FUNDAMENTAL PETROLEUM TRENDS

WEEKLY PROPANE SUPPLY-DEMAND-PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, December 24, 2009

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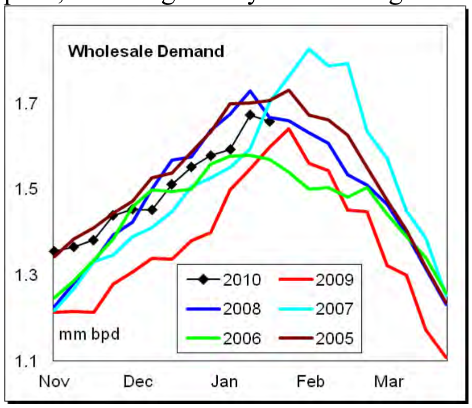
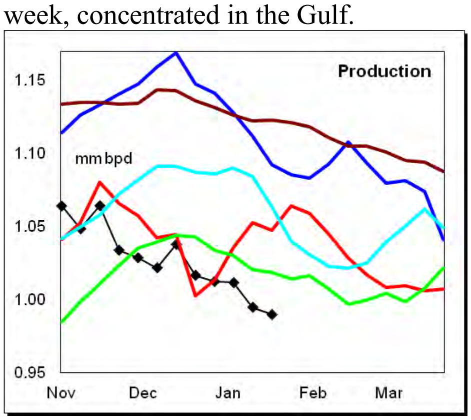
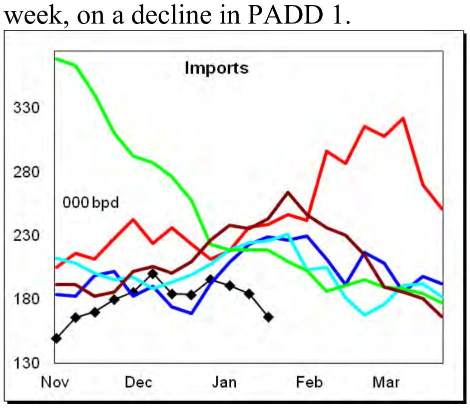
Summary[1]: Wholesale demand declined -117,000 bpd last week, with the latest 4-wk average +133,000 bpd above last year. Weekly demand is near the season peak, matching the 5-year mid range.



Production increased +34,000 bpd on the week, concentrated in the Gulf.

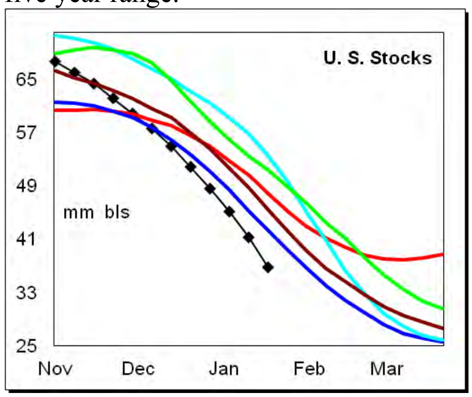


Imports decreased -82,000 bpd last week, on a decline in PADD 1.

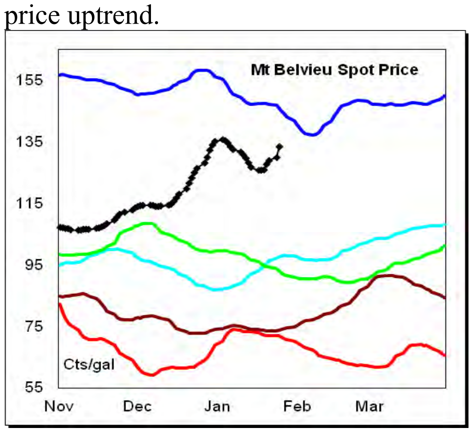


Combined production and imports during the last 4-wk period were -88,000 bpd below last year, compared to the +133,000 bpd increase in demand for the same period.

This supply/demand imbalance led to a -4.3 million barrel stock draw. The 4-wk stock change was a draw of -15 million barrels, a record draw for the period. Stock levels are well below the five year range.



Price and Spreads Mt Belvieu and Conway spot prices increased +7.75 cts/gal and +6.50 cts/gal; respectively for the week ending 26Jan10. Record stock draws, due in part to very low supply and near normal demand underlie the price uptrend.

