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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2007

OR

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

For the transition period from _____ to _____

Commission file number 1-31219

SUNOCO LOGISTICS PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

23-3096839
(I.R.S. Employer
Identification No.)

Mellon Bank Center
1735 Market Street, Suite LL, Philadelphia, PA
(Address of principal executive offices)

19103-7583
(Zip Code)

Registrant's telephone number, including area code: (866) 248-4344

Former name, former address and formal fiscal year, if changed since last report: Not Applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At July 31, 2007, the number of the registrant's Common Units outstanding was 28,586,280.

SUNOCO LOGISTICS PARTNERS L.P.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(in thousands, except unit and per unit amounts)

	Three Months Ended June 30,	
	2007	2006
Revenues		
Sales and other operating revenue:		
Affiliates (Note 3)	\$ 391,370	\$ 518,439
Unaffiliated customers	1,238,910	973,057
Other income	7,698	3,872
Total Revenues	<u>1,637,978</u>	<u>1,495,368</u>
Costs and Expenses		
Cost of products sold and operating expenses	1,580,330	1,439,674
Depreciation and amortization	9,407	9,211
Selling, general and administrative expenses	13,487	13,522
Total Costs and Expenses	<u>1,603,224</u>	<u>1,462,407</u>
Operating Income	34,754	32,961
Net interest cost paid to affiliates (Note 3)	1,059	414
Other interest cost and debt expense, net	9,386	7,416
Capitalized interest	(945)	(1,189)
Net Income	<u>\$ 25,254</u>	<u>\$ 26,320</u>
Calculation of Limited Partners' interest in Net Income (Note 4):		
Net Income	\$ 25,254	\$ 26,320
Less: General Partner's interest in Net Income	(3,552)	(4,101)
Limited Partners' interest in Net Income	<u>\$ 21,702</u>	<u>\$ 22,219</u>
Net Income per Limited Partner unit:		
Basic	<u>\$ 0.76</u>	<u>\$ 0.81</u>
Diluted	<u>\$ 0.76</u>	<u>\$ 0.81</u>
Weighted average Limited Partners' units outstanding (Note 4):		
Basic	<u>28,586,280</u>	<u>27,466,092</u>
Diluted	<u>28,723,884</u>	<u>27,589,644</u>

(See Accompanying Notes)

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

	Six Months Ended June 30,	
	2007	2006
Revenues		
Sales and other operating revenue:		
Affiliates (Note 3)	\$ 843,439	\$ 996,760
Unaffiliated customers	2,336,411	1,755,707
Other income	12,737	6,263
Total Revenues	<u>3,192,587</u>	<u>2,758,730</u>
Costs and Expenses		
Cost of products sold and operating expenses	3,079,588	2,654,460
Depreciation and amortization	18,311	18,157
Selling, general and administrative expenses	29,006	28,525
Total Costs and Expenses	<u>3,126,905</u>	<u>2,701,142</u>
Operating Income	65,682	57,588
Net interest cost paid to affiliates (Note 3)	1,594	723
Other interest cost and debt expense, net	18,025	13,866
Capitalized interest	(1,498)	(1,745)
Net Income	<u>\$ 47,561</u>	<u>\$ 44,744</u>
Calculation of Limited Partners' interest in Net Income (Note 4):		
Net Income	\$ 47,561	\$ 44,744
Less: General Partner's interest in Net Income	(5,631)	(5,445)
Limited Partners' interest in Net Income	<u>\$ 41,930</u>	<u>\$ 39,299</u>
Net Income per Limited Partner unit:		
Basic	<u>\$ 1.47</u>	<u>\$ 1.48</u>
Diluted	<u>\$ 1.46</u>	<u>\$ 1.48</u>
Weighted average Limited Partners' units outstanding (Note 4):		
Basic	<u>28,575,697</u>	<u>26,499,007</u>
Diluted	<u>28,713,365</u>	<u>26,623,554</u>

(See Accompanying Notes)

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

	June 30, 2007 <u>(UNAUDITED)</u>	December 31, 2006 <u></u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 9,035	\$ 9,412
Advances to affiliates (Note 3)	11,305	7,431
Accounts receivable, affiliated companies (Note 3)	75,926	98,952
Accounts receivable, net	922,304	776,505
Inventories:		
Crude oil	90,911	69,552
Materials, supplies and other	724	732
Total Current Assets	<u>1,110,205</u>	<u>962,584</u>
Properties, plants and equipment	1,569,959	1,506,350
Less accumulated depreciation and amortization	<u>(517,652)</u>	<u>(499,682)</u>
Properties, plants and equipment, net	<u>1,052,307</u>	<u>1,006,668</u>
Investment in affiliates (Note 5)	82,829	81,934
Deferred charges and other assets	25,800	30,891
Total Assets	<u>\$ 2,271,141</u>	<u>\$ 2,082,077</u>
Liabilities and Partners' Capital		
Current Liabilities		
Accounts payable	\$ 1,044,552	\$ 922,495
Accrued liabilities	37,427	34,843
Accrued taxes other than income	19,953	22,869
Advances from affiliates (Note 3)	—	—
Total Current Liabilities	<u>1,101,932</u>	<u>980,207</u>
Long-term debt (Note 6)	563,907	491,910
Other deferred credits and liabilities	29,456	27,049
Commitments and contingent liabilities (Note 7)		
Total Liabilities	<u>1,695,295</u>	<u>1,499,166</u>
Partners' Capital:		
Limited partners' interest	573,737	576,004
General partner's interest	2,109	6,907
Total Partners' Capital	<u>575,846</u>	<u>582,911</u>
Total Liabilities and Partners' Capital	<u>\$ 2,271,141</u>	<u>\$ 2,082,077</u>

(See Accompanying Notes)

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

	Six Months Ended June 30,	
	2007	2006
Cash Flows from Operating Activities:		
Net Income	\$ 47,561	\$ 44,744
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,311	18,157
Restricted unit incentive plan expense	3,389	2,572
Changes in working capital pertaining to operating activities net of the effect of acquisitions:		
Accounts receivable, affiliated companies	23,026	(28,808)
Accounts receivable, net	(145,799)	(223,617)
Inventories	(21,351)	506
Accounts payable and accrued liabilities	124,153	233,554
Accrued taxes other than income	(2,916)	2,867
Other	6,978	(3,762)
Net cash provided by operating activities	<u>53,352</u>	<u>46,213</u>
Cash Flows from Investing Activities:		
Capital expenditures	(50,642)	(53,759)
Acquisitions	(13,173)	(108,900)
Net cash used in investing activities	<u>(63,815)</u>	<u>(162,659)</u>
Cash Flows from Financing Activities:		
Distributions paid to Limited Partners and General Partner	(57,271)	(45,047)
Payments of statutory withholding on net issuance of Limited Partner units under restricted unit incentive plan	(1,479)	(1,443)
Net proceeds from issuance of Limited Partner units	—	110,357
Contributions from General Partner for Limited Partner unit transactions	58	2,426
Net proceeds from issuance of Senior Notes	—	173,307
Advances to affiliates, net	(3,874)	(13,504)
Borrowings under credit facility	91,900	109,500
Repayments under credit facility	(20,000)	(216,100)
Contributions from affiliate	752	747
Net cash provided by financing activities	<u>10,086</u>	<u>120,243</u>
Net change in cash and cash equivalents	(377)	3,797
Cash and cash equivalents at beginning of year	9,412	21,645
Cash and cash equivalents at end of period	<u>\$ 9,035</u>	<u>\$ 25,442</u>

(See Accompanying Notes)

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

1. Basis of Presentation

Sunoco Logistics Partners L.P. (the “Partnership”) is a publicly traded Delaware limited partnership which owns and operates a geographically diverse portfolio of complementary assets, consisting of refined product pipelines, terminalling and storage assets, crude oil pipelines, and crude oil acquisition and marketing assets located in the Northeast, Midwest and South Central United States. Sunoco, Inc. and its wholly—owned subsidiaries including Sunoco, Inc. (R&M) are collectively referred to as “Sunoco”.

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

The accompanying condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and accounting principles generally accepted in the United States for interim financial reporting. They do not include all disclosures normally made in financial statements contained in Form 10-K. In management’s opinion, all adjustments necessary for a fair presentation of the results of operations, financial position and cash flows for the periods shown have been made. All such adjustments are of a normal recurring nature. Results for the three and six months ended June 30, 2007 are not necessarily indicative of results for the full year 2007.

2. Acquisitions

Syracuse Terminal Acquisition

On June 4, 2007, the Partnership purchased a 50% undivided interest in a refined products terminal located in Syracuse, New York from Mobil Pipe Line Company, an affiliate of Exxon Mobil Corporation for approximately \$13.2 million. Total terminal storage capacity is approximately 550,000 barrels. The purchase price of the acquisition was funded with borrowings under the Partnership’s Credit Facility, and has been preliminarily allocated to property, plants and equipment based on the relative fair value of the assets acquired on the acquisition date. The results of the acquisition are included in the financial statements within the Terminal Facilities business segment from the date of acquisition.

Mid-Valley Pipeline Acquisition

On August 18, 2006, the Partnership purchased from Sunoco a 100 percent interest in Sun Pipe Line Company of Delaware LLC, the owner of a 55.3 percent equity interest (50 percent voting rights) in Mid-Valley Pipeline Company (“Mid-Valley”) for approximately \$65.0 million, subject to certain adjustments five years following the date of closing, based on the throughput of Sunoco. Mid-Valley owns a 994-mile pipeline, which originates in Longview, Texas and terminates in Samaria, Michigan, and has operating capacity of approximately 238,000 bpd and 4.2 million shell barrels of storage capacity. Mid-Valley provides crude oil to a number of refineries, primarily in the Midwest United States. The purchase price of the acquisition was funded with \$46.0 million in borrowings under the Partnership’s Credit Facility and with cash on hand. Since the acquisition was from a related party, the interest in the entity was recorded by the Partnership at Sunoco’s historical cost of approximately \$12.5 million and the \$52.5 million difference between the purchase price and the cost basis of the assets was recorded by the Partnership as a capital distribution. The results of the acquisition are included in the financial statements within the Western Pipeline System business segment from the date of acquisition.

Millennium and Kilgore Pipeline Acquisition

On March 1, 2006, the Partnership purchased a Texas crude oil pipeline system from affiliates of Black Hills Energy, Inc. for approximately \$40.9 million. The system consists of (a) the Millennium Pipeline, a 200-mile, 12-inch crude oil pipeline with approximately 65,000 bpd operating capacity, originating near the Partnership’s Nederland Terminal, and terminating at Longview Texas; (b) the Kilgore Pipeline, a 190-mile, 10-inch crude oil pipeline with approximately 35,000 barrel per day capacity originating in Kilgore, Texas and terminating at refineries in the Houston, Texas region; (c) approximately 900,000 shell barrels of storage capacity at Kilgore, and Longview, Texas, approximately 550,000 of which are inactive; (d) a crude oil sales and marketing business; and (e) crude oil line fill and working inventory. The purchase price of the acquisition was funded with borrowings under the Partnership’s Credit Facility. The purchase price has

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been allocated to the assets acquired based on their relative fair values at the acquisition date. The following is a summary of the effects of the transaction on the Partnership's consolidated financial position (in thousands of dollars):

Increase in:	
Inventories	\$ 2,189
Properties, plants and equipment, net	38,711
Cash paid for acquisition	<u>\$ 40,900</u>

The results of the acquisition are included in the financial statements within the Western Pipeline System business segment from the date of acquisition.

Amdel and White Oil Pipeline Acquisition

On March 1, 2006, the Partnership acquired a Texas crude oil pipeline system from Alon USA Energy, Inc. for approximately \$68.0 million. The system consists of (a) the Amdel Pipeline, a 503-mile, 10-inch common carrier crude oil pipeline with approximately 27,000 bpd operating capacity, originating at the Nederland Terminal, and terminating at Midland, Texas, and (b) the White Oil Pipeline, a 25-mile, 10-inch crude oil pipeline with approximately 40,000 bpd operating capacity, originating at the Amdel Pipeline and terminating at Alon's Big Spring, Texas refinery. The pipelines were idle at the time of purchase, were re-commissioned by the Partnership during the second quarter 2006 and began making deliveries during the fourth quarter 2006. During the first quarter of 2007, the Partnership completed a project to expand the capacity on the Amdel Pipeline from approximately 27,000 to 40,000 bpd. Construction on new tankage at the Nederland Terminal to service these new volumes more efficiently is expected to be completed during 2007. The purchase price of the acquisition was funded with borrowings under the Partnership's Credit Facility, and has been allocated to property, plant and equipment based on the relative fair value of the assets acquired on the acquisition date. The results of the acquisition are included in the financial statements within the Western Pipeline System business segment from the date of acquisition.

3. Related Party Transactions

Advances To and From Affiliates

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

Selling, general and administrative expenses in the condensed consolidated statements of income include costs incurred by Sunoco for the provision of certain centralized corporate functions such as legal, accounting, treasury, engineering, information technology, insurance and other corporate services, including the administration of employee benefit plans. These are provided to the Partnership under an omnibus agreement ("Omnibus Agreement") with Sunoco for an annual administrative fee. The fee for the annual period ended December 31, 2006 was \$7.7 million. In January 2007, the parties extended the term of Section 4.1 of the Omnibus Agreement (which concerns the Partnership's obligation to pay the annual fee for provision of certain general and administrative services) by one year. The annual administrative fee applicable to this one-year extension is \$6.5 million, which reflects the Partnership directly incurring some of these general and administrative costs. These costs may be increased if the acquisition or construction of new assets or businesses requires an increase in the level of general and administrative services received by the Partnership. There can be no assurance that Section 4.1 of the Omnibus Agreement will be extended beyond 2007, or that, if extended, the administrative fee charged by Sunoco will be at or below the current administrative fee. In the event that the Partnership is unable to obtain such services from Sunoco or third parties at or below the current cost, the Partnership's financial condition and results of operations may be adversely impacted.

