, net of amounts acquired:		
Decrease (increase) in receivables	26,277	(33,700)
Decrease in inventories	9,195	8,580
Increase in other assets	(4,444)	(946)
Decrease in accounts payable	(4,377)	(2,802)
Increase (decrease) in other current liabilities	2,313	(23,177)
Net cash provided by operating activities	33,956	14,567
Cash flows from investing activities:		
Capital expenditures	(4,936)	(4,634)
Proceeds from sales of fixed assets	137	360
Cash acquired in acquisitions	18,760	876
Acquisitions	(2,581)	(49,162)
Net cash provided by (used in) investing activities	11,380	(52,560)
Cash flows from financing activities:		
Credit facility borrowings	11,850	75,000
Credit facility repayments	(15,220)	(69,352)
Acquisition facility borrowings	-	49,350
Acquisition facility repayments	(7,000)	(36,000)
Distributions	(12,005)	(25,746)
Increase in deferred charges	(927)	(551)
Proceeds from issuance of Common Units, net	118,824	22,611
Repayment of debt	(197,053)	(1,239)
Redemption of preferred stock	(11,746)	-
Proceeds from issuance of debt	87,552	28,029
Other	123	(952)
Net cash provided by (used in) financing activities	(25,602)	41,150
Net increase in cash	19,734	3,157
Cash at beginning of period	1,115	4,492
Cash at end of period	$ 20,849	$ 7,649

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 whose 16.0 million common limited partner units (trading symbol "SGU" representing a 83.1% limited partner interest in Star Gas Partners) and 2.6 million senior subordinated units (trading symbol "SGH" representing a 13.4% limited partner interest in Star Gas Partners) are traded on the New York Stock Exchange. Additional interest in Star Gas Partners are represented by 0.3 million junior subordinated units (representing a 1.8% limited partner interest in Star Gas Partners) and 0.3 million general partner units (representing a 1.7% 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 350,000 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 Star Gas Partners. Star Gas Propane markets and distributes propane gas and related products to more than 190,000 customers in the Midwest and Northeast.

- 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 homeowners in deregulated energy markets in the Northeast and Mid-Atlantic states of New York, New Jersey, Pennsylvania and Maryland and serves approximately 100,000 residential customers. TG&E is a 72.7% owned subsidiary of the Partnership.

2) Summary of Significant Accounting Policies

Basis of Presentation

The Consolidated Financial Statements for the period October 1, 1998 through March 25, 1999 include the accounts of Star Gas Partners, L.P., and subsidiaries, principally Star Gas Propane. Beginning March 26, 1999, the Consolidated Financial Statements also include the accounts and results of operations of Petro. Beginning April 7, 2000, the Consolidated Financial Statements also include the accounts and results of operations of TG&E. The Partnership consolidates 72.7% of TG&E's fair market value adjusted balance sheet with a contra amount representing the minority interest not owned by the Partnership. Revenue and expenses are also consolidated with the Partnership with a deduction for the net amount allocable to the minority interest. All material intercompany items and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2) Summary of Significant Accounting Policies - (continued)

Revenue Recognition

Sales of propane, heating oil, natural gas, electricity and propane/heating oil equipment are recognized at the time of delivery of the product to the customer or at the time of sale or installation. Revenue from repairs and maintenance service is recognized upon completion of the service. Payments received from customers for heating oil equipment service contracts are deferred and amortized into income over the terms of the respective service contracts, on a straight-line basis, which generally do not exceed one year.

Basic and Diluted Income (Loss) per Limited Partner Unit

Net income (loss) per Limited Partner Unit is computed by dividing net income (loss), after deducting the General Partner's interest, by the weighted average number of Common Units, Senior Subordinated Units, and Junior Subordinated Units outstanding.

Cash Equivalents

The Partnership considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market and are computed on a first-in, first-out basis.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the depreciable assets using the straight-line method.

Intangible Assets

Intangible assets include goodwill, covenants not to compete, customer lists and deferred charges.

Goodwill is the excess of cost over the fair value of net assets in the acquisition of a company. The Partnership amortizes goodwill using the straight-line method over a twenty-five year period.

Covenants not to compete are non-compete agreements established with the owners of an acquired company, and are amortized over the respective lives of the covenants, which are generally five years.

Customer lists are the names and addresses of the acquired company's patrons. Based on the historical retention experience of these lists, Star Gas Propane amortizes customer lists on a straight-line method over fifteen years, Petro amortizes customer lists on a straight-line method over seven to ten years and TG&E amortizes customer lists on a straight-line method over ten years.

Deferred charges represent the costs associated with the issuance of debt instruments and are amortized using the interest method over the lives of the related debt instruments.

It is the Partnership's policy to review intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Partnership determines that the carrying values of intangible assets are recoverable over their remaining estimated lives through undiscounted future cash flow analysis. If such a review should indicate that the carrying amount of the intangible assets is not recoverable, it is the Partnership's policy to reduce the carrying amount of such assets to fair value.

Advertising Expenses
Advertising costs are expensed as they are incurred.

Customer Credit Balances
Customer credit balances represent pre-payments received from customers

pursuant to a budget payment plan (whereby customers pay their estimated annual usage on a fixed monthly basis) and the payments made have exceeded the charges for deliveries.

Environmental Costs

The Partnership expenses, on a current basis, costs associated with managing hazardous substances and pollution in ongoing operations. The Partnership also accrues for costs associated with the remediation of environmental pollution when it becomes probable that a liability has been incurred and the amount can be reasonably estimated.

Derivatives and Premiums

The Partnership uses derivatives to hedge the price risk associated with the products it sells to guaranteed maximum price customers and to some extent natural gas inventory on hand. The realized gains and losses from these derivatives are matched with the inventory being hedged and are included with cost of goods sold. Premiums paid for derivatives are capitalized and amortized as part of cost of goods sold over the useful lives of the related instruments.

TG&E Customer Acquisition Expense

TG&E customer acquisition expense represent primarily, payments made to a third-party direct marketing company for the cost associated with obtaining new accounts for the Partnership's natural gas and electric reseller division.

Employee Unit Incentive Plan

The Partnership adopted an employee unit incentive plan to grant certain employees senior subordinated units of limited partner interest of the Partnership ("incentive units"), as an incentive for increased efforts during employment and as an inducement to remain in the service of the Partnership. Grants of incentive units vest twenty percent immediately, with the remaining amount vesting over four consecutive installments in which the Partnership achieves annual targeted distributable cash flow. The Partnership records an expense for the incentive units granted, which require no cash contribution, ratably over the vesting period for those units which are probable of being issued.

Income Taxes

The Partnership is a master limited partnership. As a result, for Federal income tax purposes, earnings or losses are allocated directly to the individual partners. Except for the Partnership's corporate subsidiaries, no recognition has been given to Federal income taxes in the accompanying financial statements of the Partnership. While the Partnership's corporate subsidiaries will generate non-qualifying Master Limited Partnership revenue, dividends from the corporate subsidiaries to the Partnership are included in the determination of Master Limited Partnership income. In addition, a portion of the dividends received by the Partnership from the corporate subsidiaries will be taxable to the partners. Net earnings for financial statement purposes will differ significantly from taxable income reportable to partners as a result of differences between the tax basis and financial reporting basis of assets and liabilities and due to the taxable income allocation requirements of the Partnership agreement.

