FUNDAMENTAL PETROLEUM TRENDS

WEEKLY PROPANE SUPPLY-DEMAND-PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, May 26, 2010

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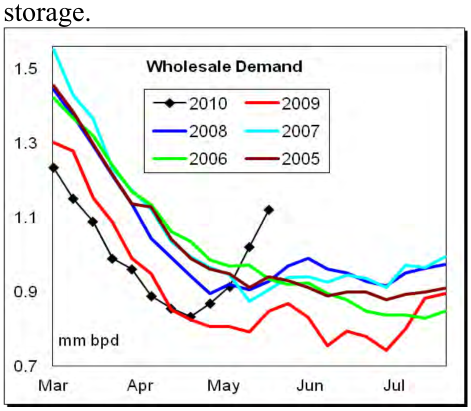
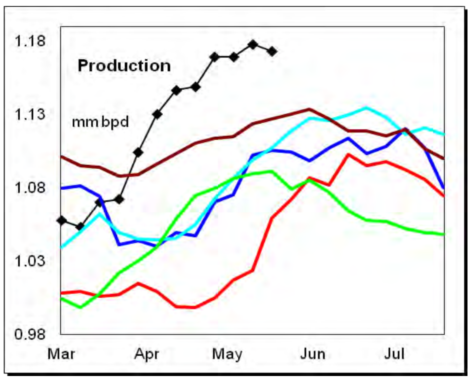
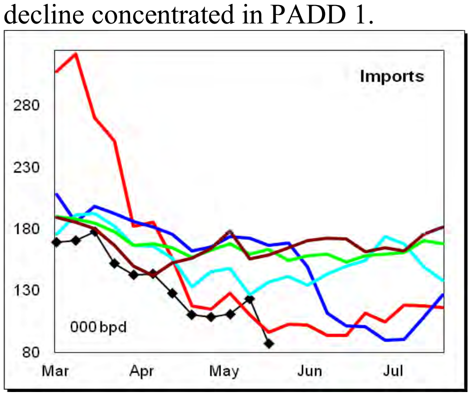
Summary[1]: Wholesale demand increased +14,000 bpd last week, following the prior week +272,000 bpd surge. This level of demand points to movement of product into private petro chemical storage.



Production decreased -27,000 bpd on the week still near recent record levels.

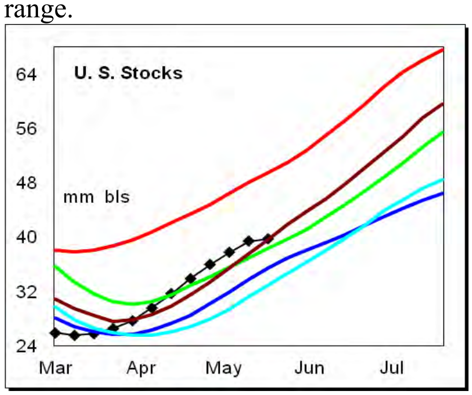


Imports decreased -15,000 bpd with the decline concentrated in PADD 1.

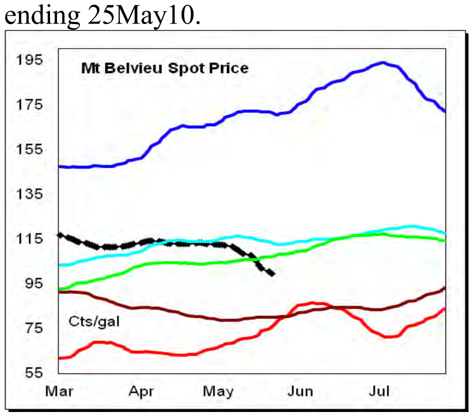


Combined production and imports during the latest 4-wk period were +144,000 bpd above a year ago. Imports declined -4,000 bpd during the period, offset by a +148,000 bpd rise in production. The latest 4-wk average demand was +176,000 bpd above last year.

Stocks increased +0.2 million barrels on the week, including a +0.6 million barrel build in the Gulf. The latest 4-wk stock change was a build of 5.5 million barrels, near the low for this period. Stock levels are above the mid range.



Price and Spreads Mt Belvieu and Conway prices decreased -7 cts/gal and -10 cts/gal; respectively for the week ending 25May10.



The Conway – Mt Belvieu price spread trended lower on the week ending 15May10. The spread ended the week well below the 5-year range.

