FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 1998

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 1-11727

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

DELAWARE	73-1493906
(state or other jurisdiction or incorporation or organization)	(I.R.S. Employer Identification No.)

8801 SOUTH YALE AVENUE, SUITE 310
TULSA, OKLAHOMA 74137
(Address of principal executive offices and zip code)

(918) 492-7272
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

At January 5, 1999, the registrant had units outstanding as follows:

Heritage Propane Partners, L.P.	4,876,725	Common Units
	3,702,943	Subordinated Units

FORM 10-Q

HERITAGE PROPANE PARTNERS, L.P.

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PART I - FINANCIAL INFORMATION
HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS	November 30, 1998 (unaudited)	August 31, 1998
CURRENT ASSETS:		
Cash	$ 2,424	$ 1,837
Accounts receivable, net of allowance for doubtful accounts	15,829	10,444
Inventories	12,876	12,545
Prepaid expenses	1,862	1,359
Total current assets	32,991	26,185
PROPERTY, PLANT AND EQUIPMENT, net	143,782	139,490
INVESTMENT IN AFFILIATES	4,565	4,739
INTANGIBLES AND OTHER ASSETS, net	69,152	69,550
Total assets	$250,490	$239,964

LIABILITIES AND PARTNERS' CAPITAL	November 30, 1998	August 31, 1998
CURRENT LIABILITIES:		
Working capital facility	$ 14,650	$ 10,600
Accounts payable	17,076	13,952
Accrued and other current liabilities	11,056	9,689
Current maturities of long-term debt	1,289	1,203
Total current liabilities	44,071	35,444
LONG-TERM DEBT, less current maturities	182,358	177,431
Total liabilities	226,429	212,875
COMMITMENTS AND CONTINGENCIES		
PARTNERS' CAPITAL PER ACCOMPANYING STATEMENTS:		
Common unitholders	19,071	20,775
Subordinated unitholders	4,747	6,041
General partner	243	273
Total partners' capital	24,061	27,089
Total liabilities and partners' capital	$250,490	$239,964

The accompanying notes are an integral part of these consolidated financial statements.

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per unit and unit data)
(unaudited)

	Three Months Ended November 30, 1998	Three Months Ended November 30, 1997
REVENUES:		
Retail	$ 29,341	$ 31,039
Wholesale	5,755	9,396
Other	6,462	5,471
Total revenues	41,558	45,906
COSTS AND EXPENSES:		
Cost of products sold	19,931	26,824
Operating expenses	12,178	10,752
Depreciation and amortization	3,545	3,056
Selling, general and administrative	1,341	1,275
Total costs and expenses	36,995	41,907
OPERATING INCOME	4,563	3,999
OTHER INCOME (EXPENSE):		
Interest expense	(3,896)	(3,497)
Equity in earnings of affiliates	178	59
Gain on disposal of assets	502	71
Other	(31)	(18)
INCOME BEFORE MINORITY INTEREST	1,316	614
Minority interest	(101)	(120)
NET INCOME	1,215	494
GENERAL PARTNER'S INTEREST IN NET INCOME	12	5
LIMITED PARTNERS' INTEREST IN NET INCOME	$ 1,203	$ 489
BASIC NET INCOME PER LIMITED PARTNER UNIT	$ 0.14	$ 0.06
BASIC WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	8,579,668	8,122,697
DILUTED NET INCOME PER LIMITED PARTNER UNIT	$ 0.14	$ 0.06
DILUTED WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	8,634,168	8,152,897

The accompanying notes are an integral part of these consolidated financial statements.

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(in thousands, except unit data)
(unaudited)

	NUMBER OF UNITS					
	Common	Subordinated	Common Unitholders	Subordinated Unitholders	General Partner	Total Partners' Capital
BALANCE, AUGUST 31, 1998	4,876,725	3,702,943	$ 20,775	$ 6,041	$ 273	$ 27,089
Unit distribution	--	--	(2,438)	(1,851)	(43)	(4,332)
Other	--	--	50	38	1	89
Net income	--	--	684	519	12	1,215
BALANCE, NOVEMBER 30, 1998	4,876,725	3,702,943	$ 19,071	$ 4,747	$ 243	$ 24,061

The accompanying notes are an integral part of these consolidated financial statements.

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, unaudited)

	For the Three Months Ended November 30, 1998	For the Three Months Ended November 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,215	$ 494
Reconciliation of net income to net cash provided by operating activities-		
Depreciation and amortization	3,545	3,056
Provision for losses on accounts receivable	38	92
Gain on disposal of assets	(502)	(71)
Deferred compensation on restricted units	89	52
Undistributed earnings of affiliates	174	(43)
Minority Interest	(298)	(303)
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(5,408)	(5,613)
Inventories	(158)	(412)
Prepaid expenses	(478)	98
Intangibles and other assets	(17)	(501)
Accounts payable	3,083	2,071
Accrued and other current liabilities	1,509	3,483
Net cash provided by operating activities	2,792	2,403
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisitions, net of cash acquired	(3,425)	(7,310)
Capital expenditures	(3,529)	(2,906)
Proceeds from asset sales	1,465	81
Net cash used in investing activities	(5,489)	(10,135)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	18,650	64,850
Principal payments on debt	(11,034)	(52,875)
Unit distribution	(4,332)	(4,034)
Capital contribution from General Partner	--	54
Net cash provided by financing activities	3,284	7,995
INCREASE IN CASH	587	263
CASH, beginning of period	1,837	2,025
CASH, end of period	$ 2,424	$ 2,288
NONCASH FINANCING ACTIVITIES:		
Notes payable incurred on noncompete agreements	$ 851	$ 3,446
Issuance of restricted common units in connection with certain acquisitions	$ --	$ 5,350
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 2,240	$ 817

The accompanying notes are an integral part of these consolidated financial statements.