Income Taxes - (continued)

For all corporate subsidiaries of the Partnership excluding TG&E, a consolidated Federal income tax return is filed. TG&E files a separate Federal income tax return. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Accounting Changes

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133 - "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Subsequently, the FASB issued SFAS No. 137 which amended the effective date for SFAS No. 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. The Partnership is assessing the impact and disclosure requirements of SFAS No. 133.

3) Quarterly Distribution of Available Cash

In general, the Partnership distributes to its partners on a quarterly basis all "Available Cash." Available Cash generally means, with respect to any fiscal quarter, all cash on hand at the end of such quarter less the amount of cash reserves that are necessary or appropriate in the reasonable discretion of the General Partner to (1) provide for the proper conduct of the Partnership's business, (2) comply with applicable law or any of its debt instruments or other agreements or (3) in certain circumstances provide funds for distributions to the common unitholders and the senior subordinated unitholders during the next four quarters. The General Partner may not establish cash reserves for distributions to the senior subordinated units unless the General Partner has determined that in its judgment the establishment of reserves will not prevent the Partnership from distributing the Minimum Quarterly Distribution ("MQD") on all common units and any common unit arrearages thereon with respect to the next four quarters. Certain restrictions on distributions on senior subordinated units, junior subordinated units and general partner units could result in cash that would otherwise be Available Cash being reserved for other purposes. Cash distributions will be characterized as distributions from either Operating Surplus or Capital Surplus.

The senior subordinated units, the junior subordinated units, and general partner units are each a separate class of interest in Star Gas Partners, and the rights of holders of those interests to participate in distributions differ from the rights of the holders of the common units.

The Partnership intends to distribute to the extent there is sufficient Available Cash, at least a MQD of $0.575 per common unit, or $2.30 per common unit on a yearly basis. In general, Available Cash will be distributed per quarter based on the following priorities:

- First, to the common units until each has received $0.575, plus any arrearages from prior quarters.
- Second, to the senior subordinated units until each has received $0.575.
- Third, to the junior subordinated units and general partner units until each has received $0.575.
- Finally, after each has received $0.575, available cash will be distributed proportionately to all units until target levels are met.

If distributions of available cash exceed target levels greater than $0.604, the senior subordinated units, junior subordinated units and general partner units will receive incentive distributions.

3) Quarterly Distribution of Available Cash - (continued)

In July 2000, the Partnership announced based on its results in fiscal 2000, that in addition to its regular quarterly distribution of $0.575 on its common units, that it would commence quarterly distributions on its senior subordinated units at an initial rate of $0.25 per unit.

The subordination period will end once the Partnership has met the financial tests stipulated in the partnership agreement, but it generally cannot end before October 1, 2002. However, if the general partner is removed under some circumstances, the subordination period will end. When the subordination period ends, all senior subordinated units and junior subordinated units will convert into Class B common units on a one-for-one basis, and each common unit will be redesignated as a Class A common unit. The main difference between the Class A common units and Class B common units is that the Class B common units will continue to have the right to receive incentive distributions and additional units.

The subordination period will generally extend until the first day of any quarter beginning on or after October 1, 2002 that each of the following three events occur:

(1) distributions of Available Cash from Operating Surplus on the common units, senior subordinated units, junior subordinated units and general partner units equal or exceed the sum of the minimum quarterly distributions on all of the outstanding common units, senior subordinated units, junior subordinated units and general partner units for each of the three non-overlapping four-quarter periods immediately preceding that date;
(2) the Adjusted Operating Surplus generated during each of the three immediately preceding non-overlapping four-quarter periods equaled or exceeded the sum of the minimum quarterly distributions on all of the outstanding common units, senior subordinated units, junior subordinated units and general partner units during those periods on a fully diluted basis for employee options or other employee incentive compensation. This includes all outstanding units and all common units issuable upon exercise of employee options that have, as of the date of determination, already vested or are scheduled to vest before the end of the quarter immediately following the quarter for which the determination is made. It also includes all units that have as of the date of determination been earned by but not yet issued to our management for incentive compensation; and
(3) there are no arrearages in payment of the minimum quarterly distribution on the common units.

4) Segment Reporting

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the Partnership has three reportable segments, as a retail distributor of heating oil, as a retail distributor of propane and as a reseller of natural gas and electricity. Management has chosen to organize the enterprise under these three 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.

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 and the Northeast. 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.

4) Segment Reporting - (continued)

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. TG&E operates in nine markets in the Northeast/Mid Atlantic states where competition for energy suppliers range from independent resellers, like TG&E, to large public utilities.

The following are the statements of operations and balance sheets for each segment as of and for the periods indicated. The heating oil segment was consolidated with the propane segment beginning March 26, 1999, and the electric and natural gas reselling segment was added beginning April 7, 2000. There were no inter-segment sales.

(in thousands)	Three Months Ended

Statement of Operations	June 30, 1999 Heating Oil	Propane	Consol.	June 30, 2000 Heating Oil	Propane	TG &E	(a) Consol.
Sales:							
Product	$ 45,404	$13,618	$ 59,022	$ 72,049	$20,946	$11,248	$104,243
Installation, service, and appliance	18,056	2,014	20,070	23,253	2,667	-	25,920
Total sales	63,460	15,632	79,092	95,302	23,613	11,248	130,163
Costs and expenses:							
Cost of product	23,455	5,187	28,642	45,442	10,595	10,167	66,204
Cost of installation, service, and appliances	23,316	705	24,021	27,806	746	-	28,552
Delivery and branch	22,583	9,539	32,122	25,011	10,399	-	35,410
Depreciation and amortization	5,423	3,035	8,458	5,704	2,983	160	8,847
General and administrative	2,439	1,631	4,070	2,466	1,864	743	5,073
TG&E customer acquisition expense	-	-	-	-	-	932	932
Unit compensation expense	-	-	-	-	-	-	599
Net gain (loss) on sales of assets	2	(7)	(5)	(6)	12	-	6
Operating (loss)	(13,754)	(4,472)	(18,226)	(11,133)	(2,962)	(754)	(15,448)
Interest expense (income), net	3,261	1,960	5,221	4,072	2,501	35	6,608
Amortization of debt issuance costs	83	45	128	91	50	-	141
Income (loss) before income taxes and minority interest	(17,098)	(6,477)	(23,575)	(15,296)	(5,513)	(789)	(22,197)
Minority interest in net loss of TG&E	-	-	-	-	-	251	251
Income tax expense (benefit)	(5,368)	6	(5,362)	25	17	3	45
Net (loss)	$(11,730)	$(6,483)	$(18,213)	$(15,321)	$(5,530)	$ (541)	$(21,991)
Capital expenditures	$ 1,121	$ 1,464	$ 2,585	$ 740	$ 593	$ 7	$ 1,340

(a) Unit compensation expense has been classified as an expense of Star Gas Partners and has not been allocated to the three segments.