The annual administrative fee does not include the costs of shared insurance programs, which are allocated to the Partnership based upon its share of the cash premiums incurred. This fee also does not include salaries of pipeline and

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

Accounts Receivable, Affiliated Companies

Affiliated revenues in the condensed consolidated statements of income consist of sales of crude oil as well as the provision of crude oil and refined product pipeline transportation, terminalling and storage services to Sunoco. Sales of crude oil are priced using market based rates. Pipeline revenues are generally determined using posted tariffs. In 2002, the Partnership entered into the pipelines and terminals storage and throughput agreement and various other agreements with Sunoco under which the Partnership is charging Sunoco fees for services provided under these agreements that, in management's opinion, are comparable to those charged in arm's-length, third-party transactions. During the first quarter of 2007, the agreement to throughput at the Partnership's refined product terminals and to receive and deliver refined product into the Partnership's Marcus Hook Tank Farm expired. During the second quarter of 2007, the Partnership executed new five year agreements with Sunoco to provide these services.

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

Capital Contributions

The Partnership has agreements with Sunoco which requires Sunoco to, among other things, reimburse the Partnership for certain expenditures. These agreements include:

- the Interrefinery Lease Agreement, which requires Sunoco to reimburse the Partnership for any non-routine maintenance expenditures incurred, as defined through February 2022; and
- the Eagle Point purchase agreement, which requires Sunoco to reimburse the Partnership for certain capital improvement projects incurred regarding the assets acquired, as defined, up to \$5.0 million through March 2014. The Partnership has received \$2.6 million to date under this agreement.

During the six months ended June 30, 2007 and 2006, the Partnership was reimbursed \$0.8 million and \$0.7 million, respectively, associated with these agreements. The reimbursement of these amounts was recorded by the Partnership as capital contributions to Partners' Capital within the condensed consolidated balance sheet at June 30, 2007.

In May 2006, the Partnership sold 2.4 million common units in a public offering. In June 2006, the Partnership sold an additional 280,000 common units to cover over-allotments in connection with the May 2006 sale (see Note 9). As a result of this issuance of 2.680 million common units, the general partner contributed \$2.4 million to the Partnership to maintain its 2.0 percent general partner interest. The Partnership recorded this amount as a capital contribution to Partners' Capital within its condensed consolidated balance sheet.

In February 2007 and 2006, the Partnership issued 0.1 million common units in each period to participants in the Sunoco Partners LLC Long-Term Incentive Plan ("LTIP") upon completion of award vesting requirements. As a result of these issuances of common units, the general partner contributed \$0.1 million in each period to the Partnership to maintain its 2.0 percent general partner interest. The Partnership recorded these amounts as capital contributions to Partners' Capital within its condensed consolidated balance sheets.

Asset Acquisition

On August 18, 2006, the Partnership purchased from Sunoco a 100 percent interest in Sun Pipe Line Company of Delaware LLC, the owner of a 55.3 percent equity interest (50 percent voting rights) in Mid-Valley Pipeline Company ("Mid-Valley") for approximately \$65 million, subject to certain adjustments five years following the date of closing, based

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on throughput of Sunoco (see Note 2). Since the acquisition was from a related party, the interest in the entity was recorded by the Partnership at Sunoco's historical cost of approximately \$12.5 million, and the \$52.5 million difference between the purchase price and the cost basis of the assets was recorded by the Partnership as a capital distribution.

Conversion of Subordinated Units

A total of 11,383,639 subordinated limited partner units, equal to all of the originally issued subordinated units held by the general partner, have been converted into common units on a one-for-one basis, 2,845,910 each on February 15, 2005 and February 15, 2006 and 5,691,819 on February 15, 2007 (see Note 10).

4. Net Income Per Unit Data

Basic and diluted net income per limited partner unit is calculated by dividing net income, after deducting the amount allocated to the general partner's interest, by the weighted-average number of limited partner common and subordinated units outstanding during the period.

The general partner's interest in net income consists of its 2.0 percent general partner interest and "incentive distributions", which are increasing percentages, up to 50 percent of quarterly distributions in excess of \$0.50 per limited partner unit (see Note 10). The general partner was allocated net income of \$3.6 million (representing 14.1 percent of total net income for the period) and \$4.1 million (representing 15.6 percent of total net income for the period) for the three months ended June 30, 2007 and 2006, respectively, and \$5.6 million (representing 11.8 percent of total net income for the period) and \$5.4 million (representing 12.2 percent of total net income for the period) for the six months ended June 30, 2007 and 2006, respectively. Diluted net income per limited partner unit is calculated by dividing net income applicable to limited partners' by the sum of the weighted-average number of common and subordinated units outstanding and the dilutive effect of incentive unit awards, as calculated by the treasury stock method.

The following table sets forth the reconciliation of the weighted average number of limited partner units used to compute basic net income per limited partner unit to those used to compute diluted net income per limited partner unit for the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Weighted average number of limited partner units outstanding — basic	28,586,280	27,466,092	28,575,697	26,499,007
Add effect of dilutive unit incentive awards	137,604	123,552	137,668	124,547
Weighted average number of limited partner units — diluted	<u>28,723,884</u>	<u>27,589,644</u>	<u>28,713,365</u>	<u>26,623,554</u>

5. Investment in Affiliates

The Partnership's ownership percentages in corporate joint ventures as of June 30, 2007 and December 31, 2006 are as follows:

	Partnership Ownership Percentage
Mid-Valley Pipeline Company ⁽¹⁾	55.3%
West Texas Gulf Pipe Line Company	43.8%
Wolverine Pipe Line Company	31.5%
Yellowstone Pipe Line Company	14.0%
West Shore Pipe Line Company	12.3%
Explorer Pipeline Company	9.4%

⁽¹⁾ The Partnership's interest in the Mid-Valley Pipeline Company includes 50 percent voting rights.

The following table provides summarized combined statement of income data on a 100 percent basis for the Partnership's corporate joint venture interests for the three and six months ended June 30, 2007 and 2006 (in thousands of dollars):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Income Statement Data:				
Total revenues	\$133,564	\$96,497	\$243,253	\$179,583
Net income	\$ 40,573	\$24,162	\$ 70,545	\$ 44,900

The following table provides summarized combined balance sheet data on a 100 percent basis for the Partnership's corporate joint venture interests as of June 30, 2007 and December 31, 2006 (in thousands of dollars):

	June 30, 2007	December 31, 2006
Balance Sheet Data:		
Current assets	\$122,421	\$104,276
Non-current assets	\$485,357	\$489,514
Current liabilities	\$122,780	\$111,476
Non-current liabilities	\$394,119	\$399,826
Net equity	\$ 90,879	\$ 83,028

The Partnership's investments in Wolverine, West Shore, Yellowstone, and West Texas Gulf at June 30 2007 include an excess investment amount of approximately \$54.6 million, net of accumulated amortization of \$2.9 million. The excess investment is the difference between the investment balance and the Partnership's proportionate share of the net assets of the entities. The excess investment was allocated to the underlying tangible and intangible assets. Other than land and indefinite-lived intangible assets, all amounts allocated, principally to pipeline and related assets, are amortized using the straight-line method over their estimated useful life of 40 years and included within depreciation and amortization in the condensed consolidated statements of income.

6. Long-Term Debt

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

	June 30, 2007	December 31, 2006
Credit Facility	\$ 139,900	\$ 68,000
Senior Notes — 7.25%, due February 15, 2012	250,000	250,000
Senior Notes — 6.125%, due May 15, 2016	175,000	175,000
Less unamortized bond discount	(993)	(1,090)
	<u>\$ 563,907</u>	<u>\$ 491,910</u>

Sunoco Logistics Partners Operations L.P. (the "Operating Partnership"), a wholly-owned entity of the Partnership, has a \$300 million Credit Facility available to fund the Operating Partnership's working capital requirements, to finance future acquisitions and for general partnership purposes. It may also be used to fund the quarterly distribution to a maximum of \$20.0 million. Borrowing under this distribution sublimit must be reduced to zero each year for a 15-day period. The Credit Facility matures in November 2010 and may be prepaid at any time. It bears interest at the Operating Partnership's option, at either (i) LIBOR plus an applicable margin or (ii) the higher of the federal funds rate plus 0.50 percent or the Citibank prime rate (each plus the applicable margin). There were \$139.9 million of outstanding borrowings under the Credit Facility at June 30, 2007. The Credit Facility contains various covenants limiting the Operating Partnership's ability to incur indebtedness; grant certain liens; make certain loans, acquisitions and investments; make any material change to the nature of its business; acquire another company; or enter into a merger or sale of assets, including the sale or transfer of interests in the Operating Partnership's subsidiaries. The Credit Facility also contains covenants (each as defined in the credit agreement) requiring the Operating Partnership to maintain, on a rolling four-quarter basis, a maximum total debt to EBITDA ratio of 4.75 to 1, which can generally be increased to 5.25 to 1 during an acquisition period; and an interest coverage ratio of at least 3.0 to 1. The Operating Partnership is in compliance with these covenants as of June 30, 2007. The Partnership's ratio of total debt to EBITDA was 3.4 to 1 and the interest coverage ratio was 4.4 to 1 at June 30, 2007.

On March 1, 2006, the Partnership completed its acquisition of two Texas crude oil pipeline systems for \$108.9 million (see Note 2). The Partnership initially financed these transactions with \$109.5 million of borrowings under the Credit Facility.

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During May 2006, the Operating Partnership issued \$175 million of 6.125 percent Senior Notes, due May 15, 2016 at 99.858 percent of the principal amount, for net proceeds of \$173.3 million after the underwriter's commission and legal, accounting and other transaction expenses. The Senior Notes are redeemable, at a make-whole premium, and are not subject to sinking fund provisions. The Senior Notes contain various covenants limiting the Operating Partnership's ability to incur certain liens, engage in sale/leaseback transactions, or merge, consolidate or sell substantially all of its assets. The Operating Partnership is in compliance with these covenants as of March 31, 2007. The net proceeds from the Senior Notes, together with the \$110.3 million in net proceeds from the concurrent offering of 2.68 million limited partner common units (see Note 9), were used to repay all of the \$216.1 million in outstanding borrowings under the Partnership's Credit Facility. The balance of the proceeds from the offerings were used to fund the Partnership's organic growth program and for general Partnership purposes, including to finance pending and future acquisitions.

On August 21, 2006, the Partnership purchased from Sunoco a 100 percent interest in Sun Pipe Line Company of Delaware LLC, the owner of a 55.3 percent equity interest in Mid-Valley Pipeline Company ("Mid-Valley") for \$65 million, subject to certain adjustments five years following the date of closing (see Note 2). The purchase price of the acquisition was funded with \$46.0 million in borrowings under the Partnership's Credit Facility and with cash on hand.

On June 4, 2007, the Partnership purchased a 50% undivided interest in a refined products terminal located in Syracuse, New York from Mobil Pipe Line Company, an affiliate of Exxon Mobil Corporation for approximately \$13.2 million. The purchase price of the acquisition was funded with \$11.9 million in borrowings under the Partnership's Credit Facility and with cash on hand.

The Partnership and the operating partnerships of the Operating Partnership serve as joint and several guarantors of the Senior Notes and of any obligations under the Credit Facility. The guarantees are full and unconditional. See Note 13 for supplemental condensed consolidating financial information.

7. Commitments and Contingent Liabilities

The Partnership is subject to numerous federal, state and local laws which regulate the discharge of materials into the environment or that otherwise relate to the protection of the environment. These laws and regulations result in liabilities and loss contingencies for remediation at the Partnership's facilities and at third-party or formerly owned sites. The accrued liability for environmental remediation in the condensed consolidated balance sheets was \$1.8 million and \$0.5 million as of June 30, 2007 and December 31, 2006, respectively. There are no liabilities attributable to unasserted claims, nor have any recoveries from insurance been assumed.

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

Sunoco has indemnified the Partnership for 30 years from environmental and toxic tort liabilities related to the assets contributed to the Partnership that arise from the operation of such assets prior to the closing of the Partnership's initial public offering ("IPO") on February 8, 2002. Sunoco has indemnified the Partnership for 100 percent of all such losses asserted within the first 21 years of closing of the February 2002 IPO. Sunoco's share of liability for claims asserted thereafter will decrease by 10 percent a year. For example, for a claim asserted during the twenty-third year after closing of the February 2002 IPO, Sunoco would be required to indemnify the Partnership for 80 percent of its loss. There is no monetary cap on the amount of indemnity coverage provided by Sunoco. The Partnership has agreed to indemnify Sunoco and its affiliates for events and conditions associated with the operation of the Partnership's assets that occur on or after the closing of the February 2002 IPO and for environmental and toxic tort liabilities to the extent Sunoco is not required to indemnify the Partnership.

Sunoco has also indemnified the Partnership for liabilities, other than environmental and toxic tort liabilities related to the assets contributed to the Partnership, that arise out of Sunoco's ownership and operation of the assets prior to the closing of the February 2002 IPO and that are asserted within 10 years after closing of the February 2002 IPO. In addition, Sunoco has indemnified the Partnership from liabilities relating to certain defects in title to the assets contributed to the Partnership and associated with failure to obtain certain consents and permits necessary to conduct its business that arise within 10 years after closing of the February 2002 IPO as well as from liabilities relating to legal actions pending against Sunoco or its affiliates as of February 2, 2002, or events and conditions associated with any assets retained by Sunoco or its affiliates.

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Management of the Partnership does not believe that any liabilities which may arise from claims indemnified by Sunoco would be material in relation to the consolidated financial position of the Partnership at June 30, 2007. There are certain other pending legal proceedings related to matters arising after the February 2002 IPO which are not indemnified by Sunoco. Management believes that any liabilities that may arise from these legal proceedings will not be material in relation to the consolidated financial position of the Partnership at June 30, 2007.

8. Management Incentive Plan

Sunoco Partners LLC, the general partner of the Partnership, has adopted the Sunoco Partners LLC Long-Term Incentive Plan (“LTIP”) for employees and directors of the general partner who perform services for the Partnership. The LTIP is administered by the independent directors of the Compensation Committee of the general partner’s board of directors with respect to employee awards, and by the non-independent members of the general partners’ board of directors with respect to awards granted to the independent directors. The LTIP currently permits the grant of restricted units and unit options covering an aggregate of 1,250,000 common units. There have been no grants of unit options since the inception of the LTIP. Restricted unit awards under the Partnership’s LTIP generally vest upon completion of a three-year service period. For performance-based awards, adjustments for attainment of performance targets can range from 0—200 percent of the award grant, and are payable in common units. Restricted unit awards may also include tandem distribution equivalent rights (“DERs”) at the discretion of the Compensation Committee. Subject to applicable vesting criteria, a DER entitles the grantee to a cash payment equal to cash distributions paid on an outstanding common unit during the period the restricted unit is outstanding. DERs are recognized as a reduction of Partners’ Capital as they become vested.

