UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 1999

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 January 31, 2000:

14,377,467	Common Units
2,476,797	Senior Subordinated Units
345,364	Junior Subordinated Units
325,729	General Partner Units

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

INDEX TO FORM 10-Q

Page

Part I Financial Information

Item 1 - Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheets as of September 30, 1999 and December 31, 1999 3

Condensed Consolidated Statements of Operations for the Three months ended December 31, 1998 and December 31, 1999 4

Condensed Consolidated Statement of Partners' Capital for the three months ended December 31, 1999 5

Condensed Consolidated Statements of Cash Flows for the three months ended December 31, 1998 and December 31, 1999 6

Notes to Condensed Consolidated Financial Statements 7-16

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations 17-20

Item 3 - Quantitative and Qualitative Disclosures About Market Risk 21

Part II Other Information:

Item 6 - Exhibits and Reports on Form 8-K 21

Signature 22

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 1999	December 31, 1999 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 4,492	$ 9,910
Receivables, net of allowance of $948 and $1,781 respectively	42,295	82,027
Inventories	26,317	28,000
Prepaid expenses and other current assets	13,764	11,296
Total current assets	86,868	131,233
Property and equipment, net	154,967	154,058
Long-term portion of accounts receivable	5,590	6,830
Intangibles and other assets, net	291,919	289,273
Total assets	$539,344	$581,394
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	$ 12,939	$ 20,248
Bank credit facility borrowings	3,150	41,325

Current maturities of long-term debt	1,391	18,190
Accrued expenses	43,044	42,066
Unearned service contract revenue	14,007	16,742
Customer credit balances	31,094	22,674
Total current liabilities	105,625	161,245
Long-term debt	276,638	262,130
Other long-term liabilities	6,905	6,748
Partners' Capital:		
Common unitholders	145,906	145,318
Subordinated unitholders	5,878	7,387
General partner	(1,608)	(1,434)
Total Partners' Capital	150,176	151,271
Total Liabilities and Partners' Capital	$539,344	$581,394

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended december 31,	
(in thousands, except per unit data)	1998	1999
Sales:		
Product	$ 27,149	$ 160,540
Installation, service and appliances	3,088	26,346
Total sales	30,237	186,886
Costs and expenses:		
Cost of product	10,952	86,546
Cost of installation, service and appliances	1,026	30,885
Delivery and branch	10,295	40,302
Depreciation and amortization	3,008	8,404
General and administrative	1,429	4,681
Net gain (loss) on sales of assets	(4)	12
Operating income	3,523	16,080
Interest expense, net	2,178	6,473
Amortization of debt issuance costs	45	129
Income before income taxes	1,300	9,478
Income tax expense	6	113
Net income	$ 1,294	$ 9,365
General Partner's interest in net income	$ 26	$ 174
Limited Partners' interest in net income	$ 1,268	$ 9,191
Basic and diluted net income per Limited Partner unit	$ 0.20	$ 0.53
Basic and diluted weighted average number of Limited Partner units outstanding	6,255	17,200

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								Total
	Common	Senior Sub.	Junior Sub.	General Partner	Common	Senior Sub.	Junior Sub.	General Partner	Partners' Capital
Balance as of September 30, 1999	14,378	2,477	345	326	$145,906	$5,938	$(60)	$(1,608)	$150,176
Net income					7,682	1,324	185	174	9,365
Distributions ($0.575 per common unit)					(8,270)				(8,270)
Balance as of December 31, 1999	14,378	2,477	345	326	$145,318	$7,262	$125	$(1,434)	$151,271