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except unit data)

1. GENERAL:

The accompanying unaudited consolidated financial statements have been prepared by Heritage Propane Partners, L.P. (the Partnership) and include the accounts of the Partnership and its subsidiaries, including Heritage Operating Partnership, and a majority owned partnership. The Partnership accounts for its 50 percent partnership interest in another propane retailer under the equity method. All significant intercompany transactions and accounts have been eliminated in consolidation. The General Partner's 1.0101 percent interest in the Operating Partnership is accounted for in the consolidated financial statements as a minority interest. The accompanying financial statements should be read in conjunction with the Partnership's consolidated financial statements as of August 31, 1998, and the notes thereto included in the Partnership's consolidated financial statements included in Form 10-K as filed with the Securities and Exchange Commission on November 24, 1998. The accompanying financial statements include only normal recurring accruals and all adjustments that the Partnership considers necessary for a fair presentation. Due to the seasonal nature of the Partnership's business, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

2. DETAILS TO CONSOLIDATED BALANCE SHEETS:

Inventories are valued at the lower of cost or market. The cost of fuel inventories is determined using average cost while the cost of appliances, parts and fittings is determined by the first-in, first-out method.
Inventories consist of the following:

	November 30, 1998	August 31, 1998
Fuel	$ 8,244	$ 7,939
Appliances, parts and fittings	4,632	4,606
	$ 12,876	$ 12,545

3. NET INCOME PER LIMITED PARTNER UNIT:

Basic net income per limited partner unit is computed by dividing net income, after considering the General Partner's one percent interest, by the weighted average number of Common and Subordinated Units outstanding. Diluted net income per limited partner unit is computed by dividing net income, after considering the General Partner's one percent interest, by the weighted average number of Common and Subordinated Units outstanding and the weighted average number of Restricted Units ("Phantom Units") granted under the Restricted Unit Plan. A reconciliation of net income and weighted average units used in computing basic and diluted earnings per unit is as follows:

	Three months ended November 30, 1998	1997
BASIC NET INCOME PER LIMITED PARTNER UNIT:		
Basic limited partner's interest in net income	$ 1,203	$ 489
Weighted average limited partner units	8,579,668	8,122,697
Basic net income per limited partner unit	$ .14	$ .06
DILUTED NET INCOME PER LIMITED PARTNER UNIT:		
Limited partner's interest in net income	$ 1,203	$ 489
Weighted average limited partner units	8,579,668	8,122,697
Dilutive effect of Phantom Units	54,500	30,200
Weighted average limited partner units, assuming dilutive effect of Phantom Units	8,634,168	8,152,897
Dilutive net income per limited partner unit	$ .14	$ .06

CASH DISTRIBUTIONS:

The Minimum Quarterly Distribution (MQD) of $4,290, or $.50 per Common and Subordinated Unit, was paid on October 15, 1998, to Unitholders of record on October 5, 1998, and $87 was distributed to the General Partner for its cumulative two percent interest. In October 1998, the Partnership announced its intention to increase the quarterly distribution to $.5125 per unit ($2.05 annually). On December 22, 1998, the Partnership declared a $.5125 per unit distribution payable on January 14, 1999 to Common and Subordinated Unitholders of record as of January 4, 1999.

4. FOOTNOTES INCORPORATED BY REFERENCE:

Certain footnotes are applicable to the consolidated financial statements but would be substantially unchanged from those presented on Form 10-K filed with the Securities and Exchange Commission on November 24, 1998. Accordingly, reference should be made to the Company's Annual Report filed with the Securities and Exchange Commission on Form 10-K for the following:

NOTE	DESCRIPTION
1.	OPERATIONS AND ORGANIZATION
2.	SIGNIFICANT ACCOUNTING POLICIES AND BALANCE SHEET DETAIL
4.	WORKING CAPITAL FACILITIES AND LONG-TERM DEBT
5.	COMMITMENTS AND CONTINGENCIES
6.	PARTNERS' CAPITAL
7.	REGISTRATION STATEMENT
8.	PROFIT SHARING AND 401(k) SAVINGS PLAN
9.	RELATED PARTY TRANSACTIONS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Since its formation in 1989, Heritage has grown primarily through acquisitions of retail propane operations and, to a lesser extent, through internal growth. Through November 30, 1998, Heritage and the Partnership completed 48 acquisitions for an aggregate purchase price of approximately $207 million. The Partnership has completed 19 of these acquisitions since going public on June 25, 1996. Subsequent to November 30, 1998, the Partnership completed an additional acquisition. The Partnership engages in the sale, distribution and marketing of propane and other related products. The Partnership derives its revenue primarily from the retail propane marketing business. The General Partner believes that the Partnership is the sixth largest retail marketer of propane in the United States, based on retail gallons sold, serving more than 240,000 residential, industrial/commercial and agricultural customers in 26 states through 146 retail outlets.

The retail propane business of the Partnership consists principally of transporting propane purchased in the contract and spot markets, primarily from major oil companies, to its retail distribution outlets and then to tanks located on the customers' premises, as well as to portable propane cylinders. In the residential and commercial markets, propane is primarily used for space heating, water heating and cooking. In the agricultural market, propane is primarily used for crop drying, tobacco curing, poultry brooding and weed control. In addition, propane is used for certain industrial applications, including use as an engine fuel that burns in internal combustion engines that power vehicles and forklifts and as a heating source in manufacturing and mining processes.

