

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 FEBRUARY 28, 1997

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
(State or other jurisdiction of incorporation or organization)

73-1493906
(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 March 28, 1997, the registrant had units outstanding as follows:

Heritage Propane Partners, L.P.	4,285,000	Common Units
	3,702,943	Subordinated Units

FORM 10-Q
HERITAGE PROPANE PARTNERS, L.P.

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FORM 10-Q
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT UNIT DATA)

ASSETS -----	February 28, 1997 ----- (unaudited)	August 31, 1996 -----
CURRENT ASSETS:		
Cash	\$ 2,614	\$ 1,170
Accounts receivable, net	25,165	10,859
Inventories	6,493	11,115
Prepaid expenses	2,156	870
	-----	-----
Total current assets	36,428	24,014
PROPERTY, PLANT AND EQUIPMENT, net	110,265	110,342
INVESTMENT IN AFFILIATES	5,234	4,882
INTANGIBLES AND OTHER ASSETS, net	47,514	48,612
	-----	-----
Total assets	\$199,441 =====	\$187,850 =====
 LIABILITIES AND PARTNERS' CAPITAL -----		
CURRENT LIABILITIES:		
Working capital facilities	\$ 7,685	\$ 5,600
Accounts payable	16,601	13,155
Accrued and other current liabilities	6,399	5,730
Current maturities of long-term debt	270	243
	-----	-----
Total current liabilities	30,955	24,728
LONG-TERM DEBT	133,575	132,521
	-----	-----
Total liabilities	164,530	157,249
PARTNERS' CAPITAL:		
Common unit holders (4,285,000 units outstanding)	18,680	16,392
Subordinated unit holders (3,702,943 units outstanding)	15,880	13,902
General Partner	351	307
	-----	-----
Total partners' capital	34,911	30,601
	-----	-----
Total liabilities and partners' capital	\$199,441 =====	\$187,850 =====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED BALANCE SHEETS.

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

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

	Three Months Ended		Six Months Ended	
	February 28, 1997	February 29, 1996	February 28, 1997	February 29, 1996
	-----	-----	-----	-----
		(Predecessor)		(Predecessor)
REVENUES				
Retail	\$ 57,140	\$ 44,174	\$ 87,226	\$ 65,929
Wholesale	22,701	18,474	38,182	28,031
Other	4,444	4,464	9,520	9,093
	-----	-----	-----	-----
Total revenues	84,285	67,112	134,928	103,053
	-----	-----	-----	-----
COST AND EXPENSES				
Cost of products sold	54,584	42,041	89,066	63,811
Depreciation and amortization	2,706	2,215	5,317	4,596
Selling, general and administrative	1,435	878	2,645	1,922
Operating expenses	11,823	10,553	21,484	18,846
	-----	-----	-----	-----
Total costs and expenses	70,548	55,687	118,512	89,175
	-----	-----	-----	-----
OPERATING INCOME	13,737	11,425	16,416	13,878
	-----	-----	-----	-----
GAIN ON DISPOSAL OF ASSETS	183	58	315	115
OTHER INCOME	252	378	402	494
EQUITY IN EARNINGS OF AFFILIATES	411	320	451	368
INTEREST EXPENSE	(3,008)	(3,503)	(5,950)	(6,779)
	-----	-----	-----	-----
INCOME BEFORE MINORITY INTEREST	11,575	8,678	11,634	8,076
PROVISION FOR INCOME TAXES	(20)	(3,541)	(20)	(3,541)
MINORITY INTEREST	(267)	(220)	(422)	(317)
	-----	-----	-----	-----
NET INCOME	\$ 11,288	\$ 4,917	\$ 11,192	\$ 4,218
	-----	=====	-----	=====
GENERAL PARTNER'S INTEREST IN NET INCOME	114		113	
	=====		=====	
LIMITED PARTNERS' INTEREST IN NET INCOME	\$ 11,174		\$ 11,079	
	=====		=====	
NET INCOME PER LIMITED PARTNER UNIT	\$ 1.40		\$ 1.39	
	=====		=====	
WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	7,987,943		7,987,943	
	=====		=====	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED STATEMENTS.

HERITAGE PROPANE PARTNERS, L.P., AND SUBSIDIARIES

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

	For the Six Months Ended February 28, 1997 -----	February 29, 1996 ----- (Predecessor)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 11,192	\$ 4,218
Reconciliation of net Income to net cash provided by operating activities---		
Depreciation and amortization	5,317	4,596
Provision for losses on accounts receivable	339	99
Gain on disposal of assets	(315)	(115)
Other	--	173
Increase in deferred income taxes	--	3,506
Undistributed earnings of affiliates	(352)	(374)
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(14,640)	(15,338)
Inventories	4,622	3,722
Prepaid expenses	(229)	(561)
Intangibles and other assets	(275)	(151)
Accounts payable	3,442	7,147
Accrued and other current liabilities	667	321
	-----	-----
Net cash provided by operating activities	9,768	7,243
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisitions, net of cash acquired	(1,489)	(4,150)
Capital expenditures	(4,264)	(4,990)
Proceeds from asset sales	1,327	192
	-----	-----
Net cash used in investing activities	(4,426)	(8,948)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	34,099	19,245
Principal payments on debt	(31,114)	(16,795)
Unit distribution to partners	(6,883)	--
Other	--	28
	-----	-----
Net cash provided by (used in) financing activities	(3,898)	2,478
	-----	-----
INCREASE IN CASH	1,444	773
CASH, beginning of period	1,170	1,237
	-----	-----
CASH, end of period	\$ 2,614	\$ 2,010
	=====	=====
NONCASH FINANCING ACTIVITIES:		
Notes payable incurred on noncompete agreements	\$ 182	\$ 40
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for Interest	\$ 6,225	\$ 6,902

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED 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 should be read in conjunction with the Partnership's consolidated financial statements as of August 31, 1996 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. The foregoing financial statements include only normal recurring accruals and all adjustments which the Partnership considers necessary for a fair presentation.

