FORM 10-Q
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2003

OR

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

FOR THE TRANSITION PERIOD FROM ______ to

COMMISSION FILE NUMBER 1-11727

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

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

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

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

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

Yes [x] No[ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes [x] No[ ]

At January 13, 2004, the registrant had units outstanding as follows:

Heritage Propane Partners, L.P. 18,533,855 Common Units

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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, except unit data)

	November 30, 2003	August 31, 2003
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,820	$ 7,117
Marketable securities	3,176	3,044
Accounts receivable, net of allowance for doubtful accounts	52,467	35,879
Inventories	57,439	45,274
Assets from liquids marketing	112	83
Prepaid expenses and other	5,623	2,741
Total current assets	126,637	94,138
PROPERTY, PLANT AND EQUIPMENT, net	435,710	426,588
INVESTMENT IN AFFILIATES	8,887	8,694
GOODWILL, net of amortization prior to adoption of SFAS No. 142	157,185	156,595
INTANGIBLES AND OTHER ASSETS, net	52,717	52,824
Total assets	$ 781,136	$ 738,839
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Working capital facility	$ 60,448	$ 26,700
Accounts payable	55,648	43,690
Accounts payable to related companies	6,829	6,255
Accrued and other current liabilities	37,584	35,993
Liabilities from liquids marketing	100	80
Current maturities of long-term debt	42,544	38,309
Total current liabilities	203,153	151,027
LONG-TERM DEBT, less current maturities	364,161	360,762
MINORITY INTERESTS	3,998	4,002
	571,312	515,791
COMMITMENTS AND CONTINGENCIES		
PARTNERS' CAPITAL:		
Common Unitholders (18,028,029 and 18,013,229 units issued and outstanding at November 30, 2003 and August 31, 2003, respectively)	207,980	221,207
Class C Unitholders (1,000,000 units issued and outstanding at November 30, 2003 and August 31, 2003)	-	-
General Partner	2,062	2,190
Accumulated other comprehensive loss	(218)	(349)
Total partners' capital	209,824	223,048
Total liabilities and partners' capital	$ 781,136	$ 738,839

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

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

	Three Months Ended November 30, 2003	Three Months Ended November 30, 2002
REVENUES:		
Retail fuel	$ 94,388	$ 84,050
Wholesale fuel	10,342	11,348
Liquids marketing, net	49	707
Other	18,947	17,355
Total revenues	123,726	113,460
COSTS AND EXPENSES:		
Cost of products sold	66,370	57,020
Operating expenses	38,042	33,392
Depreciation and amortization	9,415	9,266
Selling, general and administrative	3,190	2,856
Total costs and expenses	117,017	102,534
OPERATING INCOME	6,709	10,926
OTHER INCOME (EXPENSE):		
Interest expense	(8,166)	(9,297)
Equity in earnings of affiliates	219	213
Gain on disposal of assets	173	67
Other	(46)	(278)
INCOME (LOSS) BEFORE MINORITY INTERESTS AND INCOME TAXES	(1,111)	1,631
Minority interests	(135)	(127)
NET INCOME (LOSS) BEFORE INCOME TAXES	(1,246)	1,504
Income taxes	50	-
NET INCOME (LOSS)	(1,296)	1,504
GENERAL PARTNER'S INTEREST IN NET INCOME (LOSS)	311	233
LIMITED PARTNERS' INTEREST IN NET INCOME (LOSS)	$ (1,607)	$ 1,271
BASIC NET INCOME (LOSS) PER LIMITED PARTNER UNIT	$ (0.09)	$ 0.08
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	18,020,137	15,816,347
DILUTED NET INCOME (LOSS) PER LIMITED PARTNER UNIT	$ (0.09)	$ 0.08
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING	18,020,137	15,848,698

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands, unaudited)

	Three Months Ended November 30, 2003	Three Months Ended November 30, 2002
Net income (loss)	$(1,296)	$ 1,504
Other comprehensive income (loss)		
Reclassification adjustment for losses or gains on derivative instruments included in net income	-	-
Change in value of available-for-sale securities	131	-
Comprehensive income (loss)	$(1,165)	$ 1,504

RECONCILIATION OF ACCUMULATED OTHER COMPREHENSIVE LOSS

	2003	2002
Balance, beginning of period	$ (349)	$(3,652)
Current period reclassification to earnings	-	-
Current period change	131	-
Balance, end of period	$ (218)	$(3,652)

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

HERITAGE PROPANE PARTNERS, L.P. AND SUBSIDIARIES

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

	Number of Units						
	Common	Class C	Common	Class C	General Partner	Accumulated Other Comprehensive Loss	Total
BALANCE, AUGUST 31, 2003	18,013,229	1,000,000	$ 221,207	$ -	$ 2,190	$ (349)	$ 223,048
Unit distribution	-	-	(11,710)	-	(439)	-	(12,149)
Conversion of phantom units	14,800	-	-	-	-	-	-
Other	-	-	90	-	-	-	90
Net change in accumulated other comprehensive loss per accompanying statements	-	-	-	-	-	131	131
Net loss	-	-	(1,607)	-	311	-	(1,296)
BALANCE, NOVEMBER 30, 2003	18,028,029	1,000,000	$ 207,980	$ -	$ 2,062	$ (218)	$ 209,824

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)

	Three Months Ended November 30, 2003	Three Months Ended November 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (1,296)	$ 1,504
Reconciliation of net income (loss) to net cash provided by (used in) operating activities-		
Depreciation and amortization	9,415	9,266
Provision for loss on accounts receivable	298	234
Gain on disposal of assets	(173)	(67)
Deferred compensation on restricted units and long-term incentive plan	90	309
Undistributed earnings of affiliates	(193)	(213)
Minority interests	(5)	(36)
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(16,571)	(26,887)
Inventories	(11,889)	(4,938)
Assets from liquids marketing	(29)	1,488
Prepaid and other expenses	(2,875)	(1,558)
Intangibles and other assets	(457)	(64)
Accounts payable	11,958	15,830
Accounts payable to related companies	574	(444)
Accrued and other current liabilites	1,505	4,280
Liabilities from liquids marketing	20	(1,046)
Net cash used in operating activities	(9,628)	(2,342)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisitions, net of cash acquired	(6,799)	(1,603)
Capital expenditures	(12,240)	(9,652)
Proceeds from the sale of assets	592	1,491
Net cash used in investing activities	(18,447)	(9,764)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	73,298	48,750
Principal payments on debt	(32,371)	(25,613)
Unit distributions	(12,149)	(10,404)
Net cash provided by financing activities	28,778	12,733
INCREASE IN CASH AND CASH EQUIVALENTS	703	627
CASH AND CASH EQUIVALENTS, beginning of period	7,117	4,596
CASH AND CASH EQUIVALENTS, end of period	$ 7,820	$ 5,223
NONCASH FINANCING ACTIVITIES:		
Notes payable incurred on noncompete agreements	$ 455	$ 519
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 9,571	$ 7,247

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except unit and per unit data)
(unaudited)

1. OPERATIONS AND ORGANIZATION:

The accompanying financial statements should be read in conjunction with the consolidated financial statements of Heritage Propane Partners, L.P. and subsidiaries (the "Partnership") as of August 31, 2003, and the notes thereto included in the Partnership's consolidated financial statements included in Form 10-K as filed with the Securities and Exchange Commission on November 26, 2003. 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.

In order to simplify the Partnership's obligations under the laws of several jurisdictions in which it conducts business, the Partnership's activities are conducted through a subsidiary operating partnership, Heritage Operating, L.P. (the "Operating Partnership"). The Partnership and the Operating Partnership are collectively referred to in this report as "Heritage". Heritage sells propane and propane-related products to more than 650,000 active residential, commercial, industrial, and agricultural customers from over 300 customer service locations in 31 states. Heritage is also a wholesale propane supplier in the United States and in Canada, the latter through participation in MP Energy Partnership. MP Energy Partnership is a Canadian partnership, in which Heritage owns a 60% interest, engaged in lower-margin wholesale distribution and in supplying Heritage's northern U.S. locations. Heritage buys and sells financial instruments for its own account through its wholly owned subsidiary, Heritage Energy Resources, L.L.C. ("Resources").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BALANCE SHEET DETAIL:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Partnership include the accounts of its subsidiaries, including the Operating Partnership, MP Energy Partnership, Heritage Service Corp., and Resources. Heritage accounts for its 50% partnership interest in Bi-State Propane, a propane retailer in the states of Nevada and California, under the equity method. All significant intercompany transactions and accounts have been eliminated in consolidation. The accounts of the Operating Partnership are included based on the determination that Heritage possesses a controlling financial interest through a direct ownership of a 98.9899% voting interest and its ability to exert control over the Operating Partnership.

For purposes of maintaining partner capital accounts, the Partnership Agreement of Heritage Propane Partners, L.P. (the "Partnership Agreement") specifies that items of income and loss shall be allocated among the partners in accordance with their percentage interests. Normal allocations according to percentage interests are made, however, only after giving effect to any priority income allocations in an amount equal to the incentive distributions that are allocated 100% to the General Partner. The 1.0101% general partner interest in the Operating Partnership held by the General Partner, U.S. Propane, L.P. ("U.S. Propane"), is accounted for in the consolidated financial statements as a minority interest.

REVENUE RECOGNITION

Sales of propane, propane appliances, parts, and fittings are recognized at the later of the time of delivery of the product to the customer or the time of sale or installation. Revenue from service labor is recognized upon completion of the service and tank rent is recognized ratably over the period it is earned. Shipping and handling revenues are included in the price of propane charged to customers, and thus are classified as revenues.

COSTS AND EXPENSES

Costs of products sold include actual cost of fuel sold adjusted for the effects of qualifying cash flow hedges, storage fees and inbound freight, and the cost of appliances, parts, and fittings. Operating expenses include all costs incurred to provide products to customers, including compensation for operations personnel, insurance costs, vehicle maintenance, advertising costs, shipping and handling costs, purchasing costs, and plant operations. Selling, general and administrative expenses include all corporate expenses and compensation for corporate personnel.

ACCOUNTS RECEIVABLE

Heritage grants credit to its customers for the purchase of propane and propane-related products. Accounts receivable are recorded at amounts billed to customers less an allowance for doubtful accounts. The allowance for doubtful accounts is based on management's assessment of the realizability of customer accounts. Management's assessment is based on the overall creditworthiness of the Partnership's customers and any specific disputes. The Partnership recorded bad debt expense net of recoveries of $298 and $234, for the three months ended November 30, 2003 and 2002, respectively. Accounts receivable consisted of the following:

	November 30, 2003	August 31, 2003
Accounts receivable	$ 55,971	$ 39,383
Less - allowance for doubtful accounts	3,504	3,504
Total, net	$ 52,467	$ 35,879

The activity in the allowance for doubtful accounts consisted of the following:

	For the three months ended November 30,	
	2003	2002
Balance, beginning of the period	$ 3,504	$ 2,504
Provision for loss on accounts receivable	298	234
Accounts receivable written off, net of recoveries	(298)	(228)
Balance, end of period	$ 3,504	$ 2,510

INVENTORIES

Inventories are valued at the lower of cost or market. The cost of fuel inventories is determined using weighted-average cost of fuel delivered to the retail districts and includes storage fees and inbound freight costs, while the cost of appliances, parts, and fittings is determined by the first-in, first-out method. Inventories consisted of the following:

	November 30, 2003	August 31, 2003
Fuel	$ 46,923	$ 34,544
Appliances, parts and fittings	10,516	10,730
Total inventories	$ 57,439	$ 45,274

INCOME (LOSS) PER LIMITED PARTNER UNIT

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

	Three Months Ended November 30, 2003	Three Months Ended November 30, 2002
BASIC NET INCOME (LOSS) PER LIMITED PARTNER UNIT:		
Limited Partners' interest in net income (loss)	$ (1,607)	$ 1,271
Weighted average limited partner units	18,020,137	15,816,347
Basic net income (loss) per limited partner unit	$ (0.09)	$ 0.08
DILUTED NET INCOME (LOSS) PER LIMITED PARTNER UNIT:		
Limited partners' interest in net income (loss)	$ (1,607)	$ 1,271
Weighted average limited partner units	18,020,137	15,816,347
Dilutive effect of phantom units (a)	-	32,351
Weighted average limited partner units, assuming dilutive effect of phantom units	18,020,137	15,848,698
Diluted net income (loss) per limited partner unit	$ (0.09)	$ 0.08

(a) For the three months ended November 30, 2003, 41,900 phantom units were excluded from the calculation of diluted net loss as such units were anti-dilutive due to the net loss for the period.

QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

The Partnership Agreement requires that the Partnership will distribute all of its Available Cash to its Unitholders and its General Partner within 45 days following the end of each fiscal quarter, subject to the payment of incentive distributions to the holders of Incentive Distribution Rights to the extent that certain target levels of cash distributions are achieved. The term Available Cash generally means, with respect to any fiscal quarter of the Partnership, all cash on hand at the end of such quarter, plus working capital borrowings after the end of the quarter, less reserves established by the General Partner in its sole discretion to provide for the proper conduct of the Partnership's business, to comply with applicable laws or any debt instrument or other agreement, or to provide funds for future distributions to partners with respect to any one or more of the next four quarters. Available Cash is more fully defined in the Partnership Agreement.

Distributions by the Partnership in an amount equal to 100% of Available Cash will generally be made 98% to the Common Unitholders and 2% to the General Partner, subject to the payment of incentive distributions to the holders of Incentive Distribution Rights to the extent that certain target levels of cash distributions are achieved.

On October 15, 2003, a quarterly distribution of $0.65 per unit, or $2.60 annually, was paid to Unitholders of record at the close of business on October 8, 2003 and to the General Partner for its general partner interest in the Partnership, its minority interest, and its Incentive Distribution Rights. On December 19, 2003, the Partnership declared a cash distribution for the first quarter ended November 30, 2003 of $0.65 per unit, or $2.60 per unit annually, payable on January 14, 2004 to Unitholders of record at the close of business on December 30, 2003. These quarterly distributions include incentive distributions payable to the General Partner to the extent the quarterly distribution exceeds $0.55 per unit. The total amount of distributions for the first quarter ended November 30, 2003 on Common Units, the general partner interests and the Incentive Distribution Rights totaled $12.0 million, $0.2

million and $0.3 million, respectively. All such distributions were made from Available Cash from Operating Surplus as defined in Heritage's Partnership Agreement.

STOCK BASED COMPENSATION PLANS

During the fourth quarter of 2003, Heritage applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 Accounting for Stock-based Compensation (SFAS 123) effective as of September 1, 2002. Heritage applied the fair value recognition provisions following the modified prospective method of adoption described in Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure (SFAS 148).

RESTRICTED UNIT PLAN

The General Partner has adopted the Amended and Restated Restricted Unit Plan dated August 10, 2000, amended February 4, 2002 as the Second Amended and Restated Restricted Unit Plan (the "Restricted Unit Plan"), for certain directors and key employees of the General Partner and its affiliates. The Restricted Unit Plan covers rights to acquire 146,000 Common Units. The right to acquire the Common Units under the Restricted Unit Plan, including any forfeiture or lapse of rights is available for grant to key employees on such terms and conditions (including vesting conditions) as the Compensation Committee of the General Partner shall determine. Each director shall automatically receive a Director's grant with respect to 500 Common Units on each September 1 that such person continues as a director. Newly elected directors are also entitled to receive a grant with respect to 2,000 Common Units upon election or appointment to the Board. Directors who are employees of U.S. Propane, TECO, Atmos Energy, Piedmont Natural Gas or AGL Resources or their affiliates are not entitled to receive a Director's grant of Common Units. Generally, the rights to acquire the Common Units will vest upon the later to occur of (i) the three-year anniversary of the grant date, or on such terms as the Compensation Committee may establish, which may include the achievement of performance objectives. In the event of a "change of control" (as defined in the Restricted Unit Plan), all rights to acquire Common Units pursuant to the Restricted Unit Plan will immediately vest. Pursuant to the transactions announced November 6, 2003, the vesting provisions of the Restricted Unit Plan will be triggered, except for waivers granted thereunder, upon consummation of La Grange Energy, L.P.'s acquisition of Heritage's General Partner, resulting in the early vesting of any awards thereunder.

The issuance of the Common Units pursuant to the Restricted Unit Plan is intended to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation in respect of the Common Units. Therefore, no consideration will be payable by the plan participants upon vesting and issuance of the Common Units. As of November 30, 2003, 26,100 restricted units were outstanding and 14,300 were available for grants to non-employee directors and key employees. Deferred compensation expense of $90 and $81 was recognized for the three months ended November 30, 2003 and 2002, respectively.

LONG-TERM INCENTIVE PLAN

Effective September 1, 2000, Heritage adopted a long-term incentive plan whereby Common Units will be awarded based on achieving certain targeted levels of Distributed Cash (as defined in the Long Term Incentive Plan) per unit. Awards under the program will be made starting in 2003 based upon the average of the prior three years' Distributed Cash per unit. A minimum of 250,000 Common Units and if certain targeted levels are achieved, a maximum of 500,000 Common Units will be awarded.

Deferred compensation expense on this plan of $0 and $228 was recognized for the three months ended November 30, 2003 and 2002, respectively. No expense was recorded under the Long-Term Incentive plan for the three months ended November 30, 2003 because the required targeted levels were not expected to be achieved.

SFAS 123 requires that significant assumptions be used during the year to estimate the fair value, which includes the risk-free interest rate used, the expected life of the grants under each of the plans, the expected volatility, and the expected distributions on each of the grants. Heritage assumed a weighted average risk free interest rate of 2.62% and 5.72% for the three months ended November 30, 2003 and 2002, respectively. Annual average cash distributions at the grant date were estimated to be $2.55 and $2.39 for the three months ended November 30, 2003 and 2002, respectively. The expected life of each grant is assumed to be the minimum vesting period under certain performance criteria of each grant.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Heritage applies Financial Accounting Standards Board ("FASB") Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). SFAS 133 requires that all derivatives be recognized in the balance sheet as either an asset or liability measured at fair value. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the statement of operations. There were no such financial instruments outstanding as of November 30, 2003 or 2002.

RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2003, the FASB issued Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within the scope of SFAS 150 as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Heritage adopted the provisions of SFAS 150 as of September 1, 2003. The adoption did not have a material impact on the Partnership's consolidated financial position or results of operations.

In January 2003, the FASB issued Financial Interpretation No. 46 Consolidation of Variable Interest Entities - An Interpretation of ARB No. 51 (FIN 46). In December 2003, the FASB issued a revision to FIN 46. FIN 46 clarifies Accounting Research Bulletin No. 51, Consolidated Financial Statements. If certain conditions are met, this interpretation requires the primary beneficiary to consolidate certain variable interest entities in which equity investors lack the characteristics of a controlling interest or do not have sufficient equity investment at risk to permit the variable interest entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for variable interest entities created or obtained after January 31, 2003. For variable interest entities acquired before February 1, 2003, the interpretation is effective for the first fiscal year or interim period beginning after June 15, 2003. The implementation of FIN 46 did not have a significant impact on Heritage's financial position or results of operations.

PRO FORMA RESULTS

On January 2, 2003, Heritage purchased the propane assets of V-1 Oil Co. ("V-1") of Idaho Falls, Idaho for total consideration of $35.4 million after post-closing adjustments. The acquisition price was payable $20.0 million in cash, with $17.3 million of that amount financed by the Acquisition Facility, and by the issuance of 551,456 Common Units of Heritage valued at $15.0 million, and $0.4 million in liabilities assumed. V-1's propane distribution network included 35 customer service locations in Colorado, Idaho, Montana, Oregon, Utah, Washington, and Wyoming. The results of operations of V-1 for the three months ended November 30, 2003 are included in the consolidated statement of operations of Heritage for the three months ended November 30, 2003.

The following unaudited pro forma consolidated results of operations are presented as if the acquisition of V-1 had been made at the beginning of the periods presented:

	Three Months Ended November 30, 2002
Total revenues	$ 120,444
Net Income	$ 2,271
Limited partners' interest in net income	$ 2,031
Basic net income per limited partner unit	$ 0.12
Diluted net income per limited partner unit	$ 0.12

The pro forma consolidated results of operations include adjustments to give effect to depreciation on the step-up of property, plant and equipment, amortization of customer lists, interest expense on acquisition debt, and certain other adjustments. The unaudited pro forma information is not necessarily indicative of the results of operations that would have occurred had the transactions been made at the beginning of the periods presented or the future results of the combined operations.

3. WORKING CAPITAL FACILITY AND LONG-TERM DEBT:

Effective July 16, 2001, the Operating Partnership entered into the Fifth Amendment to the First Amended and Restated Credit Agreement (Bank Credit Facility). The terms of the Bank Credit Facility as amended are as follows:

A $65,000 Senior Revolving Working Capital Facility, expiring June 30, 2004 with $60,448 outstanding at November 30, 2003. The interest rate and interest payment dates vary depending on the terms Heritage agrees to when the money is borrowed. Heritage must be free of all working capital borrowings for 30 consecutive days each fiscal year. The weighted average interest rate was 2.495% for the amount outstanding at November 30, 2003. The maximum commitment fee payable on the unused portion of the facility is 0.50%. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts, and the capital stock of Heritage's subsidiaries secure the Senior Revolving Working Capital Facility.

A $50,000 Senior Revolving Acquisition Facility is available through December 31, 2003, at which time the outstanding amount must be paid in ten equal quarterly installments beginning March 31, 2004, with $36,350 outstanding as of November 30, 2003. The interest rate and interest payment dates vary depending on the terms Heritage agrees to when the money is borrowed. The weighted average interest rate was 2.495% for the amount outstanding at November 30, 2003. The maximum commitment fee payable on the unused portion of the facility is 0.50%. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts, and the capital stock of Heritage's subsidiaries secure the Senior Revolving Acquisition Facility.

Heritage entered into an amendment and restatement of the above described Bank Credit Facility effective as of December 31, 2003, which increased the amount available to be borrowed under each of the Working Capital Facility and the Acquisition Facility to up to $75 million and extended the maturity of each Facility to December 31, 2006.

4. REPORTABLE SEGMENTS:

The Partnership's financial statements reflect four reportable segments: the domestic retail operations of Heritage, the domestic wholesale operations of Heritage, the foreign wholesale operations of MP Energy Partnership, and the liquids marketing activities of Resources. Heritage's reportable domestic and wholesale fuel segments are strategic business units that sell products and services to retail and wholesale customers. Intersegment sales by the foreign wholesale segment to the domestic segment are priced in accordance with the partnership agreement of MP Energy Partnership. Heritage manages these segments separately as each segment involves different distribution, sale, and marketing strategies. Heritage evaluates the performance of its operating segments based on operating income, exclusive of selling, general, and administrative expenses of $3,190 and $2,856 for the three months ended November 30, 2003 and 2002, respectively. Selling, general and administrative expenses, interest expense and other expenses are not allocated by segment. Investment in affiliates and equity in earnings (losses) of affiliates relates primarily to Heritage's investment in Bi-State Propane (see Note 6), and is part of the domestic retail fuel segment. The following table presents the unaudited financial information by segment for the following periods:

	For the Three Months ended November 30,	
	2003	2002
Gallons:		
Domestic retail fuel	78,641	76,721
Domestic wholesale fuel	3,294	4,890
Foreign wholesale fuel		
Affiliated	20,947	20,380
Unaffiliated	12,169	17,195
Elimination	(20,947)	(20,380)
Total	94,104	98,806

Revenues:		
Domestic retail fuel	$ 94,388	$ 84,050
Domestic wholesale fuel	2,287	2,411
Foreign wholesale fuel		
Affiliated	13,973	10,408
Unaffiliated	8,055	8,937
Elimination	(13,973)	(10,408)
Liquids marketing, net	49	707
Other	18,947	17,355
Total	$ 123,726	$ 113,460
Operating Income (Loss):		
Domestic retail	$ 9,861	$ 13,437
Domestic wholesale fuel	(516)	(484)
Foreign wholesale fuel		
Affiliated	153	110
Unaffiliated	646	506
Elimination	(153)	(110)
Liquids marketing	(92)	323
Total	$ 9,899	$ 13,782
Gain (Loss) on Disposal of Assets:		
Domestic retail fuel	$ 162	$ 80
Domestic wholesale fuel	11	(13)
Total	$ 173	$ 67
Minority Interest Expense:		
Corporate	$ (13)	$ 16
Foreign wholesale	148	111
Total	$ 135	$ 127
Depreciation and amortization:		
Domestic retail	$ 9,301	$ 9,132
Domestic wholesale	108	129
Foreign wholesale	6	5
Total	$ 9,415	$ 9,266

	As of November 30, 2003	As of August 31, 2003
Total Assets:		
Domestic retail	$ 723,065	$ 691,900
Domestic wholesale	15,103	12,197
Foreign wholesale	15,119	13,912
Liquids Marketing	11,246	4,474
Corporate	16,603	16,356
Total	$ 781,136	$ 738,839
Additions to property, plant and equipment including acquisitions:		
Domestic retail fuel	$ 16,970	$ 57,499
Domestic wholesale	106	280
Foreign wholesale	-	-
Corporate	-	2,344
Total	$ 17,076	$ 60,123

Corporate assets include vehicles, office equipment and computer software for the use of administrative personnel. These assets are not allocated to segments. Corporate minority interest expense relates to U.S. Propane's general partner interest in the Operating Partnership.

