
**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 September 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 October 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 September 30,	
	2007	2006
Revenues		
Sales and other operating revenue:		
Affiliates (Note 3)	\$ 439,776	\$ 484,710
Unaffiliated customers	1,496,439	1,118,932
Other income	8,388	5,281
Total Revenues	1,944,603	1,608,923
Costs and Expenses		
Cost of products sold and operating expenses	1,875,714	1,561,819
Depreciation and amortization	9,556	9,079
Selling, general and administrative expenses	13,411	13,391
Total Costs and Expenses	1,898,681	1,584,289
Operating Income	45,922	24,634
Net interest cost paid to affiliates (Note 3)	861	324
Other interest cost and debt expense, net	8,499	7,354
Capitalized interest	(952)	(720)
Net Income	\$ 37,514	\$ 17,676
Calculation of Limited Partners' interest in Net Income (Note 4):		
Net Income	\$ 37,514	\$ 17,676
Less: General Partner's interest in Net Income	(9,682)	(819)
Limited Partners' interest in Net Income	\$ 27,832	\$ 16,857
Net Income per Limited Partner unit:		
Basic	\$ 0.97	\$ 0.59
Diluted	\$ 0.97	\$ 0.59
Weighted average Limited Partners' units outstanding (Note 4):		
Basic	28,586,280	28,535,870
Diluted	28,739,232	28,663,319

(See Accompanying Notes)

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

	Nine Months Ended September 30,	
	2007	2006
Revenues		
Sales and other operating revenue:		
Affiliates (Note 3)	\$ 1,283,215	\$ 1,481,470
Unaffiliated customers	3,832,850	2,874,639
Other income	21,125	11,544
Total Revenues	5,137,190	4,367,653
Costs and Expenses		
Cost of products sold and operating expenses	4,955,302	4,216,279
Depreciation and amortization	27,867	27,236
Selling, general and administrative expenses	42,417	41,916
Total Costs and Expenses	5,025,586	4,285,431
Operating Income	111,604	82,222
Net interest cost paid to affiliates (Note 3)	2,455	1,047
Other interest cost and debt expense, net	26,524	21,220
Capitalized interest	(2,450)	(2,465)
Net Income	\$ 85,075	\$ 62,420
Calculation of Limited Partners' interest in Net Income (Note 4):		
Net Income	\$ 85,075	\$ 62,420
Less: General Partner's interest in Net Income	(15,313)	(6,264)
Limited Partners' interest in Net Income	\$ 69,762	\$ 56,156
Net Income per Limited Partner unit:		
Basic	\$ 2.44	\$ 2.06
Diluted	\$ 2.43	\$ 2.05
Weighted average Limited Partners' units outstanding (Note 4):		
Basic	28,579,263	27,296,067
Diluted	28,722,026	27,421,581

(See Accompanying Notes)

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

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	(UNAUDITED)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,997	\$ 9,412
Advances to affiliates (Note 3)	28,428	7,431
Accounts receivable, affiliated companies (Note 3)	148,254	98,952
Accounts receivable, net	1,049,244	776,505
Inventories:		
Crude oil	32,993	69,552
Materials, supplies and other	830	732
Total Current Assets	<u>1,261,746</u>	<u>962,584</u>
Properties, plants and equipment	1,593,348	1,506,350
Less accumulated depreciation and amortization	(527,041)	(499,682)
Properties, plants and equipment, net	<u>1,066,307</u>	<u>1,006,668</u>
Investment in affiliates (Note 6)	83,927	81,934
Deferred charges and other assets	25,368	30,891
Total Assets	<u>\$ 2,437,348</u>	<u>\$ 2,082,077</u>
Liabilities and Partners' Capital		
Current Liabilities		
Accounts payable	\$ 1,174,206	\$ 922,495
Accrued liabilities	44,661	34,843
Accrued taxes other than income	27,874	22,869
Total Current Liabilities	<u>1,246,741</u>	<u>980,207</u>
Long-term debt (Note 7)	576,375	491,910
Other deferred credits and liabilities	29,611	27,049
Total Liabilities	<u>1,852,727</u>	<u>1,499,166</u>
Partners' Capital:		
Limited partners' interest	578,617	576,004
General partner's interest	6,004	6,907
Total Partners' Capital	<u>584,621</u>	<u>582,911</u>
Total Liabilities and Partners' Capital	<u>\$ 2,437,348</u>	<u>\$ 2,082,077</u>

(See Accompanying Notes)

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

	Nine Months Ended September 30,	
	2007	2006
Cash Flows from Operating Activities:		
Net Income	\$ 85,075	\$ 62,420
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,867	27,236
Restricted unit incentive plan expense	4,421	2,905
Changes in working capital pertaining to operating activities net of the effect of acquisitions:		
Accounts receivable, affiliated companies	(49,302)	(3,999)
Accounts receivable, net	(272,739)	(174,940)
Inventories	36,461	(10,299)
Accounts payable and accrued liabilities	260,775	212,633
Accrued taxes other than income	5,005	1,563
Other	6,234	(6,863)
Net cash provided by operating activities	<u>103,797</u>	<u>110,656</u>
Cash Flows from Investing Activities:		
Capital expenditures	(73,601)	(85,825)
Acquisitions	(13,489)	(121,382)
Net cash used in investing activities	<u>(87,090)</u>	<u>(207,207)</u>
Cash Flows from Financing Activities:		
Distributions paid to Limited Partners and General Partner	(87,004)	(71,160)
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	—	110,338
Contributions from General Partner for Limited Partner unit transactions	58	2,427
Net proceeds from issuance of Senior Notes	—	173,307
Advances to affiliates, net	(20,997)	(7,799)
Borrowings under credit facility	244,220	155,500
Repayments under credit facility	(159,900)	(216,100)
Contributions from / (Distributions to) affiliate	980	(51,357)
Net cash (used in), provided by financing activities	<u>(24,122)</u>	<u>93,713</u>
Net change in cash and cash equivalents	(7,415)	(2,838)
Cash and cash equivalents at beginning of year	9,412	21,645
Cash and cash equivalents at end of period	<u>\$ 1,997</u>	<u>\$ 18,807</u>