4) Segment Reporting - (continued)

(in thousands)	Nine Months Ended						
	June 30, 1999			June 30, 2000			
Statement of Operations	Heating Oil	Propane	Consol.	Heating Oil	Propane	TG &E	(a) Consol.
Sales:							
Product	$ 53,312	$82,613	$135,925	$436,791	$114,756	$11,248	$562,795
Installation, service, and appliance	18,281	7,224	25,505	66,479	9,470	-	75,949
Total sales	71,593	89,837	161,430	503,270	124,226	11,248	638,744
Costs and expenses:							
Cost of product	27,152	31,319	58,471	259,322	58,549	10,167	328,038
Cost of installation, service, and appliances	24,290	2,361	26,651	85,879	3,007		88,886
Delivery and branch	23,726	30,721	54,447	87,406	33,581		120,987
Depreciation and amortization	5,423	9,066	14,489	16,369	8,918	160	25,447
General and administrative	2,589	4,637	7,226	8,069	5,537	743	14,349
TG&E customer acquisition expense	-	-	-	-	-	932	932
Unit compensation expense	-	-	-	-	-	-	599
Net gain (loss) on sales of assets	2	(98)	(96)	8	48	-	56
Operating income (loss)	(11,585)	11,635	50	46,233	14,682	(754)	59,562
Interest expense (income), net	3,486	6,274	9,760	12,982	6,964	35	19,981
Amortization of debt issuance costs	83	135	218	258	140	-	398
Income (loss) before income taxes and minority interest	(15,154)	5,226	(9,928)	32,993	7,578	(789)	39,183
Minority interest in net loss of TG&E	-	-	-	-	-	251	251
Income tax expense (benefit)	(5,343)	19	(5,324)	300	70	3	373

Net income (loss)	$ (9,811)	$ 5,207	$ (4,604)	$ 32,693	$ 7,508	$ (541)	$ 39,061
Capital expenditures	$ 1,121	$ 3,815	$ 4,936	$ 1,752	$ 2,875	$ 7	$ 4,634

(a) Unit compensation expense has been classified as an expense of Star Gas Partners and has not been allocated to the three segments.

4) Segment Reporting - (continued)

(in thousands)	September 30, 1999			June 30, 2000			
Balance Sheet	Heating Oil	Propane	(1) Consol.	Heating Oil	Propane	TG &E	(1) Consol.
Assets							
Current assets:							
Cash and cash equivalents	$ 4,270	$ 222	$ 4,492	$ 1,294	$ 3,362	$ 86	$ 7,649
Receivables, net	35,960	6,335	42,295	63,797	9,427	6,744	79,968
Inventories	16,498	9,819	26,317	12,048	5,951	1,522	19,521
Prepaid expenses and other current assets	13,678	1,156	13,764	12,733	2,113	1,823	14,308
Total current assets	70,406	17,532	86,868	89,872	20,853	10,175	121,446
Property and equipment, net	39,849	115,118	154,967	38,861	127,741	138	166,740
Long-term portion of accounts receivable	5,590	-	5,590	7,138	-	-	7,138
Investment in Petro Holdings	-	83,233	-	-	103,742	-	-
Intangibles and other assets, net	236,981	54,938	291,919	238,778	61,817	11,420	312,015
Total assets	$352,826	$270,821	$539,344	$374,649	$314,153	$21,733	$607,339

Liabilities and Partners' Capital	Heating Oil	Propane	(1) Consol.	Heating Oil	Propane	TG &E	(1) Consol.
Current Liabilities:							
Accounts payable	$ 7,366	$ 5,573	$ 12,939	$ 8,550	$ 3,072	$ 6,917	$ 18,089
Bank credit facility borrowings	-	3,150	3,150	7,000	-	5,050	12,050
Current maturities of long-term debt	1,391	-	1,391	14,381	457	-	14,838
Accrued expenses and other current liabilities	39,012	4,231	43,044	31,260	6,479	1,574	39,311
Due to affiliate	-	-	-	-	-	144	-
Unearned service contract revenue	14,007	-	14,007	14,333	-	-	14,333
Customer credit balances	26,657	4,437	31,094	9,422	2,553	940	12,915
Total current liabilities	88,433	17,391	105,625	84,946	12,561	14,625	111,536
Long-term debt	174,338	102,300	276,638	179,638	123,043	4,000	302,681
Other long-term liabilities	6,822	92	6,905	6,323	98	-	6,421
Partners' Capital / Equity Capital	83,233	151,038	150,176	103,742	178,451	3,108	186,701
Total Liabilities and Partners' Capital	$352,826	$270,821	$539,344	$374,649	$314,153	$21,733	$607,339

(1) The consolidated amounts include the necessary entries to eliminate the investment in Petro Holdings, Star Gas Propane and TG&E, and at 6/30/00 includes $2,907 of cash held by Star Gas Partners.

5) Inventories

The components of inventory were as follows:

(in thousands)	September 30, 1999	June 30, 2000
Propane gas	$ 7,678	$ 3,742
Propane appliances and equipment	2,141	2,209
Fuel oil	9,959	4,989

Fuel oil parts and equipment	6,539	7,059
Natural Gas	-	1,522
	$26,317	$19,521

Propane Gas

Substantially all of the Partnership's propane for the Northeast retail operations are purchased under supply contracts. Certain of the supply contracts provide for minimum and maximum amounts of propane to be purchased thereunder, and provide for pricing in accordance with posted prices at the time of delivery or include a pricing formula that typically is based on current market prices. Historically, spot purchases from local refiners supply most of the propane for the Midwest operations, with spot purchases from Mont Belvieu, Texas accounting for approximately one-seventh of the Partnership's total volume of propane purchases. In addition, the three single largest suppliers in the aggregate account for approximately one-half of total propane purchases.

Fuel Oil

The Partnership obtains home heating oil in either barge or truckload quantities, and has contracts with over 80 terminals for the right to temporarily store its heating oil at facilities not owned by the Partnership. Purchases are made pursuant to supply contracts or on the spot market. The Partnership has market price based contracts for substantially all its petroleum requirements with 12 different suppliers, the majority of which have significant domestic sources for their product, and many of which have been suppliers for over 10 years. Typically supply contracts have terms of 12 months. All of the supply contracts provide for maximum and in some cases minimum quantities, and in most cases the price is based upon the market price at the time of delivery.

Natural Gas and Electricity

The Partnership is an independent reseller of natural gas and electricity to residential homeowners in deregulated markets, through its 72.7% controlling interest in TG&E. In the markets in which TG&E operates, natural gas and electricity are available from wholesale natural gas producers and electricity generating companies. Substantially all of TG&E's natural gas is purchased from a major Texas wholesaler, with the balance from regional wholesalers, who transport the natural gas to the incumbent utility company for TG&E, through purchased or assigned capacity using existing pipes. Additionally, all of TG&E's electricity is purchased from a major New York State wholesaler, who transports the electricity to the incumbent utility company, through scheduled deliveries using existing electric lines.