The retail propane distribution business is largely seasonal due to propane's use as a heating source in residential and commercial buildings. Historically, approximately two-thirds of the Partnership's retail propane volume and in excess of 80% of the Partnership's EBITDA is attributable to sales during the six-month peak heating season of October through March. Consequently, sales and operating profits are concentrated in the Partnership's first and second fiscal quarters. Cash Flow from operations, however, is greatest during the second and third fiscal quarters when customers pay for propane purchased during the six-month peak-heating season.

A substantial portion of the Partnership's propane is used in the heating-sensitive residential and commercial markets causing the temperatures realized in the Partnership's areas of operations, particularly during the six-month peak heating season, to have a significant effect on the financial performance of the Partnership. In any given area, sustained warmer-than-normal temperatures will tend to result in reduced propane use, while sustained colder-than-normal temperatures will tend to result in greater propane use. The Partnership therefore uses information on normal temperatures in understanding how temperatures that are colder or warmer than normal affect historical results of operations and in preparing forecasts of future operations, which assumes that normal weather will prevail in each of the Partnership's regions.

The retail propane business is a "margin-based" business in which gross profits depend on the excess of sales price over propane supply costs. The market price of propane is often subject to volatile changes as a result of supply or other market conditions over which the Partnership will have no control. Product supply contracts are one-year agreements subject to annual renewal and generally permit suppliers to charge posted prices (plus transportation costs) at the time of delivery or the current prices established at major delivery points. Since rapid increases in the wholesale cost of propane may not be immediately passed on to retail customers, such increases could reduce the Partnership's gross profits. In the past, the Partnership generally attempted to reduce price risk by purchasing propane on a short-term basis. The Partnership has on occasion purchased significant volumes of propane during periods of low demand, which generally occur during the summer months, at the then current market price, for storage both at its service centers and in major storage facilities for future resale.

Gross profit margins vary according to customer mix. For example, sales to residential customers generate higher margins than sales to certain other customer groups, such as agricultural customers. Wholesale margins are substantially lower than retail margins. In addition, gross profit margins vary by geographical region. Accordingly, a change in customer or geographic mix can affect gross profit without necessarily affecting total revenues.

ANALYSIS OF UNAUDITED HISTORICAL RESULTS OF OPERATIONS

The following discussion reflects for the periods indicated the results of operations and operating data for the Partnership. Most of the increases in the line items discussed below result from the acquisitions made by the Partnership subsequent to the prior period discussed. These acquisitions affect the comparability of prior period financial matters, as the volumes are not included in the prior period's results of operations. Amounts discussed below reflect 100% of the results of M-P Energy Partnership, a general partnership in which the Partnership owns a 60% interest. Because M-P Energy Partnership is primarily engaged in lower-margin wholesale distribution, its contribution to the Partnership's net income and EBITDA is not significant.

THREE MONTHS ENDED NOVEMBER 30, 1998 COMPARED TO THE THREE MONTHS ENDED NOVEMBER 30, 1997.

Volume. The Partnership sold 35.7 million retail gallons in the three months ended November 30, 1998, an increase of 2.8 million gallons or 8.5% over the 32.9 million gallons sold in the three months ended November 30, 1997. This increase was primarily attributable to acquisition related volumes offset somewhat by the negative effects of warmer than normal weather.

The Partnership also sold approximately 20.3 million wholesale gallons in this first quarter, a decrease of 2.5 million gallons or 11% from the 22.8 million wholesale gallons sold in the first quarter of fiscal 1998. The decrease in wholesale volumes was attributable to a decline of 1.4 million gallons in the foreign operations of M-P Energy Partnership and a decline of 1.1 million gallons in U.S. wholesale operations, both primarily due to warmer than normal weather.

Revenues. Total revenues for the Partnership decreased $4.4 million or 9.6% to $41.5 million for the three months ended November 30, 1998 as compared to $45.9 million for the same three-month period last year. For the three months ended November 30, 1998, domestic retail propane revenues decreased $1.7 million or 5.5% to $29.3 million and U.S. wholesale revenues decreased $.7 million to $.7 million as a result of the decline in the related volumes and lower selling prices. Other domestic revenues increased $.9 million or 16.4% to $6.4 million as a result of acquisitions and to a lesser degree internal growth. Foreign revenues decreased $2.9 million for the three months ended November 30, 1998, to $5.1 million as compared to $8.0 million for the three months ended November 30, 1997, as a result of decreased volumes and lower selling prices.

Cost of Sales. Total cost of sales decreased $6.9 million or 25.7% to $19.9 million for the three months ended November 30, 1998, as compared to $26.8 million for the three months ended November 30, 1997. U.S. cost of sales decreased $4.1 million or 21.5% to $15.0 million for this first quarter of fiscal 1999, compared to $19.1 million for the first quarter of fiscal 1998. Foreign cost of sales decreased $2.8 million or 36.4% to $ 4.9 million in this first quarter as compared to last year's first quarter's results of $7.7 million. Decreased volumes and the fact that product costs have remained soft during the first three months of fiscal 1999 resulted in these lower cost of sales as compared to the same period last year.

Gross Profit. Total gross profit increased $2.5 million or 13.1% to $21.6 million for the three months ended November 30, 1998, as compared to $19.1 million for the three months ended November 30, 1997. Although volumes and revenues were down during this three month period in fiscal 1999 as compared to the same period last year, the Partnership has been able to retain higher margins throughout this period due to a greater percentage drop in propane costs over the decrease in selling prices in the first quarter comparisons.

Operating Expenses. Operating expense increased $1.5 million or 14% to $12.2 in the first quarter of fiscal 1999 as compared to $10.7 million in the first quarter of fiscal 1998. This increase was primarily the result of acquisition related operating expenses.