See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	Three Months Ended December 31, 1998	1999
Cash flows from operating activities:		
Net income	$ 1,294	$ 9,365
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,008	8,404
Amortization of debt issuance cost	45	129
Provision for losses on accounts receivable	(18)	430
Loss (gain) on sales of assets	4	(12)
Changes in operating assets and liabilities, net of amounts acquired:		
Increase in receivables	(3,856)	(41,376)
Decrease (increase) in inventories	710	(1,679)
Decrease in other assets	313	2,727
Increase in accounts payable	511	7,410
Increase (decrease) in other current and long-term liabilities	233	(6,876)
Net cash provided by (used in) operating activities	2,244	(21,478)
Cash flows from investing activities:		
Capital expenditures	(1,312)	(1,569)
Proceeds from sales of fixed assets	39	135
Acquisition related costs	(12)	-
Acquisitions	-	(3,615)
Net cash used in investing activities	(1,285)	(5,049)
Cash flows from financing activities:		
Credit facility borrowings	10,450	47,600
Credit facility repayments	(4,500)	(9,425)
Acquisition facility borrowings	-	5,000
Repayment of debt, net	-	(2,709)
Distributions	(2,193)	(8,270)
Other	-	(251)
Net cash provided by financing activities	3,757	31,945
Net increase in cash	4,716	5,418
Cash at beginning of period	1,115	4,492
Cash at end of period	$ 5,831	$ 9,910

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See accompanying notes to condensed consolidated financial statements.

STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1) Partnership Organization

Star Gas Partners, L.P. ("Star Gas Partners" or the "Partnership") is a leading distributor of home heating oil and propane in the United States. Star Gas Partners is a Master Limited Partnership whose 14.4 million common limited partner units (trading symbol "SGU" representing 82.04% limited partner interest in Star Gas Partners) and 2.5 million senior subordinated units (trading symbol "SGH" representing 14.13% limited partner interest in Star Gas Partners) are traded on the New York Stock Exchange, Inc. Additional interest in Star Gas Partners are represented by 0.3 million junior subordinated units (representing 1.97% limited partner interest in Star Gas Partners) and 0.3 million general partner units (representing 1.86% general partner interest in Star Gas Partners).

Petro Holdings, Inc. ("Petro" or "heating oil segment"), is the nation's largest distributor of home heating oil and serves approximately 335,000 customers in the Northeast and Mid-Atlantic region of the United States. Petro and Stellar Propane Corp. are indirect wholly owned subsidiaries 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, that markets and distributes propane gas and related products to approximately 186,000 retail and wholesale customers in the Midwest and Northeast.

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., Star Gas Propane and its corporate subsidiaries. Beginning March 26, 1999, the Consolidated Financial Statements also include the accounts and results of operations of Petro and its subsidiaries. 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.

Revenue Recognition

Sales of propane, heating oil and equipment are recognized at the time of delivery of the product to the customer or at the time of sale, service, 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. Both the propane and heating oil segments amortize 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. For both the propane and heating oil segments, covenants not to compete are amortized over the respective lives of the covenants, which are generally five years.

Customer lists are the names and delivery addresses of the acquired company's patrons. Based on the historical retention experience of these lists, the propane segment amortizes customer lists on a straight-line method over fifteen years, and the heating oil segment amortizes customer lists on a straight-line method over ten years.

Deferred charges represent the costs associated with the issuance of debt instruments. Both the heating oil and propane segments amortize deferred charges 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 propane / heating oil charges 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 heating oil and propane gallons it sells to guaranteed maximum price customers. 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.

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 limited partners. Net earnings for financial statement purposes will differ significantly from taxable income reportable to unitholders 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.

The Partnership's corporate subsidiaries file a consolidated 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. In June 1999, FASB 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 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.

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.

Distributions will not be made on the senior subordinated units, junior subordinated units, or general partner units until May 2000 at the earliest, at which time the Board will consider the appropriateness of any distribution payments for these 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 two reportable segments, heating oil and propane. Management has chosen to organize the enterprise under these two segments in order to leverage the expertise it has in each industry, allow each segment to continue to strengthen its core competencies and facilitate a clear means for evaluation.

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.