5. SUBSEQUENT EVENTS:

On December 24, 2003, Heritage purchased the 50% interest in Bi-State Propane that it did not previously own, in exchange for 422,000 Common Units before final working capital adjustments, of which, 413,180 Common Units have been issued. The remaining units will be issued, subject to final working capital adjustments. Heritage now owns 100% of Bi-State Propane.

On January 5, 2004, Heritage announced the completion of the acquisition of the assets of Metro Lift Propane for approximately $21.4 million. The purchase price was payable $15.7 million in cash, 92,646 Partnership Common Units valued at $3.5 million, and $2.2 million in notes payable on non-compete agreements.

6. SIGNIFICANT INVESTEE:

At November 30, 2003, Heritage held a 50% interest in Bi-State Propane. Heritage accounts for this 50% interest in Bi-State Propane under the equity method. Heritage's investment in Bi-State Propane totaled $8,425 and $8,242 at November 30, 2003 and August 31, 2003 respectively. Heritage received distributions of $27 and $0 from Bi-State Propane for the three months ended November 30, 2003 and 2002, respectively. The Operating Partnership guaranteed $5 million of debt incurred by Bi-State Propane to a financial institution. Based on the current financial condition of Bi-State Propane, management considers the likelihood of Heritage incurring a liability resulting from the guarantee to be remote. Heritage has not recorded a liability on the balance sheets as of November 30, 2003 or August 31, 2003 for this guarantee because the guarantee was in effect prior to the issuance of FIN 45, and there have been no amendments to the original guarantee. Bi-State Propane's financial position is summarized below:

	November 30, 2003	August 31, 2003
Current assets	$ 4,204	$ 3,393
Noncurrent assets	22,443	23,187
	$ 26,647	$ 26,580
Current liabilities	$ 3,400	$ 3,701
Long-term debt	7,750	7,750
Partners' capital:		
Heritage	8,425	8,242
Other partner	7,072	6,887
	$ 26,647	$ 26,580

Bi-State Propane's results of operations for the three months ended November 30, 2003 and 2002, respectively are summarized below:

	For the Three Months Ended November 30, 2003	2002
Revenues	$ 5,084	$ 4,641
Gross profit	2,257	2,285
Net income:		
Heritage	210	206
Other Partner	212	215

On December 24, 2003, Heritage purchased the 50% interest in Bi-State Propane that it did not previously own. Heritage now owns 100% of Bi-State Propane. Beginning December 24, 2003, Heritage will consolidate the results of Bi-State, as Bi-State became a wholly owned subsidiary of the Partnership.

7. COMMITMENTS AND CONTINGENCIES:

Certain property and equipment is leased under noncancelable leases, which require fixed monthly rental payments and expire at various dates through 2020. Rental expense under these leases totaled approximately $777 and $716 for the three months ended November 30, 2003 and 2002, respectively, and has been included in operating expenses in the accompanying statements of operations. Certain of these leases contain renewal options and also contain escalation clauses, which are accounted for on a straight-line basis over the minimum lease term. Fiscal year future minimum lease commitments for such leases are $2,916 in 2004; $1,906 in 2005; $1,325 in 2006; $929 in 2007; $934 in 2008 and $846 thereafter.

The General Partner has employment agreements with seven employees. The employment agreements provide for total annual base salary of $1,641. The employment agreements provide for the Executives to participate in bonus and incentive plans.

The Employment Agreements provide that in the event of a change of control of the ownership of the General Partner or in the event an Executive (i) is involuntarily terminated (other than for "misconduct" or "disability") or (ii) voluntarily terminates employment for "good reason" (as defined in the agreements), such Executive will be entitled to continue receiving his base salary and to participate in all group health insurance plans and programs that may be offered to executives of the General Partner for the remainder of the term of the Employment Agreement or, if earlier, the Executive's death, and the Executive will vest immediately in the Minimum Award of the number of Common Units to which the Executive is entitled under the Long Term Incentive Plan to the extent not previously awarded, and if the Executive is terminated as a result of the foregoing, all restrictions on the transferability of the units purchased by such executive under the Subscription Agreement dated as of June 15, 2000, shall automatically lapse in full on such date. Pursuant to the transactions announced November 6, 2003, the "change of control" provisions of the Employment Agreements will be triggered upon consummation of the acquisition by La Grange Energy of Heritage's General Partner, and will result in the payment of approximately $1.6 million in salary and the issuance of up to 150,018 Common Units pursuant to their terms. In addition, pursuant to the terms of one of the Employment Agreements, an additional 20,000 Common Units will be issued. Each Employment Agreement also provides that if any payment received by an Executive is subject to the 20% federal excise tax under Section 4999(a) of the Code of the Internal Revenue Service, the payment will be grossed up to permit the Executive to retain a net amount on an after-tax basis equal to what he would have received had the excise tax and all other federal and state taxes on such additional amount not been payable. In addition, each Employment Agreement contains non-competition and confidentiality provisions.

Heritage is a party to various legal proceedings incidental to its business. Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against Heritage. In the opinion of management, all such matters are either covered by insurance, are without merit or involve amounts, which, if resolved unfavorably, would not have a significant effect on the financial position or results of operations of Heritage. Once management determines that information pertaining to a legal proceeding indicates that it is probable that a liability has been incurred, an accrual is established equal to management's estimate of the likely exposure. For matters that are covered by insurance, the Partnership accrues the related deductible. As of November 30, 2003 and 2002, an accrual of $941 and $641, respectively, was recorded as accrued and other current liabilities on the Partnership's consolidated balance sheets.

Petroleum-based contamination or environmental wastes are known to be located on or adjacent to six sites, on which Heritage presently has, or formerly had, operations. These sites were evaluated at the time of their acquisition. In all cases, remediation operations have been or will be undertaken by others, and in all six cases, Heritage obtained indemnification for expenses associated with any remediation from the former owners or related entities. Heritage has not been named as a potentially responsible party at any of these sites, nor has the Partnership's operations contributed to the environmental issues at these sites. Accordingly, no amounts have been recorded in the Partnership's November 30, or August 31, 2003 consolidated balance sheets. Based on information currently available to Heritage, such projects are not expected to have a material adverse effect on Heritage's financial condition or results of operations.

In July 2001, Heritage acquired a company that had previously received a request for information from the U.S. Environmental Protection Agency (the "EPA") regarding potential contribution to a widespread groundwater contamination problem in San Bernardino, California, known as the Newmark Groundwater Contamination. Although the EPA has indicated that the groundwater contamination may be attributable to releases of solvents from a former military base located within the subject area that occurred long before the facility acquired by Heritage was constructed, it is possible that the EPA may seek to recover all or a portion of groundwater remediation costs from private parties under the Comprehensive Environmental Response, Compensation, and Liability Act (commonly called "Superfund"). Based upon information currently available to Heritage, it is not believed that Heritage's liability if such action were to be taken by the EPA would have a material adverse effect on Heritage's financial condition or results of operations.

Heritage has entered into several purchase and supply commitments with varying terms as to quantities and prices, which expire at various dates through March 2004.

8. PARTNER'S CAPITAL:

Common Units. The Partnership's Common Units are registered under the Securities Exchange Act of 1934, and are listed for trading on the New York Stock Exchange. Each holder of a Common Unit is entitled to one vote per unit on all matters presented to the Limited Partners for a vote. However, if at any time any person or group (other than the General Partner and its affiliates) owns beneficially 20% or more of all Common Units, any Common Units owned by that person or group may not be voted on any matter and are not considered to be outstanding when sending notices of a meeting of Unitholders (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under our Partnership Agreement. The Common Units are entitled to distributions of Available Cash as described above under "Quarterly Distributions of Available Cash"

Class C Units. In conjunction with the transaction with U.S. Propane and the change of control of Heritage's General Partner in August 2000, the Partnership issued 1,000,000 newly created Class C Units to Heritage Holdings in conversion of the portion of its Incentive Distribution Rights that entitled it to receive any distribution made by the Partnership attributable to the net amount received by the Partnership in connection with the settlement, judgment, award or other final nonappealable resolution of the specified litigation filed by Heritage prior to the transaction with U.S. Propane, which is referred to as the "SCANA litigation." The Class C Units have zero initial capital account balance and were distributed by Heritage Holdings to its former stockholders in connection with the transaction with U.S. Propane. Thus, U.S. Propane will not receive any distributions made with respect to the SCANA litigation.

All decisions of the General Partner relating to the SCANA litigation are determined by a special litigation committee consisting of one or more independent directors of the General Partner. As soon as practicable after the time, if any, that the Partnership receives any final cash payment as a result of the resolution of the SCANA litigation, the special litigation committee will determine the aggregate net amount of these proceeds distributable by the Partnership by deducting from the amounts received all costs and expenses incurred by the Partnership and its affiliates in connection with the SCANA litigation and any cash reserves necessary or appropriate to provide for operating expenditures. Until the special litigation committee decides to make this distribution, none of the distributable proceeds will be deemed to be "Available Cash" under the Partnership Agreement. Please read "Quarterly Distributions of Available Cash" above for a discussion of Available Cash. When the special litigation committee decides to distribute the distributable proceeds, the amount of the distribution will be distributed in the same manner as the Partnership's distribution of Available Cash, as described above under "Quarterly Distributions of Available Cash," except that the amount of distributable proceeds that would normally be distributed to holders of Incentive Distribution Rights will instead be distributed to the holders of the Class C Units, pro rata. The Partnership cannot predict whether it will receive any cash payments as a result of the SCANA litigation and, if so, when such distributions might be received.

Each holder of Class C Units receiving a distribution of cash in any taxable year of the Partnership will be allocated items of gross income with respect to such taxable year in an amount equal to the cash distributed to the holder. The holders of Class C Units will not be allocated any other items of income, gain, loss deduction or credit. The Class C Units do not have any rights to share in any of the assets or distributions upon dissolution and liquidation of the Partnership, except to the extent that any such distributions consist of proceeds from the SCANA litigation to which the Class C Unitholders would have otherwise been entitled. The Class C Units do not have the privilege of conversion into any other unit and do not have any voting rights except to the extent provided by law, in which case the Class C Units will be entitled to one vote.

The amount of cash distributions to which the Incentive Distribution Rights are entitled was not increased by the creation of the Class C Units, rather, the Class C Units are a mechanism for dividing the Incentive Distribution Rights that Heritage Holdings and its former stockholders would have been entitled to.

Incentive Distribution Rights. Incentive distribution rights represent the contractual right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution has been paid. Please read "Quarterly Distributions of Available Cash" above. The General Partner owns all of the incentive distribution rights, except that in conjunction with the August 2000 transaction with U.S. Propane, the Partnership issued 1,000,000 Class C Units to Heritage Holdings, its general partner at that time, in conversion of that portion of Heritage Holdings' incentive distribution rights that entitled it to receive any distribution made by the Partnership of funds attributable to the net amount received in connection with the settlement, judgment, award or other final nonappealable resolution of the SCANA litigation. Any amount payable on the Class C Units in the future will reduce the amount otherwise distributable to holders of incentive distribution rights at the time the distribution of such litigation proceeds is made and will not reduce the amount distributable to holders of Common Units. No payments to date have been made on the Class C Units.

9. ENERGY TRANSFER TRANSACTION:

On November 6, 2003, Heritage signed a definitive agreement with La Grange Energy, L.P. pursuant to which La Grange Energy will contribute the midstream natural gas business operations of its subsidiary, La Grange Acquisition, L.P. whose midstream operations are conducted under the name Energy Transfer Company, in exchange for approximately $300 million in cash, repayment of outstanding indebtedness, and a combination of Partnership Common Units, Class D Units and Special Units. Simultaneously with this acquisition, La Grange Energy will also purchase U.S. Propane, L.P., the General Partner of the Partnership, and its General Partner, U.S. Propane, L.L.C., from subsidiaries of AGL Resources, Atmos Energy Corporation, TECO Energy, Inc. and Piedmont Natural Gas Company, Inc. The Partnership will also acquire the stock of Heritage Holdings, Inc., which owns approximately 4.4 million Common Units of the Partnership for $100 million. The transactions are expected to close in the second quarter of fiscal year 2004, and will be accounted for as a reverse acquisition in accordance with EITF 90-13 Accounting for Simultaneous Common Control Mergers and SFAS 141 Business Combinations. Although Heritage Propane Partners, L.P. will be the surviving parent entity for legal purposes, Energy Transfer Company will become the accounting acquirer. As a result, following the closing of the transaction, the Partnership's historical financial statements for the periods prior to the closing will be the historical financial statements of Energy Transfer Company. On January 13, 2004, Heritage priced a public offering of 8,000,000 Common Units of the Partnership, plus an underwriters' over-allotment option, at a price of $38.69 per Common Unit. Heritage plans to use the net proceeds from the offering to pay a portion of the consideration related to the business combination with Energy Transfer Company and for general partnership purposes.

