FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

FOR THE QUARTERLY PERIOD ENDED MAY 31, 1998

OR

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

FOR THE TRANSITION PERIOD FROM ---------- TO -----------

COMMISSION FILE NUMBER 1-11727

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

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

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

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

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

Yes x No

At June 30, 1998, the registrant had units outstanding as follows:

Heritage Propane Partners, L.P.	4,770,924	Common Units
	3,702,943	Subordinated Units

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

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

ASSETS	May 31, 1998 (unaudited)	August 31, 1997
CURRENT ASSETS:		
Cash	$ 3,136	$ 2,025
Accounts receivable, net of allowance for doubtful accounts	12,913	11,170
Inventories	9,977	13,361
Prepaid expenses	1,173	1,395
Total current assets	27,199	27,951
PROPERTY, PLANT AND EQUIPMENT, net	135,957	117,962
INVESTMENT IN AFFILIATES	4,966	4,097
INTANGIBLES AND OTHER ASSETS, net	67,836	53,789
Total assets	$235,958	$203,799
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Working capital facilities	$ 1,200	$ 12,250
Accounts payable	13,546	14,000
Accrued and other current liabilities	9,407	7,376
Current maturities of long-term debt	1,184	800
Total current liabilities	25,337	34,426
LONG-TERM DEBT, less current maturities	176,631	148,453
Total liabilities	201,968	182,879
COMMITMENTS AND CONTINGENCIES		
PARTNERS' CAPITAL:		
Common unitholders	22,863	11,295
Subordinated unitholders	10,786	9,417
General Partner	341	208
Total partners' capital	33,990	20,920
Total liabilities and partners' capital	$235,958	$203,799

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

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

	Three Months Ended May 31, 1998	Three Months Ended May 31, 1997	Nine Months Ended May 31, 1998	Nine Months Ended May 31, 1997
REVENUES:				
Retail	$ 31,051	$ 26,438	$ 118,866	$ 113,664
Wholesale	7,200	10,898	26,300	49,080
Other	4,034	3,576	14,681	13,551
Total revenues	42,285	40,912	159,847	176,295
COSTS AND EXPENSES:				
Cost of products sold	21,052	24,453	84,637	113,519
Depreciation and amortization	3,736	2,848	9,990	8,165
Selling, general, and administrative	1,448	1,342	4,007	3,978
Operating expenses	12,060	9,812	35,293	31,323
Total costs and expenses	38,296	38,455	133,927	156,985
OPERATING INCOME	3,989	2,457	25,920	19,310
Gain (loss) on disposal of assets	(62)	(44)	329	267
Equity in earnings of affiliates	305	111	857	562
Other income (expense)	(90)	17	(206)	(34)
Interest expense	(3,619)	(2,961)	(10,824)	(8,911)
INCOME (LOSS) BEFORE MINORITY INTEREST	523	(420)	16,076	11,194
Minority interest	(104)	(71)	(536)	(493)
NET INCOME (LOSS)	419	(491)	15,540	10,701
GENERAL PARTNER'S INTEREST IN NET INCOME (LOSS)	4	(5)	155	108
LIMITED PARTNERS' INTEREST IN NET INCOME (LOSS)	$ 415	$ (486)	$ 15,385	$ 10,593
BASIC NET INCOME (LOSS) PER LIMITED PARTNER UNIT	$ .05	$.(06)	$ 1.86	$ 1.33
BASIC WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	8,390,529	7,987,943	8,282,964	7,987,943
DILUTED NET INCOME (LOSS) LIMITED PARTNER UNIT	$ .05	$ (.06)	$ 1.85	$ 1.33
DILUTED WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	8,423,773	7,987,943	8,314,189	7,987,943