The incumbent utility company then delivers the natural gas and electricity to TG&E customers using existing pipes and electric lines. The incumbent utility and TG&E coordinate delivery and billing, and also compete to sell the natural gas and electricity to the ultimate consumer. Generally, customers pay the incumbent utility a service charge to cover customer related costs like meter reading, billing, equipment and maintenance. Customers also pay a separate delivery charge to the incumbent utility for bringing the natural gas and electricity from the customer's chosen supplier. The energy service company is then paid by the customer for the natural gas or electricity that was supplied. In most markets in which TG&E operates, these charges are itemized on one customer energy bill from the utility company. In other markets, TG&E directly bills the customer for the natural gas or electricity supplied.

The Partnership may enter into forward contracts with Mont Belvieu suppliers, heating oil suppliers, refineries or wholesale natural gas producers which call for a fixed price for the product to be purchased based on current market conditions, with delivery occurring at a later date. In most cases the Partnership has entered into similar agreements to sell this product to customers for a fixed price based on market conditions. In the event that the Partnership enters into these types of contracts without a subsequent sale, it is exposed to some market risk. Currently, the Partnership does not have any contracts that if market conditions were to change, would have a material affect on its financial statements.

Concentration of Revenue with Guaranteed Maximum Price Customers

Approximately one-third of the volume sold in the Partnership's heating oil segment is sold to individual customers under an agreement pre-establishing the maximum sales price of home heating oil over a twelve month period. The maximum price at which home heating oil is sold to these capped-price customers is generally renegotiated prior to the heating season of each year based on current market conditions. The heating oil segment currently enters into futures contracts, options, and swaps for a substantial majority of the heating oil it sells to these capped-price customers in advance and at a fixed cost. Should events occur after a capped-sales price is established that increases the cost of home heating oil above the amount anticipated, margins for the capped-price customers whose heating oil was not purchased in advance would be lower than expected, while margins for those customers whose heating oil was purchased in advance would be unaffected. Conversely, should events occur during this period that decrease the cost of heating oil below the amount anticipated, margins for the capped-price customers whose heating oil was purchased in advance could be lower than expected, while those customers whose heating oil was not purchased in advance would be unaffected or higher than expected.

In accordance with SFAS No. 80, "Accounting for Futures Contracts," futures contracts are classified as a hedge when the item to be hedged exposes the company to price risk and the futures contract reduces that risk exposure. Future contracts that relate to transactions that are expected to occur are accounted for as a hedge when the significant characteristics and expected terms of the anticipated transactions are identified and it is probable that the anticipated transaction will occur. If a transaction does not meet the criteria to qualify as a hedge, it is considered to be speculative. Any gains or losses associated with futures contracts which are classified as speculative are recognized in the current period. If a futures contract that has been accounted for as a hedge is closed or matures before the date of the anticipated transaction, the accumulated change in value of the contract is carried forward and included in the measurement of the related transaction. Option contracts are accounted for in the same manner as futures contracts. Based upon the above the Partnership accounts for its derivative activity as hedge transactions.

To hedge a portion of the heating oil gallons anticipated to be sold to its guaranteed maximum price customers, the heating oil segment at June 30, 2000 had 40.1 million gallons of futures contracts to buy heating oil with a notional value of $28.4 million and a fair market value of $32.5 million; 30.4 million gallons of futures contracts to sell heating oil with a notional value of $21.3 million and a fair market value of $24.5 million; 4.2 million gallons of cap contracts to buy heating oil at an agreed upon cap price with a notional value of $2.9 million and a fair market value of $3.5 million; 66.2 million gallons of floor contracts to sell heating oil at an agreed upon floor price with a notional value of $40.8 million and a fair market value of $52.0 million; and 43.1 million gallons of swap contracts that establishes a fixed price to buy heating oil at an agreed upon strike price with a notional value of $28.5 million and a fair market value of $33.0 million. The contracts expire at various times with no contract expiring later than June 2001.

At June 30, 2000 the unrealized gains on the heating oil segment's hedging activity was approximately $6.0 million. The heating oil segment's hedging activity is designed to help it achieve its planned margins and represents approximately one-third of the expected total home heating oil volume sold in a twelve month period.

At June 30, 2000 less than 5% of TG&E's natural gas accounts have a fixed selling price. To help mitigate fluctuations in the cost of natural gas and to hedge these fixed price customers TG&E at June 30, 2000 had forward purchase contracts for 280 thousand dekatherms of natural gas with a notional value of $0.8 million and a fair market value of $1.2 million; and 360 thousand dekatherm future contracts to sell natural gas at an agreed upon price with a notional value of $1.6 million and a fair market value of $1.6 million. The contracts expire at various times with no contract expiring later than March 2001. At June 30, 2000 the unrealized gain on

TG&E's hedging activity was approximately $0.5 million.

The carrying amount of all hedging financial instruments at June 30, 2000 was $1.7 million and was included in Prepaid Expenses on the Consolidated Balance Sheet. The risk that counterparties to such instruments may be unable to perform is minimized by limiting the counterparties to major oil companies and major financial institutions, including the New York Mercantile Exchange. The Partnership does not expect any losses due to counterparty default.

6) Acquisitions

During the nine month period ending June 30, 2000, the Partnership acquired seven unaffiliated retail heating oil dealers, four unaffiliated retail propane dealers and a 72.7% controlling interest in an electricity and natural gas reseller (see footnote 1). The aggregate consideration for these acquisitions accounted for by the purchase method of accounting was approximately $49.2 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	$ 1,394	-
Buildings	431	30 years
Furniture and Fixtures	304	10 years
Fleet	3,712	5 - 30 years
Tanks and equipment	11,618	5- 30 years
Customer lists	9,244	7- 15 years
Restrictive covenants	3,380	5 years
Goodwill	21,207	25 years
Inventory	604	-
Working capital	(3,467)	-
Minority interest	735	-
Total	$49,162	

Sales and net income have been included in the Condensed Consolidated Statements of Operations from the respective dates of acquisition. The following unaudited pro forma information presents the results of operations for the nine months ending June 30, 2000 of the Partnership and the acquisitions previously described, as if the acquisitions had taken place on October 1, 1999.

(in thousands, except per share data)

Sales	$682,216
Net income	$ 40,448
General Partner's interest in net income	$ 683
Limited Partners' interest in net income	$ 39,765
Basic and Diluted net income per limited partner unit	$ 2.10

7) Supplemental Disclosure of Cash Flow Information

(in thousands)	Nine Months Ended June 30,	
	1999	2000
Cash paid during the period for:		
Income taxes	$ -	$ 3,643
Interest	$10,616	$27,490
Non-cash investing activities:		
Redemption of preferred stock	$(6,858)	-
Non-cash financing activities:		
Issuance of Common Units	$ 6,858	-

8) Earnings Per Limited Partner Units

(in thousands, except per unit data)	Three Months Ended June 30,		Nine Months Ended June 30,	
	1999	2000	1999	2000
Basic Earnings Per Unit:				
Net income (loss)	$(18,213)	$(21,991)	$(4,604)	$39,061
Less: General Partner's interest in net income (loss)	(364)	(374)	(92)	691
Limited Partner's interest in net income (loss)	$(17,849)	$(21,617)	$(4,512)	$38,370
Common Units	13,189	16,045	7,169	15,233
Senior Subordinated Units	2,477	2,482	880	2,478
Junior Subordinated Units	345	345	123	345
Subordinated Units	-	-	1,545	-
Weighted average number of Limited Partner units outstanding	16,011	18,872	9,717	18,056
Basic earnings (loss) per unit	$ (1.11)	$ (1.15)	$ (0.46)	$ 2.13
Diluted Earnings Per Unit:				
Effect of dilutive securities	$ -	$ -	$ -	$ -
Limited Partner's interest in net income (loss)	$(17,849)	$(21,617)	$ (4,512)	$38,370
Effect of dilutive securities	-	-	-	-
Weighted average number of Limited Partner units outstanding	16,011	18,872	9,717	18,056
Diluted earnings (loss) per unit	$ (1.11)	$ (1.15)	$ (0.46)	$ 2.13