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

Heritage Propane Partners, L.P. (the "Registrant" or "Partnership"), is a Delaware limited partnership. The Partnership's Common Units are listed on the New York Stock Exchange. The Partnership's business activities are primarily conducted through its subsidiary, Heritage Operating, L.P. (the "Operating Partnership"), a Delaware limited partnership. The Partnership is the sole limited partner of the Operating Partnership, with a 98.9899% limited partner interest. The Partnership and the Operating Partnership are sometimes referred to collectively in this report as "Heritage."

The following is a discussion of the historical financial condition and results of operations of the Partnership and its subsidiaries, and should be read in conjunction with the Partnership's historical consolidated financial statements and accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

FORWARD-LOOKING STATEMENTS

CERTAIN MATTERS DISCUSSED IN THIS REPORT, EXCLUDING HISTORICAL INFORMATION, AS WELL AS SOME STATEMENTS BY HERITAGE IN PERIODIC PRESS RELEASES AND SOME ORAL STATEMENTS OF HERITAGE OFFICIALS DURING PRESENTATIONS ABOUT

THE PARTNERSHIP, INCLUDE CERTAIN "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934. STATEMENTS USING WORDS SUCH AS "ANTICIPATE," "BELIEVE," "INTEND," "PROJECT," "PLAN," "CONTINUE," "ESTIMATE," "FORECAST," "MAY," "WILL," OR SIMILAR EXPRESSIONS HELP IDENTIFY FORWARD-LOOKING STATEMENTS. ALTHOUGH HERITAGE BELIEVES SUCH FORWARD-LOOKING STATEMENTS ARE BASED ON REASONABLE ASSUMPTIONS AND CURRENT EXPECTATIONS AND PROJECTIONS ABOUT FUTURE EVENTS, NO ASSURANCE CAN BE GIVEN THAT EVERY OBJECTIVE WILL BE REACHED.

ACTUAL RESULTS MAY DIFFER MATERIALLY FROM ANY RESULTS PROJECTED, FORECASTED, ESTIMATED OR EXPRESSED IN FORWARD-LOOKING STATEMENTS SINCE MANY OF THE FACTORS THAT DETERMINE THESE RESULTS ARE SUBJECT TO UNCERTAINTIES AND RISKS, DIFFICULT TO PREDICT, AND BEYOND MANAGEMENT'S CONTROL. SUCH FACTORS INCLUDE:

- THE GENERAL ECONOMIC CONDITIONS IN THE UNITED STATES OF AMERICA AS WELL AS THE GENERAL ECONOMIC CONDITIONS AND CURRENCIES IN FOREIGN COUNTRIES;

- THE POLITICAL AND ECONOMIC STABILITY OF PETROLEUM PRODUCING NATIONS;

- THE EFFECT OF WEATHER CONDITIONS ON DEMAND FOR PROPANE;

- THE EFFECTIVENESS OF RISK-MANAGEMENT POLICIES AND PROCEDURES AND THE ABILITY OF HERITAGE'S LIQUIDS MARKETING COUNTERPARTIES TO SATISFY THEIR FINANCIAL COMMITMENTS;

- ENERGY PRICES GENERALLY AND SPECIFICALLY, AND THE PRICE OF PROPANE TO THE CONSUMER COMPARED TO THE PRICE OF ALTERNATIVE AND COMPETING FUELS;

- THE GENERAL LEVEL OF PETROLEUM PRODUCT DEMAND AND THE AVAILABILITY AND PRICE OF PROPANE SUPPLIES;

- HERITAGE'S ABILITY TO OBTAIN ADEQUATE SUPPLIES OF PROPANE FOR RETAIL SALE IN THE EVENT OF AN INTERRUPTION IN SUPPLY OR TRANSPORTATION AND THE AVAILABILITY OF CAPACITY TO TRANSPORT PROPANE TO MARKET AREAS;

- HAZARDS OR OPERATING RISKS INCIDENTAL TO TRANSPORTING, STORING AND DISTRIBUTING PROPANE THAT MAY NOT BE FULLY COVERED BY INSURANCE;

- THE MATURITY OF THE PROPANE INDUSTRY AND COMPETITION FROM OTHER PROPANE DISTRIBUTORS;

- ENERGY EFFICIENCIES AND TECHNOLOGICAL TRENDS;

- LOSS OF KEY PERSONNEL;

- THE AVAILABILITY AND COST OF CAPITAL AND HERITAGE'S ABILITY TO ACCESS CERTAIN CAPITAL SOURCES;

- CHANGES IN LAWS AND REGULATIONS TO WHICH WE ARE SUBJECT, INCLUDING TAX, ENVIRONMENTAL, TRANSPORTATION AND EMPLOYMENT REGULATIONS;

- THE COSTS AND EFFECTS OF LEGAL AND ADMINISTRATIVE PROCEEDINGS; AND

- HERITAGE'S ABILITY TO SUCCESSFULLY IDENTIFY AND CONSUMMATE STRATEGIC ACQUISITIONS AT PURCHASE PRICES THAT ARE ACCRETIVE TO HERITAGE'S FINANCIAL RESULTS.

GENERAL

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 Heritage will have no control. Product supply contracts are typically one-year agreements subject to annual renewal and generally provide for pricing in accordance with posted prices at the time of delivery or the current prices established at major delivery or storage points. In addition, some contracts include a pricing formula that typically is based on these market prices. Most of these agreements provide maximum and minimum seasonal purchase guidelines. The number of contracts entered into may vary from year to year. Since rapid increases in the wholesale cost of propane may not be immediately passed on to retail customers, such increases could reduce gross profits. Heritage generally has attempted to reduce price risk by purchasing propane on a short-term basis. Heritage has on occasion purchased significant volumes of propane during periods of low demand, which generally occur during the summer months, at the then current market price, for storage both at its customer service locations and in major storage facilities for future resale.

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

Since its formation in 1989, Heritage has grown primarily through acquisitions of retail propane operations and, to a lesser extent, through internal growth. Since its inception through August 31, 2003, Heritage completed 97 acquisitions for an aggregate purchase price approximating $675 million. During the three months ended November 30, 2003, Heritage completed six acquisitions for an aggregate purchase price of $7.3 million, which includes $6.8 million in cash and $0.5 million in notes payable on non-compete agreements and liabilities assumed. Subsequent to November 30, 2003, Heritage completed two acquisitions for an aggregate purchase price of approximately $39.7 million, before working capital adjustments, which includes $15.7 million in cash, 505,826 Partnership Common Units valued at $17.8 million, and $6.2 million in notes payable on non-compete agreements and long-term debt. Management believes that Heritage is the fourth largest retail marketer of propane in the United States, based on retail gallons sold. Heritage serves more than 650,000 customers from over 300 customer service locations in 31 states.

Heritage's propane distribution business is largely seasonal and dependent upon weather conditions in its service areas. Propane sales to residential and commercial customers are affected by winter heating season requirements. Historically, approximately two-thirds of Heritage's retail propane volume and in excess of 80% of Heritage's EBITDA, as adjusted, is attributable to sales during the six-month peak-heating season of October through March. This generally results in higher operating revenues and net income during the period from October through March of each year and lower operating revenues, and, in some cases, net losses or lower net income during the period from April through September of each year. Consequently, sales and operating profits are concentrated in the first and second fiscal quarters, while cash flow from operations is generally greatest during the second and third fiscal quarters when customers pay for propane purchased during the six-month peak-heating season. Sales to industrial and agricultural customers are much less weather sensitive.

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

Gross profit margins are not only affected by weather patterns, but also vary according to customer mix. For example, sales to residential customers generate higher margins than sales to certain other customer groups, such as commercial or agricultural customers. Wholesale margins are substantially lower than retail margins. In addition, gross profit margins vary by geographical region. Accordingly, a change in customer or geographic mix can affect gross profit without necessarily affecting total revenues.

On November 6, 2003, Heritage publicly announced that it had entered into agreements to acquire Energy Transfer Company, a company engaged in the midstream natural gas business. Upon consummation of the transactions contemplated by such agreements, Heritage will operate the midstream business of Energy Transfer Company in conjunction with its retail propane operations.

The following is a discussion of the historical financial condition and results of operations of Heritage Propane Partners, L.P. and its subsidiaries, and should be read in conjunction with the historical Financial and Operating Data and Notes thereto included elsewhere in this quarterly report on Form 10-Q.

Amounts discussed below reflect 100% of the results of MP Energy Partnership. MP Energy Partnership is a general partnership in which Heritage owns a 60% interest. Because MP Energy Partnership is primarily engaged in lower-margin wholesale distribution, its contribution to Heritage's net income is not significant and the minority interest of this partnership is excluded from the EBITDA, as adjusted calculation.

THREE MONTHS ENDED NOVEMBER 30, 2003 COMPARED TO THE THREE MONTHS ENDED NOVEMBER 30, 2002

Volume. Total retail gallons sold in the three months ended November 30, 2003 were 78.6 million, an increase of 1.9 MILLION over the 76.7 million gallons sold in the three months ended November 30, 2002. Of the 1.9 million gallon increase in volume, 6.7 million gallons reflects the benefits of the volume added through acquisitions offset by a decrease of 4.8 million gallons due to warmer than normal weather conditions in the areas of operations. Temperatures were approximately 11 percent warmer than normal and 11 percent warmer than the first quarter of fiscal year 2003. Heritage also sold approximately 15.5 million wholesale gallons in this first quarter of fiscal 2004, a decrease of 6.6 million gallons from the 22.1 million wholesale gallons sold in the first quarter of fiscal 2003. U.S. wholesale gallons decreased 1.6 million gallons to 3.3 million gallons, due to a change in customer mix and the effects of the warmer than normal weather, and the foreign volumes of MP Energy Partnership decreased 5.0 million gallons to 12.2 million for the first quarter, due to an exchange contract that was in effect during the three months ended November 30, 2002 which was not economical to renew during the three months ended November 30, 2003.

Revenues. Total revenues for the three months ended November 30, 2003 were $123.7 million, an increase of $10.2 million, as compared to $113.5 million in the three months ended November 30, 2002. The current period's domestic retail propane revenues increased $10.4 million to $94.4 million versus the prior year's revenues of $84.0 million due to an $8.1 million increase from acquisition related volumes, an $8.0 million increase due to higher selling prices offset by $5.8 million decrease as a result of decreased volumes due to warmer temperatures in the current period. The U.S. wholesale revenues decreased to $2.3 million, as compared to $2.5 million for the period ended November 30, 2002 as a result of a $1.1 million decrease due to decreased volumes offset by a $0.9 million increase due to higher selling prices. Foreign revenues decreased $0.9 million for the three months ended November 30, 2003 to $8.0 million as compared to $8.9 million for the three months ended November 30, 2002, as a result of a $3.3 million decrease due to decreased volumes described above, partially offset by a $2.4 million increase from higher selling prices. The net liquids marketing activity conducted through Resources was $0.1 million versus the prior year's activity of $0.7 million due to less favorable movement in product prices in the current fiscal period. Other domestic revenues increased by $1.5 million, to $18.9 million as compared to $17.4 million in the prior year as a result of acquisitions.

Cost of Products Sold. Total cost of products sold increased to $66.4 million for the three months ended November 30, 2003 as compared to $57.0 million for the three months ended November 30, 2002. The current period's domestic retail cost of sales increased $10.0 million to $51.6 million as compared to $41.6 million in the prior year, of which $8.7 million was due to a higher cost of fuel per gallon this period and a $1.3 million increase due to slightly increased volumes compared to the same period last fiscal year. The U.S. wholesale cost of sales remained the same at $2.1 million. Foreign cost of sales decreased $1.0 million to $7.4 million as compared to $8.4 million in the prior year, which was due to a $3.0 million decrease due to lower volumes, offset by a $2.0 million increase in wholesale fuel costs. Other cost of sales increased $0.4 million to $5.3 million as compared to $4.9 million for the three months ended November 30, 2002.

Gross Profit. Total gross profit for the three months ended November 30, 2003 increased by $1.0 million to $57.4 million as compared to $56.4 million for the three months ended November 30, 2002. For the three months ended November 30, 2003, retail fuel gross profit was $42.8 million, U.S. wholesale was $0.2 million, and other gross profit was $13.6 million. Foreign wholesale gross profit was $0.7 million and liquids marketing gross profit was $0.1 million. As a comparison, for the three months ended November 30, 2002, Heritage recorded retail fuel gross profit of $42.4 million, U.S. wholesale was $0.3 million, and other gross profit was $12.5 million. Foreign wholesale gross profit was $0.5 million and liquids marketing was $0.7 million for the three months ended November 30, 2002.

Operating Expenses. Operating expenses were $38.0 million for the three months ended November 30, 2003 as compared to $33.4 million for the three months ended November 30, 2002. The increase of $4.6 million is primarily the result of a $2.1 million increase in personnel costs and benefits as a result of acquisitions, and a $2.5 million increase in general operating expenses due to acquisitions.