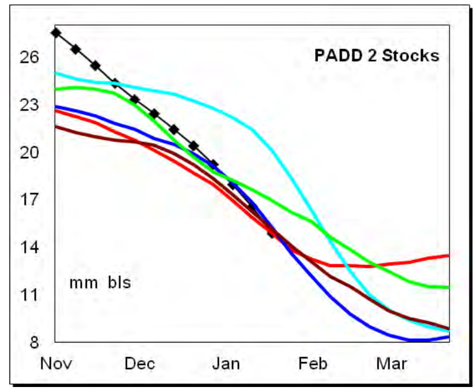


The Conway – Mt Belvieu price spread increased in favor of Conway during the week. The spread ended the week well above the five year mid range.

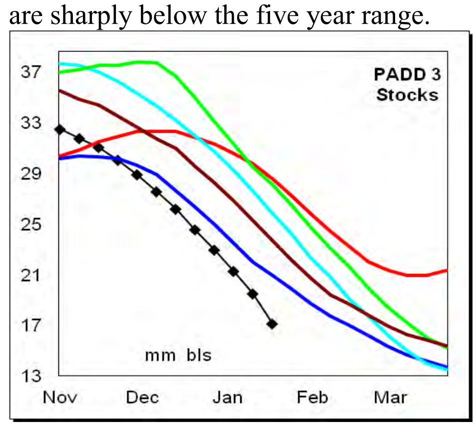
The propane to natural gas price spread increased during the week, ending at a record high. The propane / crude oil price spread trended sharply higher on the week, ending at the upper end of the historic range.

PADD 1 stocks increased +0.1 million barrels on the week, as a result of lower demand that offset the drop in imports. Production remains well below the historic range. Stock levels are near the 5-year low.

PADD 2 stocks decreased -1.6 million barrels last week on strong heating demand. Supply for the latest 4-wk period was +19,000 bpd above last year. The latest 4-wk stock draw of -5.5 million barrels was a record for the period. Stock levels match the five year low.



PADD 3 stocks declined -2.5 million barrels last week. Production was at mid range of the historic range. Stock levels are sharply below the five year range.



PADDs 4 & 5 stocks declined -0.3 million barrels, to a fresh five year low for the period. Supply remains well below the historic range.

Emerging Trends *point to a meaningful risk of a supply squeeze in the Midwest and Gulf markets. Stocks are at record lows in the Gulf and imports into the Midwest are also below the historic range. The ability to meet a demand surge in the Midwest is severely limited should temperatures turn colder than normal in key demand regions.*

[1] Source is latest EIA Weekly Statistics

PROPANE: Graph Link and Weekly Summary

January 27, 2010

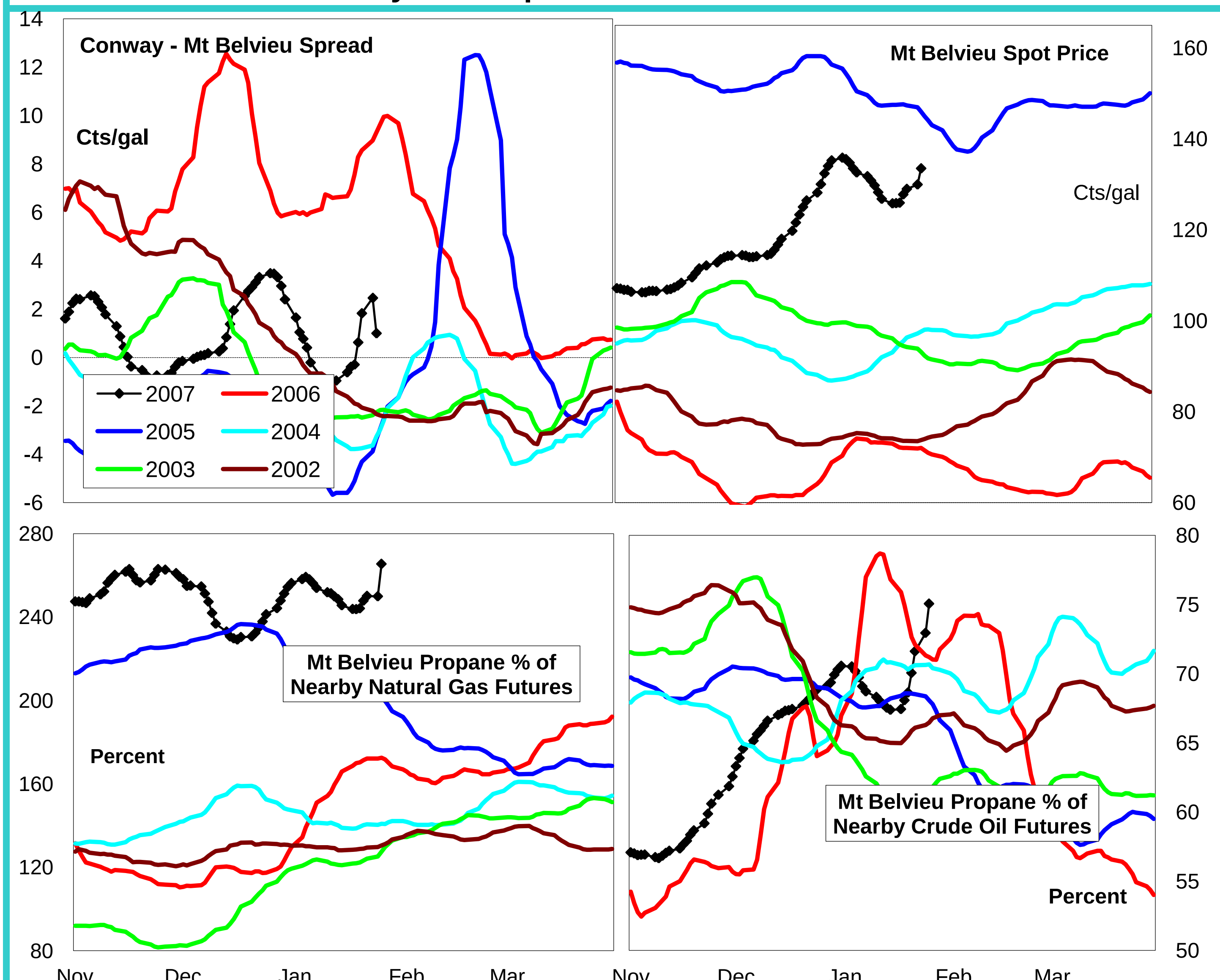
Fundamental Trends for the Week Ending: Friday, January 22, 2010