The following are the statements of operations and balance sheets for each segment as of the periods indicated. The heating oil segment was consolidated with the propane segment beginning March 26, 1999. There were no inter-segment sales between the propane segment and the heating oil segment

4) Segment Reporting - (continued)

(in thousands)	Three Months Ended December 31, 1998			Three Months Ended December 31, 1999		
	Heating Oil	Propane	Consol.	Heating Oil	Propane	Consol.
Statement of Operations						
Sales:						
Product	$ -	$27,149	$27,149	$123,885	$36,655	$160,540
Installation, service, and appliance	-	3,088	3,088	22,448	3,898	26,346
Total sales	-	30,237	30,237	146,333	40,553	186,886
Costs and expenses:						
Cost of product	-	10,952	10,952	68,887	17,659	86,546
Cost of installation, service, and appliances	-	1,026	1,026	29,512	1,373	30,885
Delivery and branch	-	10,295	10,295	29,176	11,126	40,302
Depreciation and amortization	-	3,008	3,008	5,306	3,098	8,404
General and administrative	-	1,429	1,429	2,886	1,795	4,681
Net gain (loss) on sales of assets	-	(4)	(4)	3	9	12
Operating income	-	3,523	3,523	10,569	5,511	16,080
Interest expense, net	-	2,178	2,178	4,276	2,197	6,473
Amortization of debt issuance costs	-	45	45	84	45	129
Income before income taxes	-	1,300	1,300	6,209	3,269	9,478
Income tax expense	-	6	6	75	38	113

Net income	$ -	$ 1,294	$ 1,294	$ 6,134	$ 3,231	$ 9,365
Capital expenditures	$ -	$ 1,312	$ 1,312	$ 453	$ 1,116	$ 1,569

(in thousands)	September 30, 1999			December 31, 1999		
	Heating Oil	Propane	(1) Consol.	Heating Oil	Propane	(1) Consol.
Balance Sheet						
Assets						
Current assets:						
Cash and cash equivalents	$ 4,270	$ 222	$ 4,492	$ 7,071	$ 2,839	$ 9,910
Receivables	35,960	6,335	42,295	66,470	15,557	82,027
Inventories	16,498	9,819	26,317	17,603	10,397	28,000
Prepaid expenses and other current assets	13,678	1,156	13,764	11,561	698	11,296
Total current assets	70,406	17,532	86,868	102,705	29,491	131,233
Property and equipment, net	39,849	115,118	154,967	39,303	114,755	154,058
Long-term portion of accounts receivable	5,590	-	5,590	6,830	-	6,830
Investment in Petro Holdings	-	83,233	-	-	83,875	-
Intangibles and other assets, net	236,981	54,938	291,919	235,161	54,103	289,273
Total assets	$352,826	$270,821	$539,344	$383,999	$282,224	$581,394
Liabilities and Partners' Capital						
Current Liabilities:						
Accounts payable	$ 7,366	$ 5,573	$ 12,939	$ 16,041	$ 4,308	$ 20,248
Bank credit facility borrowings	-	3,150	3,150	32,000	9,325	41,325
Current maturities of long-term debt	1,391	-	1,391	16,190	2,000	18,190
Accrued expenses	39,012	4,231	43,044	36,397	5,660	42,066
Unearned service contract revenue	14,007	-	14,007	16,742	-	16,742
Customer credit balances	26,657	4,437	31,094	19,274	3,400	22,674
Total current liabilities	88,433	17,391	105,625	136,644	24,693	161,245
Long-term debt	174,338	102,300	276,638	156,830	105,300	262,130
Other long-term liabilities	6,822	92	6,905	6,650	98	6,748
Partners' Capital / Equity Capital	83,233	151,038	150,176	83,875	152,133	151,271
Total Liabilities and Partners' Capital	$352,826	$270,821	$539,344	$383,999	$282,224	$581,394

(1) The consolidated amounts include the necessary entries to eliminate the Investment in Petro Holdings.