Selling, General and Administrative. Selling, general and administrative expenses were $3.2 million for the three months ended November 30, 2003, a $0.3 million increase from the $2.9 million for the same three-month period last year.

Depreciation and Amortization. Depreciation and amortization was $9.4 million in the three months ended November 30, 2003 as compared to $9.3 million in the three months ended November 30, 2002. This increase is due to additional depreciation and amortization of property, plant and equipment, and other intangible assets from acquisitions.

Operating Income. For the three months ended November 30, 2003, Heritage had operating income of $6.7 million as compared to operating income of $10.9 million for the three months ended November 30, 2002. This decrease is primarily due to the increased operating expenses described above.

Interest Expense. Interest expense decreased $1.1 million for the three months ended November 30, 2003 to $8.2 million from $9.3 million for the same three-month period last year, primarily as a result of a net decrease of $26.9 million in long-term debt in the period ended November 30, 2003 compared to the same three-month period last year.

Net Income(Loss). For the three month period ended November 30, 2003, Heritage had a net loss of $1.3 million, a decrease of $2.8 million as compared to net income for the three months ended November 30, 2002 of $1.5 million. The decrease is the result of the decrease in operating income related to operating performance described above.

EBITDA, as adjusted. EBITDA, as adjusted decreased $4.3 million to

$16.5 million for the three months ended November 30, 2003, as compared to EBITDA, as adjusted of $20.8 million for the period ended November 30, 2002. This decrease is due to the operating conditions described above. EBITDA, as adjusted for the three months ended November 30, 2003 and November 30, 2002 is computed as follows:

NET INCOME (LOSS) RECONCILIATION (in millions)	Three Months Ended November 30, 2003	Three Months Ended November 30, 2002
Net income (loss)	$ (1.3)	$ 1.5
Depreciation and amortization	9.4	9.3
Interest	8.2	9.3
Non-cash compensation expense	0.1	0.3
Other expense	0.1	0.3
Depreciation, amortization, and interest of investee	0.2	0.2
Minority interest in the Operating Partnership	-	-
Less: Gain on disposal of assets	(0.2)	(0.1)
EBITDA, as adjusted (a)	$ 16.5	$ 20.8

(a) EBITDA, as adjusted is defined as the Partnership's earnings before interest, taxes, depreciation, amortization and other non-cash items, such as compensation charges for unit issuances to employees, gain or loss on disposal of assets, and other expenses. We present EBITDA, as adjusted, on a Partnership basis which includes both the general and limited partner interests. Non-cash compensation expense represents charges for the value of the Common Units awarded under the Partnership's compensation plans that have not yet vested under the terms of those plans and are charges which do not, or will not, require cash settlement. Non-cash income such as the gain arising from our disposal of assets is not included when determining EBITDA, as adjusted. EBITDA, as adjusted (i) is not a measure of performance calculated in accordance with generally accepted accounting principles and (ii) should not be considered in isolation or as a substitute for net income, income from operations or cash flow as reflected in our consolidated financial statements.

EBITDA, as adjusted is presented because such information is relevant and is used by management, industry analysts, investors, lenders and rating agencies to assess the financial performance and operating results of the Partnership's fundamental business activities. Management believes that the presentation of EBITDA, as adjusted is useful to lenders and investors because of its use in the propane industry and for master limited partnerships as an indicator of

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the strength and performance of the Partnership's ongoing business operations, including the ability to fund capital expenditures, service debt and pay distributions. Additionally, management believes that EBITDA, as adjusted provides additional and useful information to the Partnership's investors for trending, analyzing and benchmarking the operating results of the Partnership from period to period as compared to other companies that may have different financing and capital structures. The presentation of EBITDA, as adjusted allows investors to view the Partnership's performance in a manner similar to the methods used by management and provides additional insight to the Partnership's operating results.

EBITDA, as adjusted is used by management to determine our operating performance, and along with other data as internal measures for setting annual operating budgets, assessing financial performance of the Partnership's numerous business locations, as a measure for evaluating targeted businesses for acquisition and as a measurement component of incentive compensation. The Partnership has a large number of business locations located in different regions of the United States. EBITDA, as adjusted can be a meaningful measure of financial performance because it excludes factors which are outside the control of the employees responsible for operating and managing the business locations, and provides information management can use to evaluate the performance of the business locations, or the region where they are located, and the employees responsible for operating them. To present EBITDA, as adjusted on a full Partnership basis, we add back the minority interest of the general partner because net income is reported net of the general partner's minority interest. Our EBITDA, as adjusted includes non-cash compensation expense which is a non-cash expense item resulting from our unit based compensation plans that does not require cash settlement and is not considered during management's assessment of the operating results of the Partnership's business. By adding these non-cash compensation expenses in EBITDA, as adjusted allows management to compare the Partnership's operating results to those of other companies in the same industry who may have compensation plans with levels and values of annual grants that are different than the Partnership's. Other expenses include other finance charges and other asset non-cash impairment charges that are reflected in the Partnership's operating results but are not classified in interest, depreciation and amortization. We do not include gain on the sale of assets when determining EBITDA, as adjusted since including non-cash income resulting from the sale of assets increases the performance measure in a manner that is not related to the true operating results of the Partnership's business. In addition, Heritage's debt agreements contain financial covenants based on EBITDA, as adjusted. For a description of these covenants, please read "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Description of Indebtedness" included in the Partnership's Form 10-K for the fiscal year ended August 31, 2003, as filed with the Securities and Exchange Commission on November 26, 2003.

There are material limitations to using a measure such as EBITDA, as adjusted, including the difficulty associated with using it as the sole measure to compare the results of one company to another, and the inability to analyze certain significant items that directly affect a company's net income or loss. In addition, Heritage's calculation of EBITDA, as adjusted may not be consistent with similarly titled measures of other companies and should be viewed in conjunction with measurements that are computed in accordance with GAAP. EBITDA, as adjusted for the periods described herein is calculated in the same manner as presented by Heritage in the past. Management compensates for these limitations by considering EBITDA, as adjusted in conjunction with its analysis of other GAAP financial measures, such as gross profit, net income (loss), and cash flow from operating activities.

LIQUIDITY AND CAPITAL RESOURCES

The ability of Heritage 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 management's control. Future capital requirements of Heritage are expected to be provided by cash flows from operating activities. To the extent future capital requirements exceed cash flows from operating activities:

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

b) growth capital expenditures, mainly for customer tanks, will be financed by the revolving acquisition bank line of credit; and

c) acquisition capital expenditures will be financed by the revolving acquisition bank line of credit; other lines of credit, long term debt, issuance of additional Common Units or a combination thereof.

Operating Activities. Net cash used in operating activities during the three months ended November 30, 2003, was $9.6 million as compared to cash used in operating activities of $2.3 million for the same three-month period ended November 30, 2002. The net cash used in operating activities for the three months ended November 30, 2003 consisted of net loss of $1.3 million and non-cash charges of $9.4 million, principally depreciation and amortization, offset by the impact of an increase in working capital of $17.8 million. The increase in working

capital for the quarter ended November 30, 2003 as compared to the quarter ended November 30, 2002 is primarily due to the increased inventory at November 30, 2003 because of lower volumes sold as a result of the warmer weather and more inventory due to acquisitions, offset by lower receivables in November 30, 2003 compared to November 30, 2002 which is related to lower volumes sold, and a decrease in the change in accounts payable and accrued liabilities in November of 2003 compared to 2002, due to warmer weather in the November of 2003.

Investing Activities. Heritage completed six acquisitions during the three months ended November 30, 2003 spending a net of $6.8 million, after deducting cash received in such acquisitions. This capital expenditure amount is reflected in the net cash used in investing activities of $18.4 million along with $12.2 million invested for maintenance needed to sustain operations at current levels and for customer tanks to support growth of operations. Net cash used in investing activities also includes proceeds from the sale of idle property of $0.6 million.

Financing Activities. Net cash provided by financing activities during the three months ended November 30, 2003 of $28.8 million resulted mainly from a net increase in the Working Capital Facility of $33.7 million and a net increase in the Acquisition Facility of $11.7 million used to acquire other propane businesses. These increases were offset by cash distributions to Unitholders of $12.1 million and a decrease in other long-term debt of $4.5 million.

FINANCING AND SOURCES OF LIQUIDITY

Heritage has a Bank Credit Facility with various financial institutions, which includes a Working Capital Facility, providing for up to $65.0 million of borrowings for working capital and other general partnership purposes, and an Acquisition Facility providing for up to $50.0 million of borrowings for acquisitions and improvements. The Bank Credit Facility is secured by all receivables, contracts, equipment, inventory and general intangibles of Heritage Operating. Under the terms of the Bank Credit Facility agreement, the Working Capital Facility is set to expire June 30, 2004 and the Acquisition Facility was set to expire December 31, 2003, at which time the outstanding balance on the Acquisition Facility was to convert to a term loan payable in quarterly installments with a final maturity of June 30, 2006. Heritage entered into an amendment and restatement of the above described Bank Credit Facility effective as of December 31, 2003 which increased the amount available to be borrowed under each of the Working Capital Facility and the Acquisition Facility to up to $75 million and extended the maturity of each facility to December 31, 2006. The weighted average interest rate was 2.495% for the amounts outstanding at November 30, 2003 on both the Working Capital Facility and the Acquisition Facility. As of November 30, 2003, the Working Capital Facility had $4.6 million available for borrowings and the Acquisition Facility had $13.7 million available to fund future acquisitions. Management believes that its Bank Credit Facility is adequate to fund the future operating and capital needs of the Partnership.

Heritage uses its cash provided by operating and financing activities to provide distributions to the Partnership's Unitholders and to fund acquisition, maintenance, and growth capital expenditures. Acquisition capital expenditures, which include expenditures related to the acquisition of retail propane operations and intangibles associated with such acquired businesses, were $6.8 million for the three months ended November 30, 2003. In addition to the $6.8 million of cash expended for acquisitions, $0.5 million for notes payable on non-compete agreements were issued in connection with certain acquisitions.

Under the Partnership Agreement, the Partnership will distribute to its partners within 45 days after the end of each fiscal quarter, an amount equal to all of its Available Cash for such quarter. Available Cash generally means, with respect to any quarter of the Partnership, all cash on hand at the end of such quarter less the amount of cash reserves established by the General Partner in its reasonable discretion that is necessary or appropriate to provide for future cash requirements. The Partnership's commitment to its Unitholders is to distribute the increase in its cash flow while maintaining prudent reserves for the Partnership's operations. The Partnership paid a quarterly distribution of $0.65 (or $2.60 annually) on October 15, 2003 for the fourth quarter ended August 31, 2003, and declared a distribution of $0.65 (or $2.60 annually) on December 19, 2003 payable on January 14, 2004. The current distribution level includes incentive distributions payable to the General Partner to the extent the quarterly distribution exceeds $0.55 per unit ($2.20 annually).

The assets utilized in the propane business do not typically require lengthy manufacturing process time or complicated, high technology components. Accordingly, the Partnership does not have any significant financial commitments for capital expenditures. In addition, the Partnership has not experienced any significant increases attributable to inflation in the cost of these assets or in its operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Heritage has little cash flow exposure due to rate changes for long-term debt obligations. The Operating Partnership had $96.8 million of variable rate debt outstanding as of November 30, 2003 through its Bank Credit Facility described elsewhere in this report. The balance outstanding in the Bank Credit Facility generally fluctuates throughout the year. A theoretical change of 1% in the interest rate on the balance outstanding at November 30, 2003 would result in an approximate $968 thousand change in annual net income. Heritage primarily enters debt obligations to support general corporate purposes including capital expenditures and working capital needs. The Operating Partnership's long-term debt instruments were typically issued at fixed interest rates. When these debt obligations mature, Heritage may refinance all or a portion of such debt at then-existing market interest rates which may be more or less than the interest rates on the maturing debt.

Commodity price risk arises from the risk of price changes in the propane inventory that Heritage buys and sells. The market price of propane is often subject to volatile changes as a result of market conditions over which management will have no control. In the past, price changes have generally been passed along to Heritage's customers to maintain gross margins, mitigating the commodity price risk. In order to help ensure that adequate supply sources are available to Heritage during periods of high demand, Heritage will, from time to time, purchase significant volumes of propane during periods of low demand, which generally occur during the summer months, at the then current market price, for storage both at its customer service centers and in major storage facilities and for future delivery.

Heritage also attempts to minimize the effects of market price fluctuations for its propane supply by entering into certain financial contracts. In order to manage a portion of its propane price market risk, Heritage uses contracts for the forward purchase of propane, propane fixed-price supply agreements, and derivative commodity instruments such as price swap and option contracts. Swap instruments are a contractual agreement to exchange obligations of money between the buyer and seller of the instruments as propane volumes during the pricing period are purchased. Swaps are tied to a fixed price bid by the buyer and a floating price determination for the seller based on certain indices at the end of the relevant trading period. Heritage has entered into these swap instruments in the past to hedge the projected propane volumes to be purchased during each of the one-month periods during the projected heating season.