As of June 30, 2007, there were approximately 0.2 million unvested restricted units outstanding with a weighted average grant-date fair value of \$46.59 per unit, and a contractual life of three years. As of June 30, 2007, total compensation cost related to non-vested awards not yet recognized was \$3.2 million, and the weighted-average period over which this cost is expected to be recognized in expense is 1.6 years. The number of restricted stock units outstanding and the total compensation cost related to non-vested awards not yet recognized reflect the Partnership’s estimates of performance factors pertaining to performance-based restricted unit awards.

Effective January 1, 2006, the Partnership adopted Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (“SFAS No. 123R”), using the modified-prospective method. SFAS No. 123R revised the accounting for stock-based compensation required by Statement of Financial Accounting Standards No. 123 “Accounting for Stock-Based Compensation” (“SFAS No. 123”). Among other things, SFAS No. 123R requires a fair-value-based method of accounting for share-based payment transactions, which is similar to the method followed by the Partnership under the provisions of SFAS No. 123.

SFAS No. 123R also requires the use of a non-substantive vesting period approach for new share-based payment awards that vest when an employee becomes retirement eligible, as is the case under the Partnership’s LTIP (i.e., the vesting period cannot exceed the date an employee becomes retirement eligible). The effect will be to accelerate expense recognition compared to the vesting period approach that the Partnership previously followed under SFAS No. 123.

The Partnership recognized share-based compensation expense related to the LTIP of approximately \$3.4 million in the first six months of 2007 and \$2.6 million for the first six months of 2006. During the first quarter of 2007, the Partnership issued 50,410 new common units (after netting for taxes of approximately \$1.5 million) and made DER-related payments of approximately \$0.6 million in connection with the vesting.

9. Equity Offerings

In May 2006, the Partnership sold 2.4 million common units in a public offering at a price of \$43.00 per unit. In June 2006, the Partnership sold an additional 280,000 common units to cover over-allotments in connection with the May 2006 sale. The purchase price for the over allotment was equal to the offering price in the May 2006 sale. The total sale of units resulted in gross proceeds of \$115.2 million, and net proceeds of \$110.3 million, after the underwriters’ commission and legal, accounting and other transaction expenses. Net proceeds of the offering, together with the \$173.3 million in net proceeds from the concurrent offering of Senior Notes (see Note 6), were used to repay \$216.1 million of the debt incurred under the revolving credit facility, to fund the Partnership’s 2006 organic growth program, and for general partnership purposes. Also as a result of the issuance of these units, the general partner contributed \$2.4 million to the Partnership to maintain its 2.0 percent general partner interest. At June 30, 2007, Sunoco’s ownership in the Partnership, including its 2.0 percent general partner interest, was 43.4 percent.

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10. Cash Distributions

Within 45 days after the end of each quarter, the Partnership distributes all cash on hand at the end of the quarter, less reserves established by the general partner in its discretion. This is defined as “available cash” in the partnership agreement. The general partner has broad discretion to establish cash reserves that it determines are necessary or appropriate to properly conduct the Partnership’s business. The Partnership will make quarterly distributions to the extent there is sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to the general partner.

The Partnership issued 11,383,639 subordinated units to its general partner in connection with the February 2002 IPO. The Partnership had 5,691,819 subordinated units outstanding as of December 31, 2006, all of which were held by the general partner, and for which there is no established public trading market. Any subordinated units that remain outstanding at the end of the subordination period convert to common units on a one-for-one basis if the Partnership meets certain required financial tests set forth in the Partnership Agreement. Upon conversion to common units, the subordinated units will no longer be subordinated to the rights of the holders of common units.

The Partnership has met the minimum quarterly distribution requirements on all outstanding units for each of the four-quarter periods ended December 31, 2004, 2005 and 2006. As a result, the total of 11,383,639 subordinated units have been converted into common units on a one-for-one basis, 2,845,910 each on February 15, 2005 and February 15, 2006 and 5,691,819 on February 15, 2007.

The Partnership will, in general, pay cash distributions each quarter in the following manner:

Quarterly Cash Distribution Amount per Unit	Percentage of Distributions	
	Unitholders	General Partner
Up to minimum quarterly distribution (\$0.45 per Unit)	98%	2%
Above \$0.45 per Unit up to \$0.50 per Unit	98%	2%
Above \$0.50 per Unit up to \$0.575 per Unit	85%	15%
Above \$0.575 per Unit up to \$0.70 per Unit	75%	25%
Above \$0.70 per Unit	50%	50%

If cash distributions exceed \$0.50 per unit in a quarter, the general partner will receive increasing percentages, up to 50 percent, of the cash distributed in excess of that amount. These distributions are referred to as “incentive distributions”. The amounts shown in the table under “Percentage of Distributions” are the percentage interests of the general partner and the unitholders in any available cash from operating surplus that is distributed up to and including the corresponding amount in the column “Quarterly Cash Distribution Amount per Unit,” until the available cash that is distributed reaches the next target distribution level, if any. The percentage interests shown for the unitholders and the general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution.

Distributions paid by the Partnership for the period from January 1, 2006 through June 30, 2007 were as follows:

Date Cash Distribution Paid	Cash Distribution per Limited Partner Unit	Total Cash Distribution to Limited Partners (\$ in millions)	Total Cash Distribution to the General Partner (\$ in millions)
February 14, 2006	\$0.7125	\$18.4	\$2.0
May 15, 2006	\$0.7500	\$21.4	\$3.3
August 14, 2006	\$0.7750	\$22.1	\$4.0
November 14, 2006	\$0.7875	\$22.4	\$4.4
February 14, 2007	\$0.8125	\$23.2	\$5.1
May 15, 2007	\$0.8250	\$23.6	\$5.4

On July 24, 2007, Sunoco Partners LLC, the general partner of Sunoco Logistics Partners L.P., declared a cash distribution of \$0.8375 per common partnership unit (\$3.35 annualized), representing the distribution for the second quarter 2007. The \$29.7 million distribution, including \$5.8 million to the general partner, will be paid on August 14, 2007 to unitholders of record at the close of business on August 7, 2007.

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11. Exit Costs Associated with Western Pipeline Headquarters Relocation

On June 10, 2005, the Partnership announced its intention to relocate its Western area headquarters operations from Tulsa, Oklahoma to the Houston, Texas area. The Partnership offered to relocate all affected employees. The Partnership substantially completed the relocation during the first quarter 2006.

The total non-recurring expenses incurred in connection with the relocation plan amounted to \$5.0 million, including \$2.9 million recognized during the first quarter 2006. These costs consist primarily of employee relocation costs, one-time termination benefits and new hire expenses. These costs are included in selling, general and administrative expenses in the condensed statement of income, and are included in the operating results for the Western Pipeline System segment. In addition, the total capital expenditures associated with the move amounted to \$5.5 million, including \$2.8 million in the first quarter 2006. These capital expenditures include furniture and equipment, communication infrastructure and a pipeline control center. The Partnership has not incurred any material costs related to the move since the first quarter of 2006, and does not expect the remaining costs related to the relocation to be material.

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12. Business Segment Information

The following table sets forth condensed statement of income information concerning the Partnership's business segments and reconciles total segment operating income to net income for the three months ended June 30, 2007 and 2006, respectively (in thousands of dollars):

	<u>Three Months Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Segment Operating Income		
Eastern Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 19,455	\$ 18,849
Unaffiliated customers	8,461	6,274
Other income	3,796	2,859
Total Revenues	<u>31,712</u>	<u>28,082</u>
Operating expenses	13,627	9,583
Depreciation and amortization	2,249	2,568
Selling, general and administrative expenses	5,021	4,604
Total Costs and Expenses	<u>20,897</u>	<u>16,755</u>
Operating Income	<u>\$ 10,815</u>	<u>\$ 11,327</u>
Terminal Facilities:		
Sales and other operating revenue:		
Affiliates	\$ 3,045	\$ 20,803
Unaffiliated customers	12,241	9,574
Other income	(7)	—
Total Revenues	<u>35,279</u>	<u>30,377</u>
Operating expenses	12,797	12,739
Depreciation and amortization	3,815	3,880
Selling, general and administrative expenses	3,139	3,883
Total Costs and Expenses	<u>19,751</u>	<u>20,502</u>
Operating Income	<u>\$ 15,528</u>	<u>\$ 9,875</u>
Western Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 348,870	\$ 478,687
Unaffiliated customers	1,218,208	957,209
Other income	3,909	1,013
Total Revenues	<u>1,570,987</u>	<u>1,436,909</u>
Cost of products sold and operating expenses	1,553,906	1,417,352
Depreciation and amortization	3,343	2,763
Selling, general and administrative expenses	5,327	5,035
Total Costs and Expenses	<u>1,562,576</u>	<u>1,425,150</u>
Operating Income	<u>\$ 8,411</u>	<u>\$ 11,759</u>
Reconciliation of Segment Operating Income to Net Income:		
Operating Income:		
Eastern Pipeline System	\$ 10,815	\$ 11,327
Terminal Facilities	15,528	9,875
Western Pipeline System	8,411	11,759
Total segment operating income	34,754	32,961
Net interest expense	9,500	6,641
Net Income	<u>\$ 25,254</u>	<u>\$ 26,320</u>

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The following table sets forth condensed statement of income information concerning the Partnership's business segments and reconciles total segment operating income to net income for the six months ended June 30, 2007 and 2006, respectively (in thousands of dollars):

	<u>Six Months Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Segment Operating Income		
Eastern Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 38,299	\$ 37,387
Unaffiliated customers	16,591	13,112
Other income	6,332	4,831
Total Revenues	<u>61,222</u>	<u>55,330</u>
Operating expenses	25,583	20,232
Depreciation and amortization	4,556	5,218
Selling, general and administrative expenses	10,580	8,672
Total Costs and Expenses	<u>40,719</u>	<u>34,122</u>
Operating Income	<u>\$ 20,503</u>	<u>\$ 21,208</u>
Terminal Facilities:		
Sales and other operating revenue:		
Affiliates	\$ 44,489	\$ 39,959
Unaffiliated customers	23,685	19,531
Other income	(15)	7
Total Revenues	<u>68,159</u>	<u>59,497</u>
Operating expenses	25,278	25,296
Depreciation and amortization	7,490	7,580
Selling, general and administrative expenses	7,608	7,356
Total Costs and Expenses	<u>40,376</u>	<u>40,232</u>
Operating Income	<u>\$ 27,783</u>	<u>\$ 19,265</u>
Western Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 760,651	\$ 919,414
Unaffiliated customers	2,296,135	1,723,064
Other income	6,420	1,425
Total Revenues	<u>3,063,206</u>	<u>2,643,903</u>
Cost of products sold and operating expenses	3,028,727	2,608,932
Depreciation and amortization	6,265	5,359
Selling, general and administrative expenses	10,818	12,497
Total Costs and Expenses	<u>3,045,810</u>	<u>2,626,788</u>
Operating Income	<u>\$ 17,396</u>	<u>\$ 17,115</u>
Reconciliation of Segment Operating Income to Net Income:		
Operating Income:		
Eastern Pipeline System	\$ 20,503	\$ 21,208
Terminal Facilities	27,783	19,265
Western Pipeline System	17,396	17,115
Total segment operating income	<u>65,682</u>	<u>57,588</u>
Net interest expense	18,121	12,844
Net Income	<u>\$ 47,561</u>	<u>\$ 44,744</u>

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The following table provides the identifiable assets for each segment as of June 30, 2007 and December 31, 2006 (in thousands):

	June 30, 2007	December 31, 2006
Eastern Pipeline System	\$ 366,882	\$ 367,718
Terminal Facilities	374,425	341,878
Western Pipeline System	1,498,661	1,346,232
Corporate and other	31,173	26,249
Total identifiable assets	<u>\$ 2,271,141</u>	<u>\$ 2,082,077</u>

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

13. Supplemental Condensed Consolidating Financial Information

The Partnership and the operating subsidiaries of the Operating Partnership serve as joint and several guarantors of the 6.125% and 7.25% Senior Notes and of any obligations under the Credit Facility. The guarantees are full and unconditional. Given that certain, but not all subsidiaries of the Partnership are guarantors, the Partnership is required to present the following supplemental condensed consolidating financial information. For purposes of the following footnote, Sunoco Logistics Partners, L.P. is referred to as "Parent" and Sunoco Logistics Partners Operations L.P. is referred to as "Subsidiary Issuer." Sunoco Partners Marketing and Terminals L.P., Sunoco Pipeline L.P., Sun Pipeline Company of Delaware LLC and Sunoco Pipeline Acquisition LLC are collectively referred to as the "Subsidiary Guarantors". Sunoco Logistics Partners GP LLC, Sunoco Logistics Partners Operations GP LLC and Sunoco Partners Lease Acquisition & Marketing LLC, are referred to as "Non-Guarantor Subsidiaries."

The following supplemental condensed consolidating financial information (in thousands) reflects the Parent's separate accounts, the Subsidiary Issuer's separate accounts, the combined accounts of the Subsidiary Guarantors, the combined accounts of the Non-Guarantor Subsidiaries, the combined consolidating adjustments and eliminations and the Parent's consolidated accounts for the dates and periods indicated. For purposes of the following condensed consolidating information, the Parent's investments in its subsidiaries and the Subsidiary Issuer's investments in its subsidiaries are accounted for under the equity method of accounting.