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:

	FEB. 28, 1997 ----- (UNAUDITED)	AUG. 31, 1996 -----
Fuel	\$ 3,305	\$ 7,735
Appliances, parts and fittings	3,188	3,380
	-----	-----
	\$ 6,493	\$11,115
	=====	=====

3. INCOME PER LIMITED PARTNER UNIT:

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.

4. CASH DISTRIBUTIONS:

A cash distribution of \$2,820, or \$.353 per Common and Subordinated unit, was paid on October 15, 1996 to Unitholders of record on October 1, 1996 and \$58 was distributed to the General Partner. A cash distribution of \$3,993 or \$.50 per Common and Subordinated unit, was paid on January 14, 1997 to Unitholders of record on January 2, 1997 and \$82 was distributed to the General Partner.

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

ANALYSIS OF UNAUDITED HISTORICAL RESULTS OF OPERATIONS

On June 28, 1996, Heritage Propane Partners, L.P. (the Partnership) acquired certain assets of Heritage Holdings, Inc. (the Company) and completed an initial public offering. The following discussion reflects for the periods indicated the results of operations and operating data for the Partnership and its predecessor, the Company. Since February 29, 1996, the Company/Partnership has consummated eight acquisitions which affect the comparability of prior period financial results as they are, for the most part included in all six months for the period ending February 28, 1997 and the three months then ended, yet the acquisition volumes were not included in the comparable periods of the prior year. Amounts discussed below reflect 100% of the results of operations of M-P Oils Partnership, a general partnership in which the Partnership owns a 60% interest. Because M-P Oils Partnership is primarily engaged in lower-margin wholesale propane distribution, its contribution to the Partnership's net income and EBITDA is not significant.

The Partnership's results of operations are, and the Company's results of operations were, dependent in a large part on weather conditions in their service areas. Because a substantial portion of the Partnership's propane is used in the heating-sensitive residential and commercial markets, the temperatures realized in the Partnership's areas of operations, have a significant effect on the financial performance of the Partnership. As a result, volumes of propane sold are highest during the peak heating season of November through March. Warmer than normal weather during this peak season will tend to have a negative effect on the volumes of propane sold.

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. Since rapid increases in the wholesale cost of propane, as was seen during the current heating season, may not be immediately passed on to retail customers, such increases could reduce the Partnership's gross profits.

Six Months Ended February 28, 1997 Compared to Six Months Ended February 29, 1996.

Volume. During the six months ended February 28, 1997, the Partnership sold 80.4 million retail gallons, an increase of 6.8 million retail gallons or 9.2 % from the 73.6 million retail gallons sold in the six months ended February 29, 1996. This increase was primarily attributable both to the effect of acquisitions and internal growth, but was offset by warmer than normal weather in the Partnership's southeast and southwest areas of operation.

The Partnership also sold approximately 68.7 million wholesale gallons in the six months ended February 28, 1997, a decrease of 5.0 million wholesale gallons or 6.8% from the 73.7 million wholesale gallons in the six months ended February 29, 1996. The decrease in wholesale volumes was all attributable to the decreased wholesale volumes in the foreign operations of M-P Oils Partnership.

Revenues. Total revenues increased \$31.8 million or 30.8% to \$134.9 million for the six months ended February 28, 1997, as compared to \$103.1 million for the six month period ended February 29, 1996. Domestic revenues increased \$24.0 million or 29.5% to \$105.3 million for the six months ended February 28, 1997, as compared to \$81.3 million for the six months ended February 29, 1996. Foreign revenues increased \$7.8 million or 35.8% for the six months ended February 28, 1997, as compared to \$21.8 million for the same six month period for last year. The increase in foreign revenues was attributable entirely to increased selling prices whereas the increased domestic revenues were due to higher selling prices and greater volumes associated with acquisitions and internal growth.

Cost of Sales. Total cost of sales increased \$25.3 million or 39.7% to \$89.1 million for the six months ended February 28, 1997, as compared to \$63.8 million for the six months ended February 29, 1996. Domestic cost of sales increased \$17.5 million or 41.0% to \$60.2 million for the six months ended February 28, 1997, as compared to \$42.7 million for the prior six month period. Foreign cost of sales increased \$7.8 million or 37.0% to \$28.9 million for the six months ended February 28, 1997, as compared to \$21.1 million for the six months ended February 29, 1996. The increases in domestic and foreign cost of sales were primarily attributable to higher propane costs (an average of \$.15 per gallon over last year) and increased retail gallons.

Gross Profit. Gross profit increased \$6.7 million or 17.1% to \$45.9 million for the six months ended February 28, 1997, as compared to \$39.2 million for the same six month period last year. This increase was attributable to an increase in retail volumes sold and an increase in domestic margins.