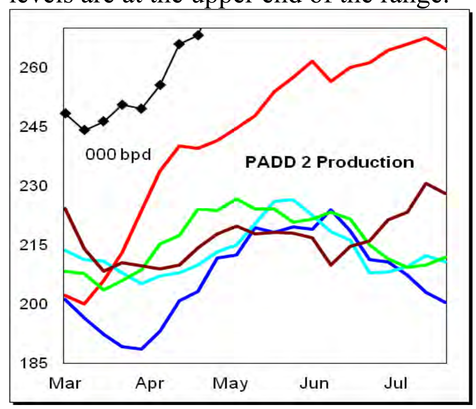
The propane to natural gas price spread extended the recent downtrend on strength in gas prices. The level remains very high in favor of propane.

The propane / crude oil price spread trended lower on weakness in propane prices and the roll to the July crude oil contract.

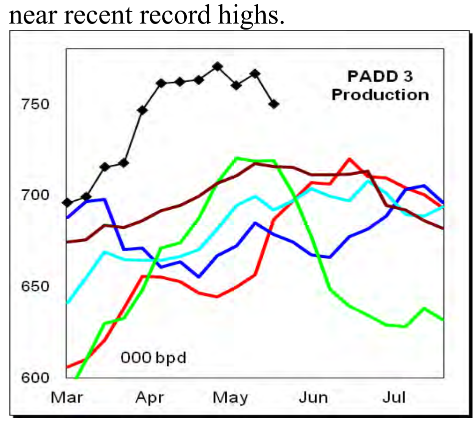
The level ended the week at the mid range.

PADD 1 stocks decreased -0.1 million barrels. Imports declined -24,000 bpd on the week. Combined production and imports were unchanged compared to a year ago for the latest 4-wk period. Stock levels are below the mid range.

PADD 2 stocks decreased -0.2 million barrels last week. Combined imports and production decreased -1,000 bpd last week. Supply was +42,000 bpd above last year for the latest 4-wk period. The most recent 4-wk stock build of +3.7 million barrels, at the mid range. Stock levels are at the upper end of the range.



PAD 3 stocks increased +0.5 million barrels last week. Production decreased -19,000 bpd on the week, with the 4-wk average +102,000 bpd above last year, near recent record highs.



PADDs 4 & 5 stocks were unchanged on the week. Stock levels are at the low end of the 5-year range.

Emerging Trends *show very strong wholesale demand over the past two weeks - pointing toward movement from commercial to private storage. Production remains high. The current price pullback has attracted buyers which should support near term prices.*

[1] Source is latest EIA Weekly Statistics

PROPANE: Graph Link and Weekly Summary

May 26, 2010

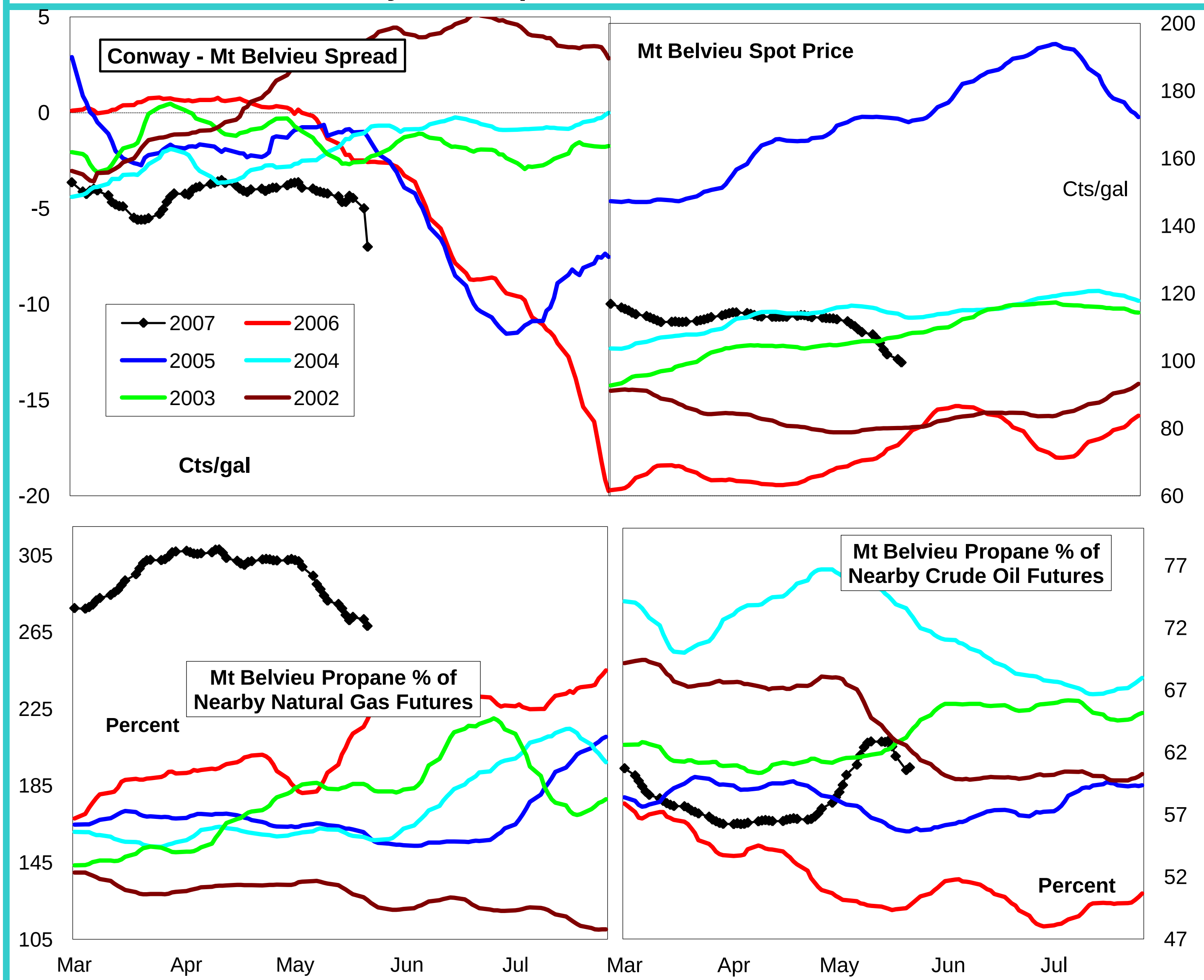
Fundamental Trends for the Week Ending: Friday, May 21, 2010