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Condensed Consolidating Statement of Income
Three Months Ended June 30, 2007
(unaudited)

	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
Revenues						
Sales and other operating revenue:						
Affiliates	\$ —	\$ —	\$ 391,370	\$ —	\$ —	\$ 391,370
Unaffiliated customers	—	—	1,238,910	—	—	1,238,910
Equity in earnings of subsidiaries	25,257	33,932	—	3	(59,192)	—
Other income	—	—	7,698	—	—	7,698
Total Revenues	<u>25,257</u>	<u>33,932</u>	<u>1,637,978</u>	<u>3</u>	<u>(59,192)</u>	<u>1,637,978</u>
Costs and Expenses						
Cost of products sold and operating expenses						
Depreciation and amortization	—	—	1,580,324	6	—	1,580,330
Selling, general and administrative expenses	—	—	13,487	—	—	13,487
Total Costs and Expenses	<u>—</u>	<u>—</u>	<u>1,603,218</u>	<u>6</u>	<u>—</u>	<u>1,603,224</u>
Operating Income	25,257	33,932	34,760	(3)	(59,192)	34,754
Net interest cost paid to affiliates	—	234	825	—	—	1,059
Other interest cost and debt expenses, net	—	9,386	—	—	—	9,386
Capitalized interest	—	(945)	—	—	—	(945)
Net Income (Loss)	<u>\$25,257</u>	<u>\$ 25,257</u>	<u>\$ 33,935</u>	<u>\$ (3)</u>	<u>\$ (59,192)</u>	<u>\$ 25,254</u>

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Condensed Consolidating Statement of Income
Three Months Ended June 30, 2006
(unaudited)

	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Subsidiary Guarantors</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
Revenues						
Sales and other operating revenue:						
Affiliates	\$ —	\$ —	\$ 518,439	\$ —	\$ —	\$ 518,439
Unaffiliated customers	—	—	973,057	—	—	973,057
Equity in earnings of subsidiaries	26,317	32,970	—	3	(59,290)	—
Other income	—	—	3,872	—	—	3,872
Total Revenues	<u>26,317</u>	<u>32,970</u>	<u>1,494,368</u>	<u>3</u>	<u>(59,290)</u>	<u>1,495,368</u>
Costs and Expenses						
Cost of products sold and operating expenses	—	—	1,439,674	—	—	1,439,674
Depreciation and amortization	—	—	9,211	—	—	9,211
Selling, general and administrative expenses	—	—	13,522	—	—	13,522
Total Costs and Expenses	<u>—</u>	<u>—</u>	<u>1,462,407</u>	<u>—</u>	<u>—</u>	<u>1,462,407</u>
Operating Income	<u>26,317</u>	<u>32,970</u>	<u>32,961</u>	<u>3</u>	<u>(59,290)</u>	<u>32,961</u>
Net interest cost paid to / (received from) affiliates	—	426	(12)	—	—	414
Other interest cost and debt expenses, net	—	7,416	—	—	—	7,416
Capitalized interest	—	(1,189)	—	—	—	(1,189)
Net Income	<u>\$26,317</u>	<u>\$ 26,317</u>	<u>\$ 32,973</u>	<u>\$ 3</u>	<u>\$ (59,290)</u>	<u>\$ 26,320</u>

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Condensed Consolidating Statement of Income
Six Months Ended June 30, 2007
(unaudited)

	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Subsidiary Guarantors</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
Revenues						
Sales and other operating revenue:						
Affiliates	\$ —	\$ —	\$ 843,439	\$ —	\$ —	\$ 843,439
Unaffiliated customers	—	—	2,336,411	—	—	2,336,411
Equity in earnings of subsidiaries	47,561	64,032	—	6	(111,599)	—
Other income	—	—	12,737	—	—	12,737
Total Revenues	<u>47,561</u>	<u>64,032</u>	<u>3,192,587</u>	<u>6</u>	<u>(111,599)</u>	<u>3,192,587</u>
Costs and Expenses						
Cost of products sold and operating expenses						
	—	—	3,079,582	6	—	3,079,588
Depreciation and amortization	—	—	18,311	—	—	18,311
Selling, general and administrative expenses	—	—	29,006	—	—	29,006
Total Costs and Expenses	<u>—</u>	<u>—</u>	<u>3,126,899</u>	<u>6</u>	<u>—</u>	<u>3,126,905</u>
Operating Income	47,561	64,032	65,688	—	(111,599)	65,682
Net interest cost paid to / (received from) affiliates						
	—	(56)	1,650	—	—	1,594
Other interest cost and debt expenses, net						
	—	18,025	—	—	—	18,025
Capitalized interest	—	(1,498)	—	—	—	(1,498)
Net Income	<u>\$47,561</u>	<u>\$ 47,561</u>	<u>\$ 64,038</u>	<u>\$ —</u>	<u>\$ (111,599)</u>	<u>\$ 47,561</u>

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Condensed Consolidating Statement of Income
Six Months Ended June 30, 2006
(unaudited)

	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Subsidiary Guarantors</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
Revenues						
Sales and other operating revenue:						
Affiliates	\$ —	\$ —	\$ 996,760	\$ —	\$ —	\$ 996,760
Unaffiliated customers	—	—	1,755,707	—	—	1,755,707
Equity in earnings of subsidiaries	44,738	58,084	—	6	(102,828)	—
Other income	—	—	6,263	—	—	6,263
Total Revenues	<u>44,738</u>	<u>58,084</u>	<u>2,758,730</u>	<u>6</u>	<u>(102,828)</u>	<u>2,758,730</u>
Costs and Expenses						
Cost of products sold and operating expenses						
	—	—	2,654,460	—	—	2,654,460
Depreciation and amortization	—	—	18,157	—	—	18,157
Selling, general and administrative expenses	—	—	28,525	—	—	28,525
Total Costs and Expenses	<u>—</u>	<u>—</u>	<u>2,701,142</u>	<u>—</u>	<u>—</u>	<u>2,701,142</u>
Operating Income	44,738	58,084	57,588	6	(102,828)	57,588
Net interest cost paid to / (received from) affiliates						
	—	1,225	(502)	—	—	723
Other interest cost and debt expenses, net						
	—	13,866	—	—	—	13,866
Capitalized interest	—	(1,745)	—	—	—	(1,745)
Net Income	<u>\$44,738</u>	<u>\$ 44,738</u>	<u>\$ 58,090</u>	<u>\$ 6</u>	<u>\$ (102,828)</u>	<u>\$ 44,744</u>

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Condensed Consolidating Balance Sheet
June 30, 2007
(unaudited)

	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
Assets						
Current Assets						
Cash and cash equivalents	\$ —	\$ 9,035	\$ —	\$ —	\$ —	\$ 9,035
Advances to affiliates	(3,424)	57,516	(42,787)	—	—	11,305
Accounts receivable, affiliated companies	—	—	75,926	—	—	75,926
Accounts receivable, net	—	—	922,304	—	—	922,304
Inventories						
Crude oil	—	—	90,911	—	—	90,911
Materials, supplies and other	—	—	724	—	—	724
Total Current Assets	<u>(3,424)</u>	<u>66,551</u>	<u>1,047,078</u>	<u>—</u>	<u>—</u>	<u>1,110,205</u>
Properties, plants and equipment, net	—	—	1,052,307	—	—	1,052,307
Investment in affiliates	576,723	1,127,595	82,829	109	(1,704,427)	82,829
Deferred charges and other assets	—	2,984	22,816	—	—	25,800
Total Assets	<u>\$573,299</u>	<u>\$1,197,130</u>	<u>\$2,205,030</u>	<u>\$ 109</u>	<u>\$(1,704,427)</u>	<u>\$2,271,141</u>
Liabilities and Partners' Capital						
Current Liabilities						
Accounts payable	\$ —	\$ 3	\$1,044,549	\$ —	\$ —	\$1,044,552
Accrued liabilities	1,062	5,352	31,013	—	—	37,427
Accrued taxes other than income	—	—	19,982	(29)	—	19,953
Total Current Liabilities	<u>1,062</u>	<u>5,355</u>	<u>1,095,544</u>	<u>(29)</u>	<u>—</u>	<u>1,101,932</u>
Long-term debt	—	563,907	—	—	—	563,907
Other deferred credits and liabilities	—	—	29,456	—	—	29,456
Total Liabilities	<u>1,062</u>	<u>569,262</u>	<u>1,125,000</u>	<u>(29)</u>	<u>—</u>	<u>1,695,295</u>
Total Partners' Capital	<u>572,237</u>	<u>627,868</u>	<u>1,080,030</u>	<u>138</u>	<u>(1,704,427)</u>	<u>575,846</u>
Total Liabilities and Partners' Capital	<u>\$573,299</u>	<u>\$1,197,130</u>	<u>\$2,205,030</u>	<u>\$ 109</u>	<u>\$(1,704,427)</u>	<u>\$2,271,141</u>

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**Condensed Consolidating Balance Sheet
December 31, 2006**

	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
Assets						
Current Assets						
Cash and cash equivalents	\$ —	\$ 9,412	\$ —	\$ —	\$ —	\$ 9,412
Advances to affiliates	3,549	48,000	(44,118)	—	—	7,431
Accounts receivable, affiliated companies	—	—	98,952	—	—	98,952
Accounts receivable, net	—	—	776,505	—	—	776,505
Inventories						
Crude oil	—	—	69,552	—	—	69,552
Materials, supplies and other	—	—	732	—	—	732
Total Current Assets	<u>3,549</u>	<u>57,412</u>	<u>901,623</u>	<u>—</u>	<u>—</u>	<u>962,584</u>
Properties, plants and equipment, net	—	—	1,006,668	—	—	1,006,668
Investment in affiliates	576,601	1,063,942	81,934	99	(1,640,642)	81,934
Deferred charges and other assets	—	3,331	27,560	—	—	30,891
Total Assets	<u>\$580,150</u>	<u>\$1,124,685</u>	<u>\$2,017,785</u>	<u>\$ 99</u>	<u>\$(1,640,642)</u>	<u>\$2,082,077</u>
Liabilities and Partners' Capital						
Current Liabilities						
Accounts payable	\$ —	\$ —	\$ 922,495	\$ —	\$ —	\$ 922,495
Accrued liabilities	1,109	6,970	26,764	—	—	34,843
Accrued taxes other than income	—	—	22,898	(29)	—	22,869
Total Current Liabilities	<u>1,109</u>	<u>6,970</u>	<u>972,157</u>	<u>(29)</u>	<u>—</u>	<u>980,207</u>
Long-term debt	—	491,910	—	—	—	491,910
Other deferred credits and liabilities	—	—	27,049	—	—	27,049
Total Liabilities	<u>1,109</u>	<u>498,880</u>	<u>999,206</u>	<u>(29)</u>	<u>—</u>	<u>1,499,166</u>
Total Partners' Capital	<u>579,041</u>	<u>625,805</u>	<u>1,018,579</u>	<u>128</u>	<u>(1,640,642)</u>	<u>582,911</u>
Total Liabilities and Partners' Capital	<u>\$580,150</u>	<u>\$1,124,685</u>	<u>\$2,017,785</u>	<u>\$ 99</u>	<u>\$(1,640,642)</u>	<u>\$2,082,077</u>

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Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2007
(unaudited)

	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
Net Cash Flows from Operating Activities	\$ 47,514	\$ 46,293	\$ 71,144	\$ —	\$ (111,599)	\$ 53,352
Cash Flows from Investing Activities:						
Capital expenditures	—	—	(50,642)	—	—	(50,642)
Acquisitions	—	—	(13,173)	—	—	(13,173)
Intercompany	2,726	(109,054)	(5,271)	—	111,599	—
	<u>2,726</u>	<u>(109,054)</u>	<u>(69,086)</u>	<u>—</u>	<u>111,599</u>	<u>(63,815)</u>
Cash Flows from Financing Activities:						
Distribution paid to Limited Partners and General Partner	(57,271)	—	—	—	—	(57,271)
Payments of statutory withholding on net issuance of Limited Partner units under restricted unit incentive plan	—	—	(1,479)	—	—	(1,479)
Contribution from General Partner for Limited Partner unit transactions	58	—	—	—	—	58
Repayments from (advances to) affiliates, net	6,973	(9,516)	(1,331)	—	—	(3,874)
Borrowings under credit facility	—	91,900	—	—	—	91,900
Repayments under credit facility	—	(20,000)	—	—	—	(20,000)
Contributions from (distributions to) affiliate	—	—	752	—	—	752
	<u>(50,240)</u>	<u>62,384</u>	<u>(2,058)</u>	<u>—</u>	<u>—</u>	<u>10,086</u>
Net change in cash and cash equivalents	—	(377)	—	—	—	(377)
Cash and cash equivalents at beginning of year	—	9,412	—	—	—	9,412
Cash and cash equivalents at end of period	<u>\$ —</u>	<u>\$ 9,035</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,035</u>

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Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2006
(unaudited)

	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
Net Cash Flows from Operating Activities	\$ 44,676	\$ 44,999	\$ 59,360	\$ 6	\$ (102,828)	\$ 46,213
Cash Flows from Investing Activities:						
Capital expenditures	—	—	(53,759)	—	—	(53,759)
Acquisitions	—	—	(108,900)	—	—	(108,900)
Intercompany	(97,950)	(107,909)	103,037	(6)	102,828	—
	<u>(97,950)</u>	<u>(107,909)</u>	<u>(59,622)</u>	<u>(6)</u>	<u>102,828</u>	<u>(162,659)</u>
Cash Flows from Financing Activities:						
Distribution paid to Limited Partners and General Partner	(45,047)	—	—	—	—	(45,047)
Payments of statutory withholding on net issuance of Limited Partner units under restricted unit incentive plan	—	—	(1,443)	—	—	(1,443)
Net proceeds from issuance of Limited Partner Units	110,357	—	—	—	—	110,357
Contributions from General Partner for Limited Partner unit transactions	2,426	—	—	—	—	2,426
Net proceeds from issuance of Senior Notes	—	173,307	—	—	—	173,307
Repayments from (advances to) affiliates, net	(14,462)	—	958	—	—	(13,504)
Borrowings under credit facility	—	109,500	—	—	—	109,500
Repayments under credit facility	—	(216,100)	—	—	—	(216,100)
Contributions from affiliate	—	—	747	—	—	747
	<u>53,274</u>	<u>66,707</u>	<u>262</u>	<u>—</u>	<u>—</u>	<u>120,243</u>
Net change in cash and cash equivalents	—	3,797	—	—	—	3,797
Cash and cash equivalents at beginning of year	—	21,645	—	—	—	21,645
Cash and cash equivalents at end of period	<u>\$ —</u>	<u>\$ 25,442</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 25,442</u>

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

Results of Operations — Three Months Ended June 30, 2007 and 2006

Sunoco Logistics Partners L.P.
Operating Highlights
Three Months Ended June 30, 2007 and 2006

	Three Months Ended	
	June 30,	
	2007	2006
Eastern Pipeline System:⁽¹⁾		
Total shipments (barrel miles per day) ⁽²⁾	63,253,888	58,451,104
Revenue per barrel mile (cents)	0.485	0.474
Terminal Facilities:		
Terminal throughput (bpd):		
Refined product terminals ⁽³⁾	440,142	390,341
Nederland terminal	529,462	449,176
Refinery terminals ⁽⁴⁾	715,462	713,407
Western Pipeline System:⁽¹⁾⁽⁵⁾		
Crude oil pipeline throughput (bpd)	535,715	519,808
Crude oil purchases at wellhead (bpd)	180,390	201,975
Gross margin per barrel of pipeline throughput (cents) ⁽⁶⁾	20.2	33.4

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

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

(3) Includes results from the Partnership's purchase of a 50% undivided interest in a refined products terminal in Syracuse, New York.

