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

FORM 10-Q

(Mark One)
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004

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 1-31219

SUNOCO LOGISTICS PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

23-3096839
(IRS Employer
Identification No.)

Ten Penn Center
1801 Market Street
Philadelphia, PA
(Address of principal executive offices)

19103-1699
(Zip-Code)

(215) 977-3000
(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 No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES NO

At April 30, 2004, the number of the registrant's Common Units outstanding were 12,605,095, and its Subordinated Units outstanding were 11,383,639.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(in thousands, except unit and per unit amounts)

	Three Months Ended March 31,	
	2004	2003
Revenues		
Sales and other operating revenue:		
Affiliates	\$ 365,113	\$ 354,072
Unaffiliated customers	379,794	361,947
Other income	3,169	3,625
Total Revenues	748,076	719,644
Costs and Expenses		
Cost of products sold and operating expenses	710,692	679,027
Depreciation and amortization	6,909	6,529
Selling, general and administrative expenses	12,059	11,647
Total Costs and Expenses	729,660	697,203
Operating Income	18,416	22,441
Net interest cost paid to/(received from) affiliates	104	(259)
Other interest cost and debt expense, net	4,671	5,089
Capitalized interest	—	(232)
Net Income	\$ 13,641	\$ 17,843
Calculation of Limited Partners' interest in Net Income:		
Net Income	\$ 13,641	\$ 17,843
Less: General Partner's interest in Net Income	(519)	(357)
Limited Partners' interest in Net Income	\$ 13,122	\$ 17,486
Net Income per Limited Partner unit:		
Basic	\$ 0.58	\$ 0.77
Diluted	\$ 0.57	\$ 0.77
Weighted average Limited Partners' units outstanding:		
Basic	22,771,793	22,771,793
Diluted	22,975,315	22,856,902

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands)

	March 31, 2004	December 31, 2003
Assets		
Current Assets		
Cash and cash equivalents	\$ 29,202	\$ 50,081
Advances to affiliates (Note 2)	908	7,288
Accounts receivable, affiliated companies (Note 2)	91,670	116,936
Accounts receivable, net	416,256	302,235
Inventories:		
Crude oil	27,458	26,543
Materials, supplies and other	697	725
Total Current Assets	566,191	503,808
Properties, plants and equipment	1,029,330	1,005,745
Less accumulated depreciation and amortization	(429,329)	(422,581)
Properties, plants and equipment, net	600,001	583,164
Investment in affiliates (Note 5)	70,860	70,490
Deferred charges and other assets	26,734	23,544
Total Assets	\$ 1,263,786	\$ 1,181,006
Liabilities and Partners' Capital		
Current Liabilities		
Accounts payable	\$ 533,569	\$ 426,863
Accrued liabilities	19,921	27,824
Current portion of long-term debt (Note 6)	64,500	—
Accrued taxes other than income	8,896	11,312
Total Current Liabilities	626,886	465,999
Long-term debt (Note 6)	248,678	313,136
Other deferred credits and liabilities	882	1,000
Commitments and contingent liabilities (Note 7)		
Total Liabilities	876,446	780,135
Partners' Capital:		
Limited partners' interest	381,516	394,592
General partner's interest	5,824	6,279
Total Partners' Capital	387,340	400,871
Total Liabilities and Partners' Capital	\$ 1,263,786	\$ 1,181,006

(See Accompanying Notes)

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SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2004	2003
Cash Flows from Operating Activities:		
Net Income	\$ 13,641	\$ 17,843
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,909	6,529
Changes in working capital pertaining to operating activities:		
Accounts receivable, affiliated companies	25,266	(3,486)
Accounts receivable, net	(114,021)	(129,353)
Inventories	(887)	(5,082)
Accounts payable and accrued liabilities	84,588	127,306
Accrued taxes other than income	(2,416)	(1,495)
Other	(3,797)	2,172
Net cash provided by operating activities	9,283	14,434
Cash Flows from Investing Activities:		
Capital expenditures	(3,585)	(6,701)
Net cash paid for acquisition	(20,000)	—
Net cash used in investing activities	(23,585)	(6,701)
Cash Flows from Financing Activities:		
Distributions paid to unitholders and general partner	(12,957)	(11,328)
Advances to affiliates, net	6,380	10,001
Repayments of long-term debt	—	(101)
Net cash used in financing activities	(6,577)	(1,428)
Net change in cash and cash equivalents	(20,879)	6,305
Cash and cash equivalents at beginning of year	50,081	33,840
Cash and cash equivalents at end of period	\$ 29,202	\$ 40,145

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

Sunoco Logistics Partners L.P. (the "Partnership") is a Delaware limited partnership formed by Sunoco, Inc. ("Sunoco") in October 2001 to acquire, own, and operate a substantial portion of Sunoco, Inc.'s logistics business, consisting of refined product pipelines, terminalling and storage assets, crude oil pipelines, and crude oil acquisition and marketing assets located in the Northeast, Midwest and South Central United States. On February 8, 2002, Sunoco contributed these assets to the Partnership in connection with the Partnership's initial public offering ("IPO").

The consolidated financial statements reflect the results of Sunoco Logistics Partners L.P. and its wholly-owned partnerships, including Sunoco Logistics Partners Operations L.P. (the "Operating Partnership"). Equity ownership interests in corporate joint ventures, which are not consolidated, are accounted for under the equity method.

The accompanying condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and accounting principles generally accepted in the United States for interim financial reporting. They do not include all disclosures normally made in financial statements contained in Form 10-K. In management's opinion, all adjustments necessary for a fair presentation of the results of operations, financial position and cash flows for the periods shown have been made. All such adjustments are of a normal recurring nature. Results for the three months ended March 31, 2004 are not necessarily indicative of results for the full year 2004. Certain previously reported amounts have been reclassified to conform to the 2004 presentation.

2. Related Party Transactions

Advances to Affiliate

The Partnership has a treasury services agreement with Sunoco pursuant to which it, among other things, participates in Sunoco's centralized cash management program. Under this program, all of the Partnership's cash receipts and cash disbursements are processed, together with those of Sunoco and its other subsidiaries, through Sunoco's cash accounts with a corresponding credit or charge to an intercompany account. The intercompany balances are settled periodically, but no less frequently than monthly. Amounts due from Sunoco earn interest at a rate equal to the average rate of the Partnership's third-party money market investments, while amounts due to Sunoco bear interest at a rate equal to the interest rate provided in the Partnership's revolving credit facility (see Note 6).

Selling, general and administrative expenses in the condensed consolidated statements of income include costs incurred by Sunoco for the provision of certain centralized corporate functions such as legal, accounting, treasury, engineering, information technology, insurance and other corporate services. These services are provided to the Partnership under an omnibus agreement ("Omnibus Agreement") with Sunoco for an annual administrative fee, which may be increased annually by the lesser of 2.5

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percent or the consumer price index for the applicable year. The fee for the annual period ending December 31, 2004 is \$8.5 million. These costs may also increase if the Partnership consummates an acquisition or constructs additional assets that require an increase in the level of general and administrative services received by the Partnership from the general partner or Sunoco. This fee does not include the costs of shared insurance programs, which are allocated to the Partnership based upon its share of the premiums incurred. This fee also does not include salaries of pipeline and terminal personnel or other employees of the general partner, including senior executives, or the cost of their employee benefits. The Partnership is reimbursing Sunoco for these costs and other direct expenses incurred on its behalf.

Allocated Sunoco employee benefit plan expenses for employees who work in the pipeline, terminalling, storage and crude oil gathering operations, including senior executives, include non-contributory defined benefit retirement plans, defined contribution 401(k) plans, employee and retiree medical, dental and life insurance plans, incentive compensation plans, and other such benefits. These expenses are reflected in cost of products sold and operating expenses and selling, general and administrative expenses in the condensed consolidated statements of income. These employees, including senior executives, are employees of the Partnership's general partner or its affiliates, which are wholly-owned subsidiaries of Sunoco. The Partnership has no employees.

Accounts Receivable, Affiliated Companies

Affiliated revenues in the condensed consolidated statements of income consist of sales of crude oil as well as the provision of crude oil and refined product pipeline transportation, terminalling and storage services to Sunoco, Inc. (R&M) ("Sunoco R&M"). Sales of crude oil are computed using the formula-based pricing mechanism of a supply agreement with Sunoco R&M. Management of the Partnership believes these terms in the aggregate to be comparable to those that could be negotiated with an unrelated third party. Pipeline revenues are generally determined using posted tariffs. The Partnership has throughput agreements with Sunoco R&M under which the Partnership is charging Sunoco R&M fees for services provided under these agreements comparable to those charged in arm's-length, third-party transactions. Under these agreements, Sunoco R&M has agreed to pay the Partnership a minimum level of revenues for transporting and terminalling refined products and crude oil for the period specified in the agreements.

Under other agreements between the parties, Sunoco R&M is, among other things, purchasing from the Partnership, at market-based rates, particular grades of crude oil that the Partnership's crude oil acquisition and marketing business purchases for delivery to certain pipelines. These agreements automatically renew on a monthly basis unless terminated by either party on 30 days written notice. Sunoco R&M also leases the Partnership's 58 miles of interrefinery pipelines between Sunoco R&M's Philadelphia and Marcus Hook refineries for a term of 20 years, ending in 2022.

Asset Acquisition

On March 30, 2004 the Partnership acquired the Eagle Point refinery logistics assets from Sunoco, Inc. for \$20 million (see Note 8). In connection with the acquisition, the Partnership entered into a throughput agreement with Sunoco R&M under which the Partnership is charging Sunoco R&M fees for services provided under this agreement comparable to those charged in arm's length, third-party transactions. Sunoco R&M has also agreed to minimum volumes on the truck rack included within the assets acquired.