5) Inventories

The components of inventory were as follows:

(in thousands)	September 30, 1999	December 31, 1999
Propane gas	$ 7,678	$ 8,468
Propane appliances and equipment	2,141	1,929
Fuel oil	9,959	11,047
Fuel oil parts and equipment	6,539	6,556
	$26,317	$28,000

Substantially all of the Partnership's propane supplies 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 half of total propane purchases.

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.

The Partnership may enter into forward contracts with Mont Belvieu suppliers, heating oil suppliers or refineries 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 25% 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 forward purchase contracts and futures contracts 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 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 substantial portion of the heating oil gallons being sold to its guaranteed maximum price customers, the heating oil segment at December 31, 1999 had 1.7 million gallons of forward purchase contracts for heating oil with a notional value of $1.0 million and a fair market value of $1.1 million; 40.2 million gallons of futures contracts to buy heating oil with a notional value of $20.5 million and a fair market value of $26.9 million; 23.1 million gallons of futures contracts to sell heating oil with a notional value of $11.9 million and a fair market value of $15.3 million; 33.6 million gallons of option contracts to buy heating oil with a notional value of $20.0 million and a fair market value of $20.1 million; and 9.7 million gallons of option contracts to sell heating oil with a notional value of $5.0 million and a fair market value of $6.5 million. The contracts expire at various times with no contract expiring later than July 2000.

At December 31, 1999 the propane segment had options to buy 2.5 million gallons of propane with a notional value of $0.8 million and a fair market value totaling $1.1 million. The option contract expires in March 2000.

At December 31, 1999 the unrealized gains on the heating oil segment's and propane segment's hedging activity was approximately $3.3 million and $0.3 million respectively. The heating oil segment's hedging activity is designed to help it achieve its planned margins and represents approximately 25% of the expected total home heating oil volume sold in a twelve month period. The propane segment's hedging activity is also designed to help it achieve its planned margins and represents approximately 5% of the expected total propane volume sold in a twelve month period.

The carrying amount of all hedging financial instruments at December 31, 1999 was $1.0 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 three month period ending December 31, 1999, the Partnership acquired two unaffiliated retail heating oil dealers and one unaffiliated retail propane dealer. The aggregate consideration for these acquisitions accounted for by the purchase method of accounting was approximately $3.6 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	$ 100	-
Fleet	517	5 - 30 years
Tanks and equipment	480	5 - 30 years
Customer lists	1,241	7 - 15 years
Restrictive covenants	700	5 years
Goodwill	541	25 years
Inventory	6	-
Working capital	30	-
Total	$3,615	

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 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	$187,223
Net income	$ 9,323
General Partner's interest in net income	$ 173
Limited Partners' interest in net income	$ 9,150
Basic and Diluted net income per limited partner unit	$ 0.53

7) Supplemental Disclosure of Cash Flow Information

(in thousands)	Three Months Ended December 31,	
	1998	1999
Cash paid during the period for:		
Income taxes	$ -	$ 3
Interest	$ 279	$ 7,897

8) Earnings Per Limited Partner Units

(in thousands, except per unit data)	Three Months Ended December 31,	
	1998	1999
Basic Earnings Per Unit:		
Net income	$1,294	$ 9,365
Less: General Partner's interest in net income	26	174
Limited Partner's interest in net income	$1,268	$ 9,191
Common Units	3,859	14,378
Senior Subordinated Units	-	2,477
Junior Subordinated Units	-	345
Subordinated Units	2,396	-
Weighted average number of Limited Partner units outstanding	6,255	17,200
Basic earnings per unit	$ 0.20	$ 0.53
Diluted Earnings Per Unit:		
Effect of dilutive securities	$ -	$ -
Limited Partner's interest in net income	$1,268	$ 9,191
Effect of dilutive securities	-	-
Weighted average number of Limited Partner units outstanding	6,255	17,200
Diluted earnings per unit	$ 0.20	$ 0.53

9) Subsequent Events

Cash Distribution

On January 24, 2000 the Partnership announced that it would pay a cash distribution of $0.575 per Common Unit for the three months ended December 31, 1999. The distribution will be paid on February 11, 2000 to holders of record as of February 2, 2000.