(4) Consists of the Partnership's Fort Mifflin Terminal Complex, the Marcus Hook Tank Farm and the Eagle Point Dock.

(5) Includes results from the Partnership's purchases of an undivided joint interest in the Mesa Pipe Line system, the Corsicana to Wichita Falls, Texas pipeline system, the Millennium and Kilgore pipeline system and the Amdel pipeline system from the acquisition dates.

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

Analysis of Consolidated Net Income

Net income was \$25.3 million for the second quarter 2007 as compared with \$26.3 million for the second quarter 2006, a decrease of \$1.0 million. This decrease was due mainly to lower lease acquisition margins and higher interest expense. These decreases were partially offset by an increase in revenues at the Partnership's Nederland Terminal, and refined product terminals associated with ethanol blending and product additives as well as increased other income associated primarily with the August 2006 acquisition of a 55.3 percent equity interest in the Mid-Valley Pipeline Company.

Net interest expense increased \$2.9 million to \$9.5 million for the second quarter 2007 from \$6.6 million for the prior year's quarter due to increased borrowings related to the Partnership's organic growth program, 2006 acquisitions, investments in inventory for the lease acquisition business and the 2007 acquisition of a 50% undivided interest in a refined products terminal in Syracuse, New York.

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Analysis of Segment Operating Income

Eastern Pipeline System

Operating income for the Eastern Pipeline System decreased \$0.5 million to \$10.8 million for the second quarter 2007 from \$11.3 million for the second quarter 2006. Sales and other operating revenue increased from \$25.2 million for the prior year's quarter to \$27.9 million for the second quarter 2007 mainly due to an increase in total shipments on the Marysville, Michigan to Toledo, Ohio crude oil pipeline which was expanded in the fourth quarter of 2006 and, in the aggregate, higher revenues across our refined products pipelines. Other income increased \$0.9 million compared to the prior year's quarter due primarily to an increase in equity income associated with the Partnership's joint venture interests. Operating expenses increased to \$13.6 million in the second quarter 2007 from \$9.6 million in the second quarter 2006 due mainly to the timing of maintenance activity, additional utility expense resulting from higher volumes, environmental charges related to third party pipeline contractor damage and a reduction in product operating gains. Selling, general and administrative expenses increased from \$4.6 million during the second quarter of 2006 to \$5.0 million in the second quarter of 2007 due mainly to decreased capitalization of certain engineering costs. Depreciation and amortization expense decreased \$0.3 million in the second quarter of 2007 to \$2.2 million as certain assets reached the end of their depreciable life during the third quarter 2006.

Terminal Facilities

The Terminal Facilities segment had operating income of \$15.5 million for the second quarter 2007, as compared to \$9.9 million for the prior year's second quarter. Total revenues increased \$4.9 million from the prior year's second quarter to \$35.3 million for the second quarter 2007 due to increased revenues at the Partnership's Nederland Terminal as well as increased revenue at the Partnership's refined products terminals from higher ethanol blending, product additives and increased volumes. Selling, general and administrative expenses decreased \$0.7 million for the second quarter of 2007 to \$3.1 million primarily due to an insurance recovery related to the 2005 hurricane loss from proceeds received in 2007.

Western Pipeline System

Operating income for the Western Pipeline System decreased \$3.4 million to \$8.4 million for the second quarter of 2007 from \$11.8 million for the prior year quarter. The decrease was related to lower lease acquisition margins, partially offset by an increase in other income of \$2.9 million associated with the August 2006 acquisition of an interest in the Mid-Valley Pipeline Company. Total revenues and cost of products sold and operating expenses increased compared with the prior year's quarter due principally to an increase in volumes partially offset by a decrease in crude prices. The average price of West Texas Intermediate crude oil at Cushing, Oklahoma, decreased to \$65.02 per barrel for the second quarter 2007 from \$70.70 per barrel for the second quarter 2006. Depreciation and amortization expense increased \$0.6 million to \$3.3 million in the second quarter of 2007 as a result of 2006 acquisitions.

Results of Operations — Six Months Ended June 30, 2007 and 2006

Sunoco Logistics Partners L.P. Operating Highlights Six Months Ended June 30, 2007 and 2006

	Six Months Ended June 30,	
	2007	2006
Eastern Pipeline System:⁽¹⁾		
Total shipments (barrel miles per day) ⁽²⁾	63,372,001	59,713,014
Revenue per barrel mile (cents)	0.479	0.467
Terminal Facilities:		
Terminal throughput (bpd):		
Refined product terminals ⁽³⁾	427,923	386,807
Nederland terminal	536,840	469,309
Refinery terminals ⁽⁴⁾	664,768	703,597
Western Pipeline System:⁽¹⁾⁽⁵⁾		
Crude oil pipeline throughput (bpd)	534,816	502,503
Crude oil purchases at wellhead (bpd)	182,757	191,751
Gross margin per barrel of pipeline throughput (cents) ⁽⁶⁾	22.5	31.0

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- (1) Excludes amounts attributable to equity ownership interests in corporate joint ventures.
- (2) Represents total average daily pipeline throughput multiplied by the number of miles of pipeline through which each barrel has been shipped.
- (3) Includes results from the Partnership's purchase of a 50% undivided interest in a refined products terminal in Syracuse, New York.
- (4) Consists of the Partnership's Fort Mifflin Terminal Complex, the Marcus Hook Tank Farm and the Eagle Point Dock.
- (5) Includes results from the Partnership's purchases of an undivided joint interest in the Mesa Pipe Line system, the Corsicana to Wichita Falls, Texas pipeline system, the Millennium and Kilgore pipeline system and the Amdel pipeline system from the acquisition dates.
- (6) Represents total segment sales and other operating revenue minus cost of products sold and operating expenses and depreciation and amortization divided by crude oil pipeline throughput.

Analysis of Consolidated Net Income

Net income was \$47.5 million for the six month period ended June 2007 as compared with \$44.7 million for the comparable period in 2006, an increase of \$2.8 million. This increase was due mainly to an increase in revenues at the Partnership's Terminal segment, operating results from the March 2006 acquisitions of the Kilgore and Millennium Pipelines and increased other income associated with the August 2006 acquisition of a 55.3 percent equity interest (50 percent voting rights) in the Mid-Valley Pipeline Company. These increases were partially offset by lower margins in the lease acquisition business and higher interest expense.

Net interest expense increased \$5.3 million to \$18.1 million for the first six months of 2007 from \$12.8 million for the first six months of 2006 due to increased borrowings related to the Partnership's organic growth program, 2006 acquisitions, investments in inventory for the lease acquisition business and the 2007 acquisition of a 50% undivided interest in a refined products terminal in Syracuse, New York.

Analysis of Segment Operating Income

Eastern Pipeline System

Operating income for the Eastern Pipeline System decreased \$0.7 million to \$20.5 million for the first six months of 2007 from \$21.2 million for the first six months of 2006. Sales and other operating revenue increased from \$50.5 million for the prior year's period to \$54.9 million for the six months ended June 2007 mainly due to increased shipments on the expanded Marysville crude line, and in the aggregate, higher revenue across our refined products pipelines. Other income increased by \$1.5 million to \$6.3 million for the first six months of 2007 from \$4.8 million for the prior year period due to equity income associated with the Partnership's joint venture interests. Operating expenses increased by \$5.4 million due to the timing of maintenance activity, additional utility expense related to higher throughput, environmental charges due to third party pipeline contractor damage, and a reduction in product operating gains. Selling, general and administrative expenses increased from \$8.7 million in the first half of 2006 to \$10.6 million in the first half of 2007 due mainly to decreased capitalization of certain engineering costs. Depreciation and amortization expense decreased \$0.7 million in the first half of 2007 to \$4.6 million as certain assets reached the end of their depreciable life during the third quarter 2006.

Terminal Facilities

The Terminal Facilities segment had operating income of \$27.8 million for the six months ended June 2007, as compared to \$19.3 million for the prior year's corresponding period. Total revenues increased \$8.7 million to \$68.2 million in the first half of 2007 due primarily to increased revenues at the Partnership's Nederland Terminal and increased revenue at the Partnership's refined products terminals from higher ethanol blending, product additives and increased volumes. These increases were partially offset by a decrease in volumes at the Partnership's refinery terminals resulting from refinery maintenance turnarounds.

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Western Pipeline System

Operating income for the Western Pipeline System increased \$0.3 million to \$17.4 million for the first six months of 2007 from \$17.1 million for the first six months of 2006. The increase resulted from higher crude oil pipeline volumes associated with the March 2006 acquisition of the Millennium and Kilgore pipelines and an increase in other income of \$5.0 million due largely to the acquired equity interest in the Mid-Valley Pipeline Company. These increases were partially offset by lower lease acquisition margins. Total revenues and cost of products sold and operating expenses increased compared with the first half of 2006 due principally to higher bulk purchase and sale activity. A decrease in crude prices partially offset the volume impact on revenue with the average price of West Texas Intermediate crude oil at Cushing, Oklahoma, decreasing to \$61.64 per barrel for the first six months of 2007 from \$67.13 per barrel for the first six months of 2006. Operating expenses were higher as a result of increased costs associated with operating the assets acquired in 2006. Selling, general and administrative expenses decreased \$1.7 million due primarily to the Western Area office relocation which was completed during the first quarter 2006, partially offset by higher employee costs. Depreciation and amortization expense increased \$0.9 million in the first six months of 2007 to \$6.3 million as a result of 2006 acquisitions.

Liquidity and Capital Resources

Liquidity

Cash generated from operations and borrowings under the Credit Facility are the Partnership's primary sources of liquidity. At June 30, 2007, the Partnership had net working capital of \$8.3 million and available borrowing capacity under the Credit Facility of \$160.1 million. The Partnership's working capital position also reflects crude oil inventories based on historical costs under the LIFO method of accounting. If the inventories had been valued at their current replacement cost, the Partnership would have had working capital of \$132.1 million at June 30, 2007.

Capital Resources

The Partnership periodically supplements its cash flows from operations with proceeds from debt and equity financing activities.

Credit Facility

Sunoco Logistics Partners Operations L.P., a wholly-owned subsidiary of the Partnership (the "Operating Partnership"), has a \$300 million Credit Facility available to fund working capital requirements, to finance future acquisitions, and for general partnership purposes. The Credit Facility matures in November 2010. It also includes a \$20.0 million distribution sublimit that is available for distributions, and may be used to fund the quarterly distributions, provided the total outstanding borrowings for distributions do not at any time exceed \$20.0 million. The Partnership will be required to reduce to zero all borrowings under the distribution sublimit under the Credit Facility each year for 15 days.

During the six months ended June 30, 2007, \$71.9 million was drawn against the Credit Facility to fund the Partnership's organic growth program, investments in inventory for the lease acquisition business and the acquisition of a 50% undivided interest in a refined products terminal in Syracuse, New York. As of June 30, 2007, there was \$160.1 million available under the Credit Facility to fund the Partnership's organic growth capital program, and for general Partnership purposes, including to finance pending and future acquisitions.

Senior Notes and Equity Offerings

During May 2006, the Operating Partnership issued \$175 million of 6.125 percent Senior Notes, due May 15, 2016 at 99.858 percent of the principal amount, for net proceeds of \$173.3 million after the underwriter's commission and legal, accounting and other transaction expenses. The Senior Notes are redeemable, at a make-whole premium, and are not subject to sinking fund provisions. The Senior Notes contain various covenants limiting the Operating Partnership's ability to incur certain liens, engage in sale/leaseback transactions, or merge, consolidate or sell substantially all of its assets. The Operating Partnership is in compliance with these covenants as of June 30, 2007. Concurrently with the issuance of the Senior Notes, the Partnership sold 2.4 million common units in a public offering. In June 2006, the Partnership sold an additional 280,000 common units to cover over-allotments in connection with the May 2006 sale. The total sale of units resulted in gross proceeds of \$115.2 million, and net proceeds of \$110.3 million, after the underwriters' commission and legal, accounting and other transaction expenses. Net proceeds of the offering were used to repay a portion of the \$216.1 million of the debt incurred under the revolving Credit Facility. As a result of this issuance of 2.68 million common units, the general partner contributed \$2.4 million to the Partnership to maintain its 2.0 percent general partner interest. The Partnership recorded this amount as a capital contribution to Partners' Capital within its condensed consolidated balance sheet. The net proceeds from

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the Senior Notes offering of limited partner common units, were used to repay the \$216.1 million in outstanding borrowings under the Partnership's Credit Facility. The balance of the proceeds from the offerings were used to fund the Partnership's organic growth capital program and for general Partnership purposes.

Shelf Registration Statement

On April 7, 2006, the Partnership, the Operating Partnership, and the Operating Partnership's wholly-owned subsidiaries, as co-registrants, filed a shelf registration statement with the Securities and Exchange Commission. This shelf registration permits the periodic offering and sale of up to \$500 million of equity securities by the Partnership or debt securities of the Operating Partnership (guaranteed by the Partnership). At June 30, 2007, \$209.8 million remains available for issuance under the shelf registration statement. The shelf registration also covers the resale of up to five million common units by the Partnership's general partner. The amount, type and timing of any offerings will depend upon, among other things, the funding requirements of the Partnership, prevailing market conditions, and compliance with covenants in applicable debt obligations of the Operating Partnership (including the Credit Facility).

Cash Flows and Capital Expenditures

Net cash provided by operating activities for the six months ended June 30, 2007 was \$53.4 million compared with \$46.2 million for the first six months of 2006. Net cash provided by operating activities for the first six months of 2007 was primarily the result of net income of \$47.5 million and depreciation and amortization of \$18.3 million, partially offset by a \$22.9 million increase in working capital. The increase in working capital was primarily attributable to an increase in receivables associated with higher revenues along with an increase in inventory. Net cash provided by operating activities for the first six months of 2006 was principally the result of net income of \$44.7 million and depreciation and amortization of \$18.2 million, partially offset by a \$15.5 million increase in working capital.

Net cash used in investing activities for the six months ended June 30, 2007 was \$63.8 million compared with \$162.7 million for the first six months of 2006. The decrease between periods is due primarily to the acquisitions of the Millennium and Kilgore crude oil pipelines and the Amdel crude oil pipeline in March 2006.