Operating Expenses. Operating expenses increased \$2.7 million or 14.4% to \$21.5 million in the six months ended February 28, 1997, as compared to \$18.8 million in the six months ended February 29, 1996. The majority of this increase was attributable to higher volumes resulting from acquisitions.

Selling, General and Administrative. Selling, general and administrative expenses were \$2.6 million for the six months ending February 28, 1997, an increase of \$.7 million or 36.8% as compared to \$1.9 million for the six months ending February 29, 1996. This increase resulted from costs associated with being a public entity as well as master limited partnership.

Depreciation and Amortization. Depreciation and amortization increased approximately \$.7 million or 15.2% to \$5.3 million in the six months ended February 28, 1997, as compared to \$4.6 million for the prior period. This increase was the result of additional depreciation and amortization associated with acquisitions.

Operating Income. Operating income increased \$2.5 million or 18.0% to \$16.4 million for the six months ending February 28, 1997, as compared to \$13.9 million for the six months ended February 29, 1996. This increase was primarily due to greater volumes related to acquisitions and internal growth partially offset by the associated increases in operating expenses.

Net Income. Net income increased \$7.0 million or 166.7% to \$11.2 million for the six months ending February 28, 1997, as compared to \$4.2 million for the six months ended February 29, 1996. This increase is the result of higher operating income and lower interest expense in the six months ending February 28, 1997, and the elimination of an income tax provision in 1997 as a result of converting to a partnership form versus the \$3.5 million income tax provision that the Company recorded for the six months ended February 29, 1996.

EBITDA. EBITDA increased \$3.6 million or 18.9% to \$22.6 million in the six months ended February 28, 1997, as compared to \$19.0 million for the prior period. This increase was due to increased domestic margins and volumes related to acquisitions and internal growth partially offset by the related increase in operating expenses.

Three Months Ended February 28, 1997 Compared to Three Months Ended February 29, 1996.

Volume. During the three months ended February 28, 1997, the Partnership sold 48.9 million retail gallons, an increase of 1.4 million retail gallons or 2.9% from the 47.5 million retail gallons sold in the three months ended February 29, 1996. This increase was primarily attributable to the effect of acquisitions offset by a decrease due to warmer weather in the Partnership's areas of operations during the three months ended February 28, 1997 as compared to the same period of the prior year.

The Partnership also sold approximately 38.7 million wholesale gallons in the three months ended February 28, 1997, a decrease of 7.2 million wholesale gallons or 15.7% from the 45.9 million

wholesale gallons in the three months ended February 29, 1996. The decrease in wholesale volumes was mainly attributable to the decreased wholesale volumes in the foreign operations of M-P Oils Partnership.

Revenues. Total revenues increased \$17.2 million or 25.6% to \$84.3 million for the three months ended February 28, 1997, as compared to \$67.1 million for the same three month period last year. Domestic revenues increased \$13.6 million or 25.3% to \$67.3 million for the three months ended February 28, 1997, as compared to \$53.7 million for the three months ended February 29, 1996. Foreign revenues increased \$3.6 million or 26.9% for the three months ended February 28, 1997, as compared to \$13.4 million for the prior period. The increase in foreign revenues was attributable entirely to increased selling prices whereas the increased domestic revenues resulted from higher selling prices and greater volumes associated with acquisitions.

Cost of Sales. Total cost of sales increased \$12.6 million or 30.0% to \$54.6 million for the three months ended February 28, 1997, as compared to \$42.0 million for the three months ended February 29, 1996. Domestic cost of sales increased \$8.9 million or 30.7% to \$37.9 million for the three months ended February 28, 1997, as compared to \$29.0 million for the comparable three month period last year. Foreign cost of sales increased \$3.7 million or 28.5% to \$16.7 million for the three months ended February 28, 1997, as compared to \$13.0 million for the prior period. The increases in domestic and foreign cost of sales were primarily attributable to higher propane costs and increased retail volumes

Gross Profit. Gross profit increased \$4.6 million or 18.3% to \$29.7 million for the three months ended February 28, 1997, as compared to \$25.1 million for the same three month period last year. This increase was attributable to an increase in retail volumes sold and an increase in domestic margins.

Operating Expenses. Operating expenses increased \$1.2 million or 11.3% to \$11.8 million in the three months ended February 28, 1997, as compared to \$10.6 million in the three months ended February 29, 1996. This increase was attributable to higher own use vehicle fuel costs associated with higher propane prices and volumes resulting from acquisitions.

Selling, General and Administrative. Selling, general and administrative expenses were \$1.4 million for the three months ending February 28, 1997, an increase of \$.5 million or 55.6% as compared to \$.9 million for the three months ending February 29, 1996. This increase resulted from costs associated with being a public entity as well as a master limited partnership.

Depreciation and Amortization. Depreciation and amortization increased approximately \$.5 million or 22.7% to \$2.7 million in the three months ended February 28, 1997, as compared to \$2.2 million for the same three month period last year. This increase was the result of additional depreciation and amortization associated with acquisitions.

Operating Income. Operating income increased \$2.3 million or 20.2% to \$13.7 million for the three months ending February 28, 1997, as compared to \$11.4 million for the three months ended February 29, 1996. This increase was primarily due to greater volumes related to acquisitions and higher margins partially offset by the associated increases in operating expenses and the impact of warmer weather.