Selling, General and Administrative. Selling, general and administrative expenses were $1.3 million for the three months ended November 30, 1998, unchanged from those reported the same three months last year.

Depreciation and Amortization. Depreciation and amortization increased approximately $.5 million or 16.7% to $3.5 million for the three months ended November 30, 1998 as compared to $3.0 million for the three months ended November 30, 1997. This increase was the result of additional depreciation and amortization associated with the increase in property, plant, and equipment along with intangible assets from the acquisitions the Partnership has made subsequent to the three months ended November 30, 1997.

Operating Income. Operating income for the three months ended November 30, 1998, increased $.6 million or 15.0% to $4.6 million as compared to $4.0 million for the same three month period last fiscal year. This increase was attributable to the increase in gross profit offset by the acquisition related increases in operating expenses and depreciation and amortization.

Net Income. First quarter net income increased $.7 million to $1.2 million as compared to fiscal 1998's first quarter net income of $.5 million. This increase is the result of higher operating income and a non-recurring gain of $.4 million on the sale of certain idle property held by the Partnership, partially offset by an acquisition related increase in interest costs.

EBITDA. Earnings before interest, taxes, depreciation and amortization increased $1.3 million or 18.3 % to $8.4 million for the first quarter ended November 30, 1998, as compared to $7.1 million for the first quarter of fiscal 1998 that ended November 30, 1997. This increase is due to the higher domestic fuel margins offset by increased operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

The ability of the Partnership to satisfy its obligations will depend on its future performance, which will be subject to prevailing economic, financial, business and weather conditions and other factors, many of which are beyond its control. Future capital needs of the Partnership are expected to be provided by various sources as follows:

a) increases in working capital will be financed on the working capital line of credit and repaid from subsequent seasonal reductions in inventory and accounts receivable

b) payment of interest costs, and other debt services, will be provided by the annual cash flow from operations

c) required maintenance capital, predominantly vehicle replacement, will also be provided by the annual cash flow from operations

d) growth capital, mainly for customer tanks, expended will be financed by the revolving acquisition bank line of credit

e) acquisition capital expenditures will be financed with additional indebtedness on the revolving acquisition bank line of credit, other lines of credit, issues of additional Common Units or a combination thereof.

CASH FLOWS

Operating Activities. Cash provided by operating activities during the three months ended November 30, 1998, was $2.8 million compared to $2.4 million during the three months ended November 30, 1997. The cash flows from operations during the three months ended November 30, 1998, consisted primarily of net income of $1.2 million and non-cash charges of $3.0 million, principally depreciation and amortization, offset by a non-recurring gain from the sale of certain idle property. The impact of working capital changes decreased operating cash flow by approximately $1.5 million.

Investing Activities. Cash used in investing activities during the three months ended November 30, 1998 included capital expenditures for acquisitions amounting to $3.4 million, net of cash received plus $3.5 million spent for maintenance needed to sustain operations at current levels, as well as customer tanks to support growth of operations and other miscellaneous capitalized items. These investing activities were offset by proceeds from asset sales of $1.5 million, which was principally from the non-recurring sale of certain idle property. The proceeds from asset sales were used to purchase property in certain areas of the Partnership's operations that were previously under leased facilities plus fund other maintenance and growth capital expenditures incurred.

Financing Activities. Cash provided by financing activities during the three months ended November 30, 1998 of $3.3 million is the combination of $4.0 million of net additional working capital used to fund current operations, $3.6 million of net additional debt incurred to fund acquisitions, reduced by the full Minimum Quarterly Distribution to unitholders of $4.3 million.

FINANCING AND SOURCES OF LIQUIDITY

The Partnership has a Bank Credit Facility, which includes a Working Capital Facility, a revolving credit facility providing for up to $20 million of borrowings to be used for working capital and other general partnership purposes, and an Acquisition Facility, a revolving credit facility providing for up to $30 million of borrowings to be used for acquisitions and improvements. As of November 30, 1998 the Acquisition Facility had $26.2 million available to fund future acquisitions and the Working Capital Facility had $5.4 million available for borrowings.

The Partnership also has a Medium Term Note Program that provides for the issuance of up to $100 million of senior secured promissory notes if certain conditions are met. As of November 30, 1998 the Partnership had issued $47 million of these notes. The Partnership has a registration statement filed on Form S-4 registering 2,000,000 additional Common Units which may be issued from time to time by the Partnership by means of a prospectus delivered in connection with its negotiations for acquisitions or other businesses, properties or securities in business combination transactions. As of the date of the filing of this Form 10-Q, 60,606 units have been issued utilizing this Registration Statement No. 333-40407 on Form S-4 in connection with a prior acquisition.

The Partnership uses its cash provided by operating and financing activities to provide distributions to unitholders and to fund acquisitions, maintenance and growth capital expenditures. Acquisition capital expenditures, which include expenditures related to the acquisition of retail propane operations and intangibles associated with such acquired businesses, were $3.4 million for the three months ended November 30, 1998 and compared to $7.3 million for the three months ended November 30, 1997.

The assets utilized in the propane business do not typically require lengthy manufacturing process time nor complicated, high technology components. Accordingly, the Partnership does not have any significant financial commitments for capital expenditures. In addition, the Partnership has not experienced any significant increases attributable to inflation in the cost of these assets or in its operations.

YEAR 2000 MATTERS

The year 2000 issue arose because many computer programs use only the last two digits to indicate the year; hence, they may not interpret dates beyond the year 1999. The Partnership has recognized the potential impact of this problem that could cause computer applications to fail or create erroneous results and along with outside consultants, has conducted a detailed assessment of its Year 2000 compliance and readiness. The Partnership has put a comprehensive program in place to prepare for its year 2000 readiness.