(See Accompanying Notes)

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

1. Basis of Presentation

Sunoco Logistics Partners L.P. (the “Partnership”) is a 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 nine months ended September 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 previous credit facility (Note 7), 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 previous credit facility (Note 7) 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 previous credit facility (Note 7). The purchase price has 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	<u>38,711</u>
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 2008. The purchase price of the acquisition was funded with borrowings under the Partnership's previous credit facility (Note 7), 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 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 require 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 \$2.7 million to date under this agreement.

During the nine months ended September 30, 2007 and 2006, the Partnership was reimbursed \$1.0 million and \$1.7 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 September 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 10). 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.

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 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 11).

4. Net Income Per Unit Data

Basic and diluted net income per limited partner unit are 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 (including the dilutive impact of unit incentive awards) 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 11). The general partner was allocated net income of \$9.7 million (representing 25.8 percent of total net income for the period) and \$0.8 million (representing 4.6 percent of total net income for the period) for the three months ended September 30, 2007 and 2006, respectively, and \$15.3 million (representing 18.0 percent of total net income for the period) and \$6.3 million (representing 10.0 percent of total net income for the period) for the nine months ended September 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 nine months ended September 30, 2007 and 2006:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Weighted average number of limited partner units outstanding — basic	28,586,280	28,535,870	28,579,263	27,296,067
Add effect of dilutive unit incentive awards	152,952	127,449	142,763	125,514
Weighted average number of limited partner units — diluted	<u>28,739,232</u>	<u>28,663,319</u>	<u>28,722,026</u>	<u>27,421,581</u>

5. Inventory

Inventories are valued at the lower of cost or market. Crude oil inventory cost has been determined using the last-in, first-out method (“LIFO”). Under this methodology, the cost of products sold consists of the actual crude oil acquisition costs of the Partnership. Such costs are adjusted to reflect increases or decreases in crude oil inventory quantities, which are valued based on the changes in the LIFO inventory layers. The cost of materials, supplies and other inventories is principally determined using the average cost method. During the third quarter, crude oil inventory balances declined in our Western Pipeline System, which resulted in liquidating a portion of the prior year layer carried at lower costs prevailing in 2006. The reduction resulted predominately from the elimination of contango inventory positions, and had the effect of increasing results of operations by \$9.3 million.

6. Investment in Affiliates

The Partnership’s ownership percentages in corporate joint ventures as of September 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%

	Partnership Ownership Percentage
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 nine months ended September 30, 2007 and 2006 (in thousands of dollars):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Income Statement Data:				
Total revenues	\$138,583	\$135,873	\$381,836	\$342,339
Net income	\$ 39,497	\$ 36,986	\$110,042	\$ 87,643

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

	September 30, 2007	December 31, 2006
Balance Sheet Data:		
Current assets	\$117,848	\$104,276
Non-current assets	\$488,397	\$489,514
Current liabilities	\$ 98,076	\$111,476
Non-current liabilities	\$416,009	\$399,826
Net equity	\$ 92,160	\$ 83,028

The Partnership's investments in Wolverine, West Shore, Yellowstone, and West Texas Gulf at September 30, 2007 include an excess investment amount of approximately \$54.5 million, net of accumulated amortization of \$3.1 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.

7. Long-Term Debt

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

	September 30, 2007	December 31, 2006
Credit Facility	\$ 152,320	\$ 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	(945)	(1,090)
	<u>\$ 576,375</u>	<u>\$ 491,910</u>

On August 8, 2007, Sunoco Logistics Partners Operations L.P. (the "Operating Partnership"), a wholly-owned entity of the Partnership, entered into a new, five-year \$400 million credit facility ("Credit Facility"). This Credit Facility replaces the Operating Partnership's previous credit facility agreement that was scheduled to mature on November 22, 2010.

The Credit Facility is available to fund the Operating Partnership's working capital requirements, to finance future acquisitions, to finance future capital projects and for general partnership purposes. The Credit Facility matures in November

2012 and may be prepaid at any time. It bears interest at the Operating Partnership's option, at either (i) LIBOR plus an applicable margin, (ii) the higher of the federal funds rate plus 0.50 percent or the Citibank prime rate (each plus the applicable margin) or (iii) the federal funds rate plus an applicable margin. There were \$152.3 million of outstanding borrowings under the Credit Facility at September 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 requires 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. The Operating Partnership is in compliance with this requirement as of September 30, 2007. The Partnership's ratio of total debt to EBITDA was 3.1 to 1 at September 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 previous Credit Facility.

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 September 30, 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 10), were used to repay all of the \$216.1 million in outstanding borrowings under the Partnership's Previous 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 Previous 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 Previous Credit Facility and with cash on hand.