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3. Changes in Accounting Principles

In January 2003, Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FASB Interpretation No. 46"), was issued. Among other things, FASB Interpretation No. 46 defines a variable interest entity ("VIE") as an entity that either has investor voting rights that are not proportional to their economic interests or has equity investors that do not provide sufficient financial resources for the entity to support its activities. FASB Interpretation No. 46 requires a VIE to be consolidated by an entity if that entity is the primary beneficiary. The primary beneficiary is the entity that is subject to a majority of the risk of loss from the VIE's activities or, if no entity is subject to a majority of such risk, the entity that is entitled to receive a majority of the VIE's residual returns. As the Partnership has no VIE's, this change had no impact on the Partnership's financial statements during the first quarter of 2004.

4. Net Income Per Unit Data

The computation of basic net income per limited partner unit is calculated by dividing net income, after the deduction of the general partner's interest in net income, by the weighted-average number of common and subordinated units outstanding during the period. The general partner's interest in net income is calculated on a quarterly basis, based upon its percentage interest in the quarterly distribution declared. The general partner's interest in quarterly distributions consists of its 2.0 percent general interest and "incentive distributions", which are increasing percentages of quarterly cash distributions it will receive in excess of \$0.50 per limited partner unit (see Note 9). The general partner was allocated net income of \$0.5 million (representing 3.8 percent of the total net income for the period) for the three months ended March 31, 2004 and \$0.4 million (representing 2.0 percent of total net income for the period) for the three months ended March 31, 2003. Diluted net income per limited partner unit is calculated by dividing net income applicable to limited partners' by the sum of the weighted-average number of common and subordinated units outstanding and the dilutive effect of incentive unit awards, as calculated by the treasury stock method.

The following table sets forth the reconciliation of the weighted average number of limited partner units used to compute basic net income per limited partner unit to those used to compute diluted net income per limited partner unit for the three months ended March 31, 2004 and 2003:

	Three Months Ended March 31,	
	2004	2003
Weighted average number of limited partner units outstanding – basic	22,771,793	22,771,793
Add effect of dilutive unit incentive awards	203,522	85,109
Weighted average number of limited partner units – diluted	22,975,315	22,856,902

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5. Investment in Affiliates

The Partnership's ownership percentages in corporate joint ventures as of March 31, 2004 and December 31, 2003 are as follows:

	Equity Ownership Percentage
Explorer Pipeline Company	9.4%
Wolverine Pipe Line Company	31.5%
West Shore Pipe Line Company	12.3%
Yellowstone Pipe Line Company	14.0%
West Texas Gulf Pipe Line Company	43.8%

The following table provides summarized combined statement of income data on a 100 percent basis for the Partnership's corporate joint venture interests for the three months ended March 31, 2004 and 2003 (in thousands of dollars):

	Three Months Ended March 31,	
	2004	2003
Income Statement Data:		
Total revenues	\$82,424	\$72,724
Net income	\$23,399	\$22,135

The following table provides summarized combined balance sheet data on a 100 percent basis for the Partnership's corporate joint venture interests as of March 31, 2004 and December 31, 2003 (in thousands of dollars):

	March 31, 2004	December 31, 2003
	Balance Sheet Data:	
Current assets	\$ 95,900	\$ 90,291
Non-current assets	472,934	477,467
Current liabilities	59,332	87,199
Non-current liabilities	448,706	423,763
Net equity	60,796	56,796

The Partnership's investments in Wolverine, West Shore, Yellowstone, and West Texas Gulf at March 31, 2004 include an excess investment amount of approximately \$56.6 million, net of accumulated amortization of \$0.8 million. The excess investment is the difference between the investment balance and the Partnership's proportionate share of the net assets of the entities. The excess investment was allocated to the underlying tangible and intangible assets. Other than land and indefinite-lived intangible assets, all amounts allocated, principally to pipeline and related assets, are amortized using the straight-line method over their estimated useful life of 40 years and included within depreciation and amortization in the condensed consolidated statements of income.

The Partnership has a 33.3 percent undivided ownership interest in, and operates, the Harbor pipeline, which is an 80-mile refined product pipeline extending from Woodbury, New Jersey to Linden, New Jersey. Each of the owners are entitled to ship refined product through the pipeline up to their ownership interest percentage of the pipeline's capacity. Revenues generated by these shipments are recognized within the accounting records of the pipeline's interest owner. The cost of operating the pipeline is allocated to the owners of the pipeline's interests based primarily upon their ownership percentage. Sales and other operating revenue generated by shipments through the pipeline and the operating costs and expenses allocated to the Partnership from the Harbor pipeline have been included within the condensed consolidated statements of income for the periods presented. Subsequent to March 31, 2004, the Partnership notified El Paso Corporation of its intent to acquire El Paso's 33.3 percent ownership interest in the Harbor Pipeline for \$7.3 million, subject to a right of first refusal ("ROFR") in favor of the Partnership and a third party which owns the remaining 33.3 percent interest. Should the third party also exercise its ROFR, the Partnership will be entitled to acquire one-half of El Paso's 33.3 percent interest for \$3.65 million (see Note 11).

6. Long-Term Debt

The components of long-term debt (including current portion) are as follows (in thousands of dollars):

	March 31, 2004	December 31, 2003
Credit Facility	\$ 64,500	\$ 64,500
Senior Notes	250,000	250,000
Less unamortized bond discount	(1,322)	(1,364)
	<u>313,178</u>	<u>313,136</u>
Less current portion	(64,500)	—
	<u>\$248,678</u>	<u>\$ 313,136</u>

The Credit Facility (the "Credit Facility"), which currently has an aggregate committed sum of \$250 million and matures January 31, 2005, is available to fund the Operating Partnership's working capital requirements, to finance future acquisitions and for general partnership purposes. It may also be used to fund the quarterly distribution to a maximum of \$20.0 million. Borrowings under this distribution sublimit must be reduced to zero each year for a 15-day period. The Credit Facility bears interest at the Operating Partnership's option, at either (i) LIBOR plus an applicable margin or (ii) the higher of the federal funds rate plus 0.50 percent or the Bank of America prime rate (each plus the applicable margin). The interest rate on the outstanding borrowings at March 31, 2004 was 1.8 percent. The Credit Facility may be prepaid at any time. The Credit Facility contains various covenants limiting the Operating Partnership's ability to incur indebtedness; grant certain liens; make certain loans, acquisitions and investments; make any material change to the nature of its business; acquire another company; or enter into a merger or sale of assets, including the sale or transfer of operating partnerships interests in the operating partnerships. The Credit Facility also contains covenants requiring the Operating Partnership to maintain, on a rolling four-quarter basis, a maximum total debt to EBITDA ratio (each as defined in the credit agreement) of 4.0 to 1 and an interest coverage ratio (as defined in the credit agreement) of at least 3.5 to 1. The Operating Partnership is in compliance with these covenants as of March 31, 2004. The Partnership's ratio of total debt to EBITDA was 2.8 to 1 and the interest coverage ratio was 5.4 to 1 at March 31, 2004.

The Senior Notes are at 7.25 percent, due February 15, 2012, and were issued by the Operating Partnership at a discount of 99.325 percent of the principal amount. The discount is amortized on a straight-line basis over the term of the Senior Notes and is included within interest expense in the condensed consolidated statements of income. The Senior Notes are redeemable, at a make-whole premium, and are not subject to sinking fund provisions. The Senior Notes contain various covenants limiting the Operating Partnership's ability to incur certain liens, engage in sale/leaseback transactions, or merge, consolidate or sell substantially all of its assets. The Operating Partnership is in compliance with these covenants as of March 31, 2004. In addition, the Senior Notes are also subject to repurchase by the Operating Partnership at a price equal to 100 percent of their principal amount, plus accrued and unpaid interest upon a change of control to a non-investment grade entity.

The Partnership and the operating partnerships serve as joint and several guarantors of the Senior Notes and of any obligations under the Credit Facility. The guarantees are full and unconditional.

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The Partnership has no operations and its only assets are investments in its wholly-owned partnerships. The Operating Partnership also has no operations and its assets are limited primarily to investments in its wholly-owned operating partnerships, deferred charges, and cash and cash equivalents of \$29.2 million. Except for amounts associated with the Senior Notes, the Credit Facility, cash and cash equivalents and advances to affiliate, the assets and liabilities in the condensed consolidated balance sheets and the revenues and costs and expenses in the condensed consolidated statements of income are primarily attributable to the operating partnerships.

7. Commitments and Contingent Liabilities

The Partnership participates in an agreement along with the other owners of Wolverine to guarantee certain outstanding debt instruments of Wolverine based upon ownership percentage. Based upon outstanding indebtedness of these instruments of approximately \$5.6 million at March 31, 2004, the approximate amount of the Partnership's guarantee is \$1.8 million.

The Partnership is subject to numerous federal, state and local laws which regulate the discharge of materials into the environment or that otherwise relate to the protection of the environment. These laws and regulations result in liabilities and loss contingencies for remediation at the Partnership's facilities and at third-party or formerly owned sites. The accrued liability for environmental remediation in the condensed consolidated balance sheets at March 31, 2004 and December 31, 2003 was \$0.4 million and \$0.5 million, respectively. These liabilities do not include any amounts attributable to unasserted claims, nor have any recoveries from insurance been assumed.

Total future costs for environmental remediation activities will depend upon, among other things, the identification of any additional sites, the determination of the extent of any contamination at each site, the timing and nature of required remedial actions, the technology available and needed to meet the various existing legal requirements, the nature and extent of future environmental laws, inflation rates and the determination of the Partnership's liability at multi-party sites, if any, in light of uncertainties with respect to joint and several liability, and the number, participation levels and financial viability of other parties. As discussed below, the Partnership's future costs will also be impacted by an indemnification from Sunoco.