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

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

	Number of Units					
	Common	Subordinated	Common	Subordinated	General Partner	Total Partners' Capital
BALANCE, AUGUST 31, 1997	4,285,000	3,702,943	$ 11,295	$ 9,417	$ 208	$20,920
Unit distribution	--	--	(6,806)	(5,554)	(125)	(12,485)
Issuance of restricted Common Units in connection with acquisitions	418,824	--	9,760	--	--	9,760
Capital contribution from General Partner in connection with issuance of Common Units	--	--	--	--	100	100
Deferred compensation on Restricted Units	--	--	41	111	3	155
Net Income	--	--	8,573	6,812	155	15,540
BALANCE, MAY 31, 1998	4,703,824	3,702,943	$ 22,863	$ 10,786	$ 341	$33,990

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Nine Months Ended May 31, 1998	Nine Months Ended May 31, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 15,540	$ 10,701
Reconciliation of net income to net cash provided by operating activities-		
Depreciation and amortization	9,990	8,165
Provision for losses on accounts receivable	324	492
Gain on disposal of assets	(329)	(267)
Deferred compensation on restricted units	155	--
Undistributed earnings of affiliates	(869)	(519)
Minority interest	67	--
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(797)	(775)
Inventories	4,008	2,868
Prepaid expenses	458	(26)
Intangibles and other assets	(459)	(301)
Accounts payable	(1,145)	(3,495)
Accrued and other current liabilities	1,554	3,127
Net cash provided by operating activities	28,497	19,970
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisitions, net of cash acquired	(23,342)	(3,941)
Capital expenditures	(6,607)	(5,566)
Proceeds from asset sales	5,233	1,360
Net cash used in investing activities	(24,716)	(8,147)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	112,573	45,013
Principal payments on debt	(102,858)	(45,393)
Unit distribution	(12,485)	(10,917)
Capital contribution from General Partner	100	--
Net cash used in financing activities	(2,670)	(11,297)
INCREASE IN CASH	1,111	526
CASH, beginning of period	2,025	1,170
CASH, end of period	$ 3,136	$ 1,696
NONCASH FINANCING ACTIVITIES:		
Notes payable incurred on noncompete agreements	$ 5,722	$ 1,294
Issuance of Common Units in connection with acquisitions	$ 9,760	--
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 7,680	$ 6,561

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

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

1. GENERAL:

The accompanying unaudited consolidated financial statements have been prepared by Heritage Propane Partners, L.P. (the Partnership), and include the accounts of the Partnership and its subsidiaries, including Heritage Operating, L.P. (the "Operating Partnership"), and a majority owned partnership. The partnership accounts for its 50 percent partnership interest in another propane retailer under the equity method. All significant intercompany transactions and accounts have been eliminated in consolidation. The General Partner's 1.0101 percent interest in the Operating Partnership is accounted for in the consolidated financial statements as a minority interest. The accompanying financial statements should be read in conjunction with the Partnership's consolidated financial statements as of August 31, 1997, and the notes thereto included in the Partnership's consolidated financial statements included in Form 10-K as filed with the Securities and Exchange Commission. The accompanying financial statements include only normal recurring accruals and all adjustments that the Partnership considers necessary for a fair presentation. Due to the seasonal nature of the Partnership's business, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

2. DETAILS TO CONSOLIDATED BALANCE SHEETS:

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

	May 31, 1998 (Unaudited)	August 31, 1997
Fuel	$ 5,716	$ 9,468
Appliances, parts and fittings	4,261	3,893
	$ 9,977	$ 13,361

3. NET INCOME PER LIMITED PARTNER UNIT:

Financial Accounting Standards Board Statement No. 128, "Earnings per Share" ("Statement No. 128"), issued in February 1997 and effective for financial statements for periods ending after December 15, 1997, establishes and simplifies standards for computing and presenting earnings per share. Statement No. 128 requires restatement of all prior-period earnings per share data presented. Basic net income per limited partner unit is computed by dividing net income, after considering the General Partner's one percent interest, by the weighted average number of Common and Subordinated Units outstanding. Diluted net income per limited partner unit is computed by dividing net income, after considering the General Partner's one percent interest, by the weighted average number of Common and Subordinated Units outstanding and the weighted average number of Restricted Units ("Phantom Units") granted under the Restricted Unit Plan.