The Partnership and the operating partnerships of the Operating Partnership served as joint and several guarantors of the Senior Notes and of any obligations under the previous credit facility. The Partnership continues to serve as guarantor of the Senior Notes and of any obligations under the new Credit Facility. These guarantees are full and unconditional. In connection with the Partnership's new Credit Facility the Subsidiary Guarantors (as defined in Note 14) were released from their obligations both under the Credit Facility, and the 7.25% and 6.125% Senior Notes. See Note 14 for supplemental condensed consolidating financial information.

8. 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 \$1.5 million and \$0.5 million as of September 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.

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 September 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 September 30, 2007.

Sunoco Partners Marketing & Terminals L.P. ("SPMT"), which is wholly owned by the Partnership, has received a proposed penalty assessment from the Internal Revenue Service ("IRS") in the aggregate amount of \$5.1 million based on a failure to timely file excise tax information returns relating to its terminal operations during the calendar years 2004 and 2005. SPMT became current on its information return filings with the IRS in July of 2006. SPMT believes it had reasonable cause for the failure to not file the information returns on a timely basis, and intends to seek the elimination of the asserted penalties. The proposed penalties are for the failure to file information returns rather than any failure to pay taxes due, as no taxes were owed by SPMT in connection with such information. The timing or outcome of this claim, and the total costs to be incurred by SPMT in connection therewith, cannot be reasonably estimated at this time.

9. 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 permits the grant of restricted units and unit options initially 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 September 30, 2007, there were approximately 0.2 million unvested restricted units outstanding with a weighted average grant-date fair value of \$46.37 per unit, and a contractual life of three years. As of September 30, 2007, total compensation cost related to non-vested awards not yet recognized was \$2.6 million, and the weighted-average period over which this cost is expected to be recognized in expense is 2.0 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 \$4.4 million in the first nine months of 2007 and \$2.9 million for the first nine 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.

10. 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 7), 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 September 30, 2007, Sunoco's ownership in the Partnership, including its 2.0 percent general partner interest, was 43.4 percent.

11. 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 (See Note 3).

The Partnership has met the minimum quarterly distribution requirements on all outstanding units for each of the four-quarter periods in the three-years 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 September 30, 2007 were as follows:

<u>Date Cash Distribution Paid</u>	<u>Cash Distribution per Limited Partner Unit</u>	<u>Total Cash Distribution to Limited Partners</u> (\$ in millions)	<u>Total Cash Distribution to the General Partner</u> (\$ 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
August 14, 2007	\$0.8375	\$23.9	\$5.8

On October 22, 2007, Sunoco Partners LLC, the general partner of Sunoco Logistics Partners L.P., declared a cash distribution of \$0.85 per common partnership unit (\$3.40 annualized), representing the distribution for the second quarter 2007. The \$30.4 million distribution, including \$6.1 million to the general partner, will be paid on November 14, 2007 to unitholders of record at the close of business on November 7, 2007.

12. 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.

13. 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 September 30, 2007 and 2006, respectively (in thousands of dollars):

	Three Months Ended September 30,	
	2007	2006
Segment Operating Income		
Eastern Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 21,336	\$ 19,408
Unaffiliated customers	9,648	7,358
Other income	4,116	3,387
Total Revenues	35,100	30,153
Operating expenses	13,491	11,975
Depreciation and amortization	2,259	2,199
Selling, general and administrative expenses	4,626	4,377
Total Costs and Expenses	20,376	18,551
Operating Income	\$ 14,724	\$ 11,602
Terminal Facilities:		
Sales and other operating revenue:		
Affiliates	\$ 23,054	\$ 21,120
Unaffiliated customers	12,361	10,537
Other income	9	—
Total Revenues	35,874	31,657
Operating expenses	14,883	14,269
Depreciation and amortization	3,878	3,797
Selling, general and administrative expenses	4,550	3,914
Total Costs and Expenses	23,311	21,980
Operating Income	\$ 12,563	\$ 9,677
Western Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 394,936	\$ 444,182
Unaffiliated customers	1,474,430	1,101,037
Other income	4,263	1,894
Total Revenues	1,873,629	1,547,113
Cost of products sold and operating expenses	1,847,340	1,535,575
Depreciation and amortization	3,419	3,083
Selling, general and administrative expenses	4,235	5,100
Total Costs and Expenses	1,854,994	1,543,758
Operating Income	\$ 18,635	\$ 3,355
Reconciliation of Segment Operating Income to Net Income:		
Operating Income:		
Eastern Pipeline System	\$ 14,724	\$ 11,602
Terminal Facilities	12,563	9,677
Western Pipeline System	18,635	3,355
Total segment operating income	45,922	24,634
Net interest expense	8,408	6,958
Net Income	\$ 37,514	\$ 17,676

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 nine months ended September 30, 2007 and 2006, respectively (in thousands of dollars):

	Nine Months Ended September 30,	
	2007	2006
Segment Operating Income		
Eastern Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 59,635	\$ 56,795
Unaffiliated customers	26,239	20,470
Other income	10,448	8,218
Total Revenues	96,322	85,483
Operating expenses	39,074	32,207
Depreciation and amortization	6,815	7,417
Selling, general and administrative expenses	15,206	13,049
Total Costs and Expenses	61,095	52,673
Operating Income	\$ 35,227	\$ 32,810
Terminal Facilities:		
Sales and other operating revenue:		
Affiliates	\$ 67,993	\$ 61,079
Unaffiliated customers	36,046	30,068
Other income	(6)	7
Total Revenues	104,033	91,154
Operating expenses	40,161	39,565
Depreciation and amortization	11,368	11,377
Selling, general and administrative expenses	12,158	11,270
Total Costs and Expenses	63,687	62,212
Operating Income	\$ 40,346	\$ 28,942
Western Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$1,155,587	\$1,363,596
Unaffiliated customers	3,770,565	2,824,101
Other income	10,683	3,319
Total Revenues	4,936,835	4,191,016
Cost of products sold and operating expenses	4,876,067	4,144,507
Depreciation and amortization	9,684	8,442
Selling, general and administrative expenses	15,053	17,597
Total Costs and Expenses	4,900,804	4,170,546
Operating Income	\$ 36,031	\$ 20,470
Reconciliation of Segment Operating Income to Net Income:		
Operating Income:		
Eastern Pipeline System	\$ 35,227	\$ 32,810
Terminal Facilities	40,346	28,942
Western Pipeline System	36,031	20,470
Total segment operating income	111,604	82,222
Net interest expense	26,529	19,802
Net Income	\$ 85,075	\$ 62,420