Sunoco has indemnified the Partnership for 30 years from environmental and toxic tort liabilities related to the assets contributed to the Partnership that arise from the operation of such assets prior to the closing of the Partnership's February 2002 IPO. Sunoco has indemnified the Partnership for 100 percent of all losses asserted within the first 21 years of closing of the February 2002 IPO. Sunoco's share of liability for claims asserted thereafter will decrease by 10 percent a year. For example, for a claim asserted during the twenty-third year after closing of the February 2002 IPO, Sunoco would be required to indemnify the Partnership for 80 percent of its loss. There is no monetary cap on the amount of indemnity coverage provided by Sunoco. The Partnership has agreed to indemnify Sunoco and its affiliates for events and conditions associated with the operation of the Partnership's assets that occur on or after the closing of the February 2002 IPO and for environmental and toxic tort liabilities to the extent Sunoco is not required to indemnify the Partnership.

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Sunoco has also indemnified the Partnership for liabilities, other than environmental and toxic tort liabilities related to the assets contributed to the Partnership, that arise out of Sunoco's ownership and operation of the assets prior to the closing of the February 2002 IPO and that are asserted within 10 years after closing of the February 2002 IPO. In addition, Sunoco has indemnified the Partnership from liabilities relating to certain defects in title to the assets contributed to the Partnership and associated with failure to obtain certain consents and permits necessary to conduct its business that arise within 10 years after closing of the February 2002 IPO as well as from liabilities relating to legal actions currently pending against Sunoco or its affiliates and events and conditions associated with any assets retained by Sunoco or its affiliates.

Management of the Partnership does not believe that any liabilities which may arise from claims indemnified by Sunoco would be material in relation to the financial position of the Partnership at March 31, 2004.

There are certain other pending legal proceedings related to matters arising after the February 2002 IPO that are not indemnified by Sunoco. Management believes that any liabilities that may arise from these legal proceedings will not be material in relation to the financial position of the Partnership at March 31, 2004.

8. Acquisitions

On March 30, 2004, the Partnership acquired the Eagle Point refinery logistics assets from Sunoco, Inc. for \$20 million. The Eagle Point logistics assets consist of crude and refined product ship and barge docks, a refined product truck rack, and a 4.5 mile, refined product pipeline from the Eagle Point refinery to the origin of the Harbor pipeline. In connection with the acquisition, the Partnership entered into a throughput agreement with Sunoco R&M whereby they have agreed to minimum volumes on the truck rack. The purchase price was funded initially through cash on hand. A portion of the proceeds of the April 7, 2004 sale of common units was subsequently utilized to replenish cash used to fund this acquisition (see Note 11). The purchase price was allocated on a preliminary basis to property, plant and equipment. The ship and barge docks and the truck rack have been included within the Terminal Facilities business segment, while the pipeline has been included within the Eastern Pipeline System. The results of the acquisition are included in the consolidated financial statements from the date of acquisition.

On September 30, 2003, the Partnership acquired an additional 3.1 percent interest in West Shore Pipe Line Company, a Midwestern United States products pipeline company, for \$3.7 million. The acquisition of this additional interest raised the Partnership's overall ownership percentage in West Shore from 9.2 percent to 12.3 percent. The results from the additional interest are included within the Eastern Pipeline System business segment in the consolidated financial statements from the date of acquisition.

Subsequent to March 31, 2004, the Partnership acquired two refined product terminals located in Baltimore, Maryland and Manassas, Virginia (see Note 11).

Subsequent to March 31, 2004, the Partnership notified El Paso Corporation of its intent to acquire El Paso's 33.3 percent ownership interest in the Harbor pipeline for \$7.3 million, subject to a right of first refusal ("ROFR") in favor of the Partnership and a third party which owns the remaining 33.3 percent interest. Should the third party also exercise its ROFR, the Partnership will be entitled to acquire one-half of El Paso's 33.3 percent interest for \$3.65 million (see Note 11).

9. Cash Distributions

The Partnership distributes all cash on hand within 45 days after the end of each quarter, less reserves established by the general partner in its discretion. This is defined as "available cash" in the partnership

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agreement. The general partner has broad discretion to establish cash reserves that it determines are necessary or appropriate to properly conduct the Partnership's business. The Partnership will make quarterly distributions to the extent there is sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to the general partner.

The Partnership has 11,383,639 subordinated units issued, all of which are held by the general partner and for which there is no established public trading market. During the subordination period the Partnership will pay cash distributions each quarter in the following manner:

- First, 98 percent to the holders of common units and 2 percent to the general partner, until each common unit has received a minimum quarterly distribution of \$0.45, plus any arrearages from prior quarters;
- Second, 98 percent to the holders of subordinated units and 2 percent to the general partner, until each subordinated unit has received a minimum quarterly distribution of \$0.45; and
- Thereafter, in the manner described in the table below.

The subordination period is generally defined as the period that ends on the first day of any quarter beginning after December 31, 2006 if (1) the Partnership has distributed at least the minimum quarterly distribution on all outstanding units with respect to each of the immediately preceding three consecutive, non-overlapping four quarter periods; and (2) the adjusted operating surplus, as defined in the partnership agreement, during such periods equals or exceeds the amount that would have been sufficient to enable the Partnership to distribute the minimum quarterly distribution on all outstanding units on a fully diluted basis and the related distribution on the 2 percent general partner interest during those periods. The Partnership has met the minimum quarterly distribution requirements on all outstanding units for each quarter since its February 2002 IPO. In addition, one-quarter of the subordinated units may convert to common units on a one-for-one basis after December 31, 2004, and one-quarter of the subordinated units may convert to common units on a one-for-one basis after December 31, 2005, if the Partnership meets the tests set forth in the partnership agreement. If the subordination period ends, the rights of the holders of subordinated units will no longer be subordinated to the rights of the holders of common units and the subordinated units may be converted into common units.

After the subordination period, the Partnership will pay cash distributions each quarter in the following manner:

- First, 98 percent to all unitholders, pro rata, and 2 percent to the general partner, until the Partnership distributes for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and
- Thereafter, as described in the paragraph and table below.

As presented in the table below, if cash distributions exceed \$0.50 per unit in a quarter, the general partner will receive increasing percentages of the cash distributed in excess of that amount. These distributions are referred to as "incentive distributions". The amounts

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shown in the table below are the percentage interests of the general partner and the unitholders in any available cash from operating surplus that is distributed up to and including the corresponding amount in the column "Quarterly Cash Distribution per Unit", until the available cash that is distributed reaches the next target distribution level, if any. The percentage interests shown for the unitholders and the general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution.

<u>Quarterly Cash Distribution per Unit</u>	<u>Unitholders</u>	<u>General Partner</u>
Up to minimum quarterly distribution (\$0.45 per Unit)	98%	2%
Above \$0.45 per Unit up to \$0.50 per Unit	98%	2%
Above \$0.50 per Unit up to \$0.575 per Unit	85%	15%
Above \$0.575 per Unit up to \$0.70 per Unit	75%	25%
Above \$0.70 per Unit	50%	50%

There is no guarantee that the Partnership will pay the minimum quarterly distribution on the common units in any quarter, and the Partnership will be prohibited from making any distributions to unitholders if it would cause an event of default, or if an event of default is existing, under the Credit Facility or the Senior Notes.

Distributions paid by the Partnership for the period from January 1, 2003 through March 31, 2004 were as follows:

<u>Date Cash Distribution Paid</u>	<u>Cash Distribution per Limited Partner unit</u>	<u>Total Cash Distribution to Limited Partners</u>	<u>Total Cash Distribution to the General Partner</u>
		(\$ in millions)	(\$ in millions)
February 13, 2004	\$ 0.55	\$ 12.5	\$ 0.4
November 14, 2003	\$ 0.5125	\$ 11.7	\$ 0.3
August 14, 2003	\$ 0.50	\$ 11.4	\$ 0.2
May 15, 2003	\$ 0.4875	\$ 11.1	\$ 0.2
February 14, 2003	\$ 0.4875	\$ 11.1	\$ 0.2

On March 29, 2004 the Partnership declared a cash distribution of \$0.57 per unit on its outstanding common and subordinated units representing the distribution for the quarter ended March 31, 2004. The \$14.2 million distribution, including \$0.5 million to the general partner, will be paid on May 14, 2004 to unitholders of record at the close of business on April 30, 2004. This amount has been recorded within accounts payable and Partners' Capital in the March 31, 2004 condensed consolidated balance sheet.

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10. Business Segment Information

The following table sets forth condensed statement of income information concerning the Partnership's business segments and reconciles total segment operating income to net income for the three months ended March 31, 2004 and 2003, respectively (in thousands of dollars):

	Three Months Ended March 31,	
	2004	2003
Segment Operating Income		
Eastern Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 16,825	\$ 17,511
Unaffiliated customers	5,899	5,995
Other income	2,480	2,661
Total Revenues	25,204	26,167
Operating expenses	9,964	9,441
Depreciation and amortization	2,700	2,468
Selling, general and administrative expenses	4,569	4,565
Total Costs and Expenses	17,233	16,474
Operating Income	\$ 7,971	\$ 9,693
Terminal Facilities:		
Sales and other operating revenue:		
Affiliates	\$ 15,892	\$ 14,489
Unaffiliated customers	7,478	7,605
Other income	—	7
Total Revenues	23,370	22,101
Operating expenses	9,606	8,905
Depreciation and amortization	2,823	2,737
Selling, general and administrative expenses	3,129	3,059
Total Costs and Expenses	15,558	14,701
Operating Income	\$ 7,812	\$ 7,400
Western Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 332,396	\$ 322,072
Unaffiliated customers	366,417	348,347
Other income	689	957
Total Revenues	699,502	671,376
Cost of products sold and operating expenses	691,122	660,681
Depreciation and amortization	1,386	1,324
Selling, general and administrative expenses	4,361	4,023
Total Costs and Expenses	696,869	666,028
Operating Income	\$ 2,633	\$ 5,348
Reconciliation of Segment Operating Income to Net Income:		
Operating Income:		
Eastern Pipeline System	\$ 7,971	\$ 9,693
Terminal Facilities	7,812	7,400
Western Pipeline System	2,633	5,348
Total segment operating income	18,416	22,441
Net interest expense	4,775	4,598
Net Income	\$ 13,641	\$ 17,843

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The following table provides the identifiable assets for each segment as of March 31, 2004 and December 31, 2003 (in thousands):

	March 31, 2004	December 31, 2003
Eastern Pipeline System	\$ 322,400	\$ 324,037
Terminal Facilities	239,403	218,048
Western Pipeline System	665,897	575,906
Corporate and other	36,086	63,015
Total identifiable assets	\$ 1,263,786	\$ 1,181,006

Corporate and other assets consist primarily of cash and cash equivalents, advances to affiliates and deferred charges.