4. CASH DISTRIBUTIONS:

The Minimum Quarterly Distribution (MQD) of $3,993, or $.50 per Common and Subordinated Unit, was paid on October 15, 1997, to Unitholders of record on September 30, 1998, and $82 was distributed to the General Partner. On January 14, 1998, the Partnership paid the MQD of $4,176, or $.50 per Common and

Subordinated Unit, and $85 was distributed to the General Partner, to holders of record on January 5, 1998. On April 14, 1998, the Partnership paid the MQD of $4,176, or $.50 per Common and Subordinated Unit, and $85 was distributed to the General Partner, to holders of record on April 3, 1998. On June 29, 1998, the Partnership declared the MQD of $4,237, or $.50 per Common and Subordinated Unit, and $86 to be distributed to the General Partner, payable on July 15, 1998, to holders of record on July 9, 1998.

5. REGISTRATION STATEMENT:

Effective November 19, 1997, the Partnership registered 2,000,000 additional Common Units which may be issued from time to time by the Partnership by means of a prospectus delivered in connection with its negotiations for acquisition of other businesses, properties or securities in business combination transactions. As of the date of the filing of this Form 10-Q, no Common Units have been issued with respect to this registration statement.

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

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements that are subject to risks and uncertainties. The factors that could cause actual results to differ materially include those discussed herein. Readers are cautioned not to place undue reliance on these forward-looking statements, which generally speak only as of the date of this Report on Form 10-Q. The General Partner undertakes no obligation to publicly release any revision to these forward-looking statements to reflect events or circumstances after the date of the Report on Form 10-Q.

ANALYSIS OF UNAUDITED HISTORICAL RESULTS OF OPERATIONS

On June 28, 1996, Heritage Propane Partners, L.P. (the Partnership) acquired certain assets of Heritage Holdings, Inc. (the Company) and completed an initial public offering. The Partnership operates 142 districts in 25 states, serving over 240,000 customers. The Partnership has made 18 acquisitions since the initial public offering. The following discussion reflects the results of operations and operating data for the Partnership for the periods indicated.

Since May 31, 1997, the Partnership has consummated 7 acquisitions which affect the comparability of prior period financial results as they are, for the most part included in the three months ended May 31, 1998, yet the acquisition activity was not included in the comparable period of the prior year. These acquisitions also affect the comparability of the nine months ended May 31, 1998, and the same period last fiscal year as there is acquisition activity from these in the current nine month period and not in the same nine month period of last year.

Amounts discussed below reflect 100% of the results of operations of M-P Energy Partnership, formerly named M-P Oils Partnership, a general partnership in which the Partnership owns a 60% interest. Because M-P Energy Partnership is primarily engaged in lower-margin wholesale propane distribution, its contribution to the Partnership's net income and EBITDA is not significant.

The Partnership's results of operations are dependent in a large part on weather conditions in its service areas. Because a substantial portion of the propane sold by the Partnership is used in the heating-sensitive residential and commercial markets, the temperatures realized in the Partnership's areas of operations have a significant effect on the financial performance of the Partnership. As a result, volumes of propane sold are highest during the peak heating season of November through March. Warmer than normal weather during this peak season will tend to have a negative effect on the volumes of propane sold. Thus far in fiscal 1998, the Partnership has experienced one of the warmest heating seasons this century. The weather patterns commonly referred to as El Nino negatively affected every operating region in the Partnership's operations.

The retail propane business is a "margin-based" business in which gross profits depend on the excess of sales price over propane supply costs. The market price of propane is often subject to volatile changes as a result of supply or other market conditions over which the Partnership has no control.

Since rapid increases in the wholesale cost of propane, as was seen during the 1996 - 1997 heating season, may not be immediately passed on to retail customers, such increases could reduce the Partnership's gross profits. Conversely, declining wholesale prices may not necessarily increase operating margins.

The Partnership competes in the highly competitive propane industry. The Partnership competes against other major propane companies as well as local independent companies in most of its markets. The Partnership must also compete against other energy sources such as natural gas, oil and electricity.