Net cash provided by financing activities for the first six months of 2007 was \$10.1 million compared with \$120.2 million for the first six months of 2006. Net cash provided by financing activities for the first six months of 2007 was the result of \$71.9 million increase in net borrowings under the Partnership's Credit Facility to fund the Partnership's organic growth capital program, contango inventory positions, and to purchase a 50% undivided interest in a refined products terminal located in Syracuse, New York. This increase was partially offset by \$57.3 million in distributions paid to limited partners and the general partner and \$3.9 million in net advances to affiliates. Net cash provided by financing activities for the first six months of 2006 was the result of \$110.4 million of net proceeds from the offering of 2.68 million limited partner common units and \$173.3 million of net proceeds from the issuance of 6.125 percent Senior Notes in May 2006. This increase was partially offset by \$45.0 million in distributions paid to limited partners and the general partner, and a net repayment of \$106.6 million of outstanding borrowings under the Partnership's Credit Facility.

Under a treasury services agreement with Sunoco, the Partnership participates in Sunoco's centralized cash management program. Advances to affiliates in the Partnership's condensed consolidated balance sheets at June 30, 2007 and December 31, 2006 represent amounts due from Sunoco under this agreement.

Capital Requirements

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

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

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

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	Six Months Ended June 30,	
	2007	2006
Maintenance	\$ 7,541	\$ 10,297
Expansion	56,274	150,169
	<u>\$ 63,815</u>	<u>\$ 160,466</u>

Maintenance capital expenditures for the six months ended June 30, 2007 were \$7.5 million compared to \$10.3 million for the six months ended June 30, 2006. The decrease in maintenance capital was attributable to the Western area office relocation completed in the first quarter of 2006. Management anticipates maintenance capital expenditures of approximately \$25.0 million for the year ended December 31, 2007, which is in line with spending for 2006.

Expansion capital expenditures decreased by \$93.9 million to \$56.3 million for the six months ended June 30, 2007 due primarily to the March 2006 acquisitions of the Millennium and Kilgore pipelines and the Amdel pipeline for \$108.9 million. Expansion capital expenditures for the six months ended June 30, 2007 included construction in progress of three crude oil storage tanks and a crude oil pipeline from the Nederland Terminal to Motiva's Port Arthur, Texas refinery, as well as continued construction at Nederland of six new crude oil storage tanks with a total capacity of approximately 3.6 million shell barrels, additional pipeline connections in the Western Pipeline System and the second quarter 2007 acquisition of a 50 percent undivided interest in the Syracuse, New York refined products terminal.

The Partnership expects to fund capital expenditures, including pending and future acquisitions, from both cash provided by operations and, to the extent necessary, from the proceeds of borrowings under the Credit Facility, other borrowings and the issuance of additional common units.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

The \$300 million Credit Facility generally exposes the Partnership to interest rate risk since it bears interest at a variable rate of 5.68 percent at June 30, 2007. A one percent change in interest rates changes annual interest expense by approximately \$1.4 million based on outstanding borrowings under the Credit Facility of \$139.9 million at June 30, 2007.

Forward-Looking Statements

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

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

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

- Our ability to successfully consummate announced acquisitions or expansions and integrate them into our existing business operations;
- Delays related to construction of, or work on, new or existing facilities and the issuance of applicable permits;
- Changes in demand for, or supply of, crude oil, refined petroleum products and natural gas liquids that impact demand for the Partnership's pipeline, terminalling and storage services;
- Changes in the demand for crude oil we both buy and sell;

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- The loss of Sunoco as a customer or a significant reduction in its current level of throughput and storage with the Partnership;
- An increase in the competition encountered by the Partnership's petroleum products terminals, pipelines and crude oil acquisition and marketing operations;
- Changes in the financial condition or operating results of joint ventures or other holdings in which the Partnership has an equity ownership interest;
- Changes in the general economic conditions in the United States;
- Changes in laws and regulations to which the Partnership is subject, including federal, state, and local tax, safety, environmental and employment laws;
- Changes in regulations concerning required composition of refined petroleum products, that result in changes in throughput volumes, pipeline tariffs and/or terminalling and storage fees;
- Improvements in energy efficiency and technology resulting in reduced demand for petroleum products;
- The Partnership's ability to manage growth and/or control costs;
- The effect of changes in accounting principles and tax laws and interpretations of both;
- Global and domestic economic repercussions, including disruptions in the crude oil and petroleum products markets, from terrorist activities, international hostilities and other events, and the government's response thereto;
- Changes in the level of operating expenses and hazards related to operating facilities (including equipment malfunction, explosions, fires, spills and the effects of severe weather conditions);
- The occurrence of operational hazards or unforeseen interruptions for which the Partnership may not be adequately insured;
- The age of, and changes in the reliability and efficiency of the Partnership's operating facilities;
- Changes in the expected level of capital, operating, or remediation spending related to environmental matters;
- Changes in insurance markets resulting in increased costs and reductions in the level and types of coverage available;
- Risks related to labor relations and workplace safety;
- Non-performance by or disputes with major customers, suppliers or other business partners;
- Changes in the Partnership's tariff rates implemented by federal and/or state government regulators;
- The amount of the Partnership's indebtedness, which could make the Partnership vulnerable to adverse general economic and industry conditions, limit the Partnership's ability to borrow additional funds, place it at competitive disadvantages compared to competitors that have less debt, or have other adverse consequences;
- Restrictive covenants in the Partnership's or Sunoco's credit agreements;
- Changes in the Partnership's or Sunoco's credit ratings, as assigned by ratings agencies;
- The condition of the debt capital markets and equity capital markets in the United States, and the Partnership's ability to raise capital in a cost-effective way;
- Changes in interest rates on the Partnership's outstanding debt, which could increase the costs of borrowing;
- Claims of the Partnership's non-compliance with regulatory and statutory requirements; and
- The costs and effects of legal and administrative claims and proceedings against the Partnership or any entity in which it has an ownership interest, and changes in the status of, or the initiation of new litigation, claims or proceedings, to which the Partnership, or any entity in which it has an ownership interest, is a party.

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

Item 4. Controls and Procedures

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

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

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

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

There are certain legal and administrative proceedings arising prior to the February 2002 IPO pending against the Partnership's Sunoco-affiliated predecessors and the Partnership (as successor to certain liabilities of those predecessors). Although the ultimate outcome of these proceedings cannot be ascertained at this time, it is reasonably possible that some of them may be resolved unfavorably. Sunoco has agreed to indemnify the Partnership for 100 percent of all losses from environmental liabilities related to the transferred assets arising prior to, and asserted within 21 years of February 8, 2002. There is no monetary cap on this indemnification from Sunoco. Sunoco's share of liability for claims asserted thereafter will decrease by 10 percent each year through the thirtieth year following the February 8, 2002 date. Any remediation liabilities not covered by this indemnity will be the Partnership's responsibility.

There are certain other pending legal proceedings related to matters arising after the February 2002 IPO that are not indemnified by Sunoco. Management believes that any liabilities that may arise from these legal proceedings will not be material to the Partnership's financial position at June 30, 2007.

Item 1A. Risk Factors

There have been no material changes from the risk factors described previously in Part I, Item 1A of the Partnership's Annual Report on Form 10-K for the year ended December 31, 2006, filed on February 23, 2007.

Item 2. Unregistered Sales of Equity Securities and Uses of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

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Item 6. Exhibits

Exhibits

- 10.1: Products Terminal Services Agreement
- 12.1: Statement of Computation of Ratio of Earnings to Fixed Charges
- 31.1: Chief Executive Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(a)
- 31.2: Chief Financial Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(a)
- 32: Chief Executive Officer and Chief Financial Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(b) and U.S.C. §1350

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

Sunoco Logistics Partners L.P.
Investor Relations
Mellon Bank Center
1735 Market Street
Philadelphia, PA 19103-7583

or through our website at www.sunocologistics.com.

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SIGNATURE

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

Sunoco Logistics Partners L.P.

By: /s/ NEAL E. MURPHY

Neal E. Murphy

Vice President and Chief Financial Officer

Date: July 31, 2007

<DOCUMENT>
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THIS EXHIBIT HAS BEEN REDACTED AND IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST. REDACTED MATERIAL IS MARKED WITH [***] AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.**

Exhibit 10.1

PRODUCTS TERMINAL SERVICES AGREEMENT

This Products Terminal Services Agreement (the "Agreement") is made this 1st day of May, 2007 and effective March 1, 2007, between **SUNOCO PARTNERS MARKETING & TERMINALS L.P.** ("SPMT") and **SUNOCO INC. (R&M)** ("Customer"), for purposes of providing certain terminal services (the "Terminal Services") at SPMT terminals identified in Attachments to this Agreement ("Terminals") upon the terms and conditions herein set forth.

TERMS AND CONDITIONS

1. GENERAL

- a The Terminal Services provided hereunder shall include the receipt, storage, throughput, custody and delivery of Customer's refined petroleum products (the "Products") at the Terminals, together with such additional services as may be described herein and in the Attachments to this Agreement, including, but not limited to, blending and additive services for the ancillary fees, rates and charges, and in accordance with the terms and conditions, herein contained.
- b The term of this Agreement shall be five (5) years commencing March 1, 2007.
- c SPMT shall maintain all records necessary to provide Customer with monthly reports summarizing all of Customer's receipts and withdrawals, which report shall be mailed or faxed to Customer by the 5th day of the following month.
- d On each business day, SPMT shall provide to Customer a daily inventory statement detailing: (i) Customer's opening inventory position for the previous business day, (ii) deliveries into Terminal by Customer, (iii) receipts into Customers' trucks, and (iv) Customer's opening inventory position for the current business day. All inventory statements shall be deemed final and binding unless returned by Customer to SPMT within 60 days, signed and noting any and all discrepancies and including all supporting documentation.
- e The Products, Fees, method(s) of Product receipts and deliveries, invoicing procedures and payment terms with respect to the Terminal Services are reflected in Attachment A.
- f Customer shall comply with, and shall cause its carriers to comply with, the provisions of the Terminal Access Agreement, the form of which is attached hereto Attachment B.
- g Both parties shall comply with the quality assurance requirements and Product specifications described and set forth on Attachment C.
- h SPMT is an independent contractor in the performance of this Agreement, and neither SPMT nor its employees are to be considered employees of Customer.
- i Customer understands and agrees that SPMT may consider contractual arrangements with third- party customers for Terminal Services at the Terminals, and nothing herein shall be deemed to provide Customer with exclusive rights to Terminal Services at any Terminal.

2. RECEIPTS AND DELIVERIES:

- a Receipt of Products into the Terminals by Customer ("Receipts") and the loading of Customer's Products into trucks ("Shipments") at the Terminals will begin following the Effective Date of the Agreement. Minimum and maximum permitted Receipts and Shipments will vary by terminal based on pipeline batch sizes, dock constraints, and tank space. Receipt and Shipment constraints will be identified during the nomination process described in section 2(k).
- b Receipts and Shipments at the Terminals shall be made within the normal business hours of the Terminals (as set forth on Attachment A), unless otherwise agreed by SPMT and Customer. Trucks will be loaded in the order in

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which they arrive. In no event will SPMT be responsible for any delay, waiting, or demurrage charges.

- c Customer shall maintain minimum Product inventory representing its pro-rata share of unavailable tank bottoms and terminal line fill of commingled Product as set forth in Attachment F. Customer shall maintain the entire unavailable tank bottom and terminal line fill of its segregated Product(s).
- d Customer understands and agrees that a positive inventory position will be maintained on every Product held in storage at the Terminals, in addition to tank bottoms. SPMT retains the right to discontinue loading any Products showing a negative balance (excluding tank bottoms) until additional volume of the required Product is received to restore a positive inventory balance. Customer also agrees to maintain a positive inventory balance of ULSD, LSD, NRLM, and any other Products as required by regulation, regardless of actual specification. SPMT will include accounting relative to these Products in daily reports to Customer.
- e In the event Customer desires to store a specified volume of Products in a segregated or commingled tank, SPMT may provide such storage for Customer at the Storage Fee rate identified in Attachment A.

[*****]

- f All Products tendered by each party will conform to the specifications for such Products as set forth on Attachment C. In the event that either party knows, or has reason to believe, that any Products so tendered do not conform with such specifications, it shall be the responsibility of that party to notify the other to such effect as soon as possible, whereupon the affected party may elect to refuse tender, or, if the party has already received such Products into the Terminals or tank truck, to make such disposition of the nonconforming Products, at the other party's expense, as that party may determine in its reasonable discretion.
- g (1) Customer shall be responsible to SPMT for "Customer Damages", as defined below, incurred by SPMT and SPMT's other customers (and their customers) at the Terminals (collectively, "SPMT Damaged Parties") arising out of, or resulting from, "Customer's Non-Conforming Products" herein defined as (x) any Product received at the Terminals for Customer's account not conforming to SPMT's commingled product specifications or Customer's segregated product specifications; (y) any change in the Product received by the Terminals for the account of Customer; or (z) any goods or material handled for Customer hereunder. As used herein "Customer Damages" shall mean, and be limited to, (i) the value of any contaminated product as determined in accordance with Attachment A, (ii) direct costs and expenses incurred by SPMT and/or SPMT's other customers at the Terminals in cleaning and repairing tanks, trucks and other affected facilities and equipment, (iii) any fines and/or penalties levied against SPMT and/or SPMT's other customers at the Terminals by reason of Customer's Non-Conforming Products or the products or equipment contaminated thereby, and (iv) any other damages arising directly from Customer's Non-Conforming Products. Customer shall not be liable to the SPMT Damaged Parties for lost profits, loss of business, or any other indirect, special or consequential damages of any kind arising out of, or resulting from, Customer's Non-Conforming Products. In addition to the foregoing, Customer shall promptly remove or cause to be removed any said non-conforming Product from the Terminal. If, under its contracts with other customers, SPMT shall elect to replace contaminated products in lieu of payment therefor, Customer shall have the right to provide to SPMT such replacement products. Customer shall have no responsibility to the SPMT Damaged Parties under this section 2(g)(1) unless notice of such condition is provided to Customer within thirty (30) days of discovery of such damages.