11. Subsequent Events

On April 7, 2004, the Partnership sold 3.4 million common units in a public offering for total gross proceeds of \$135.1 million. The units were issued under the Partnership's previously filed Form S-3 shelf registration statement. The sale of the units resulted in net proceeds of \$129.1 million, after underwriters' commissions and legal, accounting, and other transaction expenses of \$6.0 million. The Partnership also received \$1.0 million from its general partner as a capital contribution to maintain its 2 percent general partner interest. Net proceeds from the sale were used to (a) redeem approximately 2.2 million common units from Sunoco for \$83.1 million, (b) replenish cash utilized to acquire the Eagle Point logistics assets for \$20.0 million, (c) finance the acquisition of the two refined product terminals from ConocoPhillips for \$12.0 million, (d) finance the anticipated acquisition of the additional interest in the Harbor pipeline, and (e) for general partnership purposes, including to replenish cash used for past acquisitions and capital improvements, and for other expansion, capital improvements or acquisition projects. As a result of the redemption of its units, Sunoco's ownership interest in the Partnership decreased from 75.3 percent to 62.6 percent, including its 2 percent general partner interest.

On April 28, 2004, the Partnership closed on the acquisition of two refined product terminals located in Baltimore, Maryland and Manassas, Virginia for \$12 million from ConocoPhillips Company. In connection with this acquisition, the Partnership entered into throughput agreements with ConocoPhillips and Sunoco R&M which provide for minimum throughputs at these terminals.

In connection with its acquisition of the Eagle Point refinery from El Paso Corporation, Sunoco also agreed to acquire El Paso's 33.3 percent interest in the Harbor pipeline for \$7.3 million. The Harbor pipeline is an 80-mile refined product pipeline extending from Woodbury, New Jersey to Linden, New Jersey. The Partnership currently owns a 33.3 percent interest in, and operates, this pipeline. The purchase by Sunoco is subject to a 60-day right of first refusal ("ROFR") period in favor of the Partnership and a third party which began on April 12, 2004. On April 21, 2004, the Partnership notified El Paso of its intent to acquire El Paso's 33.3 percent ownership interest in the Harbor pipeline for \$7.3 million. Should the third party also exercise its ROFR, the Partnership will be entitled to acquire one-half of El Paso's 33.3 percent interest for \$3.65 million.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations – Three Months Ended March 31, 2004 and 2003

Sunoco Logistics Partners L.P.
Operating Highlights
Three Months Ended March 31, 2004 and 2003

	Three Months Ended March 31,	
	2004	2003
Eastern Pipeline System:⁽¹⁾		
Total shipments (barrel miles per day) ⁽²⁾	54,870,422	54,696,530
Revenue per barrel mile (cents)	0.455	0.478
Terminal Facilities:		
Terminal throughput (bpd):		
Nederland terminal	490,308	392,622
Other terminals ⁽³⁾	772,308	765,389
Western Pipeline System:⁽¹⁾		
Crude oil pipeline throughput (bpd)	298,516	310,620
Crude oil purchases at wellhead (bpd)	188,684	199,693
Gross margin per barrel of pipeline throughput (cents) ⁽⁴⁾	23.2	30.1

(1) Excludes amounts attributable to equity ownership interests in the corporate joint ventures.

(2) Represents total average daily pipeline throughput multiplied by the number of miles of pipeline through which each barrel has been shipped.

(3) Consists of the Partnership's refined product terminals, the Fort Mifflin Terminal Complex, the Marcus Hook Tank Farm and the Eagle Point logistics assets.

(4) Represents total segment sales and other operating revenue minus cost of products sold and operating expenses and depreciation and amortization divided by crude oil pipeline throughput.

Analysis of Statements of Income

Net income was \$13.6 million for the first quarter 2004 as compared with \$17.8 million for the first quarter 2003, a decrease of \$4.2 million. This decrease was primarily the result of a \$4.0 million decrease in operating income to \$18.4 million for the first quarter 2004 from \$22.4 million for the prior year quarter due principally to lower lease acquisition margins in comparison to the first quarter 2003, which were at record-high levels for the Partnership. Operating income also decreased between periods due to lower pipeline revenues as a result of maintenance turnarounds at Sunoco, Inc.'s Tulsa and Toledo refineries and higher operating expenses at the Terminal Facilities caused mainly by non-routine dredging at one of the terminals, partially offset by higher revenues at the Terminal Facilities.

Sales and other operating revenue totaled \$744.9 million for the first quarter 2004 as compared with \$716.0 million for the first quarter 2003, an

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increase of \$28.9 million. This increase was largely attributable to an increase in crude oil prices and an increase in lease acquisition bulk volumes. The average price of West Texas Intermediate crude oil at Cushing, Oklahoma, the benchmark crude oil in the United States, increased to an average price of \$35.16 per barrel for the first quarter 2004 from \$33.80 per barrel for the first quarter 2003. Other income decreased \$0.5 million from the first quarter 2003 to \$3.2 million for the first quarter 2004 due principally to lower equity income from the interests in the corporate joint ventures mainly as a result of the timing of pipeline maintenance expenses and one-time employee benefit costs.

Total cost of products sold and operating expenses increased \$31.7 million to \$710.7 million for the first quarter 2004 from \$679.0 million for the first quarter 2003 due primarily to the increase in crude oil prices and higher lease acquisition bulk volumes described earlier. Selling, general and administrative expenses increased \$0.4 million to \$12.1 million for the first quarter 2004 from \$11.7 million for the prior year quarter due principally to higher administrative costs. Depreciation and amortization increased \$0.4 million to \$6.9 million for the first quarter 2004 from \$6.5 million for the prior year quarter due mainly to higher capital spending in the second half of 2003 and depreciation on the two new tanks at the Nederland Terminal.

Net interest expense increased \$0.2 million from the prior year quarter to \$4.8 million for the first quarter 2004 due principally to a decline in capitalized interest, partially offset by the fourth quarter 2003 repayment of debt. The capitalized interest recorded during the first quarter 2003 was in connection with the two new tanks at the Nederland Terminal as previously discussed.

Analysis of Segment Operating Income

Eastern Pipeline System

Operating income for the Eastern Pipeline System was \$8.0 million for the first quarter 2004 compared with \$9.7 million for the prior year quarter. This \$1.7 million decrease was mainly the result of a \$0.8 million decrease in sales and other operating revenue and a \$0.8 million increase in total costs and expenses. Sales and other operating revenue decreased compared with the first quarter 2003 due primarily to a reduction in volumes as a result of a four-week, planned turnaround at Sunoco, Inc.'s Toledo, Ohio refinery in March 2004, partially offset by higher shipments on the Harbor pipeline as a result of Sunoco, Inc.'s January 2004 purchase of the Eagle Point, New Jersey refinery. Overall, revenues decreased due to lower revenue per barrel mile, partially offset by slightly higher total shipments.

Total costs and expenses increased \$0.8 million to \$17.2 million for the first quarter 2004 due to a \$0.5 million increase in operating expenses and a \$0.2 million increase in depreciation and amortization. Operating expenses increased due principally to the timing of pipeline maintenance activity.

Terminal Facilities

The Terminal Facilities business segment had operating income of \$7.8 million for the first quarter 2004 compared with \$7.4 million for the prior year quarter. This \$0.4 million increase was due to a \$1.3 million increase in sales and other operating revenue, partially offset by a \$0.9 million

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increase in total costs and expenses. The increase in sales and other operating revenue to \$23.4 million for the first quarter 2004 from \$22.1 million for the first quarter 2003 was largely due to higher throughput volumes.

The increase in total costs and expenses to \$15.6 million for the first quarter 2004 from \$14.7 million for the prior year quarter was primarily due to a \$0.7 million increase in operating expenses. Operating expenses were higher principally due to non-routine dredging activity on the Delaware River at the Fort Mifflin Terminal docks.

Western Pipeline System

Operating income for the Western Pipeline System was \$2.6 million for the first quarter 2004, a decrease of \$2.7 million from the prior year quarter. This decrease was the result of a \$2.1 million decrease in gross margin, a \$0.3 million increase in selling, general and administrative expenses, and a \$0.3 million decrease in other income.

Sales and other operating revenue and cost of products sold and operating expenses increased in the first quarter 2004 compared with the prior year quarter due mainly to an increase in crude oil prices and higher lease acquisition bulk volumes as mentioned previously. The decrease in gross margin was primarily attributable to lower lease acquisition margins in comparison to the first quarter 2003, which were at record-high levels for the Partnership, and lower pipeline volumes due to a planned turnaround at Sunoco, Inc.'s Tulsa, Oklahoma refinery in March 2004 which lasted approximately one week. Other income decreased \$0.3 million from the prior year quarter to \$0.7 million for the first quarter 2004 due principally to lower equity income from the interest in West Texas Gulf pipeline caused mainly by the timing of pipeline maintenance expenses. Selling, general and administrative expenses increased to \$4.3 million for the first quarter 2004 from \$4.0 million for the first quarter 2003 due mainly to higher administrative costs.