000 bpd Stocks 000 bls	Weekly Supply-Demand					Change from prior week:				
	U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5	U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5
Stocks	39,709	3,336	16,884	18,782	707	188	-103	-247	546	-8
Propylene Stocks	2,938					-80				
Production	1,173	53	307	750	63	-27	2	-8	-19	-2
Imports	87	18	65	0	4	-15	-24	9	0	0
Whsle Demand	1,161					14				

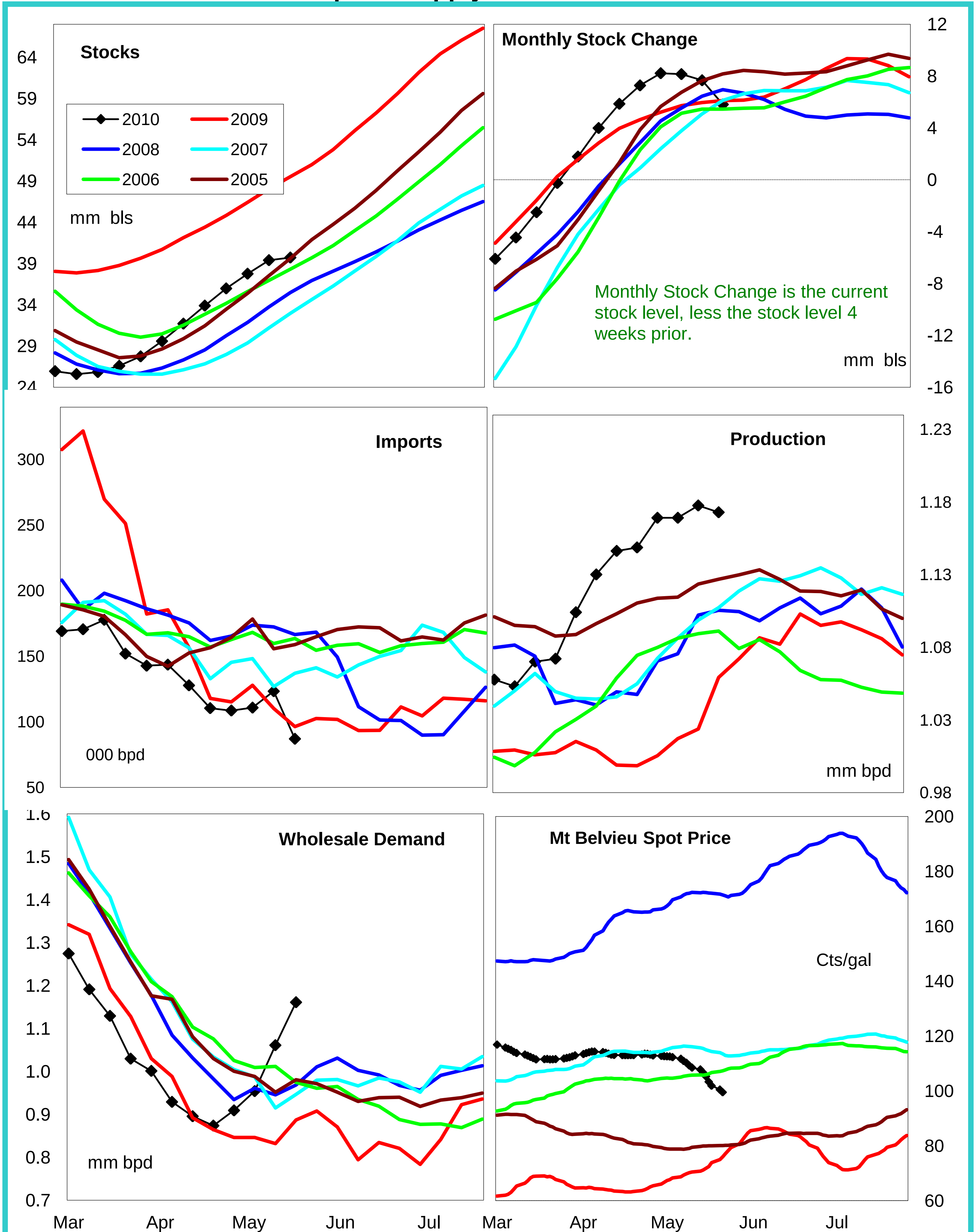
Price Trends for the Week Ending: Tuesday, May 25, 2010