Net Income. Net income increased \$6.4 million or 130.6% to \$11.3 million for the three months ending February 28, 1997, as compared to \$4.9 million for the three months ended February 29, 1996. This increase is the result of higher operating income and lower interest expense in the three months ending February 28, 1997, and the elimination of an income tax provision in 1997 as a result of converting to a partnership form versus the \$3.5 million income tax provision that the Company recorded for the three months ending February 29, 1996.

EBITDA. EBITDA increased \$2.8 million or 19.6% to \$17.1 million in the three months ended February 28, 1997, as compared to \$14.3 million for the prior year three month period. This increase was due to increased volumes related to acquisitions and internal growth partially offset by the related increase in operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash provided by operating activities during the six months ended February 28, 1997, was \$9.8 million compared to \$7.2 million during the six months ended February 29, 1996. The cash flows from operations during the six months ended February 28, 1997, consisted primarily of net income of \$11.2 million, noncash charges of \$5.3 million, principally depreciation and amortization, and a decrease in inventories of \$4.6 million. These increases to the cash flow from operations were offset by an increase in accounts receivable, which is typical for the Partnership during the heating season.

Cash used in investing activities during the six months ended February 28, 1997 included capital expenditures for acquisitions amounting to \$1.5 million plus \$4.3 million spent for maintenance needed to sustain operations at current levels, new customer tanks to support growth of operations and other miscellaneous capitalized items. These amounts were partially offset by the proceeds from asset sales of \$1.3 million.

Cash used by financing activities during the six months ended February 28, 1997 of \$3.9 million reflects cash distributions to unit holders of \$6.9 million offset by net working capital borrowings of \$3.0 million for operating purposes under the credit facilities available to the Partnership.

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 \$15.0 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 \$25.0 million of borrowings to be used for acquisitions and improvements.

The Partnership uses almost all of its cash provided by operating and financing activities to fund acquisition, 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 \$1.5 million for the six months ended February 28, 1997, as compared to \$4.2 million during the six months ended February 29, 1996.

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.

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 future operations, existing cash balances and the Working Capital Facility. The Partnership may incur additional indebtedness or issue additional Units to fund possible future acquisitions.

FORM 10-Q
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 -----
10.1.2	Amendment of Bank Credit Facility dated as of February 28, 1997
10.2.1	Amendment of Note Purchase Agreement dated as of March 11, 1997
10.6.1	Amendment of Restricted Unit Plan dated as of October 17, 1996
27.1	Financial Data Schedule - Filed with EDGAR version only

- (b) No reports on Form 8-K have been filed by the registrant for the quarter for which this report is filed.

SIGNATURES

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: April 7, 1997

By: /s/ H. Michael Krimbill

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

INDEX TO EXHIBITS

Exhibit Number - - - - -	Description - - - - -
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10.6.1	Amendment of Restricted Unit Plan dated as of October 17, 1996
27.1	Financial Data Schedule - Filed with EDGAR version only

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT, dated as of February 28, 1997 is entered into between and among HERITAGE OPERATING, L.P., a Delaware limited partnership (the "borrower") and THE FIRST NATIONAL BANK OF BOSTON ("Bank of Boston") and BANK OF OKLAHOMA, NATIONAL ASSOCIATION ("BOK") (Bank of Boston and BOK, together with each other Person that becomes a Bank pursuant to Section 11 of the Credit Agreement (hereinafter defined) collectively referred to herein as the "Banks"), Bank of Boston, as administrative and structuring agent for the Banks (in such capacity, the "Administrative Agent") and BOK, as documentation agent for the Banks (in such capacity, the "Documentation Agent").

WHEREAS, the Borrower, the Banks, the Administrative Agent and the Documentation Agent entered into that certain Credit Agreement dated as of June 25, 1996, as amended by that certain First Amendment to Credit Agreement dated as of July 25, 1996 (but effective for all purposes as of June 28, 1996) (as amended and modified, collectively the "Credit Agreement"); and

WHEREAS, the Borrower has requested the Banks, the Administrative Agent and the Documentation Agent to amend and modify the provisions of Section 7B.2(iii) of the Credit Agreement for the purpose of permitting up to \$3,000,000.00 of Indebtedness owing from time to time to Seller(s) in Asset Acquisition(s) as described and defined in the Credit Agreement; and

WHEREAS, the Banks, the Administrative Agent and the Documentation Agent are willing to make such requested amendment and modification of the Credit Agreement.

1. Clause (iii) of Section 7B.2 of the Credit Agreement is hereby amended and modified to read in its entirety as follows:

"(iii) the Borrower may become and remain liable with respect to Indebtedness incurred by the Borrower under the Acquisition Facility and any Indebtedness incurred for such purpose which replaces, extends, renews, refunds or refinances all of such Indebtedness (in the case of a replacement refunding or refinancing, so long as the Working Capital Facility also is replaced, refunded or refinanced in whole) and up to \$3,000,000 of Indebtedness owing from time to time to the Seller(s) in Asset Acquisition(s); provided that the aggregate principal amount of Indebtedness permitted under this clause (iii) shall not at any time exceed the lesser of \$35,000,000 or the sum of the outstanding balance of such Seller(s) Asset Acquisition(s) debt referenced above (in no event in excess of \$3,000,000) plus the aggregate Acquisition Loan Commitments described in Section 10.1, as amended from time to time;"

2. All of the remaining terms, provisions and conditions of the Credit Agreement, except as otherwise expressly amended and modified by this Second Amendment, shall continue in full force and effect in all respects. This Second amendment may be executed in multiple counterparts, each of which shall be deemed an original and all of which constitute a single Second Amendment.