(2) SPMT shall be responsible to Customer for "SPMT Damages", as defined below, incurred by Customer and Customer's immediate customers (collectively "Customer Damaged Parties") arising out of, or resulting from, the contamination of Customer's Product at the Terminal, caused by SPMT or another of SPMT's customers. As used herein "SPMT Damages" shall mean, and be limited to, (i) the value of the contaminated Product as determined in accordance with Attachment A, (ii) direct costs and expenses incurred by Customer Damaged Parties in cleaning and repairing tanks, trucks and other affected facilities and equipment, (iii) any fines and/or penalties levied against Customer Damaged Parties by reason of the contaminated Product or equipment; and (iv) any other damages arising directly from the contaminated Product. SPMT shall have the option to replace the contaminated Product in lieu of

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payment therefor. SPMT shall not be liable to Customer Damaged Parties for lost profits, loss of business, or any other indirect, special or consequential damages of any kind arising out of, or resulting from, contaminated Product. SPMT shall have no responsibility to the Customer Damaged Parties under this section 2(g)(2) unless notice of such condition is provided to SPMT within thirty (30) days of discovery of such damages.

- h SPMT shall have the right to commingle Customer's Product with Product of like grade and quality owned by others.
- i Product loans from one of SPMT's customer's inventory to another will be allowed, subject to written permission granted beforehand by the lending customer, and proper accounting for such product loans.
- j Terminal customers may exchange volumes of fungible products at the Terminals. Only after specific exchange agreements are executed may such exchanges be implemented. Exchange parties shall render to each other and to SPMT on a monthly basis statements indicating the status of exchanges.
- k Customer will provide SPMT with monthly forecasts of Product Receipts for marine vessel deliveries by the 15th day of the month preceding that of the scheduled activity. SPMT shall use commercially reasonable efforts to accommodate pipeline batches and arrange berthing of Marine Vessels. SPMT shall notify the Customer within four (4) days of receipt of the forecast as to whether SPMT can accept Product Receipts at the forecasted amounts.
- l Demurrage- Rail cars will be accepted as scheduled and as delivered by the local railroad. In no event will SPMT be responsible for rail car demurrage, except to the extent such demurrage was caused by circumstances within SPMT's direct control.
- m For receipt of ethanol SPMT will follow the practices outlined in Attachment G.

3. ADDITIONAL SERVICE

For any service or function in addition to those referred to in the Agreement requested by Customer or its agents and agreed to by SPMT ("Additional Service"), SPMT shall be reimbursed by Customer the expenses associated with labor (internal and contract), materials and equipment, provided the expenses incurred do not exceed those that would have been incurred had the request not been made.

4. TITLE AND CUSTODY

- a Title to, and risk of loss caused by force majeure, of all Products received from Customer at the Terminals shall remain at all times with Customer.
- b Custody of Products received from Customer at the Terminals shall pass to SPMT (1) at the time such Products enter a Terminal's inlet flange located at the Terminal's pipeline/marine/truck/rail manifold, or (2) by Property Transfer Order (PTO) transferring Product inventory from another through-putter to Customer. Custody of the Products shall remain with SPMT until such Products pass the flange at the point of delivery into Customer's trucks or are rendered to marine vessels at the point of delivery at the dock.

5. PRODUCT MEASUREMENT

- a. Measurements of all Products shall be taken by SPMT and shall be based upon United States gallons of 231 cubic inches, 42 gallons to the barrel, corrected to 60 degrees (F.), using ASTM-IP Petroleum Measurement Table No. 6B-ASTM Designation D-1250. Unless otherwise specified, quantities delivered: (a) from pipeline shall be measured by calibrated meters at a Terminal's inlet flange at the pipeline manifold; (b) into transport truck shall be measured by calibrated loading rack meters; and (c) from vessel, rail car or transport truck shall be measured by calibrated meters where available, otherwise, measurements will be taken using the Terminal's tank gauge system utilizing still tank(s). In the case of ethanol deliveries by rail and truck without metering, the volume stated on the BOL will be deemed the correct volume. Customer shall have the right to participate with SPMT in any measurement; but, in the absence of such participation, the measurements taken by SPMT shall be binding upon both parties in the absence of fraud or manifest error. If Customer requires an independent certified

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gauging by a mutually acceptable independent gauger, such gauging will be at Customer's expense. The independent inspector's report shall be binding on the parties hereto. In the event a certified meter or gauge is found to be in error, the parties will agree upon the best alternate measurement method as the situation dictates. Measurements shall follow one or more of the following guidelines:

- i) API Standard 2545, "Method of Gauging Petroleum and Petroleum Products."
 - ii) API Standard 2550, "Method of Measurement and Calibration of Upright Cylindrical Tanks."
 - iii) API "Manual of Petroleum Standards", chapters 4, 5, and 12.
- b For all sampling, gravity, and temperature measurements:
- i) API "Manual of Petroleum Standards", chapters 8 and 9.
- c SPMT will maintain and furnish monthly Customer in-bound and out-bound stock activity reports.
- d SPMT will provide Customer with Bill of Lading for Ethanol Receipts and/ or Shipments.
- e Receipts and Shipments to/ from marine vessels will be measured by terminal tank gauges utilizing still tank(s).
- f Ethanol temperature corrections will be by either: (1) ASTM-IP Petroleum Measurement Table No. 6B-ASTM Designation D-1250, using an argument of 51.5 degrees API, or (2) the RFA volume correction table for ethanol.

6. PRODUCT LOSSES/GAINS

- a SPMT will, on a monthly basis, determine and communicate to Customer the physical inventory of Product in storage in the tanks at the Terminals and SPMT will calculate storage variation at (60 degrees F). The total monthly gain or loss (not caused by force majeure) in inventory, if any, will be pro rated to all parties using the commingled Terminal storage based on their respective percentages of the monthly throughput of Products.
- b Except as otherwise provided in this section 6 (b), SPMT will be responsible for all losses and damages to Customer's Product in excess of (i) one-quarter of one percent (0.25%) for non-ethanol Products; and (ii) one half of one percent (0.50%) for ethanol Products until such time as SPMT has, upon Customer's request and at Customer's sole cost and expense, installed meters at a Terminal to measure the volume of ethanol delivered to that Terminal, at which time the loss allowance for ethanol Products at that Terminal shall be one-quarter of one percent (0.25%). Installation of the meters shall be billed to Customer at SPMT's cost, and any meters installed by Customer at a Terminal shall be and remain the property of SPMT. SPMT will be responsible for all losses and damage to Product, with no loss allowances, to the extent caused directly by SPMT's negligence; provided, however, that in no event shall any losses or damage for which the cause cannot be affirmatively determined be deemed to be due to SPMT's negligence. SPMT will not be responsible for any loss or damage to Customer's Product caused by force majeure (as described in Article 9). Customer will be responsible for all losses and damage to Customer's Product, without regard to loss allowances, caused directly by Customer's negligence or malfunction of Customer's equipment. Absent obvious error, all adjustments provided for in this section shall be made based upon the book inventory as shown on the records of SPMT at the time of the shortage or loss.
- c For segregated Product, all inventory losses are the responsibility of the Customer, except that SPMT will absorb all shortages in excess of one-quarter of one percent (0.25%) for non-ethanol Products and one half of one percent (0.50%) for ethanol Products, unless caused by SPMT's negligence or that of its independent contractors or their agents or employees or malfunction of SPMT's equipment in which case SPMT shall be responsible for all losses.
- d Actual handling losses/gains attributable to Customer's proportionate share of monthly Terminal throughput shall be determined and adjustments shall be made to Customer's ending monthly inventory balance.
- e For losses attributable to SPMT, Customer will be provided a credit to its throughput fee once the amount of such credit has been finally determined by the parties. Benchmark Price shown in Attachment A will be used to establish Product value.

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7. LIABILITY AND INDEMNITY

- a **CUSTOMER SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS SPMT, ITS AFFILIATES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS, FROM AND AGAINST ANY AND ALL LOSSES, DAMAGES, CLAIMS, DEMANDS, CAUSES OF ACTION, LIABILITIES, SUITS, TAXES, PENALTIES, FINES FROM ANY SOURCE, COSTS, JUDGMENTS AND EXPENSES, INCLUDING REASONABLE ATTORNEY'S FEES, THAT MAY BE SUFFERED OR INCURRED AT ANY TIME TO THE EXTENT ARISING OUT OF (1) THE FAILURE OF CUSTOMER TO COMPLY WITH ALL APPLICABLE FEDERAL, STATE AND LOCAL LAWS, ORDINANCES, REGULATIONS, RULES AND PERMITS OR THE TERMS OF THIS AGREEMENT; AND (2) INJURY TO OR DEATH OF ANY PERSON, OR LOSS OR DESTRUCTION OF OR DAMAGE TO ANY PROPERTY, INCLUDING THE CONVERSION THEREOF, CAUSED BY THE NEGLIGENT, RECKLESS OR WILLFUL ACTS OR OMISSIONS OF CUSTOMER, ITS AFFILIATES OR ITS INDEPENDENT CONTRACTORS ANY OF THEIR RESPECTIVE AGENTS, SERVANTS OR EMPLOYEES.**
- b **SPMT SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS CUSTOMER, ITS AFFILIATES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS, FROM AND AGAINST ANY AND ALL LOSSES, DAMAGES, CLAIMS, DEMANDS, CAUSES OF ACTION, LIABILITIES, SUITS, TAXES, PENALTIES, FINES FROM ANY SOURCE, COSTS, JUDGMENTS AND EXPENSES, INCLUDING REASONABLE ATTORNEY'S FEES, THAT MAY BE SUFFERED OR INCURRED AT ANY TIME TO THE EXTENT ARISING OUT OF (1) THE FAILURE OF SPMT TO COMPLY WITH ALL APPLICABLE FEDERAL, STATE AND LOCAL LAWS, ORDINANCES, REGULATIONS, RULES AND PERMITS OR THE TERMS OF THIS AGREEMENT; AND (2) INJURY TO OR DEATH OF ANY PERSON, OR LOSS OR DESTRUCTION OF OR DAMAGE TO ANY PROPERTY, INCLUDING THE CONVERSION THEREOF, CAUSED BY THE NEGLIGENT, RECKLESS OR WILLFUL ACTS OR OMISSIONS OF SPMT, ITS AFFILIATES OR ITS INDEPENDENT CONTRACTORS ANY OF THEIR RESPECTIVE AGENTS, SERVANTS OR EMPLOYEES.**
- c **NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, NEITHER SPMT NOR CUSTOMER SHALL BE LIABLE TO THE OTHER PARTY HERETO FOR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES, NO MATTER HOW SUCH DAMAGE SHALL HAVE OCCURRED OR HAVE BEEN CAUSED.**

8. INSURANCE

- a At all times during the term of this Agreement, SPMT and Customer, or Customer's transporters, acting as agents of Customer, shall carry and maintain in force insurance policy(ies) that will satisfy the following requisite coverages:
 - i) Workers' Compensation in accordance with state law and Employer's Liability Insurance of Two Million Dollars (\$2,000,000) for each accident;
 - ii) General Liability Insurance with a minimum limit of Five Million Dollars (\$5,000,000) per occurrence; and
 - iii) Automobile Liability Insurance covering all motor vehicles owned, hired or used in connection with this Agreement with limits not less than Five Million Dollars (\$5,000,000) for Bodily Injury and Property Damage per occurrence.
- b SPMT and Customer shall be named as an additional insured on each other's insurance policies but only to the extent of the normal insured's negligence. Each party will provide the other with certificates of insurance upon request.
- c SPMT and Customer may provide the required coverage by self-insurance. Customer shall provide SPMT with documentation confirming it is self-insured and providing details as to the extent and limitation of such self-insured coverage.

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9. FORCE MAJEURE

- a Neither party shall be considered in default of its obligations or held liable for failure to perform under this Agreement (other than for any obligation to make payment due hereunder) when prevented by any cause reasonably beyond its control including, but not limited to, accident, explosion, fire, flood, revolution, hostilities, civil commotions, strikes, acts of God, or acts of government.
- b The party claiming that an event of force majeure has arisen shall immediately notify the other party. If notice is given orally, it shall be confirmed in writing within seventy-two (72) hours of the event.

10. CUSTOMER'S AUDIT RIGHTS

- a Customer shall have the right, reasonably exercised (1) to observe and verify SPMT's performance of its services hereunder, and (2) to have ingress and egress to, from and within the Terminals to the extent required for the purposes of this Agreement and (3) to review and audit all of SPMT's records related to the performance of this Agreement and make copies thereof, at reasonable times and at Customer's expense. None of these rights shall be exercised by Customer in any way which will materially interfere with or diminish SPMT's control over or its operation of the Terminals and Customer shall be subject to reasonable rules and regulations promulgated by SPMT.
- b SPMT will require any parties entering the Terminals on behalf of Customer to sign a Terminal Access Agreement, the form of which is attached hereto as Attachment B, and provide certificates of insurance reflecting coverage required by SPMT. Customer shall advise such parties to utilize only those portions of the Terminals designated by SPMT to be used for the purposes described herein and to do so only for the period of time required for expeditious completion of such purposes.
- c Following any audit as provided above, any mutually agreed adjustment charge or credit to Customer will be issued by SPMT within thirty (30) days after a copy of the completed audit is furnished to SPMT.

11. TAXES

Customer shall pay any and all taxes, charges and/or assessments, levied against the storage, handling, transportation, sale or use of its' Products excluding taxes based on SPMT's gross receipts, gross profits or net income. Should SPMT be required to pay or collect such taxes, charges and/or assessments pursuant to any federal, state, county, or municipal law or authority now in effect or hereafter to become effective, Customer shall promptly reimburse SPMT therefor. If a claim is made against SPMT for any tax payable by Customer, Customer shall, at its expense, take such action, as it reasonably deems necessary with respect to challenge or opposition to such asserted liability and shall indemnify and hold SPMT harmless therefrom.

12. ALTERNATIVE DISPUTE RESOLUTION

SPMT and Customer shall use their best efforts to resolve any dispute, controversy or claim arising from or in connection with this Agreement in a fair and equitable manner. Prior to initiating legal proceedings thereon, the parties will seek resolution of disputes through discussions between senior executives of the respective parties where necessary. In addition, SPMT and Customer may engage in mediation of the dispute by mutual agreement, and shall share the cost of the mediator. Any such dispute, controversy or claim shall be resolved, if necessary, by binding arbitration, in lieu of a court proceeding, before a panel of three (3) arbitrators. Each party shall select an arbitrator and the two (2) arbitrators so selected shall select a third arbitrator. In the event the two (2) arbitrators are unable to agree on a third arbitrator, the third arbitrator shall be selected by the American Arbitration Association. The arbitration shall be conducted pursuant to the Commercial Arbitration Rules of, but only if necessary using the administrative services of, the American Arbitration Association. The parties shall each bear the cost of the arbitrator they selected and shall share the cost of the third arbitrator. The parties shall otherwise be responsible for their own costs in such proceedings. Judgment upon an arbitration award may be entered by any court of competent jurisdiction.