The Partnership is reviewing and evaluating both their information technology ("IT") and non-IT systems. A complete and detailed inventory list of the Partnership's hardware and software systems has been established enabling them to evaluate the state of readiness of these systems. The Partnership's district operations use a variety of external software that has been evaluated for Year 2000 compliance. The upgrade of the software at these district locations is currently underway. The hardware necessary to accommodate the software upgrades will be replaced as needed. Completion of this phase is anticipated by March 1999. The Partnership's central accounting system, payroll system and miscellaneous applications used are also in the process of being upgraded with completion anticipated in January 1999. The upgraded software in both the district locations and at the administration level is scheduled for testing and user training starting December 1998 and to be completed in early spring 1999. The non-IT systems such as telephones, fax machines, and photocopiers will be investigated for the date critical Year 2000 and will be replaced or updated as needed for operation.

The Partnership has identified major vendors and suppliers on whom it depends upon for services and product to assess their Year 2000 readiness to assure there are no interruptions in operations. A Year 2000 compliance letter and questionnaire is being sent to these third parties with responses anticipated by December 1998. Interruption of the supply and delivery of gas products could have a material adverse effect on the operations of the Partnership. By contacting these third parties to assess their state of readiness and developing an appropriate contingency plan if necessary, the Partnership is hoping to minimize these risks. The Partnership's banking facilities are also being contacted to insure that the collection and transfer of funds will not be interrupted and that extension of working capital will be available as needed. Acquisition candidates are supplied with a compliance letter and questionnaire also to assess the potential needs of their systems.

The Partnership does not expect the costs to modify its computer-based systems to have a material effect on the Partnership's results of operations. The current estimates of the amount of time, personnel, and costs to modify the current systems to be Year 2000 compliant is less than $.5 million. A portion of these costs is expected to be capitalized as they relate to adding new software and hardware to enhance current operations. Costs related directly to becoming Year 2000 compliant will be expensed as incurred. Estimated costs to date have not been specifically tracked but are estimated to be immaterial.

The Partnership expects that its IT and non-IT systems will be compliant by the target dates listed. A contingency plan is being developed to deal with system failures. The Partnership will primarily focus on one of the systems currently being tested that would be compliant. If other systems fail during the testing, they will be upgraded to the compliant system. The success it has with dealing with the issues of the Year 2000 and its vendor and supplier's success in the matter will affect the Partnership's future operations. Interruptions in the Partnership's operations or those of its major suppliers due to Year 2000 failures could have a material adverse affect on its operations and cash flows.

FORWARD-LOOKING STATEMENTS

Certain matters discussed in this report, excluding historical information, include certain forward-looking statements. Although the Partnership believes such forward-looking statements are based on reasonable assumptions, no assurance can be given that every objective will be reached. Such statements are made in reliance on the "safe-harbor" protections provided under the Private Securities Litigation Reform Act of 1995.

As required by that law, the Partnership hereby identify the following important factors that could cause actual results to differ materially from any results projected, forecasted, estimated or budgeted by the Partnership in forward-looking statements.

- Risks and uncertainties impacting the Partnership as a whole relate to changes in general economic conditions in the United States; the availability and cost of capital; changes in laws and regulations to which the Partnership is subject, including tax, environmental and employment laws and regulations; the cost and effects of legal and administrative claims and proceedings against the Partnership or which may be brought against the Partnership and changes in general and economic and currencies in foreign countries.

- The uncertainty of the ability of the Partnership to sustain its rate of internal sales growth and its ability to locate and acquire other propane companies at prices that are accretive to the Partnership's EBITDA (earnings before interest, taxes, depreciation and amortization).

- Risks and uncertainties related to energy prices and the ability of the Partnership to develop expanded markets and products offerings as well as their ability to maintain existing markets. In addition, future sales will depend on the cost of propane compared to other fuels, competition from other propane retailers and alternate fuels, the general level of petroleum product demand, and weather conditions, among other things.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS OF FORM 8-K

(a) The following exhibits are filed as part of this Report. Exhibits required by Item 601 of Regulation S-K, but which are not listed below, are not applicable.

	Exhibit Number	Description
(1)	3.1	Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(1)	10.1	Form of Bank Credit Facility
(3)	10.1.1	Amendment of Bank Credit Facility dated as of July 9, 1996
(4)	10.1.2	Amendment of Bank Credit Facility dated as of February 28, 1997
(5)	10.1.3	Third Amendment to Credit Agreement dated as of September 30, 1997
(6)	10.1.4	Fourth Amendment to Credit Agreement dated as of November 18, 1997.
(*)	10.1.5	Fifth Amendment to Credit Agreement dated as of November 13, 1998.
(1)	10.2	Form of Note Purchase Agreement (June 25, 1996)
(3)	10.2.1	Amendment of Note Purchase Agreement (June 25, 1996) dated as of July 25, 1996
(4)	10.2.2	Amendment of Note Purchase Agreement (June 25, 1996) dated as of March 11, 1997
(8)	10.2.3	Amendment of Note Purchase Agreement (June 25, 1996) dated as of October 15, 1998

	Exhibit Number	Description
(1)	10.3	Form of Contribution, Conveyance and Assumption Agreement among Heritage Holdings, Inc., Heritage Propane Partners, L.P. and Heritage Operating L.P.
(1)	10.4	1989 Stock Option Plan
(1)	10.5	1995 Stock Option Plan
(1)	10.6	Restricted Unit Plan
(4)	10.6.1	Amendment of Restricted Unit Plan dated as of October 17, 1996
(2)	10.7	Employment Agreement for James E. Bertelsmeyer
(1)	10.8	Employment Agreement for R.C. Mills
(1)	10.9	Employment Agreement for G.A. Darr
(1)	10.10	Employment Agreement for H. Michael Krimbill
(8)	10.11	Employment Agreement for Bradley K. Atkinson
(7)	10.16	Note Purchase Agreement dated as of November 19, 1997
(8)	10.16.1	Amendment dated as of October 15, 1998 to November 19, 1997 Note Purchase Agreement
(8)	21.1	List of Subsidiaries
(8)	23.3	Consent of Arthur Andersen LLP
	27.1	Financial Data Schedule - Filed with EDGAR version only

- - ---

(1) Incorporated by reference to the same numbered Exhibit to Registrant's Registration Statement of Form S-3, File No. 333-4018, filed with the Commission on June 21, 1996.