3. The effectiveness of paragraph 1 of this Second Amendment is conditioned on the consummation of an identical amendment to Section 6B(iii) of the Note Purchase Agreement executed by the requisite percentage (Required Holders) of Note Purchasers as required thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to Credit Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the date first above stated.

"Borrower"

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
Chief Financial Officer

"Banks"

FIRST NATIONAL BANK OF BOSTON

By: /s/ Timothy J. Norton

Timothy J. Norton, Vice President

BANK OF OKLAHOMA, NATIONAL ASSOCIATION

By: /s/ Denise L. Maltby

Denise L. Maltby, Vice President

"Administrative Agent"

THE FIRST NATIONAL BANK OF BOSTON

By: /s/ Timothy J. Norton

Timothy J. Norton, Vice President

"Documentation Agent"

BANK OF OKLAHOMA, NATIONAL ASSOCIATION

By: /s/ Denise L. Maltby

Denise L. Maltby, Vice President

HERITAGE HOLDINGS, INC.
HERITAGE OPERATING, L.P.
8801 S. Yale Ave., Suite 500
Tulsa, Oklahoma 74137
(918) 492-7272

March 11, 1997

To: Each of the Purchasers named in the
Purchaser Schedule Attached Hereto

Ladies and Gentlemen:

Reference is made to the Note Purchase Agreement dated as of June 25, 1996 (the "Agreement") among Heritage Holdings, Inc., Heritage Operating, L.P., and the Purchasers named in the Purchaser Schedule attached thereto. Terms used herein that are not otherwise defined shall have the meanings set forth in the Agreement.

The Operating Partnership and Heritage request that the Purchasers amend the Agreement to allow a portion of the amount set aside for the Acquisition Facility to be substituted by up to \$3,000,000 of Seller carried Indebtedness for the financing of Asset Acquisition(s) from time to time by amending Section 6B ("Indebtedness").

Accordingly, the Operating Partnership and Heritage agree with the Purchasers as follows:

Section 6B(iii) of the Agreement is hereby amended, effective as of March 3, 1997, to read in its entirety as follows, as if at all times on and after such date so written (the language added hereby being indicated by double underscoring):

(iii) the Company may become and remain liable with respect to Indebtedness incurred by the Company under the Acquisition Facility and any Indebtedness incurred for such permitted purpose which replaces, extends, renews, refunds or refinances any such Indebtedness, in whole or in part; and up to \$3,000,000 of Indebtedness owing from time to time to the Seller(s) in Asset Acquisition(s), provided that the aggregate principal amount of Indebtedness permitted under this clause (iii) shall not any time exceed \$35,000,000;

Except as otherwise expressly provided herein, the agreement shall be in full force and effect and applicable in all respects to this letter.

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterparts of this letter and return the same to the Company, and upon receipt by the Company of the same from the Requisite Holders, this letter shall become a binding agreement among the Company and the Purchasers.

Very truly yours,

HERITAGE HOLDINGS, INC.

By: /s/ H. Michael Krimbill

H. Michael Krimbill
Vice President and Chief
Financial Officer

HERITAGE OPERATING, L.P.

By Heritage Holdings, Inc.,
General Partner

By: /s/ H. Michael Krimbill

H. Michael Krimbill
Vice President and Chief
Financial Officer

PURCHASERS SCHEDULE

Purchaser / Holder -----	Amount -----
John Hancock Mutual Life Insurance Company	\$13,000,000
John Hancock Mutual Life Insurance Company	8,000,000
John Hancock Variable Life Insurance Company	1,000,000
Mellon Bank, N.A., as Trustee for AT&T Master Pension Trust (Nominee: Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation dated 1/1/84 for Employee Pension Plans - AT&T - John Hancock - Private Placement)	3,000,000
Massachusetts Mutual Life Insurance Company	15,000,000
Principal Mutual Life Insurance Company	15,000,000
New York Life Insurance Company	12,500,000
Teachers Insurance and Annuity Association of America	12,500,000
Keyport Life Insurance Company c/o Stein Roe & Farnham Incorporated	10,000,000
Mony Life Insurance Company of America	3,500,000
The Mutual Life Insurance Company of New York	4,000,000
Pacific Mutual Life Insurance Company	5,500,000
The Lutheran Church-Missouri Synod Foundation	5,000,000
Phoenix Home Life Mutual Insurance Company	5,000,000
General American Life Insurance Company	4,000,000
Wisconsin National Life Insurance Company	3,000,000

The foregoing letter is hereby accepted as of the date first above written.

GENERAL AMERICAN LIFE INSURANCE COMPANY

By: Conning Asset Management

By: /s/ Douglas R. Koester

Name: Douglas R. Koester
Title: Senior Vice President

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

By: /s/ Stephen A. MacLean

Name: Stephen A. MacLean
Title: Vice President - Investments

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By: /s/ Eugene X. Hodge, Jr.