Three Months Ended May 31, 1998 Compared to the Three Months Ended May 31, 1997.

Volume. During the three months ended May 31, 1998, the Partnership sold 34.6 million retail gallons, an increase of 8.0 million retail gallons or 30.1% from the 26.6 million retail gallons sold in the three months ended May 31, 1997. This increase was attributable to acquisition related volumes and to a lesser extent, by internal growth.

The Partnership also sold approximately 20.4 million wholesale gallons in the three months ended May 31, 1998, a decrease of 8.7 million wholesale gallons or 29.9% from the 29.1 million wholesale gallons sold in the three months ended May 31, 1997. The decrease in wholesale volumes was attributable to a decrease of 6.5 million gallons in the foreign operations of M-P Energy Partnership and 2.2 million gallons in the U. S wholesale operations, both primarily due to warmer than normal weather.

Revenues. Total revenues increased $1.4 million or 3.4% to $42.3 million for the three months ended May 31, 1998, as compared to $40.9 million for the same three month period last year. Domestic retail fuel revenues increased $4.6 million or 17.4% to $31.1 million for the three months ended May 31, 1998, as compared to $26.5 million for the three months ended May 31, 1997. Domestic wholesale revenues decreased $.8 million or 36.4% from the $2.2 million for the three months ended May 31, 1997, to $1.4 million for May 31, 1998. Foreign wholesale revenues decreased $2.9 million or 33.3% to $5.8 million for the three months ended May 31, 1998, as compared to $8.7 million for the same three month period last year. The decrease in foreign wholesale revenues was attributable to decreased volumes and sales prices whereas the decreased domestic wholesale fuel revenues resulted from decreased volumes offset somewhat by increased sales prices. The increase in domestic retail fuel revenues was attributable to the increase in retail volumes offset by a decrease in the sales prices for the three months ended May 31, 1998 as compared to the three months ended May 31, 1997. The three months ended May 31, 1997, was affected by the higher inventory values coming out of a winter that had the most volatile product costs in the history of the industry. The Partnership responded to these high fuel costs with increased selling prices where necessary. During the three months ended May 31, 1998, selling prices decreased as compared to the three months ended May 31, 1997.

Cost of Sales. Total cost of sales decreased $3.3 million or 13.5% to $21.1 million for the three months ended May 31, 1998, as compared to $24.4 million for the three months ended May 31, 1997. Domestic cost of sales decreased $.4 million or 2.5% to $15.5 million for the three months ended May 31, 1998, as compared to $15.9 million for the comparable three month period last year. Foreign cost of sales decreased $2.9 million or 34.1% to $5.6 million for the three months ended May 31, 1998, as compared to $8.5 million for the same three month period last year. The decrease in foreign cost of sales was attributable to decreased volumes and a decrease in the cost per gallon of propane from last year's prices. The decrease in domestic cost of sales was also due to the decrease in domestic wholesale volumes and the decrease in propane costs in the three months ended May 31, 1998, as compared to the three month period ended May 31, 1997, offset by the increase in retail volumes.

Gross Profit. Total gross profit increased $4.7 million or 28.5% to $21.2 million for the three months ended May 31, 1998, as compared to $16.5 million for the same three month period last year. This increase was attributable to an increase in retail volumes sold and the reduction of fuel costs.

Operating Expenses. Operating expenses increased by $2.3 million or 23.5% to $12.1 million in the three months ended May 31, 1998, as compared to $9.8 million in the three months ended May 31, 1997. This increase was primarily attributable to costs associated with acquisitions.

Selling, General and Administrative. Selling, general and administrative expenses were $1.4 million for the three months ended May 31, 1998, an increase of 7.7% from the $1.3 million for the three months ending May 31, 1997.

Depreciation and Amortization. Depreciation and amortization increased approximately $.8 million or 27.6% to $3.7 million in the three months ended May 31, 1998, as compared to $2.9 million for the same three month period last year. This increase was primarily the result of additional depreciation and amortization associated with acquisitions.