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

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Eastern Pipeline System	\$ 368,069	\$ 367,718
Terminal Facilities	382,369	341,878
Western Pipeline System	1,644,599	1,346,232
Corporate and other	42,311	26,249
Total identifiable assets	<u>\$ 2,437,348</u>	<u>\$ 2,082,077</u>

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

14. Supplemental Condensed Consolidating Financial Information

The Partnership and the operating partnerships of the Operating Partnership served as joint and several guarantors of the Senior Notes and of any obligations under the previous credit facility. The Partnership continues to serve as guarantor of the Senior Notes and of any obligations under the new Credit Facility. These guarantees are full and unconditional. In connection with the Partnership's new Credit Facility the Subsidiary Guarantors (as defined in Note 7) were released from their obligations both under the Credit Facility, and the 7.25% and 6.125% Senior Notes. Given that certain, but not all subsidiaries of the Partnership were guarantors, the Partnership was 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." In the 2007 schedules Sunoco Partners Marketing and Terminals L.P., Sunoco Pipeline L.P., Sun Pipeline Company of Delaware LLC and Sunoco Pipeline Acquisition LLC, Sunoco Logistics Partners GP LLC, Sunoco Logistics Partners Operations GP LLC and Sunoco Partners Lease Acquisition & Marketing LLC, are collectively referred to as "Non-Guarantor Subsidiaries." In the 2006 schedules 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", and 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.

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

	Parent	Subsidiary Issuer	Non- Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue:					
Affiliates	\$ —	\$ —	\$ 439,776	\$ —	\$ 439,776
Unaffiliated customers	—	—	1,496,439	—	1,496,439
Equity in earnings of subsidiaries	37,509	45,091	5	(82,605)	—
Other income	—	—	8,388	—	8,388
Total Revenues	<u>37,509</u>	<u>45,091</u>	<u>1,944,608</u>	<u>(82,605)</u>	<u>1,944,603</u>
Costs and Expenses					
Cost of products sold and operating expenses	—	—	1,875,714	—	1,875,714
Depreciation and amortization	—	—	9,556	—	9,556
Selling, general and administrative expenses	—	—	13,411	—	13,411
Total Costs and Expenses	<u>—</u>	<u>—</u>	<u>1,898,681</u>	<u>—</u>	<u>1,898,681</u>
Operating Income	37,509	45,091	45,927	(82,605)	45,922
Net interest cost paid to affiliates	—	35	826	—	861
Other interest cost and debt expenses, net	—	8,499	—	—	8,499
Capitalized interest	—	(952)	—	—	(952)
Net Income (Loss)	<u>\$37,509</u>	<u>\$ 37,509</u>	<u>\$ 45,101</u>	<u>\$ (82,605)</u>	<u>\$ 37,514</u>

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

	Parent	Subsidiary Issuer	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues						
Sales and other operating revenue:						
Affiliates	\$ —	\$ —	\$ 484,710	\$ —	\$ —	\$ 484,710
Unaffiliated customers	—	—	1,118,932	—	—	1,118,932
Equity in earnings of subsidiaries	17,676	24,242	—	2	(41,920)	—
Other income	—	—	5,281	—	—	5,281
Total Revenues	<u>17,676</u>	<u>24,242</u>	<u>1,608,923</u>	<u>2</u>	<u>(41,920)</u>	<u>1,608,923</u>
Costs and Expenses						
Cost of products sold and operating expenses	—	—	1,561,819	—	—	1,561,819
Depreciation and amortization	—	—	9,079	—	—	9,079
Selling, general and administrative expenses	—	—	13,391	—	—	13,391
Total Costs and Expenses	<u>—</u>	<u>—</u>	<u>1,584,289</u>	<u>—</u>	<u>—</u>	<u>1,584,289</u>
Operating Income	<u>17,676</u>	<u>24,242</u>	<u>24,634</u>	<u>2</u>	<u>(41,920)</u>	<u>24,634</u>
Net interest cost paid to / (received from) affiliates	—	(68)	390	2	—	324
Other interest cost and debt expenses, net	—	7,354	—	—	—	7,354
Capitalized interest	—	(720)	—	—	—	(720)
Net Income	<u>\$17,676</u>	<u>\$ 17,676</u>	<u>\$ 24,244</u>	<u>\$ —</u>	<u>\$ (41,920)</u>	<u>\$ 17,676</u>

Condensed Consolidating Statement of Income
Nine Months Ended September 30, 2007
(unaudited)