Name: Eugene X. Hodge, Jr.
Title: Investment Officer

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By: /s/ Richard C. Morrison

Name: Richard C. Morrison
Title: Managing Director

Mellon Bank, N.A., solely in its capacity as Trustee for The Long Term Investment Trust, (as directed by John Hancock Mutual Life Insurance Company), and not in its individual capacity

The decision to participate in the investment, any representations made herein by the participant, and any actions taken hereunder by the participant has/have been made solely at the direction of the investment fiduciary who has sole investment discretion with respect to this investment.

By: /s/ Douglas Duerr

Name: Douglas Duerr
Title: Vice President

NEW YORK LIFE INSURANCE COMPANY

By: /s/ David L. Bangs

Name: David L. Bangs
Title: Investment Vice President

PACIFIC MUTUAL LIFE INSURANCE COMPANY

By: /s/ Raymond J. Lee

Name: Raymond J. Lee
Title: Sr. Vice President

By: /s/ Peter S. Fiek

Name: Peter S. Fiek
Title: Assistant Secretary

PHOENIX HOME LIFE MUTUAL INSURANCE
COMPANY

By: /s/ Paul M. Chute

Name: Paul M. Chute
Title: Managing Director

PRINCIPAL MUTUAL LIFE INSURANCE
COMPANY

By: /s/ Dennis D. Ballard

Name: Dennis D. Ballard
Title: Counsel

By: /s/ Christopher J. Henderson

Name: Christopher J. Henderson
Title: Counsel

TEACHERS INSURANCE AND ANNUITY ASSOCIATION
OF AMERICA

By: /s/ John Litchfield

Name: John Litchfield
Title: Director-Private Placements

WISCONSIN NATIONAL LIFE INSURANCE
COMPANY

By: /s/ Richard J. Bielen

Name: Richard J. Bielen
Title: Sr. Vice President

HERITAGE PROPANE PARTNERS, L.P.
RESTRICTED UNIT PLAN

Heritage Holdings, Inc., a Delaware corporation (the "Company"), as General Partner of Heritage Propane Partners, L.P. (the "Partnership"), hereby establishes the Heritage Propane Partners, L.P. Restricted Unit Plan (the "Plan") effective as of the effective date of the initial public offering of Units of the Partnership.

1. Purpose. The purpose of the Plan is to promote the interests of the Company and the Partnership by encouraging key employees of the Company, its Subsidiaries and Affiliates, and the Directors of the Company to acquire or increase their ownership of Units and to provide a means whereby such individuals may develop a sense of proprietorship and personal involvement in the development and financial success of the Partnership, and to encourage them to devote their best efforts to the business of the Partnership, thereby advancing the interests of the Partnership and the Company.

2. Definitions. As used in this Plan:

(a) "Affiliate" means any person that directly or indirectly controls, is controlled by, or is under common control with the person in question. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause a direction of the management and policies of a person whether through ownership of voting securities, by contract or otherwise. When used with reference to any individual, the term "Affiliate" shall also mean any person that is a relative (within the second degree consanguinity) or spouse of such individual or is a guardian of such individual or such spouse or is a trust or estate in which such individual owns a 5% or greater beneficial interest or of which such individual serves as trustee, executor or in any similar capacity.

(b) "Board" means the Board of Directors of the Company.

(c) "Change in Control" means:

1. (i) the date on which James E. Bertelsmeyer and his Affiliates (collectively, the "Bertelsmeyer Group") and the Management Group cease to own (directly or indirectly) more than 10% of either the outstanding shares of common stock or the total combined voting power of all classes of stock of the Company (or its successor) (the "Voting Power"), or (ii) the approval by the stockholders of the Company of a reorganization, sale, merger, or consolidation where immediately thereafter the Bertelsmeyer Group and the Management Group do not own more than 10% of the Voting Power of the Company (or its successor);

2. the sale of all or substantially all of the assets of the Company or the Partnership (other than to the Bertelsmeyer Group and/or the Management Group);

3. a liquidation or dissolution of the Company or the Partnership; and

4. the date the Company (or a Subsidiary) ceases to be the general partner of the Partnership.

(d) "Committee" means the committee appointed to administer the Plan pursuant to Paragraph 10.

(e) "Date of Grant" means (i) with respect to a grant of Phantom Units to an Employee, the date specified by the Committee on which such grant is effective and (ii) with respect to a grant of Phantom Units to a Director, the automatic date of grant as provided in Paragraph 5.

(f) "Director" means a director of the Company who is not also an employee of the Company, a Subsidiary or the Partnership.

(g) "Employee" means any individual who is an employee of the Company, a Subsidiary or the Partnership or an Affiliate of any such entity.

(h) "Management Group" means, as of any date, the executives and management employees of the Company and its Subsidiaries, but disregarding any such person who has not been an employee of the Company or its Subsidiaries for the entire one-year period preceding the applicable date.

(i) "Participant" means an Employee who is selected by the Committee to receive a grant of Phantom Units and shall also include a Director who has received an automatic grant of Phantom Units pursuant to Paragraph 5.

(j) "Partnership" means Heritage Propane Partners L.P.

(k) "Phantom Units" means a notional Unit granted under the Plan, which upon vesting entitles the Participant to receive a Unit.