000 bpd / Stocks 000 bls	Weekly Supply-Demand					Change from prior week:				
	U.S.	PADD				U.S.	PADD			
	Total	1	2	3	4&5	Total	1	2	3	4&5
Stocks	36,813	3,221	14,889	17,545	1,158	-4,325	80	-1,593	-2,538	-274
Propylene Stocks	3,102					-332				
Production	990	38	243	658	51	34	14	-13	37	-4
Imports	166	76	75	0	15	-82	-69	-2	-6	-5
Whsle Demand	1,677					-117				

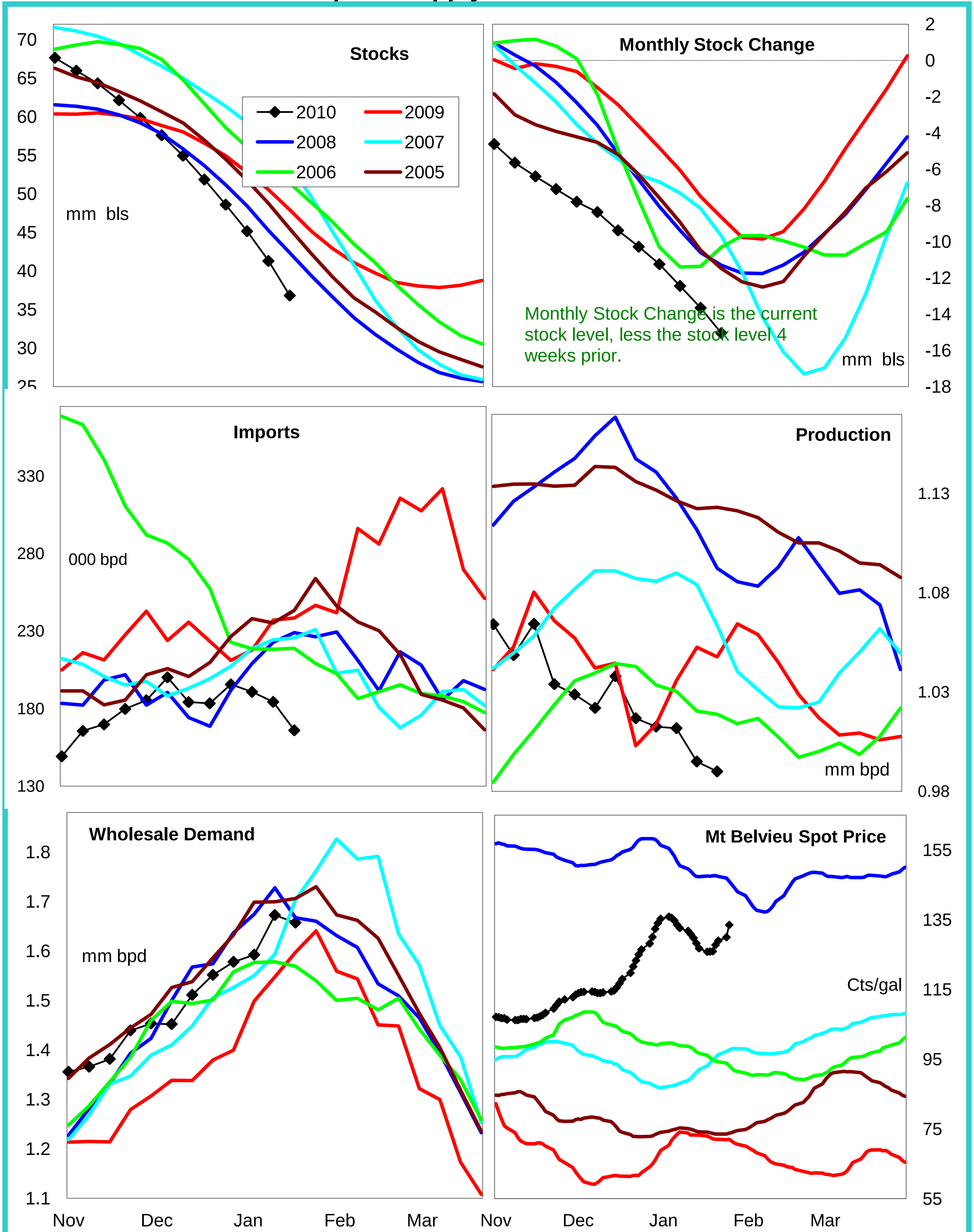
Price Trends for the Week Ending: Tuesday, January 26, 2010