Equity and Debt Registration

On January 3, 2000 the Partnership filed a shelf registration for $100 million of Common Units, Partnership Securities (any class of limited partner interest other than common units) and debt securities with the Securities and Exchange Commission.

Acquisition

On January 28, 2000 the Partnership announced the signing of a purchase agreement to acquire certain operations of a privately owned Midwest retail propane distributor, consisting of more than 12.4 million gallons of propane sold annually to 14,000 customers. The consummation of this transaction is subject to finalization of financing and certain other conditions.

Letter of Intent to Enter Deregulated Electric and Natural Gas Markets

On January 28, 2000 the Partnership announced the signing of a letter of intent to invest approximately $8.0 million to acquire a controlling interest in a privately owned independent marketer of electricity and natural gas. The consummation of this transaction is subject to the signing of a definitive agreement, finalization of financing and other normal closing conditions.

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 and propane, 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 "Business" 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 three month period ended December 31, 1999 include Petro's results whereas the results for the previous corresponding quarter only include the propane segment's results.

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 DECEMBER 31, 1999 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 1998

Volume

For the three months ended December 31, 1999, retail volume of home heating oil and propane increased 106.7 million gallons or 362.8%, to 136.1 million gallons, as compared to 29.4 million gallons for the three months ended December 31, 1998. This increase was due to 104.0 million gallons provided by the heating oil segment and a 2.7 million gallon increase in the propane segment. While retail propane volume was favorably impacted by acquisitions, colder temperatures and internal growth of over 3.0%, which led to a 4.8 million gallon increase in volume, a 2.1 million gallon reduction in agricultural sales partially offset these benefits. 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 three months ended December 31, 1999, were 2.7% colder than in the prior year's comparable period and 12.2% warmer than normal.

Sales

For the three months ended December 31, 1999, sales increased $156.6 million, or 518.1%, to $186.9 million, as compared to $30.2 million for the three months ended December 31, 1998. This increase was due to $146.3 million provided by the home heating oil segment and a $10.3 million increase in the propane segment. Sales rose in the propane segment due to the increased retail volume in the base business, acquisitions and from increased selling prices. Selling prices increased versus the prior year's comparable period in response to higher propane supply costs. Sales in the propane division also rose by $0.4 million due to an increased focus on the sales of rationally related products.

Cost of Product

For the three months ended December 31, 1999, cost of product increased $75.6 million, or 690.2%, to $86.5 million, as compared to $11.0 million for the three months ended December 31, 1998. Cost of product relating to heating oil sales accounted for $68.9 million of this increase. In the propane segment, cost of product increased by $6.7 million due to the impact of higher retail volume sales and higher propane supply cost. While both propane selling prices and propane supply cost increased on a per gallon basis, the increase in selling prices was greater than the increase in supply costs, which resulted in an increase in per gallon margins.

Cost of Installation, Service and Appliances

For the three months ended December 31, 1999, cost of installation, service and appliances increased $29.9 million, to $30.9 million, as compared to $1.0 million for the three months ended December 31, 1998. This increase was almost entirely due to the inclusion of $29.5 million of expenses relating to the heating oil segment's cost of installation and service.

Delivery and Branch Expenses

For the three months ended December 31, 1999, delivery and branch expenses increased $30.0 million, or 291.5%, to $40.3 million, as compared to $10.3 million for the three months ended December 31, 1998. Delivery and branch expenses at the heating oil segment accounted for $29.2 million of this change. The $0.8 million increase in delivery and branch expenses for the propane segment was due to additional operating cost of acquired propane companies and expenses relating to the propane segment's tank set program, which has increased same store residential volume by approximately 3%.