At November 30, 2003, Heritage had no outstanding propane hedges. Heritage continues to monitor propane prices and may enter into additional propane hedges in the future. Inherent in the portfolio from the liquids marketing activities are certain business risks, including market risk and credit risk. Market risk is the risk that the value of the portfolio will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by suppliers, customers, or financial counter parties to a contract. Heritage takes an active role in managing and controlling market and credit risk and has established control procedures which are reviewed on an ongoing basis. Heritage monitors market risk through a variety of techniques, including routine reporting to senior management. Heritage attempts to minimize credit risk exposure through credit policies and periodic monitoring procedures.

LIQUIDS MARKETING

Heritage buys and sells derivative financial instruments, which are within the scope of SFAS 133 and that are not designated as accounting hedges. Heritage also enters into energy trading contracts, which are not derivatives, and therefore are not within the scope of SFAS 133. EITF Issue No. 98-10, Accounting for Contracts Involved in Energy Trading and Risk Management Activities (EITF 98-10), applied to energy trading contracts not within the scope of SFAS 133 that were entered into prior to October 25, 2002. The types of contracts Heritage utilizes in its liquids marketing segment include energy commodity forward contracts, options, and swaps traded on the over-the-counter financial markets. In accordance with the provisions of SFAS 133, derivative financial instruments utilized in connection with Heritages' liquids marketing activity are accounted for using the mark-to-market method. Additionally, all energy trading contracts entered into prior to October 25, 2002 were accounted for using the mark-to-market method in accordance with the provisions of EITF 98-10. Under the mark-to-market method of accounting, forwards, swaps, options, and storage contracts are reflected at fair value, and are shown in the consolidated balance sheet as assets and liabilities from liquids marketing activities. Heritage applies the applicable provisions of EITF Issue No. 02-3, Issues Related to Accounting for Contracts Involved in Energy Trading and Risk Management Activities (EITF 02-3), which requires that gains and losses on derivative instruments be shown net in the statement of operations if the derivative instruments are held for trading purposes. Net realized and unrealized gains and losses from the financial contracts and the impact of price movements are recognized in the statement of operations as liquids marketing revenue. Changes in the assets and liabilities from the liquids marketing activities result primarily from changes in the market prices, newly originated transactions, and the timing and settlement of contracts. EITF 02-3 also rescinds EITF 98-10 for all energy trading contracts entered into after October 25, 2002 and specifies certain disclosure requirements. Consequently, Heritage does not apply mark-to-market accounting for any contracts entered into after October 25, 2002 that are not within the scope of SFAS 133. Heritage attempts to balance its contractual portfolio in terms of notional amounts and timing of performance and delivery obligations. However, net unbalanced positions can exist or are established based on management's assessment of anticipated market movements.

The notional amounts and terms of these financial instruments as of November 30, 2003 and 2002 include fixed price payor for 310,000 and 586,000 barrels of propane, and fixed price receiver of 315,000 and 440,000 barrels of propane, respectively. Notional amounts reflect the volume of the transactions, but do not represent the amounts exchanged by the parties to the financial instruments. Accordingly, notional amounts do not accurately measure Heritage's exposure to market or credit risks.

The fair value of the financial instruments related to liquids marketing activities as of November 30, 2003 and August 31, 2003, was assets of $0.1 and $0.08 million respectively, and liabilities of $0.1 and $0.08 million, respectively, related to propane.

Estimates related to Heritage's liquids marketing activities are sensitive to uncertainty and volatility inherent in the energy commodities markets and actual results could differ from these estimates. A theoretical change of 10% in the underlying commodity value of the liquids marketing contracts would result in an approximate $10 thousand change in the market value of the contracts as there were approximately 210 thousand gallons of net unbalanced positions at November 30, 2003.

The following table summarizes the fair value of Heritage's contracts, aggregated by method of estimating fair value of the contracts as of November 30, 2003 and August 31, 2003 where settlement had not yet occurred. Heritage's contracts all have a maturity of less than 1 year. The market prices used to value these transactions reflect management's best estimate considering various factors including closing average spot prices for the current and outer months plus a differential to consider time value and storage costs.

Source of Fair Value	November 30, 2003	August 31, 2003
Prices actively quoted	$ 50	$ 80
Prices based on other valuation methods	62	3
Assets from liquids marketing	$ 112	$ 83
Prices actively quoted	$ 78	$ 80
Prices based on other valuation methods	22	-
Liabilities from liquids marketing	$ 100	$ 80
Unrealized gains in fair value of contracts outstanding	$ 12	$ 3

The following table summarizes the changes in the unrealized fair value of Heritage's contracts where settlement had not yet occurred for the three months ending November 30, 2003 and 2002.

	November 30, 2003	November 30, 2002
Unrealized gains (losses) in fair value of contracts outstanding at the beginning of the period	$ 3	$ 483
Other unrealized gains (losses) recognized during the period	46	224
Less: Realized gains (losses) recognized during the period	37	666
Unrealized gains (losses) in fair value of contracts outstanding at the end of the period	$ 12	$ 41

The following table summarizes the gross transaction volumes in barrels for liquids marketing contracts that were physically settled for the three months ended November 30, 2003, and 2002.

	(in thousands)
Three months ended November 30, 2003	29
Three months ended November 30, 2002	44

ITEM 4. CONTROLS AND PROCEDURES

The Partnership maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Partnership files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. An evaluation was performed under the supervision and with the participation of the Partnership's management, including the Chief Executive Officer and the Chief Financial Officer of the General Partner of the Partnership, of the effectiveness of the design and operation of the Partnership's disclosure controls and procedures (as such terms are defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, management, including the Chief Executive Officer and the Chief Financial Officer of the General Partner of the Partnership, concluded that the Partnership's disclosure controls and procedures were adequate and effective as of November 30, 2003. There have been no change in the Partnership's internal controls over financial reporting (as defined in Rule 13(e)-15 or Rule 15d-15(f) of the Exchange Act) or in other factors during the Partnership's fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, the Partnership's internal controls over financial reporting, and there have been no corrective actions with respect to significant deficiencies and material weaknesses in our internal controls.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The exhibits listed on the following Exhibit Index 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.
(10)	3.1.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(16)	3.1.2	Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(19)	3.1.3	Amendment No. 3 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(19)	3.1.4	Amendment No. 4 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(1)	3.2	Agreement of Limited Partnership of Heritage Operating, L.P.
(12)	3.2.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.
(19)	3.2.2	Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.
(18)	3.3	Amended Certificate of Limited Partnership of Heritage Propane Partners, L.P.
(18)	3.4	Amended Certificate of Limited Partnership of Heritage Operating, L.P.
(20)	4.1	Registration Rights Agreement for Limited Partner Interests of Heritage Propane Partners, L.P.
(7)	10.1	First Amended and Restated Credit Agreement with Banks Dated May 31, 1999
(8)	10.1.1	First Amendment to the First Amended and Restated Credit Agreement dated as of October 15, 1999
(9)	10.1.2	Second Amendment to First Amended and Restated Credit Agreement dated as of May 31, 2000
(10)	10.1.3	Third Amendment dated as of August 10, 2000 to First Amended and Restated Credit Agreement
(13)	10.1.4	Fourth Amendment to First Amended and Restated Credit Agreement dated as of December 28, 2000

	Exhibit Number	Description
(16)	10.1.5	Fifth Amendment to First Amended and Restated Credit Agreement dated as of July 16, 2001
(1)	10.2	Form of Note Purchase Agreement (June 25, 1996)
(3)	10.2.1	Amendment of Note Purchase Agreement (June 25, 1996) dated as of July 25, 1996
(4)	10.2.2	Amendment of Note Purchase Agreement (June 25, 1996) dated as of March 11, 1997
(6)	10.2.3	Amendment of Note Purchase Agreement (June 25, 1996) dated as of October 15, 1998
(8)	10.2.4	Second Amendment Agreement dated September 1, 1999 to June 25, 1996 Note Purchase Agreement
(11)	10.2.5	Third Amendment Agreement dated May 31, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement
(10)	10.2.6	Fourth Amendment Agreement dated August 10, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement
(13)	10.2.7	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement
(1)	10.3	Form of Contribution, Conveyance and Assumption Agreement among Heritage Holdings, Inc., Heritage Propane Partners, L.P. and Heritage Operating, L.P.
(1)(**)	10.6	Restricted Unit Plan
(4)(**)	10.6.1	Amendment of Restricted Unit Plan dated as of October 17, 1996
(12)(**)	10.6.2	Amended and Restated Restricted Unit Plan dated as of August 10, 2000
(18)(**)	10.6.3	Second Amended and Restated Restricted Unit Plan dated as of February 4, 2002
(12)(**)	10.7	Employment Agreement for James E. Bertelsmeyer dated as of August 10, 2000
(18)	10.7.1	Consent to Assignment of Employment Agreement for James E. Bertelsmeyer dated February 3, 2002
(21)(**)	10.7.2	Amendment 1 of Employment Agreement for James E. Bertelsmeyer dated August 10, 2002
(24)(**)	10.7.3	Amendment 2 of Employment Agreement for James E. Bertelsmeyer dated April 1, 2003
(12)(**)	10.8	Employment Agreement for R. C. Mills dated as of August 10, 2000
(18)	10.8.1	Consent to Assignment of Employment Agreement for R.C. Mills dated February 3, 2002
(12)(**)	10.10	Employment Agreement for H. Michael Krimbill dated as of August 10, 2000

	Exhibit Number	Description
(18)	10.10.1	Consent to Assignment of Employment Agreement for H. Michael Krimbill dated February 3, 2002
(12)(**)	10.11	Employment Agreement for Bradley K. Atkinson dated as of August 10, 2000
(18)	10.11.1	Consent to Assignment of Employment Agreement for Bradley K. Atkinson dated February 3, 2002
(12)(**)	10.13	Employment Agreement for Mark A. Darr dated as of August 10, 2000
(18)	10.13.1	Consent to Assignment of Employment Agreement for Mark A. Darr dated February 3, 2002
(12)(**)	10.14	Employment Agreement for Thomas H. Rose dated as of August 10, 2000
(18)	10.14.1	Consent to Assignment of Employment Agreement for Thomas H. Rose dated February 3, 2002
(12)	10.15	Employment Agreement for Curtis L. Weishahn dated as of August 10, 2000
(18)	10.15.1	Consent to Assignment of Employment Agreement for Curtis L. Weishahn dated February 3, 2002
(5)	10.16	Note Purchase Agreement dated as of November 19, 1997
(6)	10.16.1	Amendment dated October 15, 1998 to November 19, 1997 Note Purchase Agreement
(8)	10.16.2	Second Amendment Agreement dated September 1, 1999 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(9)	10.16.3	Third Amendment Agreement dated May 31, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(10)	10.16.4	Fourth Amendment Agreement dated August 10, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(13)	10.16.5	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement
(10)	10.17	Contribution Agreement dated June 15, 2000 among U.S. Propane, L.P., Heritage Operating, L.P. and Heritage Propane Partners, L.P.
(10)	10.17.1	Amendment dated August 10, 2000 to June 15, 2000 Contribution Agreement
(10)	10.18	Subscription Agreement dated June 15, 2000 between Heritage Propane Partners, L.P. and individual investors
(10)	10.18.1	Amendment dated August 10, 2000 to June 15, 2000 Subscription Agreement
(16)	10.18.2	Amendment Agreement dated January 3, 2001 to the June 15, 2000 Subscription Agreement
(17)	10.18.3	Amendment Agreement dated October 5, 2001 to the June 15, 2000 Subscription Agreement

	Exhibit Number	Description
(10)	10.19	Note Purchase Agreement dated as of August 10, 2000
(13)	10.19.1	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement
(14)	10.19.2	First Supplemental Note Purchase Agreement dated as of May 24, 2001 to the August 10, 2000 Note Purchase Agreement
(15)	10.20	Stock Purchase Agreement dated as of July 5, 2001 among the shareholders of ProFlame, Inc. and Heritage Holdings, Inc.
(15)	10.21	Stock Purchase Agreement dated as of July 5, 2001 among the shareholders of Coast Liquid Gas, Inc. and Heritage Holdings, Inc.
(15)	10.22	Agreement and Plan of Merger dated as of July 5, 2001 among California Western Gas Company, the Majority Stockholders of California Western Gas Company signatories thereto, Heritage Holdings, Inc. and California Western Merger Corp.
(15)	10.23	Agreement and Plan of Merger dated as of July 5, 2001 among Growth Properties, the Majority Shareholders signatories thereto, Heritage Holdings, Inc. and Growth Properties Merger Corp.
(15)	10.24	Asset Purchase Agreement dated as of July 5, 2001 among L.P.G. Associates, the Shareholders of L.P.G. Associates and Heritage Operating, L.P.
(15)	10.25	Asset Purchase Agreement dated as of July 5, 2001 among WMJB, Inc., the Shareholders of WMJB, Inc. and Heritage Operating, L.P.
(15)	10.25.1	Amendment to Asset Purchase Agreement dated as of July 5, 2001 among WMJB, Inc., the Shareholders of WMJB, Inc. and Heritage Operating, L.P.
(18)	10.26	Assignment, Conveyance and Assumption Agreement between U.S. Propane, L.P. and Heritage Holdings, Inc., as the former General Partner of Heritage Propane Partners, L.P. dated as of February 4, 2002
(18)	10.27	Assignment, Conveyance and Assumption Agreement between U.S. Propane, L.P. and Heritage Holdings, Inc., as the former General Partner of Heritage Operating, L.P., dated as of February 4, 2002
(22)	10.28	Assignment for Contribution of Assets in Exchange for Partnership Interest dated December 9, 2002 amount V-1 Oil Co., the shareholders of V-1 Oil Co., Heritage Propane Partners, L.P. and Heritage Operating, L.P.
(23)(**)	10.29	Employment Agreement for Michael L. Greenwood dated as of July 1, 2002
(25)	10.30	Acquisition Agreement dated November 6, 2003 among the owners of U.S. Propane, L.P. and U.S. Propane, L.L.C., and La Grange Energy, L.P.
(25)	10.31	Contribution Agreement dated November 6, 2003 among La Grange Energy, L.P., and Heritage Propane Partners, L.P. and U.S. Propane, L.P.
(*)	10.31.1	Amendment No. 1 to Contribution Agreement dated December 7, 2003 among La Grange Energy, L.P., Heritage Propane Partners, L.P. and U.S. Propane, L.P.