9) Weather Insurance

The Partnership purchased a weather insurance policy from an independent insurance company in January 2000 for a one-time premium of approximately $0.5 million. The purpose of the policy was to limit the negative impact of warmer than normal weather on the Partnership's operating results for the months of February and March 2000. The Partnership submitted a notice of loss in the amount of approximately $1.8 million under the policy in April 2000. The insurance company, while not disclaiming its obligation, has not made payments in accordance with the stipulated payment terms. Attorneys for the Partnership have reviewed the policy and are not aware of any facts or legal theories that would provide a valid defense to the Partnership's claim. The Partnership is currently pursuing judicial remedies to resolve this matter. Amounts that are receivable pursuant to the policy are recorded as a reduction to operating expenses.

10) Subsequent Events

Cash Distribution
On July 25, 2000 the Partnership announced that it would pay a cash distribution of $0.575 per Common Unit and $0.25 per Senior Subordinated Unit for the three months ended June 30, 2000. The distributions will be paid on August 15, 2000 to holders of record as of August 4, 2000.

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 Petro acquisition was made on March 26, 1999. Accordingly, the results of operations for the nine month period ended June 30, 2000 include Petro's results for the entire period whereas the results for the previous corresponding nine month period only include the heating oil segment's results of operations for approximately one quarter. Since the Petro acquisition was included for both periods, the results for the three month period ended June 30, 2000 are comparable to the three month period ended June 30, 1999.

The Total Gas and Electric (TG&E) acquisition was made on April 7, 2000. Accordingly, the results of operations for the three and nine month periods ended June 30, 2000 include TG&E's results from April 7, 2000.

The primary use for heating oil and propane 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 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 affect gross margins without necessarily impacting total sales.

Also, the propane and heating oil 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.

THREE MONTHS ENDED JUNE 30, 2000

COMPARED TO THREE MONTHS ENDED JUNE 30, 1999

Volume

For the three months ended June 30, 2000, retail volume of home heating oil and propane increased 8.4 million gallons, or 14.8%, to 65.4 million gallons, as compared to 56.9 million gallons for the three months ended June 30, 1999. This increase was due to an additional 5.6 million gallons provided by the heating oil segment and a 2.8 million gallon increase in the propane segment. The increase in the heating oil segment was largely due to the impact of colder temperatures and additional volume provided by acquisitions. The 2.8 million gallon increase in the propane segment was largely due to the impact of additional volume provided by propane acquisitions, colder temperatures and internal growth. Temperatures for the Partnership were 15.3% colder than in the prior year's comparable quarter and 0.7% colder than normal.

Sales

For the three months ended June 30, 2000, sales increased $51.1 million, or 64.6%, to $130.2 million, as compared to $79.1 million for the three months ended June 30, 1999. This increase was due to an additional $31.8 million provided by the home heating oil segment, $11.3 million of TG&E sales and a $8.0 million increase in the propane segment. Sales rose in both the heating oil and propane segments due to increased selling prices and from increased retail volume. Selling prices increased versus the prior year's comparable period in response to higher supply costs. Sales also increased in the heating oil division by $5.2 million and by $0.7 million in the propane division due to an increased focus on the sales of rationally related products including air conditioning installation and service and water softeners.

Cost of Product

For the three months ended June 30, 2000, cost of product increased $37.6 million, or 131.1%, to $66.2 million, as compared to $28.6 million for the three months ended June 30, 1999. This increase was due to an additional $22.0 million of cost of product at the home heating segment, $10.2 million of TG&E cost of product and a $5.4 million increase in the propane segment. The cost of product for both the heating oil and propane segments increased due to the impact of higher supply cost and for higher retail volume sales. While selling prices and supply cost increased on a per gallon basis for both the heating oil and propane divisions, the increase in selling prices was greater than the increase in supply costs. This resulted in an increase in per gallon margins.

Cost of Installation, Service and Appliances

For the three months ended June 30, 2000, cost of installation, service and appliances increased $4.5 million to $28.6 million, as compared to $24.0 million for the three months ended June 30, 1999. This increase was entirely due to an additional $4.5 million of expenses for the heating oil segment relating to an increased focus on the sales of rationally related products, principally air conditioning installation.

Delivery and Branch Expenses

For the three months ended June 30, 2000, delivery and branch expenses increased $3.3 million, or 10.2%, to $35.4 million, as compared to $32.1 million for the three months ended June 30, 1999. This increase was due to an additional $2.4 million of delivery and branch expenses at the heating oil segment and a $0.9 million increase in delivery and branch expenses for the propane segment. Delivery and branch expenses increased at the heating oil segment due to additional operating cost for higher retail volume sales, inflation and for additional operating cost of acquired companies. Delivery and branch expenses increased at the propane segment primarily due to additional operating cost of acquired propane companies.

Depreciation and Amortization Expenses

For the three months ended June 30, 2000, depreciation and amortization expenses increased $0.4 million, or 4.6%, to $8.8 million, as compared to $8.5 million for the three months ended June 30, 1999. This increase was primarily due to $0.2 million of depreciation and amortization expense for TG&E and additional depreciation and amortization for heating oil and propane acquisitions.

General and Administrative Expenses

For the three months ended June 30, 2000, general and administrative expenses increased $1.0 million, or 24.6%, to $5.1 million, as compared to $4.1 million for the three months ended June 30, 1999. The increase was due to $0.7 million of TG&E general and administrative expenses and an additional $0.2 million of general and administrative expenses for the propane segment. The $0.2 million increase in general and administrative expenses at the propane segment was largely due to an increase in professional and acquisition related expenditures.

TG&E Customer Acquisition Expense

For the three months ended June 30, 2000, TG&E customer acquisition expense was $0.9 million. This TG&E segment expense is for the cost of acquiring new accounts through the services of a third party direct marketing company. For the three months ended June 30, 2000 TG&E added 25,000 new customers.

Unit Compensation Expense

For the three months ended June 30, 2000, unit compensation expense was $0.6 million. This expense was incurred under the Employee Unit Incentive Plan whereby 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 June 30, 2000, net interest expense increased $1.4 million, or 26.6%, to $6.6 million, as compared to $5.2 million for the three months ended June 30, 1999. This increase was due to additional interest expense for higher working capital borrowings necessitated by the higher cost of product, as well as for additional interest expense for the financing of propane and heating oil acquisitions.

Income Tax Expense (Benefit)

For the three months ended June 30, 2000, income tax expense increased $5.4 million to less than $0.1 million, as compared to an income tax benefit of $5.4 million for the three months ended June 30, 1999. This change was due to the heating oil segment's corporate net operating loss carryforwards, which generated $5.4 million in deferred tax benefits offsetting in part a deferred tax liability existing at June 30, 1999.

