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, September 22, 2010

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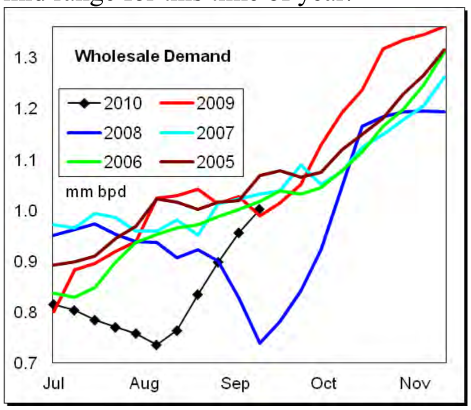
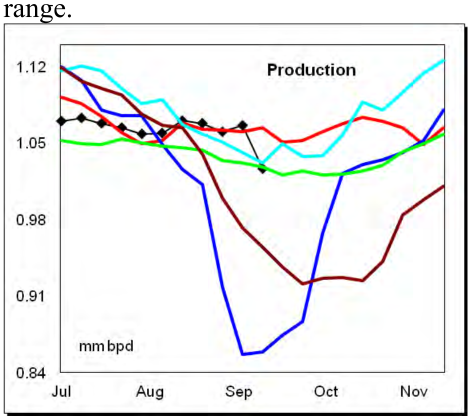
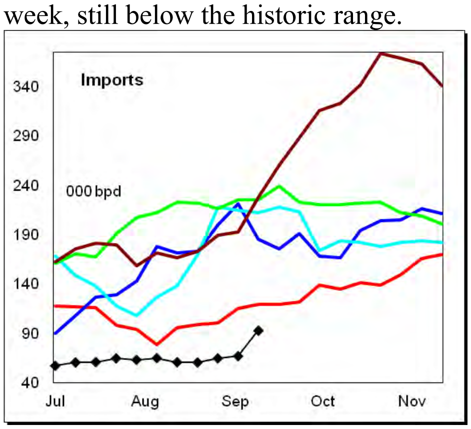
Summary[1]: Wholesale demand declined -31,000 bpd last week, to a level near the mid range for this time of year.



Production decreased -36,000 bpd on the week, a level that matched the mid range.

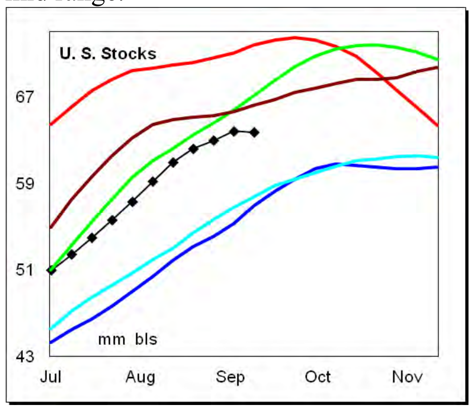


Imports increased +36,000 bpd last week, still below the historic range.

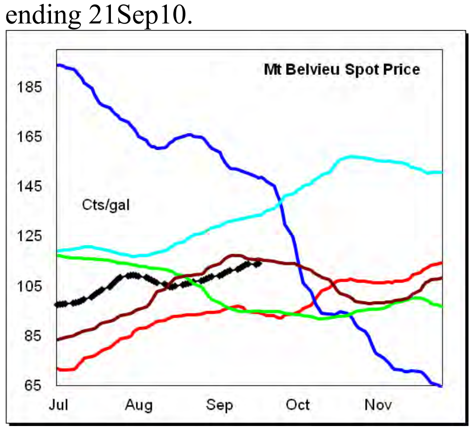


Combined production and imports during the latest 4-wk period were -48,000 bpd below a year ago. Production was -4,000 bpd lower while imports were off -44,000 bpd from last year. The latest 4-wk average demand was -128,000 bpd below last year.

Stocks were unchanged this week. The latest 4-wk stock change was a build of +2.8 million barrels, below the 5-year mid range.



Price and Spreads Mt Belvieu prices increased +0.75 cts/gal while Conway decreased -0.75 cts/gal for the week ending 21Sep10.

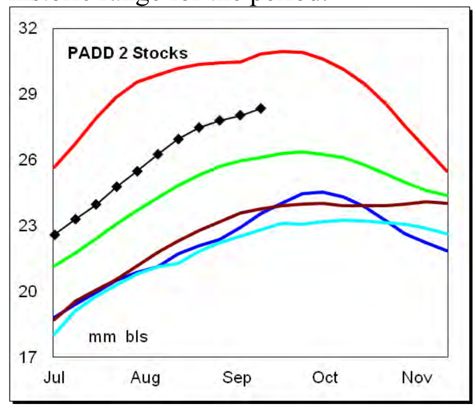


The Conway – Mt Belvieu price spread trended lower last week ending 21Aug10. The spread ended the week near the 5-year mid range.