(2) Incorporated by reference to Exhibit 10.11 to Registrant's Registration Statement on Form S-1, File No. 333-4018, filed with the Commission on June 21, 1996.

(3) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended November 30, 1996.

(4) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended February 28, 1997.

(5) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-K for the year ended August 31, 1997.

(6) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended November 30, 1997.

(7) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 1998.

(8) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-K for the year ended August 31, 1998.

(*) Filed Herewith

- - --

(b) Reports of Form 8-K.

The registrant has filed no reports on Form 8-K for the quarter for which this report is filed.

SIGNATURE

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

HERITAGE PROPANE PARTNERS, L.P.

By: Heritage Holdings, Inc., General Partner

Date: January 12, 1999

By: /s/ H. Michael Krimbill

H. Michael Krimbill
(Chief Financial Officer and officer duly authorized to sign on behalf of the registrant)

INDEX TO EXHIBITS

(a) The following exhibits are filed as part of this Report. Exhibits required by Item 601 of Regulation S-K, but which are not listed below, are not applicable.

	Exhibit Number	Description
(1)	3.1	Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(1)	10.1	Form of Bank Credit Facility
(3)	10.1.1	Amendment of Bank Credit Facility dated as of July 9, 1996
(4)	10.1.2	Amendment of Bank Credit Facility dated as of February 28, 1997
(5)	10.1.3	Third Amendment to Credit Agreement dated as of September 30, 1997
(6)	10.1.4	Fourth Amendment to Credit Agreement dated as of November 18, 1997.
(*)	10.1.5	Fifth Amendment to Credit Agreement dated as of November 13, 1998.
(1)	10.2	Form of Note Purchase Agreement (June 25, 1996)
(3)	10.2.1	Amendment of Note Purchase Agreement (June 25, 1996) dated as of July 25, 1996
(4)	10.2.2	Amendment of Note Purchase Agreement (June 25, 1996) dated as of March 11, 1997
(8)	10.2.3	Amendment of Note Purchase Agreement (June 25, 1996) dated as of October 15, 1998
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(1)	10.6	Restricted Unit Plan
(4)	10.6.1	Amendment of Restricted Unit Plan dated as of October 17, 1996
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(5) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-K for the year ended August 31, 1997.

(6) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-Q for the quarter ended November 30, 1997.

(7) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 1998.

(8) Incorporated by reference to the same numbered Exhibit to Registrant's Form 10-K for the year ended August 31, 1998.

(*) Filed Herewith

EXHIBIT 10.1.5

HERITAGE OPERATING, L.P.

FIFTH AMENDMENT TO CREDIT AGREEMENT

This Fifth Amendment to Credit Agreement, dated as of November 13, 1998, is among Heritage Operating, L.P., a Delaware limited partnership (the "Company"), the Banks party hereto, BankBoston, N.A. (formerly known as The First National Bank of Boston), as administrative agent (the "Administrative Agent") for itself and the other Banks, and Bank of Oklahoma, National Association, as documentation agent (the "Documentation Agent") for itself and the other Banks. The parties agree as follows:

1. Reference to Credit Agreement; Background.

1.1. Reference to Credit Agreement; Definitions. Reference is made to the Credit Agreement dated as of June 25, 1996, as amended by the First Amendment to Credit Agreement dated as of July 25, 1996, the Second Amendment to Credit Agreement dated as of February 28, 1997, the Third Amendment to Credit Agreement dated as of September 30, 1997 and the Fourth Amendment to Credit Agreement dated as of November 18, 1997 (as so amended, the "Credit Agreement"), among the Company, the Banks from time to time party thereto, the Administrative Agent and the Documentation Agent. The Credit Agreement, as amended by the amendments set forth in Section 2 hereof (the "Amendment"), is referred to as the "Amended Credit Agreement." Terms defined in the Amended Credit Agreement and not otherwise defined herein are used herein with the meanings so defined.

1.2. Background. The Company has requested that the Bank agree to certain changes in pricing and in certain financial covenants provided in the Credit Agreement.

2. Amendments to Credit Agreement. Subject to all of the terms and conditions hereof and in reliance upon the representations and warranties set forth or incorporated by reference in Section 3 hereof, the Credit Agreement is amended as follows, effective as of the date specified with respect to each such amendment:

2.1. Section 1.1 of the Credit Agreement is amended, effective from and after the Financial Statement Delivery Date for the fiscal quarter of the Company ending August 31, 1998, by amending the definition of the term "Applicable Commitment Fee Percentage" to read in its entirety as follows:

"Applicable Commitment Fee Percentage" means, with respect to any Margin Period, the applicable percentage set forth below:

(i) if the Leverage Ratio on the Financial Statement Delivery Date beginning such Margin Period was less than 3.25 to 1, .25%;

(ii) if the Leverage Ratio on the Financial Statement Delivery Date beginning such Margin Period was equal to or greater then 3.25 to 1 but less than 3.75 to 1, .30%;

(iii) if the Leverage Ratio on the Financial Statement Delivery Date beginning such Margin Period was equal to or greater than 3.75 to 1 but less than 4.25 to 1, .35%; and

(iv) if the Leverage Ratio on the Financial Statement Delivery Date beginning such Margin Period was equal to or greater than 4.25 to 1, .375%

Notwithstanding the foregoing, if any of the financial statements required pursuant to Section 7A.1(i) are not delivered within the time periods specified in Section 7A.1(i), the Applicable Commitment Fee Percentage shall be .375% until the date such statements are delivered.