Net Loss

For the three months ended June 30, 2000, the net loss increased $3.8 million, or 20.7%, to $22.0 million, as compared to $18.2 million for the three months ended June 30, 1999. The increase in the net loss is attributable to $5.4 million higher income tax expense due to the deferred tax benefit realized in 1999, $0.7 million of net loss attributable to TG&E and the $0.6 million of unit compensation expense. Excluding the $6.7 million impact of these three items, the net loss would have decreased by $2.9 million as compared to three months ended June 30, 1999. This improvement in the net loss was due to acquisitions, internal growth, per gallon improvement in gross profit margins and to colder weather.

Earnings before interest, taxes, depreciation and amortization, TG&E customer acquisition expense and unit compensation expense, less net gain (loss) on sales of equipment (EBITDA)

Earnings before interest, taxes, depreciation and amortization, TG&E customer acquisition expense and unit compensation expense, less net gain (loss) on sales of equipment (EBITDA) increased $4.7 million, to a loss of $5.1 million, as compared to a loss of $9.8 million for the three months ended June 30, 1999. This increase was due to $2.9 million of additional EBITDA generated by the heating oil segment, $0.3 million of TG&E EBITDA and a $1.5 million increase in the propane segment EBITDA. The increase in the heating oil and propane segments was due to additional EBITDA provided by acquisitions, propane internal growth, higher per gallon gross profit margins and by the impact of colder temperatures on the Partnership's results. 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.

NINE MONTHS ENDED JUNE 30, 2000 COMPARED TO NINE MONTHS ENDED JUNE 30, 1999

Volume

For the nine months ended June 30, 2000, retail volume of propane and heating oil increased 273.4 million gallons, or 199.9%, to 410.2 million gallons, as compared to 136.8 million gallons for the nine months ended June 30, 1999. This increase was due to 267.3 million gallons of additional volume provided by the heating oil segment and a 6.2 million gallon increase in the propane segment. While retail propane volume was favorably impacted by acquisitions and internal growth, a 2.4 million gallon reduction in agriculture sales and warmer temperatures negatively impacted volumes. The abnormal weather conditions during the first fiscal quarter resulted in a very dry fall harvest, which significantly reduced propane demand for crop drying. In the Partnership's propane operating areas, temperatures for the nine months ending June 30, 2000, were 1.8% warmer than in the prior year's comparable period and 11.4% warmer than normal.

Sales

For the nine months ended June 30, 2000, sales increased $477.3 million, or 295.7%, to $638.7 million, as compared to $161.4 million for the nine months ended June 30, 1999. This increase was attributable to $431.7 million additional sales provided by the heating oil segment, $11.2 million of TG&E sales and a $34.4 million increase in propane sales. Propane sales increased due to higher selling prices in response to higher propane supply costs and from the increased retail volume. Sales in the propane division also rose by $2.2 million due to an increased focus on the sales of rationally related products.

Cost of Product

For the nine months ended June 30, 2000, cost of product increased $269.6 million, or 461.0%, to $328.0 million, as compared to $58.5 million for the nine months ended June 30, 1999. This increase was due to $232.2 million of additional costs attributable to the heating oil segment, $10.2 million of TG&E cost of product and for higher propane supply cost of $27.2 million. While both propane selling prices and propane supply costs increased on a per gallon basis, the increase in selling prices was more than the increase in supply costs, which resulted in an increase in per gallon margins.

Cost of Installation, Service and Appliances

For the nine months ended June 30, 2000, cost of installation, service and appliances increased $62.2 million, or 233.5%, to $88.9 million, as compared to $26.7 million for the nine months ended June 30, 1999. This increase was primarily due to $61.6 million of additional costs relating to the heating oil segment's cost of installation and service.

Delivery and Branch Expenses

For the nine months ended June 30, 2000, delivery and branch expenses increased $66.5 million, or 122.2%, to $121.0 million, as compared to $54.4 million for the nine months ended June 30, 1999. This increase was due to $63.7 million of additional heating oil operating costs and $2.8 million of additional operating costs for the propane segment. The increase for the propane segment was due to additional cost of acquired propane companies and expenses related to the propane segment's tank set program, which has increased same store residential volume by approximately 3%.

Depreciation and Amortization

For the nine months ended June 30, 2000, depreciation and amortization expenses increased $11.0 million, or 75.6%, to $25.4 million, as compared to $14.5 million for the nine months ended June 30, 1999. This increase was primarily due to $10.9 million of heating oil segment depreciation and amortization.

General and Administrative Expenses

For the nine months ended June 30, 2000, general and administrative expenses increased $7.1 million, or 98.6%, to $14.3 million, as compared to $7.2 million for the nine months ended June 30, 1999. This increase was primarily due to the inclusion of an additional $5.5 million of general and administrative expenses for the heating oil segment and $0.7 million of TG&E general and administrative expenses. The $0.9 million increase in general and administrative expenses at the propane segment was largely due to an increase in incentive compensation, inflation and acquisition related expenditures.

Interest Expense, net

For the nine months ended June 30, 2000, net interest expense increased $10.2 million, or 104.7%, to $20.0 million, as compared to $9.8 million for the nine months ended June 30, 1999. This change was primarily due to $9.5 million of additional interest expense at the heating oil segment, $0.2 million of net interest expense for TG&E and additional interest expense for the financing of the propane acquisitions.

Income Tax Expense (Benefit)

For the nine months ended June 30, 2000, income tax expense increased $5.7 million to $0.4 million, as compared to an income tax benefit of $5.3 million for the nine months ended June 30, 1999. This change was due to the heating oil segment's corporate net operating loss carryforwards, which generated $5.4 million in deferred tax benefits offsetting in part a deferred tax liability existing at June 30, 1999.

Net Income

For the nine months ended June 30, 2000, net income increased $43.7 million, to $39.1 million, as compared to a net loss of $4.6 million for the nine months ended June 30, 1999. Additional net income provided by the heating oil segment was $42.5 million while TG&E incurred a $0.7 million loss for the period. The $2.3 million increase in net income for the propane segment was due to the segment's acquisition program, internal growth and a per gallon improvement in gross profit margins, partially reduced by the impact of warmer temperature on the propane segment's results.

Earnings before interest, taxes, depreciation and amortization, TG&E customer acquisition expense and unit compensation expense, less net gain (loss) on sales of equipment (EBITDA)

Earnings before interest, taxes, depreciation and amortization, TG&E customer acquisition expense and unit compensation expense, less net gain (loss) on sales of equipment (EBITDA) increased $71.9 million, or 490.9%, to 86.5 million for the nine months ended June 30, 2000, as compared to $14.6 million for the prior year's comparable period. This increase was due to $68.8 million of additional EBITDA generated by the heating oil segment, a $2.8 million increase in the propane segment EBITDA and $0.3 million of EBITDA for TG&E. The increase in the propane segment was due to additional EBITDA provided by propane acquisitions, propane internal growth and higher per gallon propane gross profit margins reduced by the impact of warmer temperatures on the propane segment's results. 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 February 2000, the partnership sold 1.7 million common units (including 0.2 million of overallotment units exercised), the net proceeds of which, net of underwriter's discounts, commissions, and offering expenses was $22.6 million. These funds combined with net cash provided by operating activities of $14.6 million, $28.0 million of long-term debt ($27.5 million of privately placed debt and $0.5 million in an acquisition note), $19.0 million in net credit and acquisition facility borrowings, $0.3 million in proceeds from the sale of fixed assets, and $0.9 million in cash acquired in an acquisition amounted to $85.4 million. Such funds were used for capital expenditures of $4.6 million, acquisitions of $49.2 million, distributions of $25.7 million, debt repayment of $1.2 million, and other financing activities of $1.5 million. As a result of the above activity, cash increased by $3.2 million to $7.6 million.