Cents/gal	Average for week ending:				Change from:			% change from:		
	5/25/10	5/18/10	4/27/10	5/15/09	5/18/10	4/27/10	5/15/09	5/18/10	4/27/10	5/15/09
Mont Belvieu Spot	101.9	110.3	113.1	72.3	-8.38	-2.85	40.79	-7.6	-2.5	56.4
Conway Spot	97.4	105.3	108.6	69.3	-7.83	-3.32	39.25	-7.4	-3.1	56.6

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	Apr	Mar	Feb
000 bpd (000 bls stks)	-9,643	-292	148	-4		176	-81	-64	209
% change	-19.5	-5	14.5	-3.0		20.8	-8.5	-5.5	16.3

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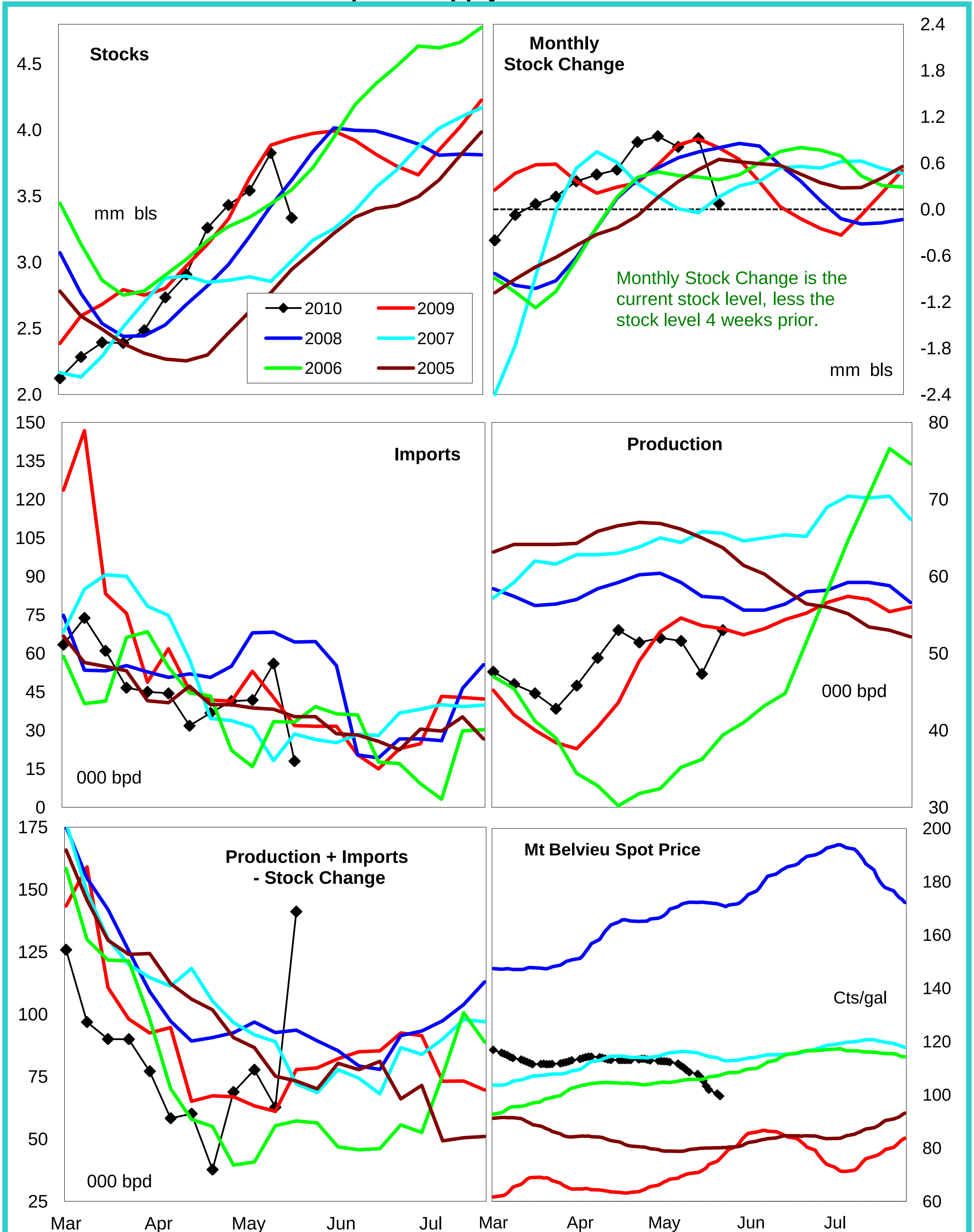
PADD 1 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-784	-724	-4	4	20
% change	-19.0	-90.5	-7.8	8.8	30.2