13. NOTICES

THIS EXHIBIT HAS BEEN REDACTED AND IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST. REDACTED MATERIAL IS MARKED WITH [***] AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.**

All notices and other communications required under this Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of service, if served personally on the person to whom notice is to be given, (b) on the date of receipt, if sent by telecopier to the person to whom notice is to be given, or (c) on the date of mailing, if mailed to the party to whom notice is to be given by first class mail, registered or certified, postage prepaid, and sent to the respective address set forth in Attachment A, or at such address as may be furnished by either party to the other in writing.

14. ASSIGNABILITY

- a. This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto; provided, however, that this Agreement and the obligations of the parties hereunder shall not be assignable by any party without the express prior written consent of the other party, except that a party may assign the Agreement without consent, including the performance thereof, in whole or in part to, (1) one or more of its affiliates or subsidiaries, or to (2) the successor to all or of substantially all of its business and assets, or to (3) any corporation or other business entity into which it merges or consolidates.
- b. Notwithstanding any assignment effected hereunder, the assigning party shall, following such assignment, continue to be responsible for its obligations hereunder

15. SALE OR CLOSING OF THE FACILITIES

- a. Notwithstanding the other terms of this Agreement, SPMT may in its sole discretion decide to sell or close the Terminals. In such case, either party may, at its option, terminate this Agreement upon ninety (90) days advance written notice.
- b. [*****]

16. COMPLIANCE WITH LAW

- a. The parties hereto, and their customers, carriers and contractors, shall each be separately and solely responsible for compliance with all laws, rules, regulations, and ordinances specifically applicable to such party or person, and such party's or person's Products, facilities and equipment.

17. ADDITIZATION

- a. [*****]
- b. SPMT will follow procedures outlined in Attachment D regarding the injection of deposit control additives.

18. RVP COMPLIANCE AND DOCUMENTATION

- a. Customer will comply with all applicable federal, state, and local volatility regulations for Gasoline and Alcohol Blends (including, but not limited to, 40 C.F.R. Section 80.27 and 80.28) and hereby warrants and certifies that any Product delivered pursuant to this Agreement is in compliance with the applicable standard when delivered to the Terminals.
- b. SPMT shall manage the facility in such a commercially reasonable manner to effect the timely regulated seasonal transition of commingled Product in storage as required by law, and shall comply with all applicable federal, state, and local volatility regulations for Gasoline and Alcohol Blends with respect to operating the Terminals (including, but not limited to, 40 C.F.R. Section 80.27 and 80.28)
- c. Customer shall fully comply with reasonable directives of SPMT to all Customer's sharing storage in order to facilitate this seasonal transition period.
- d. SPMT will conduct necessary testing to confirm that Product is in compliance with all regulatory requirements

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for volatility prior to releasing such Product to the loading rack.

19. FIXTURES AND EQUIPMENT

- a. All fixtures, equipment and appurtenances attached to the tanks, pipeline and other facilities of the Terminals by either party shall be and remain the property of SPMT. No such items may be installed or removed by Customer without the prior written permission of SPMT.
- b. Notwithstanding anything to the contrary contained herein, the Terminals and all equipment and fixtures located at the Terminals are the sole and exclusive property of SPMT and nothing herein shall be deemed to confer upon Customer any interests in the aforesaid properties or the right to use, operate, control or direct the operation, or otherwise exercise any dominion or control over such properties.

20. DEFAULT AND REMEDIES

- a. Should a party to this Agreement default in the prompt performance and observance of any of the terms or conditions of this Agreement and should such default continue for thirty (30) or more days after written notice thereof by the non-defaulting party, then such non-defaulting party shall have the right, at its option, to terminate this Agreement. In the event of any such default by Customer, SPMT shall have the right to refuse the Receipts and Shipments of Customer's Products. In the event of termination of this Agreement due to Customer's nonpayment, SPMT shall have the right to impose a lien upon a quantity of Products sufficient to secure all past due amounts due SPMT (the relevant price for which shall be the Benchmark Price defined in Attachment A).
- b. Should either party become insolvent, a party to bankruptcy, enter receivership proceedings, or make an assignment for the benefit of creditors, then the other, to the extent permitted by law, may (1) terminate this Agreement and collect appropriate damages accorded to it under law or (2) require specific performance of this Agreement.

Upon termination or default of this Agreement, Customer shall, at its own expense, remove its Products from the Terminal within thirty (30) days with the cooperation of SPMT. If any Products remain at the Terminal after the thirty (30) day period, SPMT shall have the right to dispose of such inventory in the manner it deems appropriate, in its sole discretion without liability to Customer. Such action by SPMT may include, but not limited to, imposition of a Demurrage Charge (as set forth in Appendix A) or purchase of Products by SPMT.

In the event that SPMT elects to dispose of the remaining Products, Customer shall remain responsible for all applicable Fees (e.g., Demurrage Fee) as well as any and all reasonable and properly documented out-of-pocket disposal costs that SPMT may incur with respect to such remaining Products. All costs of such actions by SPMT, and all fees due and owing from Customer, shall be netted out against any monies received by SPMT and the balance remitted to Customer.

21. DAMAGE OR DESTRUCTION OF THE FACILITIES

- a. If any portion of the Terminals is damaged (the "Event"), thus impairing SPMT's ability to provide any or all of the Terminal Services, SPMT will have no obligation to repair the facility.
- b. If such damage occurs, SPMT will notify Customer in writing within thirty (30) days of such occurrence whether the damaged facility will be repaired, and the expected date of completion of such repairs.

22. TERMINAL AUDITS

- a. SPMT will, during the term this Agreement, periodically conduct third-party health, environmental and safety audits of the Terminals in accordance with past practices.

23. ENTIRETY OF AGREEMENT — NO MODIFICATION

- a. This instrument contains the entire Agreement between the parties hereto regarding the receipt, storage and

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delivery of Customer's Products at the Terminals, and no prior promises, agreements, or warranties written or verbal shall be of any force or effect unless embodied herein.

- b. No modification of this Agreement shall be of any force or effect unless reduced to writing and signed by authorized representatives of both parties hereto.

24. NON-WAIVER

- a. Neither the failure to assert a right under this Agreement nor a delay in asserting such a right in a specific instance shall act as a waiver of that right in such instance or in any subsequent instances.

25. CAPTIONS

- a. The captions appearing in this Agreement are for the convenience of the parties and shall have no legal effect.

26. ATTACHMENTS

- a. Attachments referenced herein constitute a part of this Agreement and are incorporated herein and made a part hereof for all purposes.

27. GOVERNING LAW

- a. This Agreement (including all Schedules hereto) and all Amendments hereof shall be governed by and construed with the internal laws of the Commonwealth of Pennsylvania; without regard to the application of the principles of conflicts of law.

28. CONFIDENTIALITY

- a. The Parties hereto acknowledge that each may obtain confidential information or proprietary information ("Confidential Information") including without limitation, information referring to Product, business plans, or operations. The Parties shall at all times keep confidential and not disclose to any third party any Confidential Information for any purpose other than in performance of the Terminal Services. Confidential Information will not include information: (1) generally available to the public through no fault of either Party; (2) in each Parties' possession in written form prior to disclosure to or acquisition by either Party hereunder; (3) disclosed to either Party by a third party owing no secrecy commitment to either Party; or (4) disclosed pursuant to the order of any court or governmental body (following appropriate notice to the owner of the confidential information and an adequate opportunity for such owner to contest such disclosure).

IN WITNESS WHEREOF, this Agreement is executed the date first set forth.

SUNOCO Partners Marketing & Terminals L.P.

Sunoco, Inc. (R&M)

By: Sunoco Logistics Partners Operations GP LLC,
its general partner

By: /s/ Deborah M. Fretz
Title: President

By: /s/ Michael J. Hennigan
Title: Senior Vice President,
Supply, Trading, Sales
and Transportation

Date: 4/23/07

Date: 5/1/07

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ATTACHMENT A

Terminals: See ATTACHMENT F

Products: Refined Petroleum Products, Ethanol

Fees: The following fees are expressed in Hundredths of a Cent per Gallon (“Points”). For example, “60.0” Points equals \$.00600 per Gallon.

Throughput Fees will be applied to each gallon of Product loaded into tank trucks.

Additive/Service Fees will be applied to each gallon of Product to which SPMT-owned additive is injected.

A Security Fee of [*****] Points will be applied to all gallons loaded at MTSA regulated facilities during periods of time designated as Code Orange by the U.S. Homeland Security Office.

For storage of Product, either fungible or non- fungible, Customer shall pay a Leased Space Fee of [*****] cents per barrel per month of shell capacity used for said storage. At Newark only, the Storage Fee will be [*****] cents per barrel. Storage Fees shall be prorated on a daily basis in the case where the tank(s) are not used for the entire month.

Gasoline	[*****] pts
Diesel	[*****] pts
Jet Fuel	[*****] pts
Chemicals	[*****] pts

TMIX	[*****] pts
Kerosene	[*****] pts
Ethanol (neat)	[*****] pts

Inwood

Gasoline	[*****] pts
Diesel	[*****] pts
Jet Fuel	[*****] pts
Kerosene	[*****] pts
TMIX	[*****] pts
Ethanol (neat)	[*****] pts

Filtering:

Jet Fuel: [*****] pts

Gasoline: Customer will reimburse SPMT for costs associated with gasoline filter change-outs (made only at Customer’s request) at Twin Oaks, Malvern, Willow Grove, Piscataway and Newark terminals.

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Additives:

Gasoline Additives

Sunoco Branded/ Distributor/ Wholesale: [*****] pts + Additive Cost

Diesel Additives:

Cold Flow/

Pour Point/ premium diesel additives

Sunoco Branded/ Distributor/ Wholesale: [*****] pts + Additive Cost

Cetane Improver

Sunoco Branded/ Distributor/ Wholesale: [*****] pts + Additive Cost

Lubricity: [*****] pts

Marker: TBD

Dye: [*****]

Escalation: All Fees set forth herein shall be subject to annual escalation at a rate equal to the Consumer Price Index as published by the United States government annually. Said escalation shall occur on January 1 of each year, commencing January 1, 2008, and shall be based on the 12 most recently available months of data.

Benchmark Price: Platts Low + Actual Transportation; however, in the case of products, including ethanol, which are purchased for resale, the Benchmark Price shall be Customer's Actual Cost + Actual Transportation.

Invoicing Procedure: SPMT will invoice the Customer monthly for the preceding calendar month activity.

Payment Terms: Customer will pay SPMT 20 days from date of invoice.

Normal Business Hours: 24 hours/day, 7 days/week

Method of Receipts and Deliveries: Receipts: Pipeline/ Marine Vessel/ Rail/ Truck/In-Tank Transfer

Shipments: Tank Truck/Marine/In-Tank Transfer

Notices:

Sunoco Partners Marketing & Terminals L. P.
Business Development Terminals & Pipelines
Mellon Bank Center; Suite LL
1735 Market Street
Philadelphia, PA 19103

Sunoco, Inc. (R&M)
Manager
Distribution Planning
1735 Market Street
Philadelphia, PA 19103

With a copy to:

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General Counsel
Sunoco Logistics Partners L.P.
Mellon Bank Center, Suite LL
1735 Market Street
Philadelphia, PA 19103

<DOCUMENT>
<TYPE> EX-12.1
<FILENAME> w37653exv12w1.htm
<DESCRIPTION> Statement of Computation of Ratio of Earnings to Fixed Charges
<TEXT>

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

Sunoco Logistics Partners L.P.

	<u>Six Months Ended</u> <u>June 30, 2007</u>
Fixed Charges:	
Interest cost and debt expense	\$ 19,806
Interest allocable to rental expense (a)	1,044
Total	<u>\$ 20,850</u>
Earnings:	
Income before income tax expense	\$ 47,561
Equity in income of less than 50 percent owned affiliated companies	(12,357)
Dividends received from less than 50 percent owned affiliated companies	11,141
Fixed charges	20,850
Interest capitalized	(1,498)
Amortization of previously capitalized interest	100
Total	<u>\$ 65,797</u>
Ratio of Earnings to Fixed Charges	<u><u>3.16</u></u>

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

<DOCUMENT>
<TYPE> EX-31.1
<FILENAME> w37653exv31w1.htm
<DESCRIPTION> Chief Executive Officer Certification
<TEXT>

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

I, Deborah M. Fretz, hereby certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 of Sunoco Logistics Partners L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 entities, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2007

/s/ DEBORAH M. FRETZ

Name: **Deborah M. Fretz**

Title: **President, and Chief Executive Officer
 Sunoco Logistics Partners, LLC
 (General Partner of Sunoco Logistics
 Partners, L.P.)**

<DOCUMENT>
<TYPE> EX-31.2
<FILENAME> w37653exv31w2.htm
<DESCRIPTION> Chief Financial Officer Certification
<TEXT>

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

I, Neal E. Murphy, hereby certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 of Sunoco Logistics Partners L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 entities, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2007

/s/ NEAL E. MURPHY

Name: **Neal E. Murphy**

Title: **Vice President, and Chief Financial Officer
Sunoco Logistics Partners, LLC
(General Partner of Sunoco Logistics
Partners, L.P.)**

<DOCUMENT>

<TYPE>

EX-32

<FILENAME>

w37653exv32.htm

<DESCRIPTION>

CEO and CFO Certification Pursuant to Exchange Act Rule 13a-14(b) and U.S.C. Sec

<TEXT>

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

We, the undersigned Deborah M. Fretz and Neal E. Murphy, being, respectively, the President and Chief Executive Officer and the Vice President and Chief Financial Officer, of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., do each hereby certify that the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of Sunoco Logistics Partners L.P.

Date: July 31, 2007

/s/ DEBORAH M. FRETZ

Name: **Deborah M. Fretz**

Title: **President and Chief Executive Officer**

/s/ NEAL E. MURPHY

Name: **Neal E. Murphy**

Title: **Vice President and Chief Financial Officer**