The $27.5 million of privately placed debt mentioned above was comprised of two issuances. In March 2000, the propane division issued $12.5 million of 8.67% First Mortgage Notes ("8.67% Notes") with a final maturity of March 30, 2012. The 8.67% Notes require semiannual interest payments on March 30 and September 30. The propane division also issued $15.0 million of 8.72% First Mortgage Notes ("8.72% Notes") that require semiannual interest payments on March 30 and September 30 and require annual prepayments of $3.0 million commencing on March 30, 2011. The total proceeds from these note issuances of $27.5 million were used to repay $25.0 million borrowed under the propane division's bank acquisition facility with the balance of $2.5 million set aside for general operating purposes within the propane segment.

During July 2000, the holders of $11.2 million of the heating oil segment's 9.0% Senior Notes exercised their option to extend the first sinking fund payment of such notes by one year to October 1, 2001. In accordance with the terms of this election, the interest rate on this portion of the Senior Notes has been increased to 10.9%. These notes are included as part of current maturities of long-term debt on the June 30, 2000 balance sheet.

For the remainder of fiscal 2000, the Partnership anticipates paying interest of $6.8 million and anticipates growth and maintenance capital additions of approximately $2.1 million. The Partnership has no material commitments for capital expenditures. In addition, the Partnership plans to pay distributions on its units 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 internally generated cash, debt and equity. Based on its current cash position, bank credit availability and net cash from operating activities, the Partnership expects to be able to meet all of its obligations for fiscal 2000.

Year 2000

As a result of the preparation and series of analyses and tests performed before, during and after December 31, 1999, the Partnership did not experience any significant disruption in information technology or operations as a result of the date change-over to the year 2000.

Accounting Principles Not Yet Adopted

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133 - "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Subsequently, the FASB issued SFAS No. 137 which amended the effective date for SFAS No. 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. The Partnership is assessing the impact and disclosure requirements of SFAS No. 133.

Item 3. Quantitative 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.

Including TG&E, at June 30, 2000, the Partnership had outstanding borrowings of approximately $38.1 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 $0.4 million annually.

The Partnership also selectively uses derivative financial instruments to manage its exposure to market risk related to changes in the current and commodity market price of home heating oil for its heating oil segment. 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 home heating oil 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 June 30, 2000, the potential unrealized gain on the Partnership's hedging activity would be increased by $4.4 million to an unrealized gain of $10.9 million; and conversely a hypothetical ten percent decrease in the cost of product would decrease the unrealized gain by $4.4 million to an unrealized gain of $2.1 million.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits Included Within:

- (27) Financial Data Schedule
- 10.20 Eighth amendment dated June 30, 2000 to the Credit Agreement dated December 13, 1995, between Star Gas Propane, L.P. and Fleet National Bank formerly known as BankBoston, N.A., and Bank of America, N.A. formerly known as NationsBank, N.A.
- 10.21 June 2000 Star Gas Employee Unit Incentive Plan.

(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/ George Leibowitz George Leibowitz	Chief Financial Officer Star Gas LLC (Principal Financial Officer)	August 10, 2000
/s/ James J. Bottiglieri James J. Bottiglieri	Vice President Star Gas LLC	August 10, 2000

EXHIBIT 10.20

EIGHTH AMENDMENT dated as of June 30, 2000 (this "Eighth 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, Fleet National Bank (formerly known as BankBoston, N.A.), as Administrative Agent (the "Administrative Agent"), and Bank of America, N.A. (formerly known as 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 certain 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 Eighth 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 Amendment to Section 4.03(a). Section 4.03(a) of the Credit Agreement is hereby deleted in its entirety and the following is hereby 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 June 30, 1999, the Leverage Ratio as of the date of such Borrowing or issuance (after giving effect 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, (ii) after June 30, 1999 and on or before September 30, 1999, the Leverage Ratio as of the date of such Borrowing or issuance (after giving effect to the acquisition or Growth-Related Capital Expenditure for which such Borrowing or Letter of Credit is being used) shall be no greater than 5.25:1.00, (iii) after September 30, 1999 and on or before November 29, 1999, the Leverage Ratio as of the date of such Borrowing or issuance (after giving effect to the acquisition or Growth-Related Capital Expenditure for which such Borrowing or Letter of Credit is being used) shall be no greater than 5.25:1.00, (iv) after November 29, 1999 and on or before December 30, 1999, the Leverage Ratio as of the date of such Borrowing or issuance (after giving effect to the acquisition or Growth-Related Capital Expenditure for which such Borrowing or Letter of Credit is being used) shall be no greater than 4.90:1.00 and (v) (A) after December 30, 1999 and on or before March 30, 2001, the Leverage Ratio as of the date of such Borrowing or issuance (after giving effect to the acquisition or Growth-Related Capital Expenditure for which such Borrowing or Letter of Credit is being used) shall be no greater than 5.25:1.00 and (B) after March 30, 2001, the Leverage Ratio as of the date of such Borrowing or issuance (after giving effect 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 1.02 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 September 30, 1998	5.00:1.00
The period ending December 31, 1998	5.40:1.00
January 1, 1999 through June 30, 1999	5.00:1.00
July 1, 1999 through September 30, 1999	5.25:1.00

October 1, 1999 through November 29, 1999	5.25:1.00
November 30, 1999 through December 30, 1999	4.90:1.00
December 31, 1999 through March 30, 2001	5.25:1.00
March 31, 2001 and thereafter	4.50:1.00"

SECTION 1.03 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 Amended 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 Eighth Amendment Effective Date (as hereinafter defined) with the same effect as if made on and as of the date hereof or the Eighth 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 Amended 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 Eighth Amendment have been duly authorized by the Borrower.

(d) This Eighth 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 Eighth 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 1.04 Effectiveness. This Eighth 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 "Eighth Amendment Effective Date"):

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

(b) The Agents shall be satisfied that the representations and warranties set forth in Section 1.06 are true and correct on and as of the Eighth 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 Eighth 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 Eighth 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 Borrower shall have paid all fees and expenses referred to in Section 1.06 of this Eighth Amendment.

SECTION 1.05 APPLICABLE LAW. THIS EIGHTH 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 1.06 Expenses. The Borrower shall pay (i) 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 Eighth Amendment, including, but not limited to, the reasonable fees and disbursements of counsel and (ii) an amendment fee in the aggregate amount of $75,000, payable pro rata to the Lenders based on their respective Commitments.