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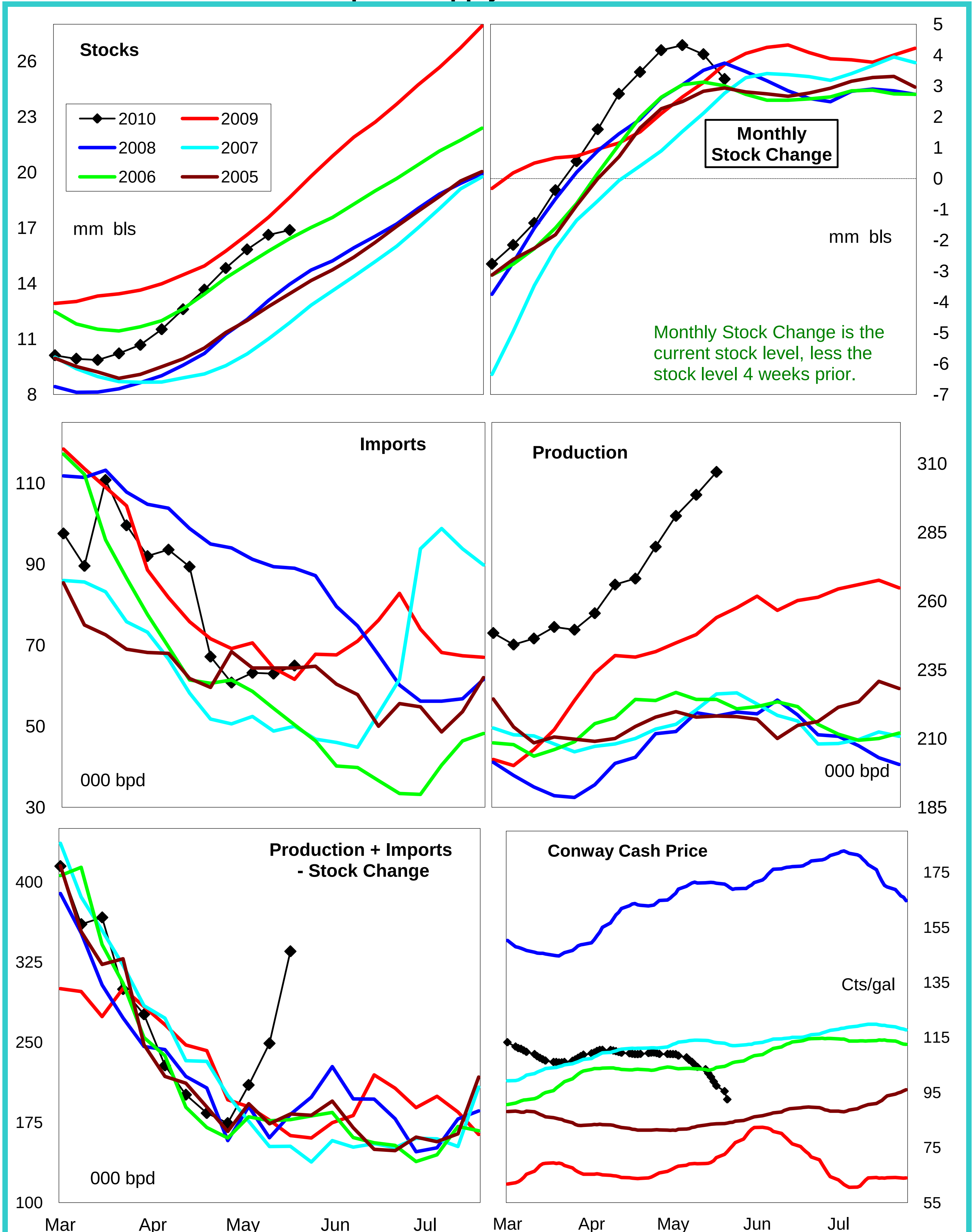
PADD 2 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-1,510	-476	52	-10	61
% change	-8.2	-12.9	21.1	-14.3	33.4