	Parent	Subsidiary Issuer	Non- Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue:					
Affiliates	\$ —	\$ —	\$1,283,215	\$ —	\$1,283,215
Unaffiliated customers	—	—	3,832,850	—	3,832,850
Equity in earnings of subsidiaries	85,070	109,124	11	(194,205)	—
Other income	—	—	21,125	—	21,125
Total Revenues	<u>85,070</u>	<u>109,124</u>	<u>5,137,201</u>	<u>(194,205)</u>	<u>5,137,190</u>
Costs and Expenses					
Cost of products sold and operating expenses	—	—	4,955,302	—	4,955,302
Depreciation and amortization	—	—	27,867	—	27,867
Selling, general and administrative expenses	—	—	42,417	—	42,417
Total Costs and Expenses	<u>—</u>	<u>—</u>	<u>5,025,586</u>	<u>—</u>	<u>5,025,586</u>
Operating Income	85,070	109,124	111,615	(194,205)	111,604
Net interest cost paid to / (received from) affiliates	—	(20)	2,475	—	2,455
Other interest cost and debt expenses, net	—	26,524	—	—	26,524
Capitalized interest	—	(2,450)	—	—	(2,450)
Net Income	<u>\$85,070</u>	<u>\$ 85,070</u>	<u>\$ 109,140</u>	<u>\$ (194,205)</u>	<u>\$ 85,075</u>

Condensed Consolidating Statement of Income
Nine Months Ended September 30, 2006
(unaudited)

	Parent	Subsidiary Issuer	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues						
Sales and other operating revenue:						
Affiliates	\$ —	\$ —	\$1,481,470	\$ —	\$ —	\$1,481,470
Unaffiliated customers	—	—	2,874,639	—	—	2,874,639
Equity in earnings of subsidiaries	62,414	81,824	—	8	(144,246)	—
Other income	—	—	11,544	—	—	11,544
Total Revenues	<u>62,414</u>	<u>81,824</u>	<u>4,367,653</u>	<u>8</u>	<u>(144,246)</u>	<u>4,367,653</u>
Costs and Expenses						
Cost of products sold and operating expenses	—	—	4,216,279	—	—	4,216,279
Depreciation and amortization	—	—	27,236	—	—	27,236
Selling, general and administrative expenses	—	—	41,916	—	—	41,916
Total Costs and Expenses	<u>—</u>	<u>—</u>	<u>4,285,431</u>	<u>—</u>	<u>—</u>	<u>4,285,431</u>
Operating Income	62,414	81,824	82,222	8	(144,246)	82,222
Net interest cost paid to / (received from) affiliates	—	655	390	2	—	1,047
Other interest cost and debt expenses, net	—	21,220	—	—	—	21,220
Capitalized interest	—	(2,465)	—	—	—	(2,465)
Net Income	<u>\$62,414</u>	<u>\$ 62,414</u>	<u>\$ 81,832</u>	<u>\$ 6</u>	<u>\$ (144,246)</u>	<u>\$ 62,420</u>

Condensed Consolidating Balance Sheet
September 30, 2007
(unaudited)

	Parent	Subsidiary Issuer	Non- Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ —	\$ 1,997	\$ —	\$ —	\$ 1,997
Advances to affiliates	23,474	45,907	(40,953)	—	28,428
Accounts receivable, affiliated companies	—	—	148,254	—	148,254
Accounts receivable, net	—	—	1,049,244	—	1,049,244
Inventories					
Crude oil	—	—	32,993	—	32,993
Materials, supplies and other	—	—	830	—	830
Total Current Assets	<u>23,474</u>	<u>47,904</u>	<u>1,190,368</u>	<u>—</u>	<u>1,261,746</u>
Properties, plants and equipment, net	—	—	1,066,307	—	1,066,307
Investment in affiliates	558,561	1,136,957	84,032	(1,695,623)	83,927
Deferred charges and other assets	—	3,382	21,986	—	25,368
Total Assets	<u>\$582,035</u>	<u>\$1,188,243</u>	<u>\$2,362,693</u>	<u>\$(1,695,623)</u>	<u>\$2,437,348</u>
Liabilities and Partners' Capital					
Current Liabilities					
Accounts payable	\$ —	\$ —	\$1,174,206	\$ —	\$1,174,206
Accrued liabilities	1,029	3,097	40,535	—	44,661
Accrued taxes other than income	—	—	27,874	—	27,874
Total Current Liabilities	<u>1,029</u>	<u>3,097</u>	<u>1,242,615</u>	<u>—</u>	<u>1,246,741</u>
Long-term debt	—	576,375	—	—	576,375
Other deferred credits and liabilities	—	—	29,611	—	29,611
Total Liabilities	<u>1,029</u>	<u>579,472</u>	<u>1,272,226</u>	<u>—</u>	<u>1,852,727</u>
Total Partners' Capital	<u>581,006</u>	<u>608,771</u>	<u>1,090,467</u>	<u>(1,695,623)</u>	<u>584,621</u>
Total Liabilities and Partners' Capital	<u>\$582,035</u>	<u>\$1,188,243</u>	<u>\$2,362,693</u>	<u>\$(1,695,623)</u>	<u>\$2,437,348</u>

Condensed Consolidating Balance Sheet
December 31, 2006

	Parent	Subsidiary Issuer	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Consolidating Adjustments	Total
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>

Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2007
(unaudited)