Cents/gal	Average for week ending:				Change from:			% change from:		
	1/26/10	1/19/10	12/24/09	1/15/09	1/19/10	12/24/09	1/15/09	1/19/10	12/24/09	1/15/09
Mont Belvieu Spot	129.0	122.4	128.3	71.7	6.58	-5.88	56.56	5.4	-4.6	78.9
Conway Spot	130.8	119.9	133.6	80.7	10.95	-13.73	52.88	9.1	-10.3	65.5

Key Price Spreads and Differentials



U. S. Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Demand	4wk avg	Dec	Nov	Oct
000 bpd (000 bls stks)	-10,674	-6,398	-35	-53		133	204	236	67
% change	-22.5	74	-3.4	-22.6		8.7	15.2	20.2	6.1

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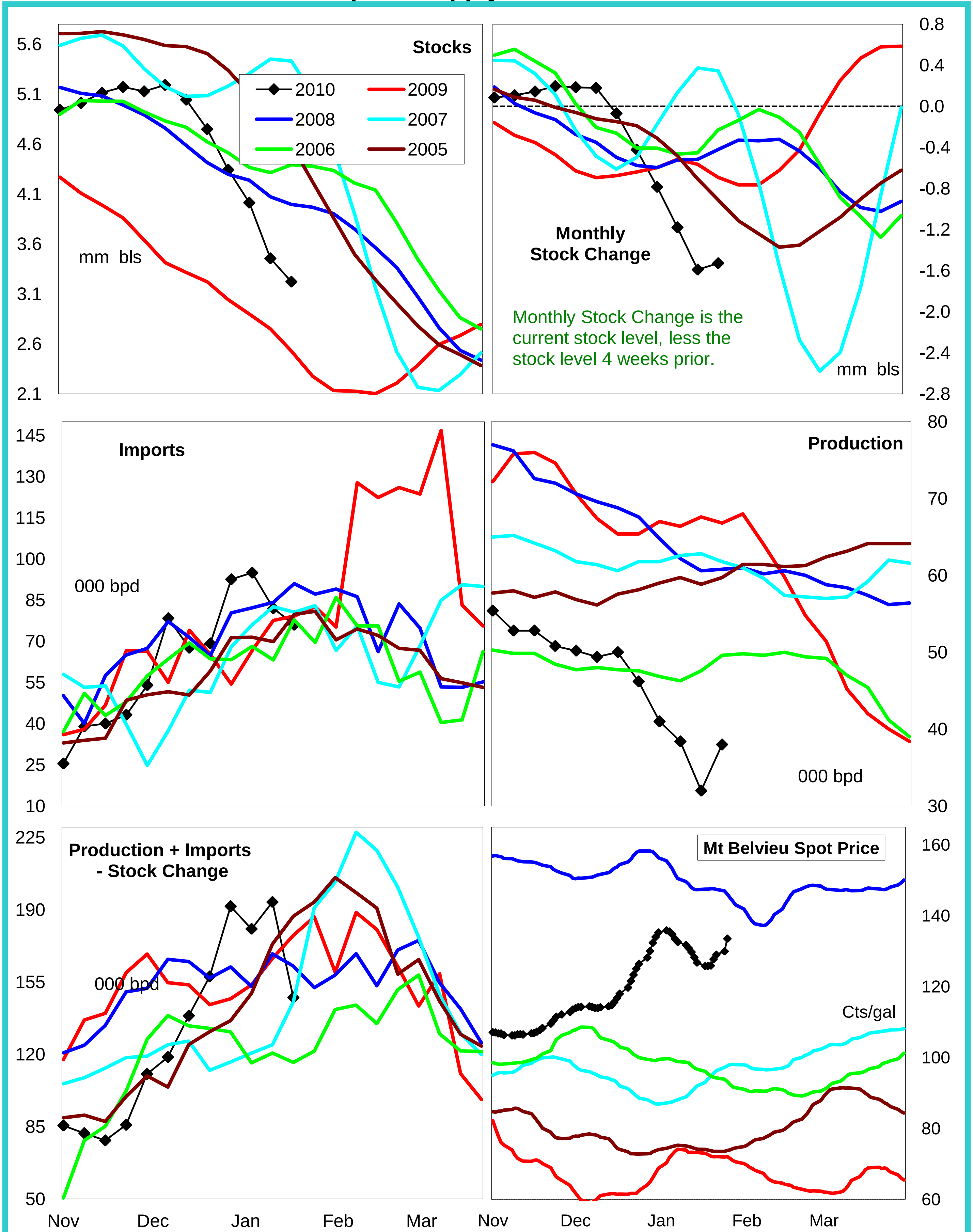
PADD 1 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	804	-836	-32	7	17
% change	33.3	120.7	-46.8	8.5	10.7