(l) "Units" means a limited partnership interest in the Partnership represented by Common Units as set forth in the Partnership Agreement and described in the Registration Statement for the securities of the Partnership.

(m) "Rule 16b-3" means Rule 16b-3 of the Securities and Exchange Commission (or any successor rule to the same effect) as in effect from time to time.

(n) "Subsidiary" means any entity in which, at the relevant time the Company or Partnership owns or controls, directly or indirectly, not less than 50% of the total combined voting power represented by all classes of equity interests issued by such entity.

3. Units Available Under Plan. Subject to adjustments as provided in Paragraph 7, the maximum number of Phantom Units that may be granted under this Plan is 146,000; provided, however, any Phantom Units that are forfeited or which expire for any reason will again be available for grant under this Plan. Units to be delivered upon the vesting of Phantom

Units granted under the Plan may be Units acquired by the Company in the open market, Units already owned by the Company, Units acquired by the Company directly from the Partnership, or any other person, or any combination of the foregoing.

4. Employee Grants. The Committee, in its discretion, may from time to time grant Phantom Units to any Employee upon such terms and conditions as it may determine in accordance with the following general guidelines:

(a) Each grant will specify the number of Phantom Units to which it pertains.

(b) Each grant will specify the terms and conditions for the Participant to become vested in such Phantom Units. Unless earlier terminated, the rights to acquire the Phantom Units will vest (i) upon, and in the same proportions as, the conversion of the Partnership's Subordinated Units to Units or (ii) if later, the third anniversary of their Date of Grant. Grants made after the conversion of all of the Partnership's Subordinated Units to Units shall vest on such terms as the Committee may establish, which may include the achievement of performance objectives.

(c) Each grant's vesting to an Employee may be terminated or revoked as to any Employee who voluntarily terminates employment or who enters into competition with the Company or the Partnership after termination of employment.

(d) Each grant will be evidenced by a written notification executed on behalf of the Company by the Chief Executive Officer or the Chairman of the Compensation Committee of the Board and delivered to and accepted by the Participant and shall contain such terms and provisions, consistent with this Plan, as the Committee may approve with respect to such grant, including provisions relating to the earlier vesting of the Phantom Units upon a Change in Control.

(e) Notwithstanding any of the foregoing, Phantom Units shall become fully vested upon any Change of Control.

5. Director Grants. (a) In order that the Committee not exercise any discretion with respect to a Director's grant, each Director who is elected or appointed to the Board for the first time after the Plan's effective date shall automatically receive, on the date of his or her election or appointment, a grant of 2,000 Phantom Units.

(b) Commencing on September 1, 1996, and on each September 1 thereafter that this Plan is in effect, each Director who is in office on such September 1 shall automatically receive a grant of 500 Phantom Units.

(c) Each grant of Phantom Units to a Director will vest upon, and in the same proportions as, (i) the conversion of the Partnership's Subordinated Units into Units or (ii) if later, the third anniversary of their Date of Grant; provided, however, notwithstanding the foregoing, a Director's Phantom Units shall become fully vested upon a Change in Control.

(d) In the event that the number of Phantom Units available for grants under this Plan is insufficient to make all automatic grants provided for in this Paragraph 5 on the applicable date, all Directors who are entitled to receive a grant on such date shall share ratably in the number of Phantom Units then available for grant under this Plan and thereafter shall have no right to receive any additional grants under this Paragraph 5.

(e) Grants made pursuant to this Paragraph 5 shall be subject to all of the terms and conditions of this Plan; however, if there is a conflict between the terms and conditions of this Paragraph 5 and the terms and conditions of any other Paragraph, then the terms and conditions of this Paragraph 5 shall control. The Committee may not exercise any discretion with respect to this Paragraph 5 which would be inconsistent with the intent that this Plan meet the requirements of Rule 16b-3.

6. Transferability. No Phantom Units granted under this Plan shall be transferable by a Participant other than by will or the laws of descent and distribution.

7. Adjustments. In the event that (i) any change is made to the Units deliverable under the Plan or (ii) the Partnership makes any distribution of cash, Units or other property to unitholders which results from the sale or disposition of a major asset or separate operating division of the Partnership or any other extraordinary event and, in the judgment of the Committee, such change or distribution would significantly dilute the value of the Phantom Units to the Participants hereunder, then the Committee may make appropriate adjustments in the maximum number of Phantom Units deliverable under the Plan and may make appropriate adjustments to each outstanding Phantom Unit. The adjustments determined by the Committee shall be final, binding and conclusive.

8. No Fractional Units. The Company will not be required to deliver any fractional Units pursuant to this Plan. The Committee, in its discretion, may provide for the elimination of fractions or for the settlement of fractions in cash.

9. Withholding of Taxes. To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any grant or payment made to a Participant or any other person under this Plan, or is requested by a Participant to withhold additional amounts with respect to such taxes, it will be a condition to the receipt of such payment that the Participant or such other person make arrangements satisfactory to the Company for the payment of balance of the such taxes required or requested to be withheld, which arrangements in the discretion the Committee may include the relinquishment of a portion of each person's vested Phantom Units.

10. Rule 16b-3. It is intended that the Plan and any Phantom Unit grant to a person subject to Section 16 of the Securities and Exchange Act of 1934 meet all of the requirements of Rule 16b-3. If any provision of the Plan or any such grant would disqualify the Plan or such grant under, or would otherwise not comply with, Rule 16b-3, such provision or grant shall be construed or deemed amended to conform to Rule 16b-3.