	Parent	Subsidiary Issuer	Non- Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Cash Flows from Operating Activities	\$ 84,990	\$ 81,146	\$ 131,866	\$ (194,205)	\$ 103,797
Cash Flows from Investing Activities:					
Capital expenditures	—	—	(73,601)	—	(73,601)
Acquisitions	—	—	(13,489)	—	(13,489)
Intercompany	21,883	(174,974)	(41,114)	194,205	—
	<u>21,883</u>	<u>(174,974)</u>	<u>(128,204)</u>	<u>194,205</u>	<u>(87,090)</u>
Cash Flows from Financing Activities:					
Distribution paid to Limited Partners and General Partner	(87,004)	—	—	—	(87,004)
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	(19,927)	2,093	(3,163)	—	(20,997)
Borrowings under credit facility	—	244,220	—	—	244,220
Repayments under credit facility	—	(159,900)	—	—	(159,900)
Contributions from (distributions to) affiliate	—	—	980	—	980
	<u>(106,873)</u>	<u>86,413</u>	<u>(3,662)</u>	<u>—</u>	<u>(24,122)</u>
Net change in cash and cash equivalents	—	(7,415)	—	—	(7,415)
Cash and cash equivalents at beginning of year	—	9,412	—	—	9,412
Cash and cash equivalents at end of period	<u>\$ —</u>	<u>\$ 1,997</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,997</u>

Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2006
(unaudited)

	Parent	Subsidiary Issuer	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Cash Flows from Operating Activities	\$ 62,352	\$ 60,670	\$ 131,874	\$ 6	\$ (144,246)	\$ 110,656
Cash Flows from Investing Activities:						
Capital expenditures	—	—	(85,825)	—	—	(85,825)
Acquisitions	—	—	(121,382)	—	—	(121,382)
Intercompany	(45,720)	(128,140)	29,620	(6)	144,246	—
	<u>(45,720)</u>	<u>(128,140)</u>	<u>(177,587)</u>	<u>(6)</u>	<u>144,246</u>	<u>(207,207)</u>
Cash Flows from Financing Activities:						
Distribution paid to Limited Partners and General Partner	(71,160)	—	—	—	—	(71,160)
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	110,338	—	—	—	—	110,338
Contribution from General Partner for Limited Partner unit transactions	2,427	—	—	—	—	2,427
Net proceeds from issuance of Senior Notes	—	173,307	—	—	—	173,307
Repayments from (advances to) affiliates, net	(5,157)	(48,075)	45,433	—	—	(7,799)
Borrowings under credit facility	—	155,500	—	—	—	155,500
Repayments under credit facility	—	(216,100)	—	—	—	(216,100)
Contributions from (distributions to) affiliate	(53,080)	—	1,723	—	—	(51,357)
	<u>(16,632)</u>	<u>64,632</u>	<u>45,713</u>	<u>—</u>	<u>—</u>	<u>93,713</u>
Net change in cash and cash equivalents	—	(2,838)	—	—	—	(2,838)
Cash and cash equivalents at beginning of year	—	21,645	—	—	—	21,645
Cash and cash equivalents at end of period	<u>\$ —</u>	<u>\$ 18,807</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 18,807</u>

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

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

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

	Three Months Ended September 30,	
	2007	2006
Eastern Pipeline System:⁽¹⁾		
Total shipments (barrel miles per day) ⁽²⁾	67,671,264	61,320,475
Revenue per barrel mile (cents)	0.498	0.474
Terminal Facilities:		
Terminal throughput (bpd):		
Refined product terminals ⁽³⁾	442,054	393,304
Nederland terminal	490,272	480,609
Refinery terminals ⁽⁴⁾	727,870	658,957
Western Pipeline System:⁽¹⁾⁽⁵⁾		
Crude oil pipeline throughput (bpd)	528,407	565,639
Crude oil purchases at wellhead (bpd)	177,205	192,175
Gross margin per barrel of pipeline throughput (cents) ⁽⁶⁾	38.3	12.6

(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 \$37.5 million for the third quarter 2007 as compared with \$17.7 million for the third quarter 2006, an increase of \$19.8 million. The increase was due mainly to strong demand across the operating segments as well as solid performance in the lease acquisition business.

Net interest expense increased \$1.5 million to \$8.4 million for the third quarter 2007 from \$7.0 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.

Analysis of Segment Operating Income

Eastern Pipeline System

Operating income for the Eastern Pipeline System increased \$3.1 million to \$14.7 million for the third quarter 2007 from \$11.6 million for the third quarter 2006. Sales and other operating revenue increased from \$26.8 million for the prior

year's quarter to \$31.0 million for the third 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 attributed to increased volume and fees. Other income increased \$0.7 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 \$13.5 million in the third quarter 2007 from \$12.0 million in the third quarter 2006 due mainly to additional utility expense resulting from higher volume and environmental charges related to third party pipeline contractor damage, partially offset by an increase in product operating gains.

Terminal Facilities

Operating income for the Terminal Facilities segment increased by \$2.9 million to \$12.6 million for the third quarter 2007, as compared to \$9.7 million for the prior year's third quarter. Total revenues increased \$4.2 million from the prior year's third quarter to \$35.9 million for the third quarter 2007 due to increased throughput at our Nederland crude terminal and our refined product terminals as well as higher refined product additive fees. Operating expenses increased \$0.6 million for the third quarter of 2007 to \$14.9 million primarily due to increased maintenance activity and costs associated with the purchase of product additives. Selling, general and administrative expenses increased \$0.6 million for the third quarter of 2007 largely due to higher employee costs.

Western Pipeline System

Operating income for the Western Pipeline System increased \$15.2 million to \$18.6 million for the third quarter of 2007 from \$3.4 million for the prior year quarter. The increase was due to improved asset utilization and strong lease acquisition performance as we were able to take advantage of a contango market structure. Our Mid-Valley Pipeline Company equity interest also contributed to increased profitability. Higher crude prices were a key driver of the increase in total revenue, cost of products sold and operating expenses from the prior year's quarter which was partially offset by lower volume. The average price of West Texas Intermediate crude oil at Cushing, Oklahoma increased to \$75.33 per barrel for the third quarter 2007 from \$70.55 per barrel for the third quarter of 2006. Selling, general and administrative expenses decreased \$0.9 million for the third quarter of 2007 primarily due to an increase in the capitalized engineering costs related to the Partnership's organic growth program.