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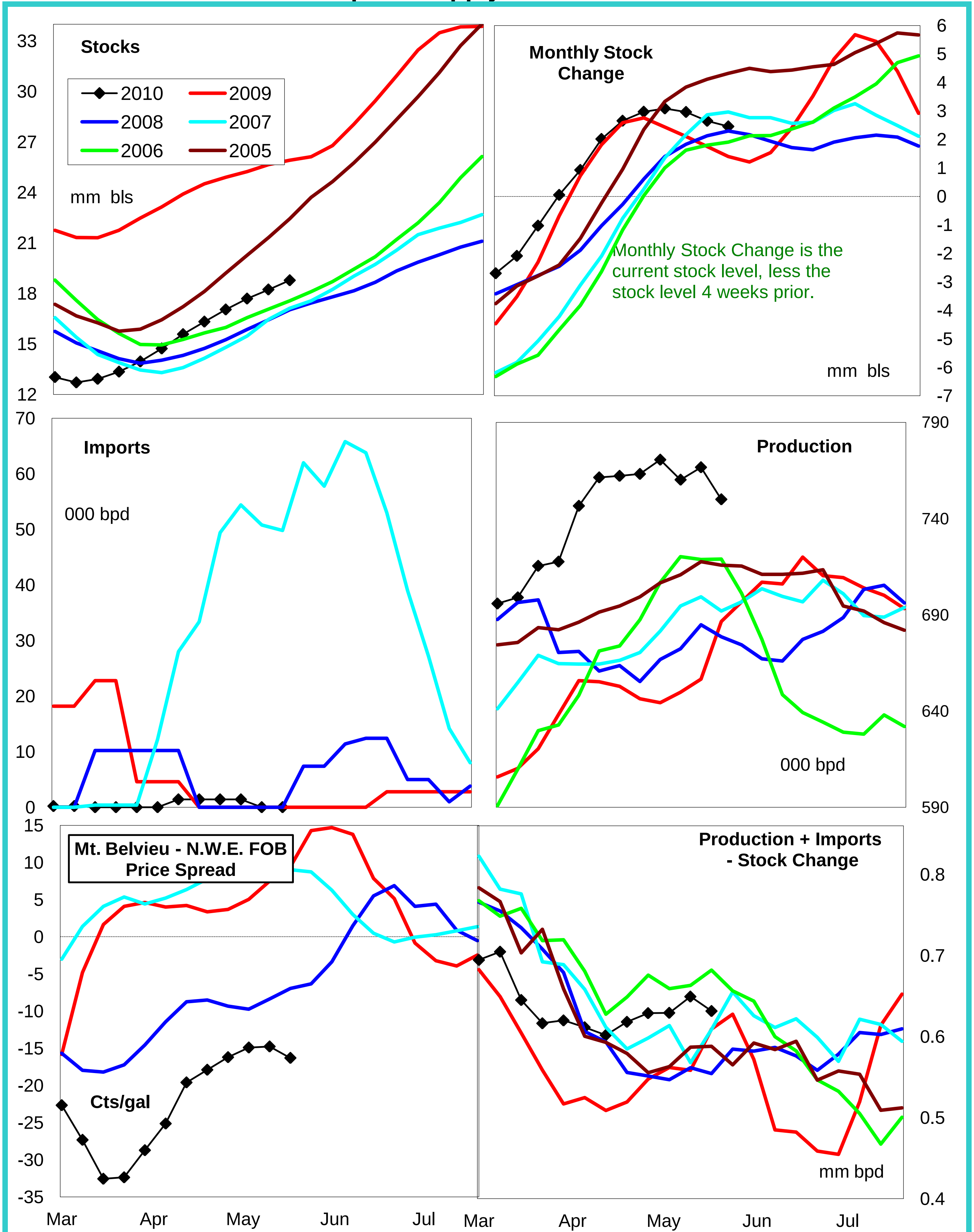
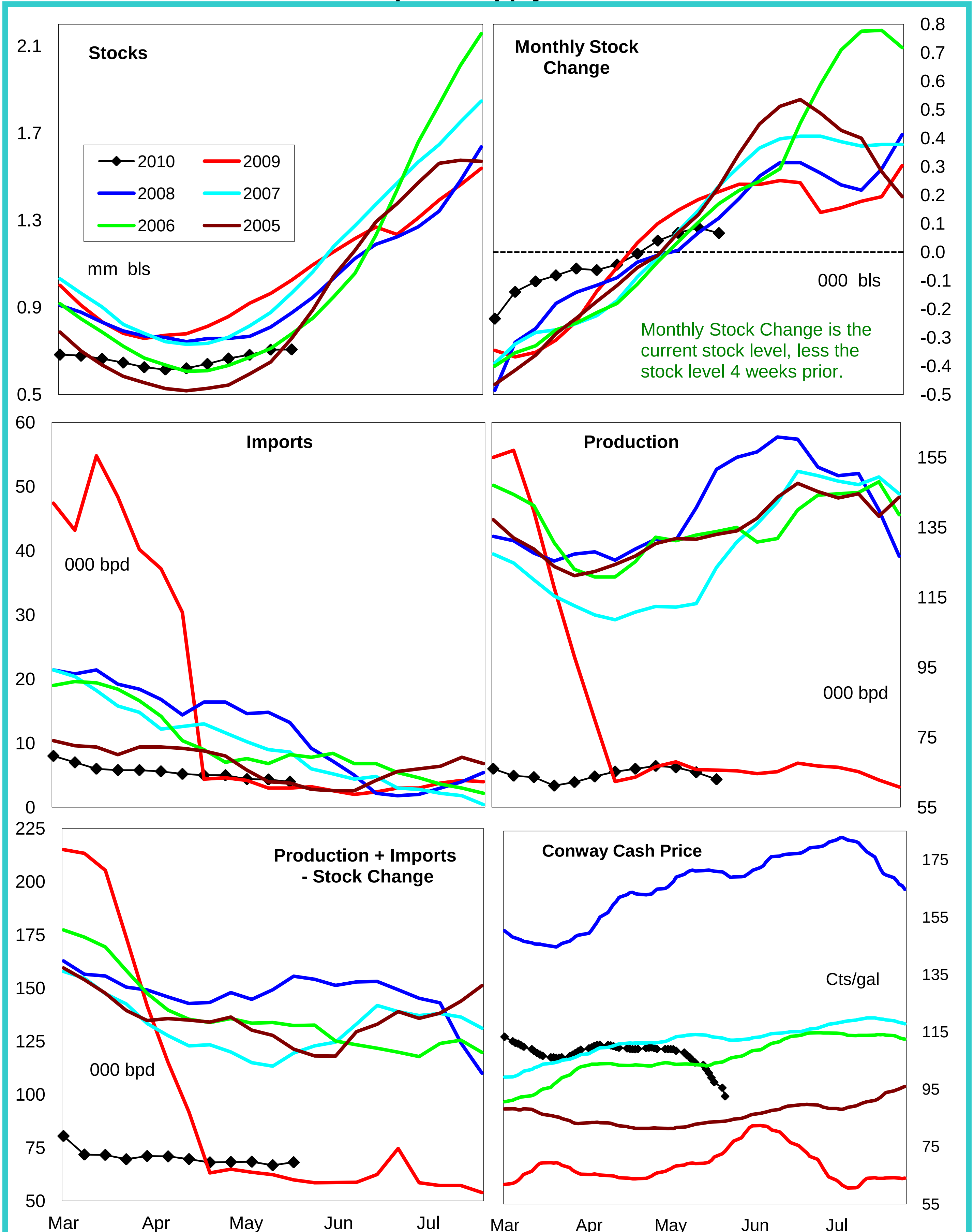
PADD 3 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-7,026	1,053	102	2	66
% change	-27.2	75.0	15.5	#DIV/0!	10.8