	Exhibit Number	Description
(25)	10.32	Stock Purchase Agreement dated November 6, 2003 among the owners of Heritage Holdings, Inc. and Heritage Propane Partners, L.P.
(25)	21.1	List of Subsidiaries
(*)	31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(*)	31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(*)	32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(*)	32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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(1) Incorporated by reference to the same numbered Exhibit to Registrant's Registration Statement of Form S-1, File No. 333-04018, 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. 333-04018, 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-Q for the quarter ended May 31, 1998.

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

(7) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 1999.

(8) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 1999.

(9) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2000.

(10) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated August 23, 2000.

(11) Filed as Exhibit 10.16.3.

(12) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2000.

(13) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended February 28, 2001.

(14) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2001.

(15) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated August 15, 2001.

(16) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2001.

(17) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended November 30, 2001.

(18) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended February 28, 2002.

(19) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 31, 2002.

(20) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated February 4, 2002.

(21) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2002.

(22) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated January 6, 2003.

(23) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended November 30, 2002.

(24) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-Q for the quarter ended May 21, 2003.

(25) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2003.

(*) Filed herewith.

(**) Denotes a management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K

The Partnership filed one report on Form 8-K during the quarter ending November 30, 2003.

Form 8-K item 5 was filed on November 13, 2003 announcing the signing of a definitive agreement with La Grange Energy, L.P. to acquire the natural gas gathering, treating, processing and transportation business operations of La Grange and its subsidiaries.

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: U.S. Propane, L.P.., General Partner

By: U.S. Propane, L.L.C., General Partner

Date: January 14, 2004

By: /s/ Michael L. Greenwood

Michael L. Greenwood
(Vice President, Chief Financial Officer and officer duly authorized to sign on behalf of the registrant)

INDEX TO EXHIBITS

	Exhibit Number	Description
(1)	3.1	Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(10)	3.1.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(16)	3.1.2	Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(19)	3.1.3	Amendment No. 3 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(19)	3.1.4	Amendment No. 4 to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
(1)	3.2	Agreement of Limited Partnership of Heritage Operating, L.P.
(12)	3.2.1	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.
(19)	3.2.2	Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Heritage Operating, L.P.
(18)	3.3	Amended Certificate of Limited Partnership of Heritage Propane Partners, L.P.
(18)	3.4	Amended Certificate of Limited Partnership of Heritage Operating, L.P.
(20)	4.1	Registration Rights Agreement for Limited Partner Interests of Heritage Propane Partners, L.P.
(7)	10.1	First Amended and Restated Credit Agreement with Banks Dated May 31, 1999
(8)	10.1.1	First Amendment to the First Amended and Restated Credit Agreement dated as of October 15, 1999
(9)	10.1.2	Second Amendment to First Amended and Restated Credit Agreement dated as of May 31, 2000
(10)	10.1.3	Third Amendment dated as of August 10, 2000 to First Amended and Restated Credit Agreement
(13)	10.1.4	Fourth Amendment to First Amended and Restated Credit Agreement dated as of December 28, 2000

	Exhibit Number	Description
(16)	10.1.5	Fifth Amendment to First Amended and Restated Credit Agreement dated as of July 16, 2001
(1)	10.2	Form of Note Purchase Agreement (June 25, 1996)
(3)	10.2.1	Amendment of Note Purchase Agreement (June 25, 1996) dated as of July 25, 1996
(4)	10.2.2	Amendment of Note Purchase Agreement (June 25, 1996) dated as of March 11, 1997
(6)	10.2.3	Amendment of Note Purchase Agreement (June 25, 1996) dated as of October 15, 1998
(8)	10.2.4	Second Amendment Agreement dated September 1, 1999 to June 25, 1996 Note Purchase Agreement
(11)	10.2.5	Third Amendment Agreement dated May 31, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement
(10)	10.2.6	Fourth Amendment Agreement dated August 10, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement
(13)	10.2.7	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement
(1)	10.3	Form of Contribution, Conveyance and Assumption Agreement among Heritage Holdings, Inc., Heritage Propane Partners, L.P. and Heritage Operating, L.P.
(1)(**)	10.6	Restricted Unit Plan
(4)(**)	10.6.1	Amendment of Restricted Unit Plan dated as of October 17, 1996
(12)(**)	10.6.2	Amended and Restated Restricted Unit Plan dated as of August 10, 2000
(18)(**)	10.6.3	Second Amended and Restated Restricted Unit Plan dated as of February 4, 2002
(12)(**)	10.7	Employment Agreement for James E. Bertelsmeyer dated as of August 10, 2000
(18)	10.7.1	Consent to Assignment of Employment Agreement for James E. Bertelsmeyer dated February 3, 2002
(21)(**)	10.7.2	Amendment 1 of Employment Agreement for James E. Bertelsmeyer dated August 10, 2002
(24)(**)	10.7.3	Amendment 2 of Employment Agreement for James E. Bertelsmeyer dated April 1, 2003
(12)(**)	10.8	Employment Agreement for R. C. Mills dated as of August 10, 2000
(18)	10.8.1	Consent to Assignment of Employment Agreement for R.C. Mills dated February 3, 2002
(12)(**)	10.10	Employment Agreement for H. Michael Krimbill dated as of August 10, 2000

	Exhibit Number	Description
(18)	10.10.1	Consent to Assignment of Employment Agreement for H. Michael Krimbill dated February 3, 2002
(12)(**)	10.11	Employment Agreement for Bradley K. Atkinson dated as of August 10, 2000
(18)	10.11.1	Consent to Assignment of Employment Agreement for Bradley K. Atkinson dated February 3, 2002
(12)(**)	10.13	Employment Agreement for Mark A. Darr dated as of August 10, 2000
(18)	10.13.1	Consent to Assignment of Employment Agreement for Mark A. Darr dated February 3, 2002
(12)(**)	10.14	Employment Agreement for Thomas H. Rose dated as of August 10, 2000
(18)	10.14.1	Consent to Assignment of Employment Agreement for Thomas H. Rose dated February 3, 2002
(12)	10.15	Employment Agreement for Curtis L. Weishahn dated as of August 10, 2000
(18)	10.15.1	Consent to Assignment of Employment Agreement for Curtis L. Weishahn dated February 3, 2002
(5)	10.16	Note Purchase Agreement dated as of November 19, 1997
(6)	10.16.1	Amendment dated October 15, 1998 to November 19, 1997 Note Purchase Agreement
(8)	10.16.2	Second Amendment Agreement dated September 1, 1999 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(9)	10.16.3	Third Amendment Agreement dated May 31, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(10)	10.16.4	Fourth Amendment Agreement dated August 10, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
(13)	10.16.5	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement
(10)	10.17	Contribution Agreement dated June 15, 2000 among U.S. Propane, L.P., Heritage Operating, L.P. and Heritage Propane Partners, L.P.
(10)	10.17.1	Amendment dated August 10, 2000 to June 15, 2000 Contribution Agreement
(10)	10.18	Subscription Agreement dated June 15, 2000 between Heritage Propane Partners, L.P. and individual investors
(10)	10.18.1	Amendment dated August 10, 2000 to June 15, 2000 Subscription Agreement
(16)	10.18.2	Amendment Agreement dated January 3, 2001 to the June 15, 2000 Subscription Agreement
(17)	10.18.3	Amendment Agreement dated October 5, 2001 to the June 15, 2000 Subscription Agreement

	Exhibit Number	Description
(10)	10.19	Note Purchase Agreement dated as of August 10, 2000
(13)	10.19.1	Fifth Amendment Agreement dated as of December 28, 2000 to June 25, 1996 Note Purchase Agreement, November 19, 1997 Note Purchase Agreement and August 10, 2000 Note Purchase Agreement
(14)	10.19.2	First Supplemental Note Purchase Agreement dated as of May 24, 2001 to the August 10, 2000 Note Purchase Agreement
(15)	10.20	Stock Purchase Agreement dated as of July 5, 2001 among the shareholders of ProFlame, Inc. and Heritage Holdings, Inc.
(15)	10.21	Stock Purchase Agreement dated as of July 5, 2001 among the shareholders of Coast Liquid Gas, Inc. and Heritage Holdings, Inc.
(15)	10.22	Agreement and Plan of Merger dated as of July 5, 2001 among California Western Gas Company, the Majority Stockholders of California Western Gas Company signatories thereto, Heritage Holdings, Inc. and California Western Merger Corp.
(15)	10.23	Agreement and Plan of Merger dated as of July 5, 2001 among Growth Properties, the Majority Shareholders signatories thereto, Heritage Holdings, Inc. and Growth Properties Merger Corp.
(15)	10.24	Asset Purchase Agreement dated as of July 5, 2001 among L.P.G. Associates, the Shareholders of L.P.G. Associates and Heritage Operating, L.P.
(15)	10.25	Asset Purchase Agreement dated as of July 5, 2001 among WMJB, Inc., the Shareholders of WMJB, Inc. and Heritage Operating, L.P.
(15)	10.25.1	Amendment to Asset Purchase Agreement dated as of July 5, 2001 among WMJB, Inc., the Shareholders of WMJB, Inc. and Heritage Operating, L.P.
(18)	10.26	Assignment, Conveyance and Assumption Agreement between U.S. Propane, L.P. and Heritage Holdings, Inc., as the former General Partner of Heritage Propane Partners, L.P. dated as of February 4, 2002
(18)	10.27	Assignment, Conveyance and Assumption Agreement between U.S. Propane, L.P. and Heritage Holdings, Inc., as the former General Partner of Heritage Operating, L.P., dated as of February 4, 2002
(22)	10.28	Assignment for Contribution of Assets in Exchange for Partnership Interest dated December 9, 2002 amount V-1 Oil Co., the shareholders of V-1 Oil Co., Heritage Propane Partners, L.P. and Heritage Operating, L.P.
(23)(**)	10.29	Employment Agreement for Michael L. Greenwood dated as of July 1, 2002
(25)	10.30	Acquisition Agreement dated November 6, 2003 among the owners of U.S. Propane, L.P. and U.S. Propane, L.L.C., and La Grange Energy, L.P.
(25)	10.31	Contribution Agreement dated November 6, 2003 among La Grange Energy, L.P., and Heritage Propane Partners, L.P. and U.S. Propane, L.P.
(*)	10.31.1	Amendment No. 1 to Contribution Agreement dated December 7, 2003 among La Grange Energy, L.P., Heritage Propane Partners, L.P. and U.S. Propane, L.P.

	Exhibit Number	Description
(25)	10.32	Stock Purchase Agreement dated November 6, 2003 among the owners of Heritage Holdings, Inc. and Heritage Propane Partners, L.P.
(25)	21.1	List of Subsidiaries
(*)	31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(*)	31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(*)	32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(*)	32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

- ------------------

(1) Incorporated by reference to the same numbered Exhibit to Registrant's Registration Statement of Form S-1, File No. 333-04018, 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. 333-04018, 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-Q for the quarter ended May 31, 1998.

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(10) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 8-K dated August 23, 2000.

(11) Filed as Exhibit 10.16.3.