Liquidity and Capital Resources

General

Cash generated from operations and borrowings under the Credit Facility are the Partnership's primary sources of liquidity. At March 31, 2004, the Partnership had a working capital deficit of \$60.7 million and available borrowing capacity under the Credit Facility of \$185.5 million. The decrease in working capital from \$37.8 million at December 31, 2003 was primarily the result of (a) the use of cash on hand to initially fund the \$20.0 million purchase of the Eagle Point logistics assets on March 30, 2004, (b) a \$14.2 million increase in current liabilities as a result of the declaration of the first quarter 2004 distribution on March 29, 2004, and (c) the classification of the \$64.5 million of outstanding borrowings under the Credit Facility as a current liability due to its maturity date of January 31, 2005. The Partnership's working capital position also reflects crude oil inventories based on historical costs under the LIFO method of accounting. If the inventories had been valued at their current replacement cost, the working capital deficit would have been reduced by \$44.5 million at March 31, 2004.

On April 7, 2004, the Partnership sold 3.4 million common units in a public offering for gross proceeds of approximately \$135 million to fund the Eagle Point acquisition, to redeem approximately 2.2 million common units

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from Sunoco, Inc., and to fund other acquisitions (see “Subsequent Events”). Net proceeds to the Partnership from the sale of the common units, after offering expenses and the redemption of the common units held by Sunoco, was approximately \$46 million. Upon closing on the sale of these units, the Partnership has approximately \$365 million available under its \$500 million universal shelf registration statement for the issuance of additional common units or debt securities.

The Credit Facility matures on January 31, 2005. It is management’s intent to renew the Credit Facility during the second half of 2004.

Management believes that the Partnership has sufficient liquid assets, cash from operations and borrowing capacity under its credit agreements to meet its financial commitments, debt service obligations, unitholder distributions, contingencies and anticipated capital expenditures. However, the Partnership is subject to business and operational risks that could adversely effect its cashflow. The Partnership may supplement its cash generation with proceeds from financing activities, including borrowings under the Credit Facility and other borrowings and the issuance of additional common units.

Cash Flows and Capital Expenditures

Net cash provided by operating activities for the first quarter 2004 was \$9.3 million compared with \$14.4 million for the first quarter 2003. Net cash provided by operating activities for the first quarter 2004 was primarily generated by net income of \$13.6 million and depreciation and amortization of \$6.9 million, partially offset by an increase in working capital of \$7.5 million and a \$3.8 million increase in deferred charges and other assets, net of deferred credits and other liabilities. Net cash provided by operating activities for the first quarter 2003 was principally generated by net income of \$17.8 million, depreciation and amortization of \$6.5 million, and a \$2.2 million decrease in deferred charges and other assets, net of deferred credits and other liabilities, partially offset by an increase in working capital of \$12.1 million.

Net cash used in investing activities for the first quarter 2004 was \$23.6 million compared with \$6.7 million for the first quarter 2003. The increase between periods is due to the \$20.0 million acquisition of the Eagle Point logistics assets in March 2004, partially offset by a \$3.1 million decrease in capital expenditures. See further discussion of capital expenditures under “Capital Requirements”.

Net cash used in financing activities for the first quarter 2004 was \$6.6 million compared with \$1.4 million for the first quarter 2003. Net cash used by financing activities for the first quarter 2004 was principally the result of \$13.0 million of cash distributions paid to unitholders and the general partner, partially offset by net collections of \$6.4 million of advances to affiliate. Net cash used by financing activities for the first quarter 2003 was mainly the result of \$11.3 million of cash distributions paid to unitholders and the general partner, partially offset by net collections of \$10.0 million of advances to affiliate.

Under a treasury services agreement with Sunoco, the Partnership participates in Sunoco’s centralized cash management program. Advances to affiliates in the Partnership’s condensed consolidated balance sheets at March 31, 2004 and December 31, 2003 represent amounts due from Sunoco under this agreement.

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Capital Requirements

The pipeline, terminalling, and crude oil transport operations are capital intensive, requiring significant investment to meet environmental and operational regulations and to upgrade or enhance existing operations. The capital requirements have consisted, and are expected to continue to consist, primarily of:

- Maintenance capital expenditures, such as those required to maintain equipment reliability, tankage and pipeline integrity and safety, and to address environmental regulations; and
- Expansion capital expenditures to acquire complementary assets to grow the business and to expand existing and construct new facilities, such as projects that increase storage or throughput volume.

The following table summarizes maintenance and expansion capital expenditures, including net cash paid for acquisitions, for the periods presented (in thousands of dollars):

	Three Months Ended March 31,	
	2004	2003
Maintenance	\$ 3,415	\$4,222
Expansion	20,170	2,479
	\$23,585	\$6,701

Maintenance capital expenditures for the first quarter 2004 were \$3.4 million, a decrease of \$0.8 million from the prior year quarter. The decrease in maintenance capital spending between periods is mainly the result of a decrease in purchases of crude oil transport trucks and trailers for the Western Pipeline System. The remaining capital expenditures for both periods presented includes recurring expenditures at each of the business segments such as pipeline integrity costs, pipeline relocations, repair and upgrade of field instrumentation, repair and replacement of tank floors and roofs, upgrades of cathodic protection systems, and the upgrade of pump stations. Management anticipates maintenance capital expenditures to be approximately \$25.5 million for the year ended December 31, 2004.

Expansion capital expenditures increased by \$17.7 million to \$20.2 million for the first quarter 2004 compared with the prior year quarter. The \$20.2 million of expansion capital spending for the first quarter 2004 was principally for the purchase of the Eagle Point logistics assets from Sunoco for \$20.0 million in March 2004. Expansion capital spending for the first quarter 2003 was primarily for the construction of two new tanks and a pump station at the Nederland Terminal.

The Partnership expects to fund capital expenditures, including any acquisitions, from cash provided by operations and, to the extent necessary, from the proceeds of borrowings under the Credit Facility and other borrowings and the issuance of additional common units. The Credit Facility matures on January 31, 2005. It is management's intent to renew the Credit Facility during the second half of 2004.

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Subsequent Events

On April 7, 2004, the Partnership sold 3.4 million common units in a public offering for total gross proceeds of \$135.1 million. The units were issued under the Partnership's previously filed Form S-3 shelf registration statement. The sale of the units resulted in net proceeds of \$129.1 million, after the underwriters' commissions and legal, accounting, and other transaction expenses of \$6.0 million. The Partnership also received \$1.0 million from its general partner as a capital contribution to maintain its 2 percent general partner interest. Net proceeds from the sale were used to (a) redeem approximately 2.2 million common units from Sunoco for \$83.1 million, (b) to replenish cash utilized to acquire the Eagle Point logistics assets for \$20.0 million, (c) to finance the acquisition of the two refined product terminals from ConocoPhillips for \$12.0 million, (d) to finance the anticipated acquisition of the additional interest in the Harbor pipeline, and (e) for general partnership purposes, including to replenish cash used for past acquisitions and capital improvements, and for other expansion, capital improvements or acquisition projects. As a result of the redemption of its units, Sunoco's ownership interest decreased from 75.3 percent to 62.6 percent in the Partnership, including its 2 percent general partner interest.

On April 28, 2004, the Partnership closed on the acquisition of two refined product terminals located in Baltimore, Maryland and Manassas, Virginia for \$12 million from ConocoPhillips Company. In connection with this acquisition, the Partnership entered into throughput agreements with ConocoPhillips and Sunoco R&M which provide for minimum throughputs at these terminals.

In connection with its acquisition of the Eagle Point refinery from El Paso Corporation, Sunoco also agreed to acquire El Paso's 33.3 percent interest in the Harbor pipeline for \$7.3 million. The Harbor pipeline is an 80-mile refined product pipeline extending from Woodbury, New Jersey to Linden, New Jersey. The Partnership currently owns a 33.3 percent interest in, and operates, this pipeline. The purchase by Sunoco is subject to a 60-day ROFR period in favor of the Partnership and a third party which began on April 12, 2004. On April 21, 2004, the Partnership notified El Paso Corporation of its intent to acquire their 33.3 percent ownership interest in the Harbor pipeline for \$7.3 million. Should the third party also exercise its ROFR, the Partnership will be entitled to acquire one-half of El Paso's 33.3 percent interest for \$3.65 million.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Partnership is exposed to various market risks, including volatility in crude oil commodity prices and interest rates. To manage such exposures, inventory levels and expectations of future commodity prices and interest rates are monitored when making decisions with respect to risk management. The Partnership has not entered into derivative transactions that would expose it to price risk.

The \$250 million Credit Facility exposes the Partnership to interest rate risk since it bears interest at a variable rate (1.8 percent at March 31, 2004). A one percent change in interest rates changes annual interest expense by approximately \$645,000 based upon outstanding borrowings under the Credit Facility of \$64.5 million at March 31, 2004.

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Forward-Looking Statements

Some of the information included in this quarterly report on Form 10-Q contains “forward-looking” statements, as such term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act, and information relating to the Partnership that is based on the beliefs of its management as well as assumptions made by and information currently available to management.

Forward-looking statements discuss expected future results based on current and pending business operations, and may be identified by words such as “anticipates”, “believes”, “expects”, “planned”, “scheduled” or similar expressions. Although management of the Partnership believes these forward-looking statements are reasonable, they are based upon a number of assumptions, any or all of which may ultimately prove to be inaccurate. Statements made regarding future results are subject to numerous assumptions, uncertainties and risks that may cause future results to be materially different from the results stated or implied in this document.