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)	-323	-145	-1	1	5
% change	-31.4	-68.6	-1.9	30.8	8.4

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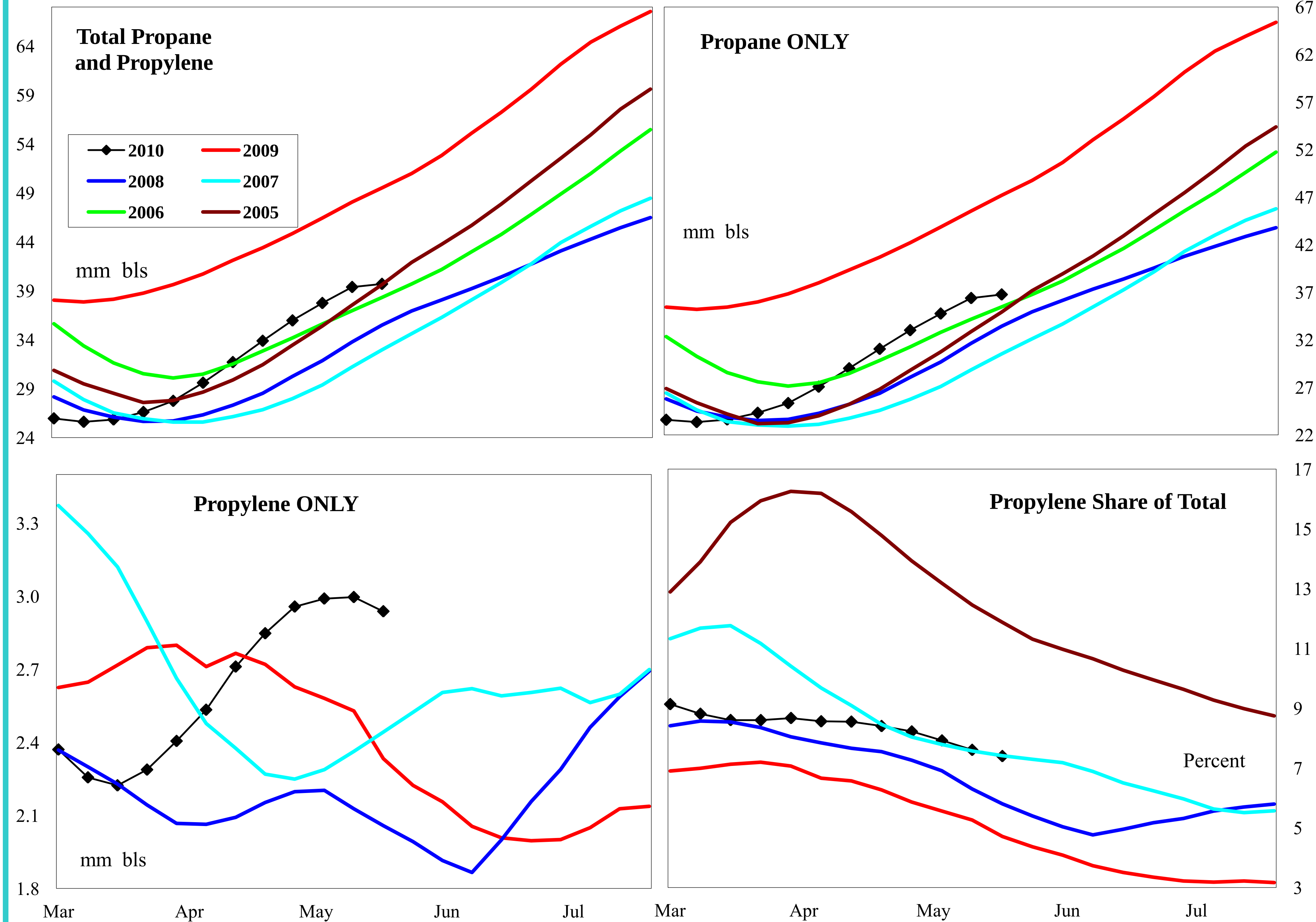
U. S. Propane and Propylene Stocks



Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	-9,643	-10,192	604
% change	-19.5	-21.7	25.9

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