Operating Income. Operating income increased $1.5 million or 60.0% to $4.0 million for the three months ended May 31, 1998, as compared to $2.5 million for the three months ended May 31, 1997. This increase was due to the increase in gross profit offset by the acquisition related increase in operating expenses and depreciation and amortization.

Net Income. Net income increased $.9 million to $.4 million for the three months ended May 31, 1998, as compared to the net loss of ($.5) million for the three months ended May 31, 1997. This increase is the result of higher operating income for the three months ended May 31, 1998, as compared to the same three month period last year, partially offset by increased interest costs.

EBITDA. Earnings before interest, taxes, depreciation, and amortization increased $2.5 million or 44.6% to $8.1 million in the three months ended May 31, 1998, as compared to $5.6 million for the same three month period of fiscal 1997. This increase was due to increased gross profit offset by the acquisition related increase in operating expenses.

Nine Months Ended May 31, 1998 Compared to the Nine Months Ended May 31, 1997.

Volume. During the nine months ended May 31, 1998, the Partnership sold 125.3 million retail gallons, an increase of 18.3 million retail gallons or 17.1% from the 107.0 million retail gallons sold in the nine months ended May 31, 1997. This increase was primarily attributable to acquisition related volumes offset, to a certain extent, by warmer weather in the Partnership's areas of operations during the nine months ended May 31, 1998, as compared to the same period of the prior year.

The Partnership also sold approximately 70.2 million wholesale gallons in the nine months ended May 31, 1998, a decrease of 27.6 million wholesale gallons or 28.2% from the 97.8 million wholesale gallons sold in the nine months ended May 31, 1997. The decrease in wholesale volumes was attributable to a decline of 18.2 million gallons in the foreign operations of M-P Energy Partnership and 9.4 million gallons in U. S. wholesale operations, both primarily due to warmer than normal weather in those areas of operations.

Revenues. Total revenues decreased $16.5 million or 9.4% to $159.8 million for the nine months ended May 31, 1998, as compared to $176.3 million for the same nine month period last fiscal year. Domestic retail fuel revenues increased $5.2 million or 4.6% to $118.9 million for the nine months ended May 31, 1998, as compared to $113.7 million for the nine months ended May 31, 1997. Domestic wholesale revenues decreased $5.9 million or 54.6% from the $10.8 million for the nine months ended May 31, 1997, to $4.9 million for the nine months ended May 31, 1998. Foreign wholesale revenues accounted for the remaining decline, showing a decrease of $16.9 million or 44.1% to $21.4 million for the nine months ended May 31, 1998, as compared to $38.3 million for the same nine month period last year. The decrease in foreign and domestic wholesale revenues was attributable to both decreased volumes and sales prices. The increased domestic retail fuel revenues resulted from increased volumes offset somewhat by decreased sales prices.

Cost of Sales. Total cost of sales decreased $28.9 million or 25.5% to $84.6 million for the nine months ended May 31, 1998, as compared to $113.5 million for the nine months ended May 31, 1997. Domestic cost of sales decreased $11.9 million or 15.6% to $64.2 million for the nine months ended May 31, 1998, as compared to $76.1 million for the comparable nine month period last year. Foreign cost of sales decreased $17.0 million or 45.5% to $20.4 million for the nine months ended May 31, 1998, as compared to $37.4 million for the same nine month period last year. The decrease in foreign cost of sales was attributable to decreased volumes and a decrease in the cost per gallon of propane. The decrease in domestic cost of sales was also due to the decrease in domestic wholesale volumes and the decrease in propane costs in the nine months ended May 31, 1998, as compared to the same nine month period ended May 31, 1997, partially offset by the increased volumes of retail fuel.

Gross Profit. Total gross profit increased $12.4 million or 19.7% to $75.2 million for the nine months ended May 31, 1998, as compared to $62.8 million for the same nine month period last year. This increase was attributable to an increase in retail volumes sold, the impact of higher margins and an increase in other propane related gross profit.

Operating Expenses. Operating expenses increased by $4.0 million or 12.8% to $35.3 million in the nine months ended May 31, 1998, as compared to $31.3 million in the nine months ended May 31, 1997. This increase was primarily attributable to costs associated with acquisitions.