The following are among the important factors that could cause actual results to differ materially from any results projected, forecasted, estimated or budgeted:

- Changes in the demand both for crude oil we buy and sell, as well as for crude oil and refined petroleum products that we store and distribute;
- Changes in demand for storage in the Partnership’s petroleum product terminals;
- The loss of Sunoco R&M as a customer or a significant reduction in its current level of throughput and storage with the Partnership;
- An increase in the competition encountered by the Partnership’s petroleum products terminals, pipelines and crude oil acquisition and marketing operations;
- Changes in the throughput on petroleum pipelines owned and operated by third parties and connected to the Partnership’s petroleum product pipelines and terminals;
- Changes in the financial condition or operating results of joint ventures or other holdings in which the Partnership has an equity ownership interest;
- Changes in the general economic conditions in the United States;
- Changes in laws and regulations to which the Partnership is subject, including federal, state, and local tax, safety, environmental and employment laws;
- Phase-outs or restrictions on the use of MTBE;
- Improvements in energy efficiency and technology resulting in reduced demand;

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- The Partnership's ability to manage rapid growth;
- The Partnership's ability to control costs;
- The effect of changes in accounting principles and tax laws and interpretations of both;
- Global and domestic economic repercussions from terrorist activities and international hostilities and the government's response thereto;
- The occurrence of operational hazards or unforeseen interruptions for which the Partnership may not be adequately insured;
- Changes in the reliability and efficiency of the Partnership's operating facilities or those of Sunoco R&M or third parties;
- Changes in the expected level of environmental remediation spending;
- Changes in insurance markets resulting in increased costs and reductions in the level and types of coverage available;
- The Partnership's ability to successfully consummate announced acquisitions or expansions and integrate them into existing business operations;
- Risks related to labor relations;
- Non-performance by major customers, suppliers or other business partners;
- Price trends and overall demand for refined petroleum products, crude oil and natural gas liquids in the United States, economic activity, weather, alternative energy sources, conservation and technological advances which may affect price trends and demand for the Partnership's business activities;
- Changes in the Partnership's tariff rates, implemented by federal and/or state government regulators;
- The amount of the Partnership's indebtedness, which could make the Partnership vulnerable to general adverse economic and industry conditions, limit the Partnership's ability to borrow additional funds, place it at competitive disadvantages compared to competitors that have less debt or have other adverse consequences;
- Restrictive covenants in the Partnership's or Sunoco, Inc.'s credit agreements;
- Changes in the Partnership's or Sunoco, Inc.'s credit ratings, as assigned by ratings agencies;
- The condition of the debt capital markets and equity capital markets in the United States, and the Partnership's ability to raise capital in a cost-effective way;
- Changes in interest rates on the Partnership's outstanding debt, which could increase the costs of borrowing;

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- The political and economic stability of the oil producing nations of the world; and
- The costs and effects of legal and administrative claims and proceedings against the Partnership or its subsidiaries, and changes in the status of litigation to which the Partnership is a party.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of the Partnership's forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. The Partnership undertakes no obligation to update publicly any forward-looking statement whether as a result of new information or future events.

Item 4. Controls and Procedures

(a) As of the end of this fiscal quarter covered by this report, the Partnership carried out an evaluation, under the supervision and with the participation of the management of Sunoco Partners LLC, the Partnership's general partner (including the President and Chief Executive Officer of Sunoco Partners LLC and the Vice President and Chief Financial Officer of Sunoco Partners LLC), of the effectiveness of the design and operation of the Partnership's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the President and Chief Executive Officer of Sunoco Partners LLC and the Vice President and Chief Financial Officer of Sunoco Partners LLC concluded that the Partnership's disclosure controls and procedures are effective.

(b) No change in the Partnership's internal controls over financial reporting has occurred during the fiscal quarter covered by this report that has materially affected, or that is reasonably likely to materially affect, the Partnership's internal control over financial reporting.

(c) Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Partnership reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Partnership reports under the Exchange Act is accumulated and communicated to management, including the President and Chief Executive Officer of Sunoco Partners LLC and the Vice President and Chief Financial Officer of Sunoco Partners LLC, as appropriate, to allow timely decisions regarding required disclosure.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

There are certain legal and administrative proceedings arising prior to the February 2002 IPO pending against the Partnership's Sunoco-affiliated predecessors and the Partnership (as successor to certain liabilities of those predecessors). Although the ultimate outcome of these proceedings cannot be ascertained at this time, it is reasonably possible that some of

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them may be resolved unfavorably. Sunoco, Inc. has agreed to indemnify the Partnership for any losses it may suffer as a result of these pending legal actions.

There are certain other pending legal proceedings related to matters arising after the February 2002 IPO that are not indemnified by Sunoco, Inc. Management believes that any liabilities that may arise from these legal proceedings will not be material to the Partnership's financial position at March 31, 2004.

Item 2. Changes in Securities and Uses of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 10.1: Common Unit Redemption Agreement, dated as of April 1, 2004, between Sunoco Logistics Partners L.P. and Sunoco Partners LLC
- 12.1: Statement of Computation of Ratio of Earnings to Fixed Charges
- 31.1: Chief Executive Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(a)
- 31.2: Chief Financial Officer Certification of Periodic Report Pursuant to Exchange act Rule 13a-14(a)
- 32: Chief Executive Officer and Chief Financial Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(b) and U.S.C. §1350

(b) Reports on Form 8-K

Current report on Form 8-K, dated January 22, 2004, furnished pursuant to Item 9 and Item 12 in connection with the announcement of earnings for the fourth quarter 2003.

Current report on Form 8-K, dated March 30, 2004, filed pursuant to Item 5 in connection with a press release announcing the execution of a purchase agreement to acquire certain logistics assets associated with Sunoco's Eagle Point refinery and the declaration of an increased first quarter 2004 distribution to unitholders.

Current report on Form 8-K, dated March 30, 2004, filed pursuant to Item 5 in connection with a press release announcing the amendment of the limited partnership agreement.

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Current report on Form 8-K, dated March 30, 2004, filed pursuant to Item 5 in connection with a press release announcing the public offering of common units.

Current report on Form 8-K, dated April 1, 2004, filed pursuant to Item 5 in connection with a press release announcing the execution of an underwriting agreement regarding the issuance and sale of common units.

Current report on Form 8-K, dated April 22, 2004, furnished pursuant to Item 9 and Item 12 in connection with announcement of earnings for first quarter 2004.

Current reports listed above as “furnished” under Item 9 and Item 12 are not deemed “filed” with the SEC and are not incorporated by reference herein or in any other SEC filings.

We are pleased to furnish this Form 10-Q to unitholders who request it by writing to:

Sunoco Logistics Partners L.P.
Investor Relations
Ten Penn Center
1801 Market Street
Philadelphia, PA 19103-1699

or through our website at www.sunocologistics.com.

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.

Sunoco Logistics Partners L.P.

By: /s/ Colin A. Oerton

Colin A. Oerton
Vice President &
Chief Financial Officer

Date: May 6, 2004

COMMON UNIT REDEMPTION AGREEMENT

This COMMON UNIT REDEMPTION AGREEMENT (this "Agreement"), is made and entered into as of April 1, 2004, by and between Sunoco Logistics Partners L.P., a Delaware limited partnership (the "Partnership") and Sunoco Partners LLC, a Pennsylvania limited liability company (the "Holder").

WHEREAS, the Holder now owns 5,638,154 common units representing limited partner interests in the Partnership (the "Common Units");

WHEREAS, the Partnership desires to increase the public float of the Common Units;

WHEREAS, the Partnership and the Holder, among the other parties thereto, have entered into an underwriting agreement of even date herewith (the "Underwriting Agreement") with Lehman Brothers Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., KeyBanc Capital Markets, a division of McDonald Investments Inc., RBC Capital Markets Corporation and Credit Suisse First Boston LLC (collectively, the "Underwriters") pursuant to which the Partnership is publicly offering (the "Public Offering") for cash (i) 3,400,000 Common Units (the "Primary Units") and (ii) in the event the Underwriters exercise their over-allotment option pursuant to the Underwriting Agreement, up to an additional 510,000 Common Units (the "Option Units"), in each case pursuant to the Partnership's registration statement on Form S-3 (File No. 333-103710) (as amended to the date hereof, the "Registration Statement") and a prospectus supplement (together with the prospectus included in the Registration Statement, the "Prospectus") filed under Rule 424 under the Securities Act (as defined herein); and

WHEREAS, the Holder desires to transfer to the Partnership, and the Partnership desires to redeem from the Holder, up to an aggregate of 2,693,059 Common Units upon the terms and conditions hereinafter set forth.

NOW THEREFORE, in consideration of the mutual covenants, conditions and agreements set forth herein, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Redemption of Units. On the Initial Closing Date (as defined below), and subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Holder agrees to transfer to the Partnership, and the Partnership agrees to redeem from the Holder, up to 2,183,059 Common Units (the "Initial Redemption Units") from the Holder, at a price per unit of \$38.06 (the "Redemption Price"), which is equal to the net proceeds per unit received by the Partnership in the Public Offering, after underwriting discounts and commissions, but before expenses (the "Initial Redemption"). In addition, upon the Additional Closing Date (as defined below), and subject to the terms and conditions and in reliance on the representations and warranties herein set forth, the Holder agrees to transfer to the Partnership, and the Partnership agrees to redeem from the Holder, at the Redemption Price, a number of Common Units (the "Additional Redemption Units" and, together with the Initial Redemption Units, the "Redemption Units") equal to the number of Option Units purchased from the Partnership by the Underwriters (the "Additional Redemption").

1.1 The closings of the Initial Redemption and the Additional Redemption shall take place at such places and such times so as to coincide with the Underwriters' purchase of Primary Units (the "Initial Closing Date") and Option Units (the "Additional Closing Date") from the Partnership in the Public Offering.

1.2 At each closing, the Holder shall assign and transfer to the Partnership all its right, title and interest in and to the Redemption Units free and clear of all liens or other limitations or restrictions and deliver to the Partnership the certificate or certificates representing the Redemption Units, duly endorsed in blank or accompanied by separate stock powers so endorsed. The Holder shall execute the certificate of transfer on the back of the certificate or certificates representing the Redemption Units.

1.3 The Partnership shall pay the aggregate Redemption Price for the Initial Redemption and the Additional Redemption, as applicable, on the Initial Closing Date and the Additional Closing Date, as applicable, without deduction, by wire transfer of immediately available funds to an account of the Holder (the number for which account shall have been furnished to the Partnership at least one business day prior to the Initial Closing Date and the Additional Closing Date, as applicable).