2.2 Section 1.1 of the Credit Agreement is further amended, effective from and after the Financial Statement Delivery Date for the fiscal quarter of the Company ending August 31, 1998, by amending the definition of the term "Applicable Margin" to read in its entirety as follows:

"Applicable Margin". With respect to any Eurodollar Loan or with respect to any Base Rate Loan, for each Margin Period the rate of interest per annum determined as set forth below:

(i) if the Leverage Ratio on the Financial Statement Delivery Date commencing such Margin Period was less than 3.25 to 1, the Applicable Margin will be .75% for Eurodollar Loans and zero for Base Rate Loans;

(ii) if the Leverage Ratio on the Financial Statement Delivery Date commencing such Margin Period was equal to or greater than 3.25 to 1 but less than 3.75 to 1, the Applicable Margin will be 1.00% for Eurodollar Loans and zero for Base Rate Loans;

(iii) if the Leverage Ratio on the Financial Statement Delivery Date commencing such Margin Period was equal to or greater than 3.75 to 1 but less than 4.25 to 1, the Applicable Margin will be 1.25% for Eurodollar Loans and zero for Base Rate Loans;

(iv) if the Leverage Ratio on the Financial Statement Delivery Date commencing such Margin Period was equal to or greater than 4.25 to 1 but less than 4.50 to 1, the Applicable Margin will be 1.375% for Eurodollar Loans and zero for Base Rate Loans; and

(v) if the Leverage Ratio on the Financial Statement Delivery Date commencing such Margin Period was equal to or greater than 4.50 to 1 but less than 4.75 to 1, the Applicable Margin will be 1.50% for Eurodollar Loans and zero for Base Rate Loans; and

(vi) if the Leverage Ratio on the Financial Statement Delivery Date commencing such Margin Period was equal to or greater than 4.75 to

1, the Applicable Margin will be 1.75% for Eurodollar Loans and .125% for Base Rate Loans.

Notwithstanding the foregoing, if any of the financial statements required pursuant to Section 7A.1(i) are not delivered within the time periods specified in Section 7A.1(i), the Applicable Margin shall be the Applicable Margin set forth in clause (vi) above until the date such statements are delivered.

2.3. Section 2.1.2 of the Credit Agreement is amended, effective as of November 13, 1998, to read in its entirety as follows:

2.1.2 Maximum Amount of Acquisition Credit. The term "Maximum Amount of Acquisition Credit" means, on any date on or prior to the Acquisition Conversion Date, the remainder of (x) the lesser of (a) $30,000,000 or (b) the aggregate Acquisition Loan Commitments described in Section 10.1, as amended from time to time, minus (y) the aggregate principal amount of the HHI Acquisition Notes from time to time, or such lesser amount as the Borrower may specify from time to time by notice from the Borrower to the Administrative Agent and, after the Acquisition Conversion Date, zero.

2.4. Section 2.2.2 of the Credit Agreement is amended, effective as of November 13, 1998, to read in its entirety as follows:

2.2.2 Maximum Amount of Working Capital Credit. The term, "Maximum Amount of Working Capital Credit" means, on any date, $20,000,000 minus the outstanding principal balance on the Indebtedness permitted by Section 7B.2(v) or such lesser amount as the Borrower may specify from time to time by notice from the Borrower to the Administrative Agent; provided that the aggregate outstanding principal amount of the Working Capital Loan shall be $0 for a period of not less than 30 consecutive calendar days at least one time during each fiscal year of the Borrower (the "Annual Clean-Up"). Failure by the Borrower to comply with the provisions of the Annual Clean-Up shall constitute a failure to pay the Loans when due and an Event of Default under Section 9.1.

2.5. Section 7B.1 of the Credit Agreement is amended, effective as of August 31, 1998, by amending clause (ii) thereof to read in its entirety as follows:

(ii) Ratio of Consolidated Funded Indebtedness to Consolidated EBITDA. The Borrower will not permit the ratio of the last day of any fiscal quarter of Consolidated Funded Indebtedness to Consolidated EBITDA to exceed (a) 5.00 to 1 on any date on or prior to August 31, 1999, or (b) 4.75 to 1 on any date after August 31, 1999;

2.6 Section 10.1 of the Credit Agreement is amended, effective as of November 13, 1998, to read in its entirety as follows:

10.1 Interests in Loans/Commitments. The percentage interest of each Bank in the Loans and Letters of Credit, and the Commitments, shall be computed based on the maximum principal amount for each Bank as follows:

Bank	Maximum Acquisition Loan Commitments	Maximum Working Capital Loan Commitments	Maximum Commitment Amounts	Percentage Interests
BOk	$12,000,000	$8,000,000	$20,000,000	40%
Bank of Boston	12,000,000	8,000,000	20,000,000	40%
Mercantile	6,000,000	4,000,000	10,000,000	20%
TOTAL	$30,000,000	$20,000,000	$50,000,000	100%

The foregoing percentage interests, as from time to time in effect and reflected in the Register, are referred to as the "Percentage Interests" with respect to all or any portion of the Loans and Letters of Credit, and the Commitments.