SECTION 1.07 Counterparts. This Eighth 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 1.08 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 Eighth 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 LLC, its General Partner

By______________________________________
Name:
Title:

FLEET NATIONAL BANK (formerly known as BankBoston, N.A.), as Administrative Agent and as a Lender

By____
Name:
Title:

BANK OF AMERICA, N.A., as Documentation Agent and as a Lender

By____
Name:
Title:

EXHIBIT 10.21

STAR GAS PARTNERS, L.P.

INCENTIVE UNITS AGREEMENT

(INCENTIVE UNITS)

THIS AGREEMENT, made as of this _____ day of June, 2000 by STAR GAS PARTNERS, L.P., a Delaware limited partnership (the "Partnership"), with _____________ (the "Grantee"):

W I T N E S S E T H:

WHEREAS, the Partnership has adopted an Employee Unit Incentive Plan (the "Plan"). Said Plan, as it may hereafter be amended and continued, is incorporated herein by reference and made part of this Agreement. Capitalized terms which are used herein without definition shall have the meanings ascribed to them in the Plan; and

WHEREAS, the Plan Administrator, which is charged with the administration of the Plan pursuant to Section 2 thereof, has determined that it would be to the advantage and interest of the Partnership to grant the Incentive Units provided for herein to the Grantee as an incentive for increased efforts during his service and as an inducement to remain in the service of the Partnership or one of its subsidiaries.

NOW, THEREFORE:

1. Grant of Incentive Units. The Partnership hereby grants (the "Grant") to the Grantee as of the date hereof (subject to the restrictions set forth herein) _____________ Senior

Subordinated Units (the "Units") of limited partner interest of the Partnership, upon the following terms and conditions:

(i) __________ Units [20% of the Grant] (the "Initial Units") shall vest immediately. Certificates representing these Units will be delivered promptly to the Grantee and shall be freely transferable subject to Section 5.

(ii) The balance of the Grant (the "Contingent Units") shall vest in four (non-cumulative) installments of ______ Units each if the Partnership earns a minimum (each, a "Target") of the following amount of distributable cash flow ("DCF") per limited partner unit ("LP Unit") in the following fiscal years:

Fiscal Year	Target DCF Per LP Unit
2001	$2.19
2002	2.29
2003	2.39
2004	2.49

(iii) Certificates for the Contingent Units will be delivered promptly upon vesting and will be freely transferable subject to Section 6. Installments that do not vest shall be forfeited;

(iv) For purposes of this Agreement, the term Distributable Cash Flow shall mean the numbers publicly announced by the General Partner as the Partnership's distributable cash flow or if such distributable cash flow is not publicly announced, then the distributable cash flow of the Partnership as determined by its Chief Financial Officer, in either case, adjusted to eliminate the impact of acquisitions made in the year being calculated.

2. Contingent Unit Distributions. Distributions on each Contingent Unit shall accrue and be payable on the date the Contingent Unit vests as follows:

(i) The amount of such distributions per Unit (hereinafter referred to as the "DCF Bonus") shall be equal to the sum of:

(A) (1) The amount by which the DCF of the Partnership exceeds an amount sufficient to permit the Partnership to pay the Minimum Quarterly Distribution of $2.30 per share on all Common Units and the Target DCF per LP Unit on all other Units outstanding divided by (2) the total number of Contingent Units outstanding. Notwithstanding the foregoing, such accrual shall not exceed an amount equal to the Target DCF per LP Unit. plus

(B) Should the Partnership determine to make distributions in excess (the "Excess Distributions") of the amount paid on the outstanding Units plus the amount accrued for the DCF Bonuses, the Contingent Units shall be treated as Senior Subordinated Units in determining the amount of Excess Distributions to be distributed and accrued per Unit. The amount of Excess Distributions per Contingent Unit so accrued will be included in the DCF Bonus.

(ii) The DCF Bonus shall be forfeited with respect to any Contingent Units that do not vest.

3. Termination. In the event the Grantee ceases to be, for any reason, an Employee (such event a "Termination") all Contingent Units shall be forfeited by the Grantee.

4. Status of Contingent Units. The Partnership shall deliver the unit certificate(s) to the Grantee for Contingent Units promptly following the receipt of written certification from the Plan Administrator that such Contingent Units are vested. The Grantee shall have no right to receive distributions with respect to, to vote, or to otherwise exercise any ownership rights with respect to such Contingent Units until they are vested.

5. Securities Regulation.

(a) Units shall not be issued unless the issuance and delivery of such Units shall comply with all relevant provisions of law, including, without limitation, any applicable state securities laws, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations thereunder and the requirements of any stock exchange or quotation system upon which the Units may then be listed or quoted, and such issuance shall be further subject to the approval of counsel for the Partnership with respect to such compliance, including the availability of an exemption from registration for the issuance of such Units. The inability of the Partnership to obtain from any regulatory body the authority deemed by the Partnership to be necessary for the lawful issuance of any Units under this Plan, or the unavailability of an exemption from registration for the issuance of any Units under this Plan, shall relieve the Partnership of any liability with respect to the non-issuance of such Units.

(b) The issuance, transfer or delivery of certificates representing Units may be delayed, at the discretion of the Plan Administrator, until the Plan Administrator is satisfied that the applicable requirements of the federal and state securities laws and the withholding provisions of the Internal Revenue Code of 1986, as amended (or any successor thereto) have been met.

6. Rights as Unitholder. Except to the extent set forth above, Grantee shall have no rights as a unitholder with respect to any Contingent Units until the issuance (as evidenced by the appropriate entry on the books of the Partnership or a duly authorized transfer agent) of a certificate representing the Units. No adjustment shall be made for distributions or other rights for which the record date is prior to the date the certificate is issued.

7. Invalid Transfers. In the event of any attempt by the Grantee to transfer, assign, pledge, hypothecate or otherwise dispose of any Contingent Units or of any right hereunder, except as provided for herein, or in the event of the levy or any attachment, execution or similar process upon the rights or interest hereby conferred, the Partnership may terminate this Grant by notice to the Grantee and it shall thereupon become null and void.

8. Notices. Any notice to the Partnership provided for in this Agreement shall be addressed to the Partnership in care of its Chief Financial Officer, 2187 Atlantic Street, Stamford, Connecticut 06902 and any notice to the Grantee shall be addressed to him at his address now on file with the Partnership, or to such other address as either may last have designated to the other by notice as provided herein. Any notice so addressed shall be deemed to be given on the second business day after mailing, by registered or certified mail, at a post office or branch post office within the United States.

9. Controversies. In the event that any question or controversy shall arise with respect to the nature, scope or extent of any one or more rights conferred by this Grant, the determination by the Plan Administrator (as constituted at the time of such determination) of the

rights of the Grantee shall be conclusive, final and binding upon the Grantee and upon any other person who shall assert any right pursuant to this Grant.

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

By:____
Name: Irik P. Sevin
Title: Chairman and Chief Executive Officer

ACCEPTED AND AGREED

____
Grantee

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM STAR GAS PARTNERS, L.P. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2000 AND CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE INTERIM PERIOD OCTOBER 1, 1999 THROUGH JUNE 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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