1.4 The Partnership hereby acknowledges and agrees that, by executing and delivering this Agreement and consummating the transactions contemplated hereby, the Holder is not waiving, in whole or in part, any registration rights it has pursuant to Section 7.12 of the First Amended and Restated Agreement of Limited Partnership of the Partnership, as amended, dated as of February 8, 2002 (the "Partnership Agreement") with respect to (i) any Units subject to this Agreement that are not redeemed pursuant to this Agreement or (ii) any other Common Units owned by the Holder that are not Redemption Units subject to this Agreement, including but not limited to the Holder's right, as exercised by a registration request, to cause the Partnership to effect the registration under the Securities Act of all Common Units owned by the Holder pursuant to the terms and conditions of the Partnership Agreement.

1.5 The Partnership and the Holder intend that the transfer by the Partnership to the Holder of the aggregate Redemption Price for the Initial Redemption and the Additional Redemption shall not be treated as part of a sale of property by the Holder to the Partnership; rather, the transfer shall be treated as a reimbursement for capital expenditures incurred by the Holder with respect to Partnership property contributed by the Holder to the Partnership during the two year period preceding the initial formation of the Partnership.

2. Representations and Warranties of Holder. The Holder hereby represents and warrants to, and agrees with the Partnership, as applicable, that:

2.1 *Existence and Power.* The Holder is a limited liability company duly incorporated, validly existing and in good standing under the laws of the State of Pennsylvania and has all requisite limited liability company power and authority to execute and deliver this Agreement, consummate the transactions and perform each of its obligations contemplated hereby.

2.2 *Authority; Approvals.* (a) The execution and delivery of this Agreement by the Holder, the consummation by the Holder of each of the transactions and the performance by the Holder of its obligations contemplated hereby have been duly and properly authorized by all necessary limited liability company action on the part of the Holder. This Agreement has been duly executed and delivered by the Holder, and, assuming the accuracy of the representations and warranties of the Partnership in Section 3 hereof, constitutes the valid and legally binding obligation of the Holder, enforceable against the Holder in accordance with its terms, subject, (i) as to enforceability, to bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (ii) to equitable principles of general applicability relating to the availability of specific performance, injunctive relief, or other equitable remedies.

(b) The execution and delivery of this Agreement by the Holder and the consummation of each of the transactions and the performance of each of the obligations contemplated hereby (i) do not conflict with, violate or breach (whether with or without notice or a lapse of time or both), require the consent of any Person to or otherwise result in a material detriment to the Holder under, (A) its organizational documents or (B) any agreement to which it is a party or by which its assets or property is bound or any law or order applicable to it, in the case of clause (B), which conflicts, violations, breaches or material detriments could reasonably be expected to prevent the consummation of any of the transactions contemplated hereby or have a material adverse effect on the business, properties or condition (financial or otherwise) of the Holder; and (ii) do not impose any penalty or other onerous condition on the Holder that could reasonably be expected to prevent the consummation of any of the transactions contemplated hereby. As used in this Agreement, the term "Person" means a natural person, corporation, limited liability company, venture, partnership, trust, unincorporated organization, association or other entity.

(c) No approval from any Governmental Entity is required with respect to the Holder in connection with the execution and delivery by the Holder of this Agreement, the performance by the Holder of its obligations hereunder or the consummation by the Holder of the transactions contemplated hereby, except for any such approval the failure of which to be made or obtained (i) has not impaired and could not reasonably be expected to impair the ability of the Holder to perform its obligations under this Agreement in any material respect, and (ii) could not reasonably be expected to delay, in any material respect, or prevent the consummation of any of the transactions contemplated by this Agreement. As used in this Agreement, the term "Governmental Entity" means any agency, bureau, commission, authority, department, official, political subdivision, tribunal or other instrumentality of any government, whether (i) regulatory, administrative or otherwise; (ii) federal, state or local; or (iii) domestic or foreign.

2.3 *Ownership of Redemption Units.* The Holder is the record and beneficial owner of the Redemption Units, free and clear of any lien and any other limitation or restriction with full right and authority to deliver the same hereunder, and will transfer and deliver to the Partnership on the Initial Closing Date and the Additional Closing Date, as applicable, valid title to the Initial Redemption Units and the Additional Redemption Units, in each case free and clear of any lien and any such other limitation or restriction.

2.4 *Independent Investigation.* The Holder (a) has the requisite knowledge, sophistication and experience in order to fairly evaluate a disposition of the Redemption Units, including the risks associated therewith, and (b) has adequate information and has made its own independent investigation and evaluation to the extent it deems necessary or appropriate concerning the properties, business and financial condition of the Partnership to make an informed decision regarding the transfer of the Redemption Units pursuant to this Agreement.

3. Representations and Warranties of the Partnership. The Partnership hereby represents and warrants to, and agrees with the Holder, that:

3.1 *Existence and Power.* The Partnership is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite limited partnership power and authority to execute and deliver this Agreement, consummate the transactions and perform each of its obligations contemplated hereby.

3.2 *Authority; Approvals.* (a) The execution and delivery of this Agreement by the Partnership, the consummation by the Partnership of each of the transactions and the performance by the Partnership of each of its obligations contemplated hereby have been duly and properly authorized by all necessary partnership action on the part of the Partnership. This Agreement has been duly executed and delivered by the Partnership and, assuming the accuracy of the representations and warranties of the Holder in Section 2 hereof, constitutes the valid and legally binding obligation of the Partnership, enforceable against it in accordance with its terms, subject, (i) as to enforceability, to bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (ii) to equitable principles of general applicability relating to the availability of specific performance, injunctive relief, or other equitable remedies.

(b) The execution and delivery of this Agreement by the Partnership and the consummation of each of the transactions and the performance of each of the obligations contemplated hereby (i) do not conflict with, violate or breach (whether with or without notice or a lapse of time or both), require the consent of any Person to or otherwise result in a material detriment to the Partnership under, (A) its organizational documents or (B) any agreement to which it is a party or by which its assets or property is bound or any law or order applicable to it, in the case of clause (B), which conflicts, violations, breaches or material detriments could reasonably be expected to prevent the consummation of any of the transactions contemplated hereby or have a material adverse effect on the business, properties or condition (financial or otherwise) of the Partnership; and (ii) do not impose any penalty or other onerous condition on the Partnership that could reasonably be expected to prevent the consummation of any of the transactions contemplated hereby.

(c) No approval from any Governmental Entity is required with respect to the Partnership in connection with the execution and delivery by the Partnership of this Agreement, the performance by the Partnership of its obligations hereunder or the consummation by the Partnership of the transactions contemplated hereby, except (i) as have been obtained under the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission (the "Commission") thereunder (collectively, the "Securities Act"), and

as may be required under state securities or blue sky laws in connection with the Public Offering and (ii) for any such approval the failure of which to be made or obtained (A) has not impaired and could not reasonably be expected to impair the ability of the Partnership to perform its obligations under this Agreement in any material respect and (B) could not reasonably be expected to delay, in any material respect, or prevent the consummation of any of the transactions contemplated by this Agreement.

4. Conditions to Closing.

4.1 *Conditions to Obligations of the Partnership.* The obligation of the Partnership to redeem the Redemption Units on the Initial Closing Date and the Additional Closing Date is subject to the satisfaction of the following conditions:

(a) The closings contemplated in Section 4 of the Underwriting Agreement shall have occurred with respect to the Primary Units or the Option Units, as applicable;

(b) The Holder shall have performed in all material respects all of its obligations hereunder required to be performed by it on or prior to the Initial Closing Date or the Additional Closing Date, as applicable;

(c) No action, claim, suit, hearing, complaint, demand, injunction, litigation, judgment, arbitration, order, decree, ruling or governmental investigation or proceeding is then pending or threatened by any court or Governmental Entity, and no such court or Governmental Entity shall have issued any injunction, judgment or order, which shall remain in effect, that would prevent consummation of the Initial Redemption or the Additional Redemption, as applicable; provided, however, that the parties hereto shall use their reasonable best efforts to have any such injunction, judgment or order vacated or reversed;

(d) The representations and warranties of the Holder contained in this Agreement and in any certificate or other writing delivered by the Holder pursuant hereto shall be true in all material respects (except for such representations and warranties as shall be qualified by a materiality standard, which shall be true and correct in all respects) at and as of the Initial Closing Date or the Additional Closing Date, as applicable, as if made at and as of such date; and

(e) The Partnership shall have received a certificate signed by a duly authorized officer of the Holder to the effect set forth in clauses (b) and (d) above.

4.2 *Conditions of Obligations of the Holder.* The obligation of the Holder to consummate the transactions contemplated on the Initial Closing Date and the Additional Closing Date, as applicable, is subject to the satisfaction of the following conditions:

(a) The closings contemplated in Section 4 of the Underwriting Agreement shall have occurred with respect to the Primary Units or the Option Units, as applicable;

(b) The Partnership shall have performed in all material respects all of its obligations under this Agreement required to be performed by it on or prior to the Initial Closing Date or the Additional Closing Date, as applicable;

(c) No action, claim, suit, hearing, complaint, demand, injunction, litigation, judgment, arbitration, order, decree, ruling or governmental investigation or proceeding is then pending or threatened by any court or Governmental Entity, and no such court or Governmental Entity shall have issued any injunction, judgment or order, which shall remain in effect, that would prevent consummation of the Initial Redemption or the Additional Redemption, as applicable; provided, however, that the parties hereto shall use their reasonable best efforts to have any such injunction, judgment or order vacated or reversed;

(d) The representations and warranties of the Partnership contained in this Agreement and in any certificate or other writing delivered by the Partnership pursuant hereto shall be true in all material respects (except for such representations and warranties as shall be qualified by a materiality standard, which shall be true and correct in all respects) at and as of the Initial Closing Date or the Additional Closing Date, as applicable, as if made at and as of such date; and

(e) The Holder shall have received a certificate signed by a duly authorized officer of the Holder on behalf of the Partnership to the effects set forth in clauses (b) and (d) above.