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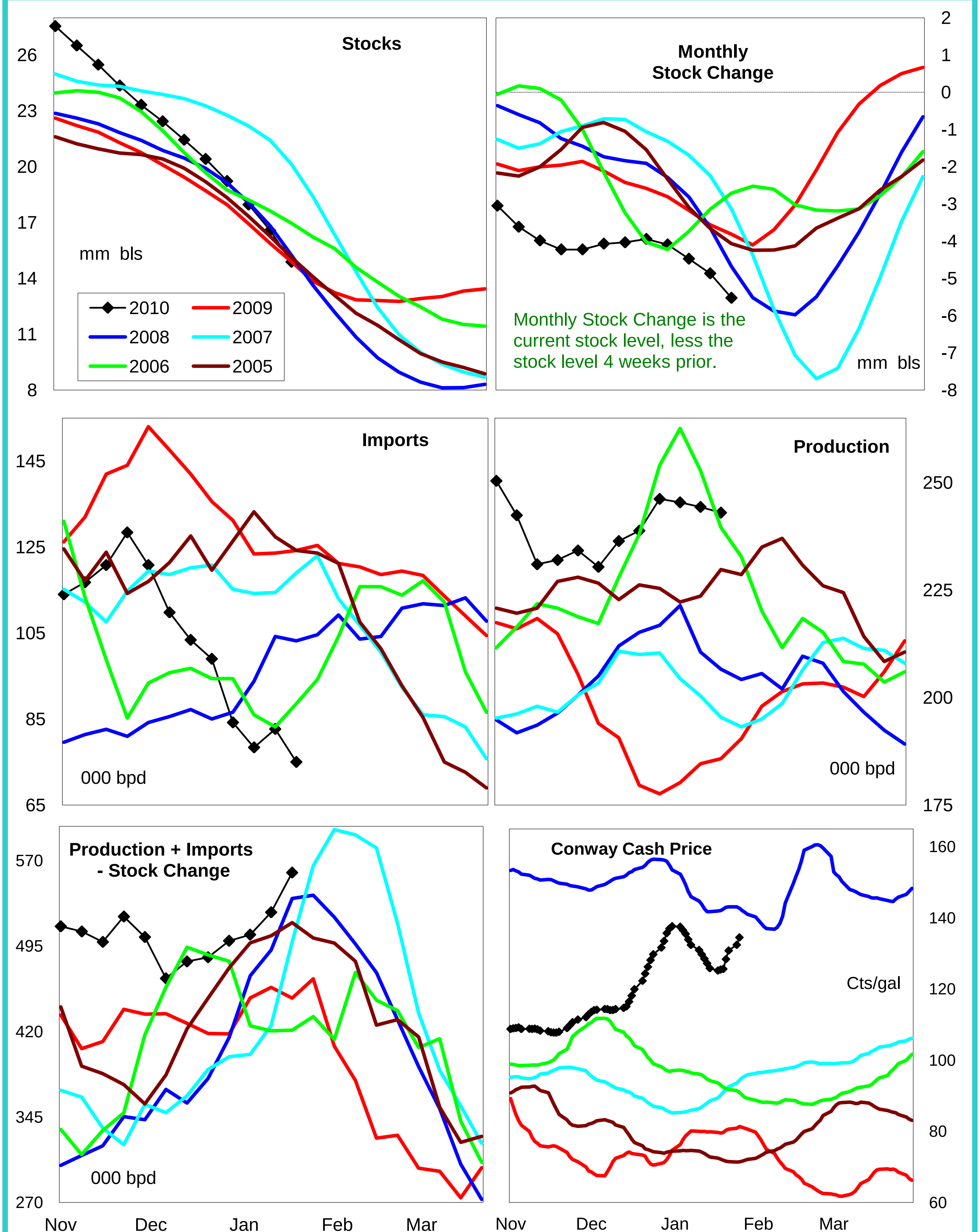
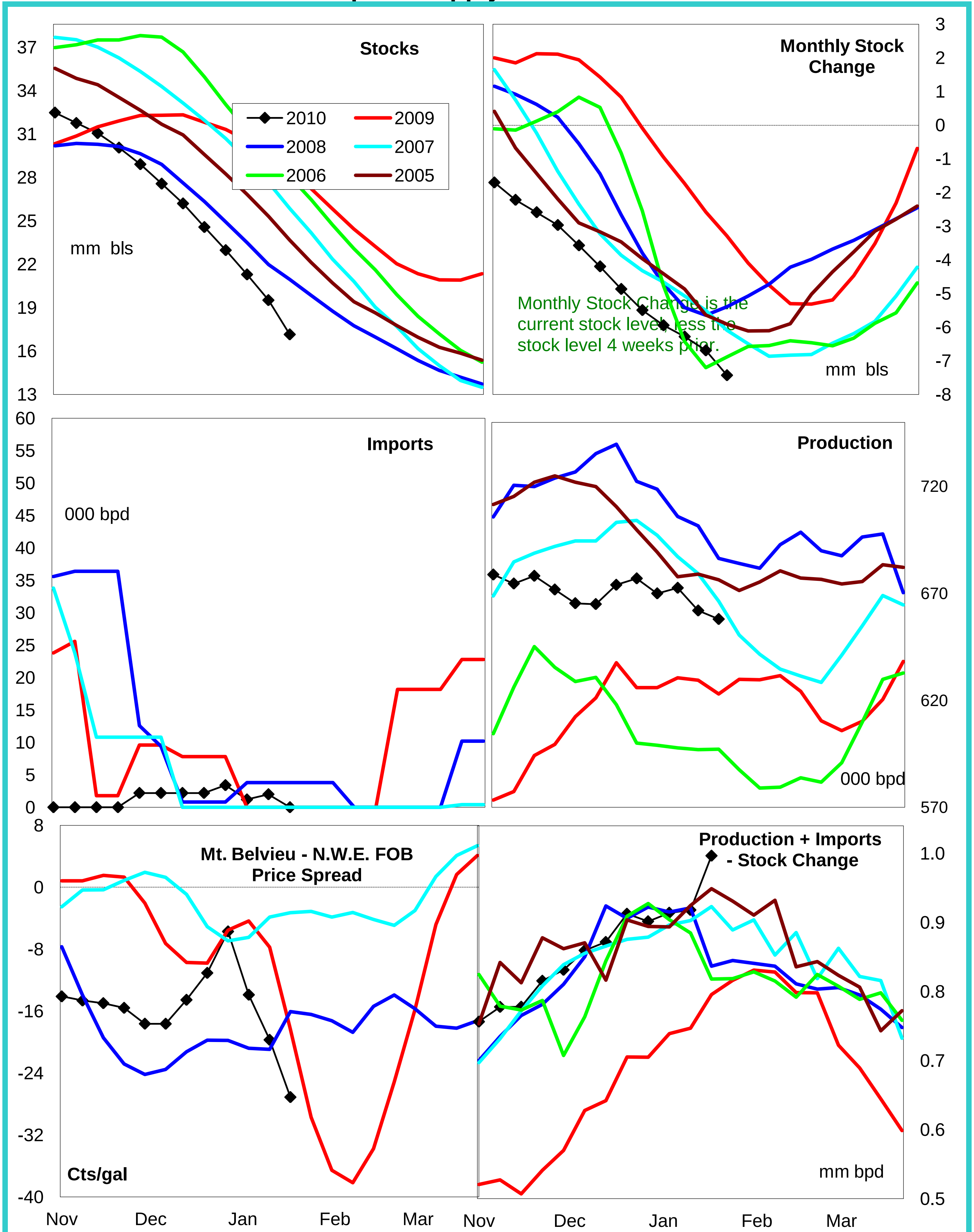
PADD 2 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	437	-1,711	64	-45	78
% change	3.0	44.9	34.8	-36.4	17.6