(12) Incorporated by reference to the same numbered Exhibit to the Registrant's Form 10-K for the year ended August 31, 2000.

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(**) Denotes a management contract or compensatory plan or arrangement.

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The Partnership filed one report on Form 8-K during the quarter ending November 30, 2003.

Form 8-K item 5 was filed on November 13, 2003 announcing the signing of a definitive agreement with La Grange Energy, L.P. to acquire the natural gas gathering, treating, processing and transportation business operations of La Grange and its subsidiaries.

EXHIBIT 10.31.1

AMENDMENT NO. 1
TO
CONTRIBUTION AGREEMENT

THIS AMENDMENT NO. 1 TO CONTRIBUTION AGREEMENT (this "Amendment") is made and entered into as of the 7th day of December, 2003, by and among: (i) La Grange Energy, L.P., a Texas limited partnership ("La Grange"), (ii) Heritage Propane Partners, L.P., a Delaware limited partnership ("Heritage MLP") and (iii) U.S. Propane, L.P., a Delaware limited partnership ("Heritage GP"). La Grange, Heritage MLP and Heritage GP are sometimes referred to in this Amendment individually as a "Party" and collectively as the "Parties."

WITNESSETH:

WHEREAS, the Parties are the parties to that certain Contribution Agreement, dated November 6, 2003 (the "Original Agreement");

WHEREAS, Section 8.3 of the Original Agreement provides that the Original Agreement may only be amended by an instrument in writing signed by each of the Parties;

WHEREAS, the undersigned Parties are all of the parties to the Original Agreement; and

WHEREAS, the Parties desire to enter into this Amendment in order to amend and restate certain provisions of the Original Agreement in their entirety;

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein and in the Original Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby amend the Original Agreement as follows:

1. Certain Definitions. Terms used in this Amendment and not otherwise defined shall have the meanings set forth in the Original Agreement.

2. Amendments to the Original Agreement.

(a) Section 2.4 Amendments. Section 2.4 of the Original Agreement is hereby amended to (i) insert the word "actual" immediately prior to the words "capital expenditures" and (ii) delete the phrase "in an amount as mutually agreed to by the Parties" and to insert in lieu thereof the phrase "in an amount as mutually determined by the Parties."

(b) Section 2.5 Amendments. Section 2.5 of the Original Agreement is hereby amended to (i) insert the word "actual" immediately prior to the words "capital expenditures" and (ii) delete the phrase "in an amount as mutually agreed to by the Parties" and to insert in lieu thereof the phrase "in an amount as mutually determined by the Parties."

(c) Section 3.2(e) Amendment. Section 3.2(e) of the Original Agreement is hereby amended to delete the word "and" and to insert in lieu thereof the phrase "in substantially the form" immediately preceding the phrase "attached hereto as Exhibit 3.2(e)(i)."

(d) Section 7.1 Amendments. Section 7.1 of the Original Agreement is hereby amended and restated in its entirety to provide as follows:

"7.1 CONDITIONS TO CLOSING OF LA GRANGE.

The obligations of La Grange to consummate the transactions contemplated by this Agreement at the Closing shall be subject to the fulfillment by each of the Heritage Parties on or prior to the Closing Date of each of the following conditions:

(a) Representations and Warranties True. All the representations and warranties of the Heritage Parties contained in this Agreement, and in any agreement, instrument or document delivered by any of the Heritage Parties pursuant to this Agreement on or prior to the Closing Date shall be true and correct, individually and in the aggregate, in all material respects (other than any representation or warranty that is qualified by materiality or a Heritage Material Adverse Effect, which shall be true and correct in all respects) as of the date of this Agreement and as of the Closing Date.

(b) Covenants and Agreements Performed. Each of the Heritage Parties shall have performed and complied with, in all material respects, all covenants and agreements required by this Agreement to be performed or complied with by it, including, but not limited to, the consummation of the transactions required to be completed pursuant to Section 2.2.

(c) Certificates. La Grange shall have received a certificate from each of the Heritage Parties, in substantially the form set forth in Exhibit 7.1(c), dated the Closing Date, representing and certifying that the conditions set forth in Sections 7.1(a) and 7.1(b) have been fulfilled and a certificate as to the incumbency of the officers executing this Agreement on behalf of the Heritage Parties.

(d) Legal Proceedings. No preliminary or permanent injunction or other order, decree or ruling issued by a Governmental Authority, and no statute, rule, regulation or executive order promulgated or enacted by a Governmental Authority, shall be in effect that restrains, enjoins, prohibits or otherwise makes illegal the consummation of the transactions contemplated hereby. No Proceeding before a Governmental Authority shall be pending (A) seeking to restrain or prohibit the consummation of the transactions contemplated hereby or (B) that could reasonably be expected, if adversely determined, to impose any material limitation on the ability of La Grange to convey the La Grange Assets or to receive full payment therefore.

(e) Consents. All Consents set forth on Schedule 7.1(e) shall have been obtained or made and shall be in full force and effect as to the Heritage Parties at the time of the Closing.

(f) No Heritage Material Adverse Effect. Since the date of this Agreement, there shall not have been any event or condition having a Heritage Material Adverse Effect.

(g) Deliveries. The Heritage Parties shall have delivered the Equity Consideration and shall have delivered to an account designated by La Grange the Cash Consideration and the Capital Expenditures Payment.

(h) Acquisition Agreement; HHI Purchase Agreement. The Acquisition Agreement and the HHI Purchase Agreement shall have been executed and delivered by the parties thereto and all conditions to closing therein (other than the closing of the transactions pursuant to this Agreement) shall have been satisfied or waived.

(i) HSR Waiting Period. If applicable, the waiting period under the HSR Act applicable to the consummation of the transactions contemplated hereby shall have expired or been terminated without any adverse condition attached thereto.

(j) Amendment to Heritage MLP Partnership Agreement. Amendment No. 5 to the MLP Partnership Agreement and Amendment No. 3 to the OLP Partnership Agreement shall have been duly executed and adopted and shall be in full force and effect.

(k) Listing. The Common Units issuable to La Grange pursuant to this Agreement shall have been approved for listing on the New York Stock Exchange subject to official notice of issuance.

(l) Legal Opinion. La Grange shall have received the written opinion from Doerner, Saunders, Daniel & Anderson, L.L.P. in substantially the form attached hereto as Exhibit 7.1(l).

(m) Equity Financing. Heritage MLP shall have completed, or shall complete contemporaneously with the Closing, a public offering of Common Units with minimum net proceeds to Heritage MLP of $250 million, on terms and conditions acceptable to Heritage MLP (the "Equity Financing").

(n) Debt Financing. Heritage MLP, or one or more Subsidiaries of Heritage MLP, shall have entered into one or more credit arrangements on terms and conditions substantially as set forth on Schedule 7.1(n) and which will provide for loans to be funded at or contemporaneously with Closing of at least $275 million (the "Debt Financing").

(o) Waiver of Prepayment Premiums. The Heritage Parties shall have obtained waivers or amendments under their existing debt facilities which would serve to avoid the triggering of any debt prepayment premiums for which the Heritage Parties may be obligated to pay as a result of the transactions contemplated by this Agreement or the Acquisition Agreement, and such waivers or amendments shall not have been withdrawn (the "Prepayment Waivers")."

(e) Section 7.2 Amendments. Section 7.2 of the Original Agreement is hereby amended and restated in its entirety to provide as follows:

"7.2 CONDITIONS TO CLOSING OF THE HERITAGE PARTIES.

The obligations of each of the Heritage Parties to consummate the transactions contemplated by this Agreement at the Closing shall be subject to the fulfillment by La Grange on or prior to the Closing Date of each of the following conditions:

(a) Representations and Warranties True. All the representations and warranties of La Grange contained in this Agreement, and in any agreement, instrument or document delivered by La Grange pursuant to this Agreement on or prior to the Closing Date shall be true and correct, individually and in the aggregate, in all material respects (other than any representation or warranty that is qualified by materiality or a La Grange Material Adverse Effect, which shall be true and correct in all respects) as of the date of this Agreement and as of the Closing Date.

(b) Covenants and Agreements Performed. La Grange shall have performed and complied with, in all material respects, all covenants and agreements required by this Agreement to be performed or complied with by them, including, but not limited to, the consummation of the transactions required to be completed pursuant to Section 2.2(b). In addition, La Grange shall have performed and complied with all the covenants set forth in Sections 6.12 and 6.13.

(c) Certificates. The Heritage Parties shall have received a certificate from La Grange, in substantially the form set forth in Exhibit 7.2(c), executed by La Grange, dated the Closing Date, representing and certifying that the conditions set forth in Sections 7.2(a) and 7.2(b) have been fulfilled and a certificate as to the incumbency of any officer executing this Agreement on behalf of La Grange.

(d) Legal Proceedings. No preliminary or permanent injunction or other order, decree or ruling issued by a Governmental Authority, and no statute, rule, regulation or executive order promulgated or enacted by a Governmental Authority, shall be in effect (i) that restrains, enjoins, prohibits or otherwise makes illegal the consummation of the transactions contemplated hereby or (ii) that would impose any material limitation on the ability of Heritage MLP effectively to exercise full rights of ownership of the La Grange Interests and La Grange Assets to be acquired by Heritage MLP under this Agreement. No Proceeding before a Governmental Authority shall be pending (A) seeking to restrain or prohibit the consummation of the transactions contemplated hereby or (B) that could reasonably be expected, if adversely determined, to impose any material limitation on the ability of Heritage MLP effectively to exercise full rights of ownership of the La Grange Interests and La Grange Assets to be acquired by Heritage MLP under this Agreement.

(e) Consents. All Consents set forth on Schedule 7.2(e) shall have been obtained or made and shall be in full force and effect as to La Grange or the La Grange Entities at the time of the Closing.

(f) No La Grange Material Adverse Effect. Since the date of this Agreement, there shall not have been any event or condition having a La Grange Material Adverse Effect.

(g) Deliveries. La Grange shall have delivered the certificates representing all of the outstanding La Grange Shares, duly endorsed in blank or accompanied by transfer powers.

(h) Acquisition Agreement; HHI Purchase Agreement. The Acquisition Agreement and the HHI Purchase Agreement shall have been executed and delivered by the parties thereto and all conditions to closing therein (other than the closing of the transactions pursuant to this Agreement) shall have been satisfied or waived.

(i) HSR Waiting Period. If applicable, the waiting period under the HSR Act applicable to the consummation of the transactions contemplated hereby shall have expired or been terminated without any adverse condition attached thereto.

(j) Application for Issuance - Common Units. At the Closing, La Grange will deliver the Application for Issuance of Common Units, substantially in the form attached as Exhibit 7.2(j).

(k) Legal Opinion. The Heritage Entities shall have received the written opinion from Thompson & Knight, L.L.P. and such other written opinions of counsel as may be required in substantially the form attached hereto as Exhibit 7.2(k)."

(f) Section 8.1 Amendments. Section 8.1(j) of the Original Agreement is hereby amended and restated in its entirety to provide as follows:

"(j) [Intentionally Omitted.]"

3. Agreement to Amend. This Amendment shall represent the requisite consent of the Parties pursuant to Section 8.3 of the Original Agreement to amend the Original Agreement.

4. Counterparts. This Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

5. Modification. This Amendment may not be modified, supplemented or amended in any respect except by written instrument executed by all Parties hereto.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first written above.

LA GRANGE ENERGY, L.P.

BY: ----------------------------------
General Partner

By: --------------------------------------
Name: ---------------------------------
Title: --------------------------------

HERITAGE PROPANE PARTNERS, L.P.

BY: U.S. Propane, L.P., General Partner

By: U.S. Propane, L.L.C., General Partner

By: --------------------------------
Name: ---------------------------
Title: --------------------------

U.S. PROPANE, L.P.

BY: U.S. Propane, L.L.C., General Partner

By: -----------------------------------
Name: ------------------------------
Title: -----------------------------

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, H. Michael Krimbill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heritage Propane 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; and

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 control over financial reporting.

Date: January 14, 2004

/s/ H. Michael Krimbill

H. Michael Krimbill
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael L. Greenwood, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heritage Propane 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; and

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 control over financial reporting.

Date: January 14, 2004

/s/ Michael L. Greenwood

Michael L. Greenwood
Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Heritage Propane Partners, L.P. (the "Partnership") on Form 10-Q for the three months ended November 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. Michael Krimbill, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: January 14, 2004

/s/ H. Michael Krimbill

H. Michael Krimbill
President and Chief Executive Officer

*A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to and will be retained by Heritage Propane Partners, L.P.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Heritage Propane Partners, L.P. (the "Partnership") on Form 10-Q for the three months ended November 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael L. Greenwood, Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: January 14, 2004

/s/ Michael L. Greenwood

Michael L. Greenwood
Vice President and Chief Financial Officer

*A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to and will be retained by Heritage Propane Partners, L.P.