Results of Operations — Nine Months Ended September 30, 2007 and 2006

Sunoco Logistics Partners L.P. Operating Highlights Nine Months Ended September 30, 2007 and 2006

	Nine Months Ended September 30,	
	2007	2006
Eastern Pipeline System:⁽¹⁾		
Total shipments (barrel miles per day) ⁽²⁾	64,820,837	60,254,723
Revenue per barrel mile (cents)	0.485	0.470
Terminal Facilities:		
Terminal throughput (bpd):		
Refined product terminals ⁽³⁾	432,685	388,996
Nederland terminal	521,147	473,117
Refinery terminals ⁽⁴⁾	686,033	688,553
Western Pipeline System:⁽¹⁾⁽⁵⁾		
Crude oil pipeline throughput (bpd)	532,656	523,780
Crude oil purchases at wellhead (bpd)	180,826	191,894
Gross margin per barrel of pipeline throughput (cents) ⁽⁶⁾	27.8	24.3

(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 \$85.1 million for the nine-month period ended September 2007 as compared with \$62.4 million for the comparable period in 2006, an increase of \$22.7 million. This increase was due mainly to strong performance in the Terminal Facilities and Western Pipeline segments, the August 2006 acquisition of an equity interest in the Mid-Valley Pipeline Company, and the March 2006 acquisitions of the Kilgore and Millennium pipelines. These increases were partially offset by higher interest expense related to the Partnership's organic growth program and 2006 and 2007 acquisitions.

Net interest expense increased \$6.7 million to \$26.5 million for the first nine months of 2007 from \$19.8 million for the first nine months of 2006 due to increased borrowings related to the Partnership's organic growth program as well as inventory adjustments and the previously mentioned acquisitions.

Analysis of Segment Operating Income

Eastern Pipeline System

Operating income for the Eastern Pipeline System increased \$2.4 million to \$35.2 million for the first nine months of 2007 from \$32.8 million for the first nine months of 2006. Sales and other operating revenue increased from \$77.3 million for the prior year's period to \$85.9 million for the nine months ended September 2007 mainly due to increased shipments on the expanded Marysville crude line, and in the aggregate, higher revenue across our refined products pipelines attributable to increased volume and fees. Other income increased by \$2.2 million to \$10.4 million for the first nine months of 2007 from \$8.2 million for the prior year period due to equity income associated with the Partnership's joint venture interests. Operating expenses increased by \$6.9 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 \$13.0 million in the first nine months of 2006 to \$15.2 million in the first nine months of 2007 due mainly to decreased capitalization of certain engineering costs. Depreciation and amortization expense decreased \$0.6 million in the first nine months of 2007 to \$6.8 million as certain assets reached the end of their depreciable life during the third quarter of 2006.

Terminal Facilities

Operating income for the Terminal Facilities segment increased by \$11.4 million to \$40.3 million for the nine months ended September 2007, as compared to \$28.9 million for the prior year's corresponding period. Total revenue increased \$12.9 million to \$104.0 million in the first nine months of 2007 due primarily to increased throughput at the Partnership's Nederland crude terminal and refined product terminals as well as higher refined product additive fees. Operating expenses increased \$0.6 million for the nine months ended September 30, 2007 to \$40.2 million primarily due to increased maintenance activity and costs associated with the purchase of product additives. The increase in selling, general and administrative expense of \$0.9 million was largely due to higher employee costs and was partially offset by an insurance recovery related to the 2005 hurricane loss.

Western Pipeline System

Operating income for the Western Pipeline System increased \$15.5 million to \$36.0 million for the first nine months of 2007 from \$20.5 million for the first nine months of 2006. The increase resulted from higher lease acquisition results and higher crude oil pipeline volume from the 2006 acquisitions previously mentioned. Total revenue, cost of products sold and operating expenses increased compared with the nine months ended September 30, 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 \$66.26 per barrel for the nine months ended September 30, 2007 from \$68.29 per barrel for the comparable period in 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 \$2.5 million due primarily to the absence of Western Area office relocation costs which were incurred during the first quarter 2006 and an increase in the capitalization of certain engineering costs associated with the Partnership's organic growth program, partially offset by higher employee costs. Depreciation and amortization expense increased \$1.2 million in the first nine months of 2007 to \$9.7 million as a result of 2006 acquisitions.

Liquidity and Capital Resources

Liquidity

Cash generated from operations and borrowings under the credit facilities are the Partnership's primary sources of liquidity. At September 30, 2007, the Partnership had net working capital of \$15.0 million and available borrowing capacity under the \$400 million Credit Facility (the "Credit Facility") of \$247.7 million. The Partnership's working capital position also reflects crude oil inventories 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 \$152.7 million at September 30, 2007.

Capital Resources

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

Credit Facility

On August 8, 2007, Sunoco Logistics Partners Operations L.P. (the "Operating Partnership"), a wholly-owned entity of the Partnership, entered into a new, five-year \$400 million Credit Facility. This Credit Facility replaces the Operating Partnership's previous credit facility agreement that was scheduled to mature on November 22, 2010. The Credit Facility is available to fund the Operating Partnership's working capital requirements, to finance future acquisitions, to finance future capital projects and for general partnership purposes. The Credit Facility matures in November 2012.