5. Indemnification.

5.1 *Indemnification by the Partnership.* The Partnership will indemnify and hold harmless the Holder, its officers, directors and each person who controls the Holder within the meaning of Section 15 of the Securities Act and Section 20 of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Exchange Act") against all losses, claims, damages and liabilities (including, without limitation, the legal fees and other expenses incurred in connection with any suit, action, proceeding or any claim asserted) arising out or based on:

(a) any inaccuracy or breach as of the date of this Agreement or as of the Initial Closing Date or the Additional Closing Date, as applicable, of any representation or warranty made by the Partnership in Section 3 of this Agreement or in any certificate delivered by the Partnership pursuant to this Agreement; and

(b) the breach or default in the performance by the Partnership of any covenant, agreement or obligation to be performed by the Partnership pursuant to this Agreement.

5.2 *Indemnification by the Holder.* The Holder will indemnify the Partnership, its officers, directors and each person who controls the Partnership within, the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act, against all losses, claims, damages and liabilities (including, without limitation, the legal fees and expenses

incurred in connection with any suit, action, proceeding or any claim asserted) arising out of or based on:

(a) any inaccuracy or breach as of the date of this Agreement or as of the Initial Closing Date or the Additional Closing Date, as applicable, of any representation or warranty made by the Holder in Section 2 of this Agreement or in any certificate delivered by the Holder pursuant to this Agreement; and

(b) the breach or default in the performance by the Holder of any covenant, agreement or obligation to be performed by the Holder pursuant to this Agreement.

The liability of the Holder pursuant to this Section 5.2 shall be limited to the aggregate Redemption Price.

5.3 *Indemnification Procedures.* If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnity may be sought pursuant to the preceding paragraphs of this Section 5, such person (the "Indemnified Person") shall promptly notify the person or persons against whom such indemnity may be sought (each an "Indemnifying Person") in writing, and such Indemnifying Persons, upon request of the Indemnified Person, shall retain counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person and any others the Indemnifying Persons may designate in such proceeding and shall pay the reasonable fees and expenses of such counsel related to such proceeding. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person and not the Indemnifying Persons unless (i) the Indemnifying Persons and the Indemnified Person shall have mutually agreed to the contrary, (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person or (iii) the named parties in any such proceeding (including any impleaded parties) include both an Indemnifying Person and the Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that no Indemnifying Person shall, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such fees and expenses shall be reimbursed as they are incurred. No Indemnifying Person shall be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, each Indemnifying Person agrees to indemnify any Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Person shall have requested an Indemnifying Person to reimburse the Indemnified Person for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, such Indemnifying Person agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 90 days after receipt by such Indemnifying Person of the aforesaid request and (ii) such Indemnifying Person shall not have reimbursed the Indemnified Person in accordance with such request prior to the date of such settlement. No Indemnifying Person shall, without the prior written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of

which any Indemnified Person is or could have been a party and indemnity could have been sought hereunder by such Indemnified Person, unless such settlement includes an unconditional release of such Indemnified Person from all liability on claims that are the subject matter of such proceeding.

5.4 *Contribution*. The Partnership and the Holder agree that it would not be just and equitable if contribution pursuant to this Section 5 were determined by pro rata allocation. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in this Section 5 shall be deemed to include any legal or other expenses incurred by such Indemnified Person in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 5, in no event shall the Holder be required to contribute any amount in excess of the amount of the aggregate Redemption Price received by it. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

5.5 *Full Force and Effect*. The remedies provided for in this Section 5 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity. The indemnity and contribution agreements contained in this Section 5 and the representations and warranties of the Partnership and the Holder set forth in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any party hereto, its respective officers or directors or any person controlling such party and (iii) consummation of the Initial Redemption and the Additional Redemption, as applicable.

6. Expenses. Whether or not the transactions contemplated by this Agreement are consummated, each of the Partnership (on the one hand) and the Holder (on the other hand) shall pay its own expenses incurred in connection with the negotiation and preparation of this Agreement and the consummation of the transactions contemplated hereby.

7. Miscellaneous.

8.1 *Notices*. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given two business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to the Holder:

Sunoco, Inc.
1801 Market Street
Philadelphia, Pennsylvania 19103
Attention: Michael S. Kuritzkes
Senior Vice President and General Counsel
Fax: (215) 977-3559

If to the Partnership:

Sunoco Logistics Partner L.P.

1801 Market Street

Philadelphia, Pennsylvania 19103

Attention: Bruce D. Davis,

Vice President, General Counsel and Secretary

Fax: (215) 246-8113

Any party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the addresses set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail). Delivery of written notices shall be effective (i) upon delivery, if sent by hand delivery, expedited courier or messenger service (in any such case, with a record of receipt) or by ordinary mail or (ii) on the next day after the date of dispatch, if sent by telecopy, cable, facsimile, telegram, or electronic mail. Any party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other party notice in the manner herein set forth.

7.2 Amendments and Waivers. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

7.3 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

7.4 Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned or delegated, in whole or in part, by operation of law or otherwise by any party without the prior written consent of the other party.

7.5 Governing Law. This Agreement shall be governed by and construed in accordance with the law of the State of Delaware, without reference to its conflict of laws principles.

7.6 Public Announcements. Each party agrees that, except as may be required by applicable law or any listing agreement with any national securities exchange, such party will not issue any press release or make any public statement with respect to this Agreement or the transactions contemplated hereby without obtaining the prior written consent of the other party.

7.7 Entire Agreement; No Third-Party Beneficiaries. This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter of this Agreement. Except

as specifically set forth or referred to herein, nothing herein expressed or implied is intended or shall be construed to confer upon or give to any Person, other than the parties hereto, and their permitted successors or assigns, any rights or remedies under or by reason of this Agreement. No third party is entitled to rely on any of the representations, warranties and agreements contained in this Agreement, and the Partnership and the Holder assume no liability to any third party because of any reliance on the representations, warranties and agreements of the Partnership and the Holder contained in this Agreement.

7.8 *Severability*. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

7.9 *Termination*. Notwithstanding any provision in this Agreement to the contrary, this Agreement shall terminate in the event the Underwriting Agreement is terminated in accordance with the terms contained therein.

7.10 *Interpretation*. When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. The captions and headings appearing at the beginning of the various sections of this Agreement are for convenience of reference only and shall not be given any effect whatsoever in the construction or interpretation of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

7.11 *Section Headings*. The captions and headings appearing at the beginning of the various sections of this Agreement are for convenience of reference only and shall not be given any effect whatsoever in the construction or interpretation of this Agreement.

7.12 *Counterparts*. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any party may execute this Agreement by the delivery of a facsimile signature, which signature shall have the same force and effect as an original signature. Any party that delivers a facsimile signature shall promptly thereafter deliver an originally executed signature to the other party; provided, however, that the failure to deliver an original signature page shall not affect the validity of any signature delivered by facsimile.

[signature page follows]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized officer as of the date first written above.

SUNOCO LOGISTICS PARTNERS, L.P.

By: Sunoco Partners LLC, its general partner

By: /s/ DEBORAH M. FRETZ

Name: Deborah M. Fretz

Title: President and Chief Executive Officer

SUNOCO PARTNERS LLC

By: /s/ COLIN A. OERTON

Name: Colin A. Oerton

Title: Vice President and Chief Financial Officer

STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(UNAUDITED)

Sunoco Logistics Partners L.P.

	<u>Three Months Ended March 31, 2004</u>
Fixed Charges:	
Interest cost and debt expense	\$ 4,897
Interest allocable to rental expense (a)	382
	<hr/>
Total	\$ 5,279
<hr/>	
Earnings:	
Income before income tax expense	\$ 13,641
Equity in income of less than 50 percent owner affiliated companies (b)	(2,913)
Dividends received from less than 50 percent owned affiliated companies (b)	2,382
Fixed charges	5,279
Interest capitalized	—
Amortization of previously capitalized Interest	35
	<hr/>
Total	\$ 18,424
<hr/>	
Ratio of Earnings to Fixed Charges	3.49
<hr/>	

(a) Represents one-third of the total operating lease rental expense which is that portion deemed to be interest.

(b) Reflects amounts attributable to interests in the following corporate joint ventures accounted for under the equity method: 9.4 percent in Explorer Pipeline Company, 31.5 percent in Wolverine Pipe Line Company, 12.3 percent in West Shore Pipe Line Company, 14.0 percent in Yellowstone Pipe Line Company, and 43.8 percent in West Texas Gulf Pipe Line Company.

CERTIFICATION**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Deborah M. Fretz, President and Chief Executive Officer of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., hereby certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (for the quarter ended March 31, 2004) of Sunoco Logistics Partners L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 6, 2004

/s/ DEBORAH M. FRETZ

Name: Deborah M. Fretz

Title: President and Chief Executive Officer

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Colin A. Oerton, Vice President and Chief Financial Officer of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., hereby certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (for the quarter ended March 31, 2004) of Sunoco Logistics Partners L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this reported based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 6, 2004

/s/ COLIN A. OERTON

Name: Colin A. Oerton
Title: Vice President and Chief Financial Officer

CERTIFICATION**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

We, the undersigned Deborah M. Fretz and Colin A. Oerton, being, respectively, the President and Chief Executive Officer and the Vice President and Chief Financial Officer, of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., do each hereby certify that the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the period report fairly presents, in all material respects, the financial condition and results of operations of Sunoco Logistics Partners L.P.

Date: May 6, 2004

/s/ DEBORAH M. FRETZ

Name: Deborah M. Fretz
Title: President and Chief Executive Officer

/s/ COLIN A. OERTON

Name: Colin A. Oerton
Title: Vice President and Chief Financial Officer