Selling, General and Administrative. Selling, general and administrative expenses were $4.0 million for the nine months ended May 31, 1998, unchanged from the prior year.

Depreciation and Amortization. Depreciation and amortization increased approximately $1.8 million or 22.0% to $10.0 million in the nine months ended May 31, 1998, as compared to $8.2 million for the same nine month period last year. This increase was primarily the result of additional depreciation and amortization associated with acquisitions.

Operating Income. Operating income increased $6.6 million or 34.2% to $25.9 million for the nine months ended May 31, 1998, as compared to $19.3 million for the nine months ended May 31, 1997. This increase was due to the increase in gross profit, offset by the acquisition related increase in operating expenses and depreciation and amortization.

Net Income. Net income increased $4.8 million to $15.5 million for the nine months ended May 31, 1998, as compared to net income of $10.7 million for the nine months ended May 31, 1997. This increase is the result of higher operating income, partially offset by increased interest costs.

EBITDA. Earnings before interest, taxes, depreciation, and amortization was $36.8 million for the nine months ended May 31, 1998 as compared to $28.3 million for the same nine month period for fiscal 1997, representing a 30.0% increase. This increase was due to increased gross profit offset by the acquisition related increase in operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash provided by operating activities during the nine months ended May 31, 1998, was $28.5 million compared to $20.0 million during the nine months ended May 31, 1997. The cash flows from operations during the nine months ended May 31, 1998, consisted primarily of net income of $15.5 million and noncash charges of $9.3 million, principally depreciation and amortization.

Cash used in investing activities during the nine months ended May 31, 1998, included capital expenditures for acquisitions amounting to $23.3 million, net of cash received. The Partnership spent an additional $6.6 million for both maintenance capital needed to sustain operations at current levels, as well as new customer tanks to support growth of operations and other miscellaneous capitalized items.

Cash used in financing activities during the nine months ended May 31, 1998, of $2.7 million is the net of $9.7 million of debt incurred, reduced by the full Minimum Quarterly Distribution to unitholders of $12.5 million.

Financing and Sources of Liquidity

The Partnership has a Bank Credit Facility, which includes a Working Capital Facility, a revolving credit facility providing for up to $15.0 million of borrowings to be used for working capital and other general partnership purposes, and an Acquisition Facility, a revolving credit facility providing for up to $35.0 million of borrowings to be used for acquisitions and improvements.

On November 19, 1997 the Partnership entered into a Note Purchase Agreement that provides for the issuance of up to $100 million of senior secured promissory notes (the "Notes") if certain conditions are met. An initial placement of $32 million of Notes at an average interest rate of 7.23% with an average 10 year maturity was completed at the closing of the Note Purchase Agreement. An additional placement of $15 million of Notes at an average interest rate of 6.59% with an average 12 year maturity was completed in March 1998. The proceeds of the Notes were used to refinance amounts outstanding under the Acquisition Facility. As of June 30, 1998, the Acquisition Facility had $35.0 million available to fund future acquisitions and the Working Capital Facility had $9.1 million available for borrowings.

Effective November 19, 1997, the Partnership registered 2,000,000 additional Common Units which may be issued from time to time by the Partnership by means of a prospectus delivered in connection with its negotiations for acquisition of other businesses, properties or securities in business combination transactions. As of the date of the filing of this Form 10-Q, no Common Units have been issued with respect to this registration statement.

The Partnership uses its cash provided by operating and financing activities to provide distributions to unitholders and to fund acquisition, maintenance and growth capital expenditures. Acquisition capital expenditures, which include expenditures related to the acquisition of retail propane operations, were $23.3 million for the nine months ended May 31, 1998, as compared to $3.9 million during the nine months ended May 31, 1997. In addition to the $23.3 million of cash expended for acquisitions during the nine months ended May 31, 1998, $9.8 million of Common Units, restricted as to transferability of the Units, were issued in connection with acquisitions.