11. Investment Representation. Unless the Units subject to the Phantom Units granted under the Plan have been registered under the Securities Act of 1933, as amended (the "1933 Act"), and (and, in the case of any Participant who may be deemed an affiliate (for securities law purposes) of the Company or Partnership, such Units have been registered under the 1933 Act for resale by such Participant, (or the Partnership has determined that an exemption from registration is available), the Company may require prior to and as a condition of the delivery of any Units that the person vesting under a Phantom Unit hereunder furnish the Company with a written representation in a form prescribed by the Committee to the effect that such person is acquiring said Units solely with a view to investment for his or her own account and not with a view to the resale or distribution of all or any part thereof, and that such person will not dispose of any of such Units otherwise than in accordance with the provisions of Rule 144 under the 1933 Act unless and until either the Units are registered under the 1933 Act or the Company is satisfied that an exemption from such registration is available. The Company will use its best efforts to file a registration statement for the Units awarded under the Plan.

12. Compliance with Securities Laws. Notwithstanding anything herein or in any other agreement to the contrary, the Partnership shall not be obligated to sell or issue any Units to the Company under the Plan unless and until the Partnership is satisfied that such sale or issuance complies with (i) all applicable requirements of the securities exchange on which the Units are traded (or the governing body of the principal market in which such Units are traded, if such Units are not then listed on an exchange), (ii) all applicable provisions of the 1933 Act, and (iii) all other laws or regulations by which the Partnership is bound or to which the Partnership is subject. The Company acknowledges that, as the general partner of the Partnership, it is an affiliate of the Partnership under securities laws and it shall comply with such laws and obligations of the Partnership relating thereto as if they were directly applicable to the Company.

13. Administration of the Plan. (a) This Plan will be administered by a Committee, which at all times will consist entirely of not less than three directors appointed by the Board, each of whom will be a "disinterested person" within the meaning of Rule 16b-3. A majority of the Committee will constitute a quorum, and the action of the members the Committee present at any meeting at which a quorum is present, or acts unanimously approved in writing, will be the acts of the Committee.

(b) Subject to the terms of the Plan and applicable law, the Committee shall have the sole power, authority and discretion to: (i) designate the Employees who are to be participants; (ii) determine the number of Phantom Units to be granted to an Employee; (iii) determine the terms and conditions of any grant of Phantom Units to an Employee; (iv) interpret, construe and administer the Plan and any instrument or agreement relating to Phantom Units granted under the Plan; (v) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (vi) make a determination as to the right of any person to receive payment of (or with respect to) Phantom Units; and (vii) make any other determinations and take any other actions that the Committee deems necessary or desirable for the administration of the Plan.

(c) The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Phantom Unit grant in the manner and to the extent it shall deem desirable in the establishment or administration of the Plan.

14. Amendments, Termination, Etc. (a) This Plan may be amended from time to time by the Board; provided, however, during the Subordination Period (the time prior to conversion of the Partnership's Subordinated Units into Units), no amendment will be made without the approval of a majority of the Unitholders that would (i) increase the total number of Units available for grants under the Plan; (ii) change the class of individuals eligible to receive grants; (iii) extend the maximum period during which Phantom Units may be granted under the Plan; (iv) materially increase the cost of the Plan to the Partnership; or (v) result in this Plan no longer satisfying the requirements of Rule 16b-3. Further, the provisions of Paragraph 5 may not be amended more than once every six months other than to comport with changes in the Internal Revenue Code, the Employee Retirement Income Security Act of 1974, as amended, or the rule thereunder.

(b) This Plan will not confer upon any Participant any right with respect to continuance of employment or other service with the Company, any Subsidiary or Affiliate or the Partnership, nor will it interfere in any way with any right to Company, Subsidiary, any Affiliate or the Partnership would otherwise have to terminate such Participant's employment or other service at any time.

(c) No grants may be made under the Plan following the 10th anniversary of its effective date; however, the Board in its discretion may terminate the Plan at any earlier time with respect to any Units for which a grant has not theretofore been made.

15. Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with applicable Federal law, and to the extent not preempted thereby, with the laws of the State of Delaware.

16. Replacement. This Plan is a restatement and replacement of the Heritage Holdings, Inc. Restricted Unit Plan which is hereby replaced in its entirety as approved on the 17th day of October, 1996, but effective as of the date specified in the initial paragraph of this Plan.

6-MOS	3-MOS	3-MOS
AUG-31-1997		AUG-31-1997
SEP-01-1996		DEC-01-1996
FEB-28-1997		FEB-28-1997
	2,614	2,614
	0	0
	25,480	25,480
	315	315
	6,493	6,493
	36,428	36,428
	134,011	134,011
	23,746	23,746
	199,441	199,441
30,955		30,955
	133,575	133,575
0		0
	0	0
	0	0
	0	0
199,441	199,441	199,441
	134,928	84,285
134,928		84,285
	89,066	54,584
	118,512	70,548
	(796)	(579)
	0	0
(5,950)		3,008
11,634		11,575
	20	20
11,192		11,288
	0	0
	0	0
	0	0
	11,192	11,288
	1.39	1.40
	0	0