PADD 3 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-11,643	-4,138	42	2	186
% change	-39.9	125.8	6.7	#DIV/0!	24.9

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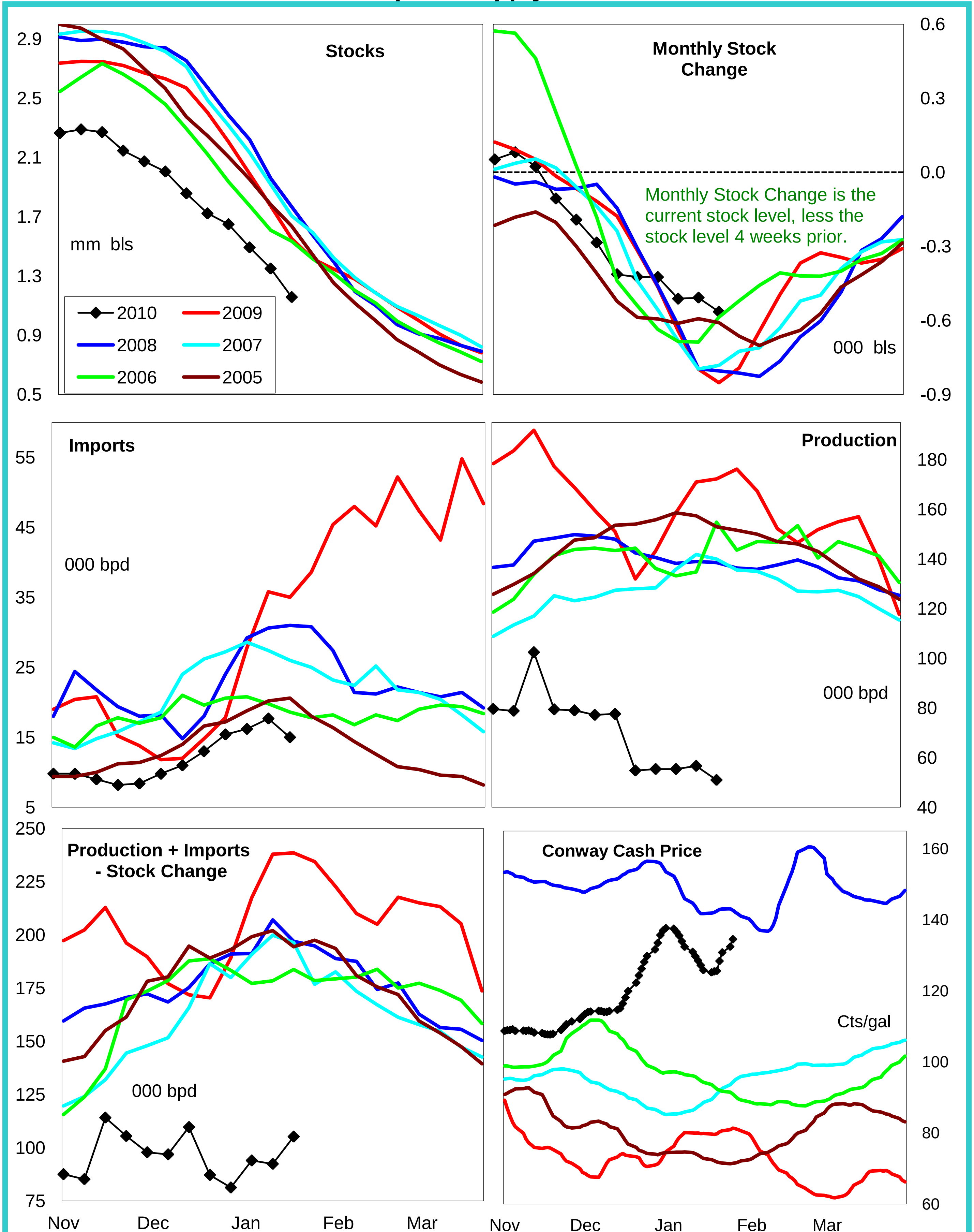
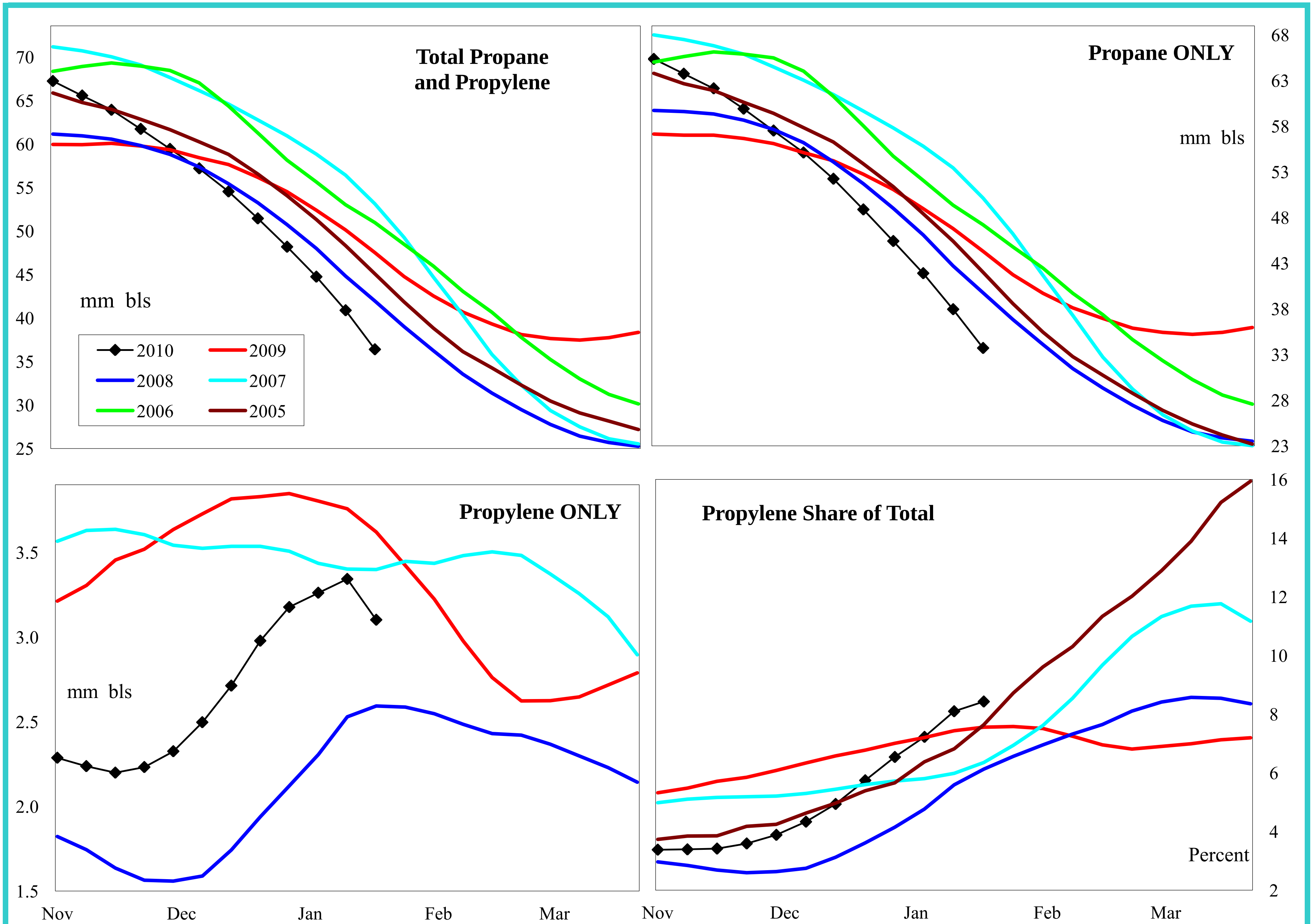
PADDs 4 and 5 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-272	287	-110	-16	-128
% change	-19.0	-33.7	-65.8	-48.1	-57.8

U. S. Propane and Propylene Stocks



Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	-10,674	-10,053	-519
% change	-22.5	-23.0	-14.3

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U. S. Petroleum Administrative for Defense Districts (PADDs)