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

The ability of the Partnership to satisfy its obligations will depend on its future performance, which will be subject to prevailing economic, financial, business and weather conditions and other factors, many of which are beyond its control. Future operating needs of the Partnership are expected to be provided by future operations, existing cash balances and the Working Capital Facility. The Partnership may incur additional indebtedness or issue additional Units to fund possible future acquisitions.

YEAR 2000 MATTERS

The Partnership has a number of information system improvement initiatives under way that will require increased expenditures during the next several years. These initiatives include the modification of certain computer software and hardware systems to be Year 2000 compliant. Although the final estimates to modify current systems have not yet been determined, the Partnership does not expect that such costs, which will be expensed when incurred, will have a material effect on the Partnership's results of operations.

FORM 10-Q
PART II $ OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

(c) During the three months ended May 31, 1998, the Partnership issued 54,999 Common Units ("Units") to Heritage Holdings, Inc., the Partnership's General Partner. These Units were issued in connection with the assumption of certain liabilities by the General Partner from the Partnership's acquisitions of certain assets of other propane companies. Subsequent to May 31, 1998, the Partnership issued an additional 67,100 Units to Heritage Holdings, Inc., also in relation to the assumption of certain liabilities by the General Partner from the Partnership's acquisitions of certain assets of other propane companies. These Common Units were not registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, by virtue of an exemption under Section 4(2) thereof. These Common Units carry a restrictive legend with regard to transfer of the Units.

ITEM 6. EXHIBITS AND REPORTS OF FORM 8-K

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

	Exhibit Number	Description
(1)	3.1	Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(1)	10.1	Form of Bank Credit Facility
(3)	10.1.1	Amendment of Bank Credit Facility dated as of July 9, 1996
(4)	10.1.2	Amendment of Bank Credit Facility dated as of February 28, 1997
(5)	10.1.3	Third Amendment to Credit Agreement dated as of September 30,1997
(6)	10.1.4	Fourth Amendment to Credit Agreement dated as of November 18, 1997
(1)	10.2	Form of Note Purchase Agreement
(3)	10.2.1	Amendment of Note Purchase Agreement dated as of July 25, 1996
(4)	10.2.2	Amendment of Note Purchase Agreement dated as of March 11, 1997
(1)	10.3	Form of Contribution, Conveyance and Assumption Agreement among Heritage Holdings, Inc., Heritage Holdings Partners, L.P. and Heritage Operating L.P.
(1)	10.4	1989 Stock Option Plan
(1)	10.5	1995 Stock Option Plan
(1)	10.6	Restricted Unit Plan
(4)	10.6.1	Amendment of Restricted Unit Plan dated as of October 17, 1996
(2)	10.7	Employment Agreement for James E. Bertelsmeyer
(1)	10.8	Employment Agreement for R.C. Mills
(1)	10.9	Employment Agreement for G.A. Darr
(1)	10.10	Employment Agreement for H. Michael Krimbill
(6)	10.16	Note Purchase Agreement, dated as of November 19, 1997
	27.1	Financial Data Schedule - Filed with EDGAR version only

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

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

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

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

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

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

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

SIGNATURE

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

HERITAGE PROPANE PARTNERS, L.P.

By: Heritage Holdings, Inc., General Partner

Date: July 9, 1998

By: /s/ H. Michael Krimbill

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

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
27	Financial Data Schedule

5
1,000

3-MOS	6-MOS
AUG-31-1998	AUG-31-1998
MAR-01-1998	SEP-01-1997
MAY-31-1998	MAY-31-1998
3,136	3,136
0	0
13,349	13,349
436	436
9,977	9,977
27,199	27,199
168,875	168,875
32,918	32,918
235,958	235,958
25,337	25,337
176,631	176,631
0	0
0	0
0	0
33,990	33,990
235,958	235,958
42,285	159,847
42,285	159,847
21,052	84,637
38,296	133,927
(153)	(980)
0	0
3,619	10,824
523	16,076
0	0
419	15,540
0	0
0	0
0	0
419	15,540
.05	1.86
.05	1.85