Depreciation and Amortization

For the three months ended December 31, 1999, depreciation and amortization expenses increased $5.4 million, or 179.4%, to $8.4 million, as compared to $3.0 million for the three months ended December 31, 1998. This increase was primarily due to $5.3 million of heating oil segment depreciation and amortization with the remainder attributable to the impact of propane acquisitions and other fixed asset additions.

General and Administrative Expenses

For the three months ended December 31, 1999, general and administrative expenses increased $3.3 million, or 227.6%, to $4.7 million, as compared to $1.4 million for the three months ended December 31, 1998. General and administrative expenses at the heating oil segment accounted for $2.9 million of this increase. The $0.4 million increase in general and administrative expenses at the propane segment was largely due to an increase in incentive compensation, inflation and employee relocation expenses.

Interest Expense, net

For the three months ended December 31, 1999, net interest expense increased $4.3 million, or 197.2%, to $6.5 million, as compared to $2.2 million for the three months ended December 31, 1998. This change was entirely due to $4.3 million of interest expense at the heating oil segment.

Net Income

For the three months ended December 31, 1999, net income increased $8.1 million, or 623.7%, to $9.4 million, as compared to $1.3 million for the three months ended December 31, 1998. Net income provided by the heating oil segment was $6.1 million. The increase in the propane segment's net income was attributable to the impact of propane acquisitions, higher per gallon gross profit margins and additional retail volume provided by colder temperatures and internal growth.

Earnings before interest, taxes, depreciation and amortization, less net gain (loss) on sales of equipment (EBITDA)

Earnings before interest, taxes, depreciation and amortization, less net gain (loss) on sales of equipment (EBITDA) increased $17.9 million, or 274.5%, to $24.5 million for the three months ended December 31, 1999, as compared to $6.5 million for the prior year's comparable period. This increase was due to the impact of propane acquisitions, higher per gallon propane gross profit margins, additional propane retail volume and $15.9 million of EBITDA generated by the heating oil segment. 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

Cash provided by bank facility borrowings of $43.2 million were used for $21.5 million in operating activities, $5.0 million investing activities, $8.3 million for distributions and $3.0 for debt repayment and other financing activities. As a result of the above activity, net cash increased $5.4 million.

The seasonal nature of the Partnership's business results in the sale by the Partnership of approximately 30% of its volume in the first fiscal quarter, resulting in a usual increase in receivables during the period. For the quarter ended December 31, 1999 operating activities used $21.5 million of cash; as the $41.4 million utilized by receivables were partially offset by $19.9 million of cash provided by other operating activities. In addition, the $5.0 million utilized for investing activities were used primarily for $1.5 million of growth and maintenance capital expenditures and $3.6 million of acquisitions.

For the remainder of fiscal 2000, the Partnership anticipates paying interest of $18.7 million and anticipates growth and maintenance capital additions of approximately $6.0 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. In June 1999, FASB 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.

At December 31, 1999, the Partnership had outstanding borrowings of approximately $57.6 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 $0.6 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 and to some extent propane for its propane 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 and propane 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 home heating oil and propane at December 31, 1999, the potential unrealized gain on the Partnership's hedging activity would be increased by $1.6 million to an unrealized gain of $5.2 million; and conversely a hypothetical ten percent decrease in the cost of home heating oil and propane would decrease the unrealized gain by $0.6 million to an unrealized gain of $3.0 million.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits Included Within:

(27) Financial Data Schedule

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	Chief Financial Officer	February 1, 2000
George Leibowitz	Star Gas LLC (Principal Financial Officer)	
/s/ James J. Bottiglieri	Vice President	February 1, 2000
James J. Bottiglieri	Star Gas LLC	

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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 DECEMBER 31, 1999 AND CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE INTERIM PERIOD OCTOBER 1, 1999 THROUGH DECEMBER 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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