During the nine months ended September 30, 2007, there were net borrowings of \$84.3 million drawn against the credit facilities 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 September 30, 2007, there was \$247.7 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 September 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 previous 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 the Senior Notes offering of limited partner common units, were used to repay the \$216.1 million in outstanding borrowings under the Partnership's previous credit facility. The balance of the proceeds from the offerings was used to fund the Partnership's organic growth capital program and for general Partnership purposes.

Cash Flows and Capital Expenditures

Net cash provided by operating activities for the nine months ended September 30, 2007 was \$103.8 million compared with \$110.7 million for the first nine-months of 2006. Net cash provided by operating activities for the first nine-months of 2007 was primarily the result of net income of \$85.1 million and depreciation and amortization of \$27.9 million, partially offset by a \$19.8 million increase in working capital. The increase in working capital is primarily attributable to an increase in accounts receivable due to higher revenues, partially offset by a decrease in inventory associated with the reduction of contango inventory positions. Net cash provided by operating activities for the first nine months of 2006 was principally the result of net income of \$62.4 million, depreciation and amortization of \$27.2 million and decrease in working capital of \$25.0 million.

Net cash used in investing activities for the nine months ended September 30, 2007 was \$87.1 million compared with \$207.2 million for the first nine 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 used in financing activities for the first nine months of 2007 was \$24.1 million compared with net cash provided by financing activities of \$93.7 million for the first nine months of 2006. Net cash used in financing activities for the first nine months of 2007 was the result of \$87.0 million in distributions paid to limited partners and the general partner, and \$21.0 million in net advances to affiliates. This decrease was partially offset by an \$84.3 million increase in net borrowings under the Partnership's credit facilities 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. Net cash provided by financing activities for the first nine months of 2006 was the result of \$110.3 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 \$71.2 million in distributions paid to limited partners and the general partner, a net repayment of \$60.6 million of outstanding borrowings under the Partnership's previous Credit Facility and \$51.4 million in capital distributions to Sunoco due primarily to the acquisition of a 55.3 percent interest in the Mid-Valley Pipeline Company discussed earlier.

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 September 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, to address environmental regulations and to improve operating efficiencies;
- 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):

	Nine Months Ended September 30,	
	2007	2006
Maintenance	\$ 14,562	\$ 16,882
Expansion	72,528	188,113
	<u>\$ 87,090</u>	<u>\$ 204,995</u>

Maintenance capital expenditures for the nine months ended September 30, 2007 were \$14.6 million compared to \$16.9 million for the nine months ended September 30, 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 \$115.6 million to \$72.5 million for the nine months ended September 30, 2007. Expansion capital for the nine months ended September 30, 2007 includes the 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. Expansion capital also included continued construction at Nederland of seven new crude oil storage tanks with a total capacity of approximately 4.2 million shell barrels, additional pipeline connections in the Western Pipeline System, and the second quarter of 2007 acquisition of a 50 percent interest in the Syracuse, New York refined products terminal. Expansion capital for nine months ended September 30, 2006 included the acquisition of the Millennium and Kilgore pipelines, the Amdel pipeline and the equity interest in Mid-Valley for approximately \$121.4 million.

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 \$400 million Credit Facility generally exposes the Partnership to interest rate risk since it bears interest at a variable rate of 5.93 percent at September 30, 2007. A one percent change in interest rates changes annual interest expense by approximately \$1.5 million based on outstanding borrowings under the Credit Facility of \$152.3 million at September 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;
- 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.

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

Sunoco Partners Marketing & Terminals L.P. ("SPMT"), which is wholly owned by the Partnership, has received a proposed penalty assessment from the Internal Revenue Service ("IRS") in the aggregate amount of \$5.1 million based on a failure to timely file excise tax information returns relating to its terminal operations during the calendar years 2004 and 2005. SPMT became current on its information return filings with the IRS in July of 2006. SPMT believes it had reasonable cause for the failure to not file the information returns on a timely basis, and intends to seek the elimination of the asserted penalties. The proposed penalties are for the failure to file information returns rather than any failure to pay taxes due, as no taxes were owed by SPMT in connection with such information. The timing or outcome of this claim, and the total costs to be incurred by SPMT in connection therewith, cannot be reasonably estimated at this time.

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 September 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

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

None

Item 5. Other Information

None

Item 6. Exhibits

Exhibits

- 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.

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: October 31, 2007

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

Sunoco Logistics Partners L.P.

	<u>Nine Months Ended September 30, 2007</u>
Fixed Charges:	
Interest cost and debt expense	\$ 29,189
Interest allocable to rental expense (a)	1,594
Total	<u>\$ 30,783</u>
Earnings:	
Income before income tax expense	\$ 85,075
Equity in income of less than 50 percent owned affiliated companies	(20,801)
Dividends received from less than 50 percent owned affiliated companies	18,325
Fixed charges	30,783
Interest capitalized	(2,450)
Amortization of previously capitalized interest	154
Total	<u>\$ 111,086</u>
Ratio of Earnings to Fixed Charges	<u>3.61</u>

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

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

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

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 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: October 31, 2007

/s/ DEBORAH M. FRETZ

Name: **Deborah M. Fretz**

Title: **President, and Chief Executive Officer**

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

I, Neal E. Murphy, Vice President & Chief Financial Officer of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., hereby certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 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: October 31, 2007

/s/ NEAL E. MURPHY

Name: **Neal E. Murphy**

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

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

We, the undersigned Deborah M. Fretz and 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 September 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: October 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**