3. Representations and Warranties. In order to induce the Banks to enter into this Amendment, the Company represents and warrants to each of the Banks that:

3.1 No Legal Obstacle to Agreements. Neither the execution and delivery of this Amendment or any other Loan Document, nor the making of any borrowing under the Amended Credit Agreement, nor the guaranteeing of the Credit Obligations, nor the securing of the Credit Obligations with the Collateral, nor the consummation of any transaction referred to in or contemplated by this Amendment, the Amended Credit Agreement or any other Loan Document, nor the fulfillment of the terms hereof or thereof or of any other agreement, instrument, deed or lease contemplated by this Amendment, the Amended Credit Agreement or any other Loan Document, has constituted or resulted in or will constitute or result in:

(a) any breach or termination of the provisions of any agreement, instrument, deed or lease to which the Company is a party or by which it is bound, or of the Partnership Agreement of the Company;

(b) the violation of any law, statute, judgement, decree or governmental order, rule or regulation applicable to the Company;

(c) the creation under any agreement, instrument, deed or lease of any Lien (other than Liens on the Collateral which secure the Credit Obligations and Liens permitted by Section 7B.3 of the Amended Credit Agreement) upon any of the assets of the Company; or

(d) any redemption, retirement or other repurchase obligation of the Company under the Partnership Agreement or other agreement, instrument, deed or lease.

No approval, authorization or other action by, or declaration to or filing with, any governmental or administrative authority or any other Person is required to be obtained or made by the Company in connection with the execution and delivery of this Amendment, the performance of this Amendment, the Amended Credit Agreement or any other Credit Document, the transactions contemplated hereby or thereby, the making of any borrowing under the Amended Credit Agreement, the guaranteeing of the Credit Obligations or the securing of the Credit Obligation with the Collateral.

3.2. Defaults. Immediately after giving effect to this Amendment, no Default shall exist.

3.3. Incorporation of Representations and Warranties of Company. Immediately after giving effect to this Amendment, the representations and warranties set forth in Article VIII of the Amended Credit Agreement will be true and correct as if originally made on and as of the Amendment Closing Date (except to the extent of any representation or warranty which refers to a specific earlier date).

4. Conditions. The effectiveness of each of the amendments set forth in Section 2 hereof shall be subject to the satisfaction of the following conditions:

4.1. Representations. The representations and warranties contained in Section 3 hereof shall be true and correct on and as of the Amendment Closing Date with the same force and effect as though originally made on and as of the Amendment Closing Date; immediately after giving effect to such amendments, no Default shall exist; and no Material Adverse Change shall have occurred since August 31, 1997.

4.2. Replacement Notes. The Company shall have executed and delivered to the Administrative Agent for delivery to each of the Banks replacement Acquisition Notes and Working Capital Notes in the amount of each Bank's Percentage Interest in the Maximum Amount of Acquisition Credit and the Maximum Amount of Working Capital Credit, respectively.

4.3. Note Purchase Agreement. The effectiveness of the amendments provided in Sections 2.3, 2.4 and 2.6 of this Amendment is conditioned on the consummation of an amendment of Section 6B(ii) of the Note Purchase Agreement increasing the aggregate principal amount of Indebtedness permitted thereby from $15,000,000 to $20,000,000.

4.4. Proper Proceedings. All proper proceedings shall have been taken by the Company to authorize this Amendment, the Amended Credit Agreement and the transactions contemplated hereby and thereby. On or before the Amendment Closing Date, the Agents shall have received copies of all documents, including legal opinions of counsel and records of corporate proceedings which the Agents may have requested in connection therewith, such documents, where appropriate, to be certified by proper corporate or governmental authorities.

4.5. Execution and Delivery. Each of the Company and the Banks shall have executed and delivered this Amendment.

5. Further Assurances. The Company will, promptly upon the request of the Agent from time to time, execute, acknowledge and deliver, and file and record, all such instruments and notices, and take all such action, as the Agents deem necessary or advisable to carry out the intent and purposes of this Amendment and the Amended Credit Agreement.

6. General. The Amended Credit Agreement and all of the other Loan Documents are each confirmed as being in full force and effect. This Amendment, the Amended Credit Agreement and the other Loan Documents referred to herein or therein constitute the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior and current understandings and agreements, whether written or oral, with respect to such subject matter. The invalidity or unenforceability of any provision hereof shall not affect the validity and enforceability of any other term or provision hereof. The headings in this Amendment are for convenience of reference only and shall nor alter, limit or otherwise affect the meaning hereof. Each of this Amendment and the Amended Credit Agreement is a Loan Document and may be executed in any number of counterparts, which together shall constitute one instrument, and shall bind and inure to the benefit of the parties and their respective successors and assigns, including as such successors and assigns all holders of any Note. This Amendment shall be governed by and construed in accordance with the laws (other than the conflict of law rules) of the State of Oklahoma.

Each of the undersigned has caused this Amendment to be executed and delivered by its duly authorized officer as an agreement under seal as of the date first above written.

HERITAGE OPERATING L.P., a Delaware
limited partnership

By: Heritage Holdings, Inc., a Delaware
corporation, general partner

By: /s/ H. Michael Krimbill

H. Michael Krimbill, Vice President and
Chief Financial Officer

BANKBOSTON, N.A., individually and as
Administrative Agent for the Lenders

By: /s/ Timothy J. Norton

Authorized Officer

BANK OF OKLAHOMA, NATIONAL
ASSOCIATION, individually and as
Documentation Agent

By: /s/ Robert D. Mattax

Authorized Officer

MERCANTILE BANK NATIONAL
ASSOCIATION

By: /s/ Jeffery A. Nelson

Jeffrey A. Nelson
Vice President

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