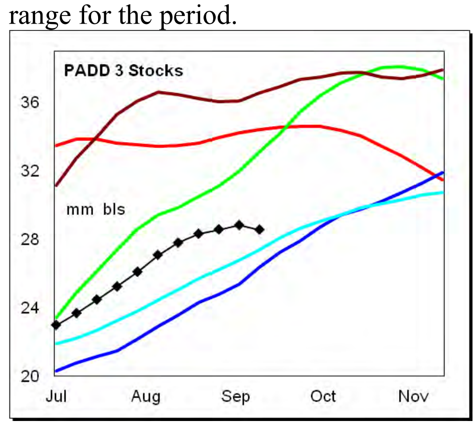
The propane to natural gas price spread trended higher on the week. The spread was above the 5-year high for this time of year.

The propane / crude oil price spread extended the uptrend that began in mid July, ending the week near the 5-year mid range.

PADD 1 stocks were unchanged last week. Combined production and imports increased +10,000 bpd on the week, with the level below the historic range. Supply for the latest 4-wk period was -16,000 bpd below a year ago. Stock levels were at the upper end of the historic range for the period.



PADD 2 stocks increased +0.2 million barrels last week, with stock levels -2.7 million barrels below the 5-year high for the period. Combined imports and production increased +23,000 bpd on the week. The most recent 4-wk stock build of +1.5 million barrels, was at the mid range for the period.



PAD 3 stocks decreased -0.3 million barrels. Supply declined -34,000 bpd on the week, with the 4-wk average +7,000 bpd above last year. Stock levels fell to the low end of the historic range.

PADDs 4 & 5 stocks increased +0.1 million barrel last week. Stock levels were near historic lows.

Emerging Trends *point to an early Midwest grain harvest with low moisture content in the grain, so that propane demand will be particularly low this year. European markets are exhibiting very strong pricing. Stock levels are below the historic mid range in the Gulf. On balance these trends point to modest price strength during the quarter.*

[1] Source is latest EIA Weekly Statistics

PROPANE: Graph Link and Weekly Summary

September 22, 2010

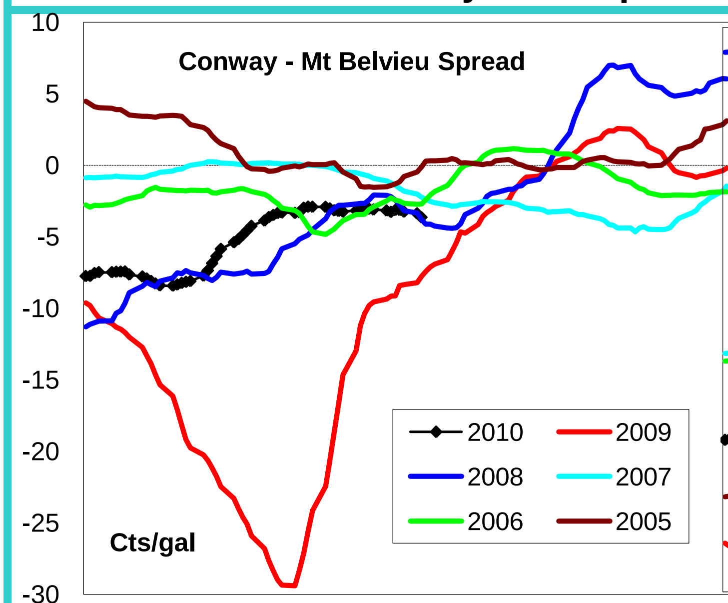
Fundamental Trends for the Week Ending: Friday, September 17, 2010

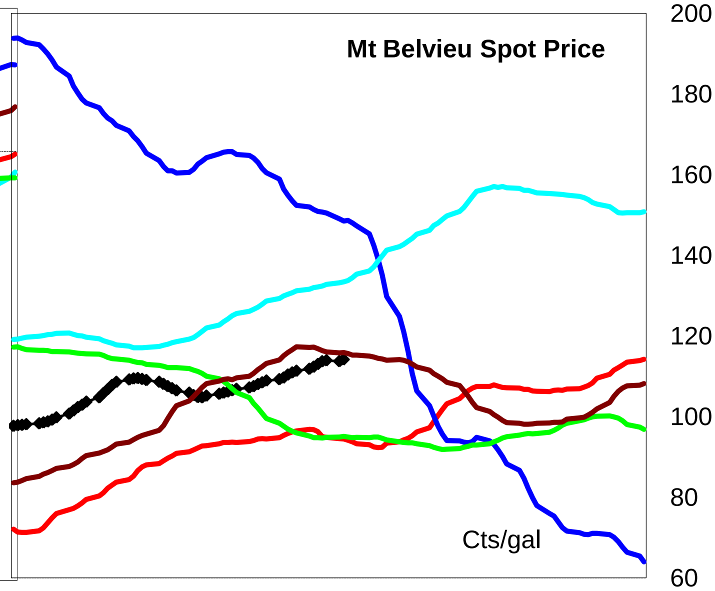
000 bpd / Stocks 000 bls	Weekly Supply-Demand					Change from prior week:				
	U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5	U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5
Stocks	63,720	4,914	28,336	28,544	1,926	-16	-15	214	-287	72
Propylene Stocks	2,559					101				
Production	1,027	45	249	675	58	-36	3	-7	-34	2
Imports	93	23	63	0	7	36	7	30	0	-1
Whsle Demand	1,042					-31				

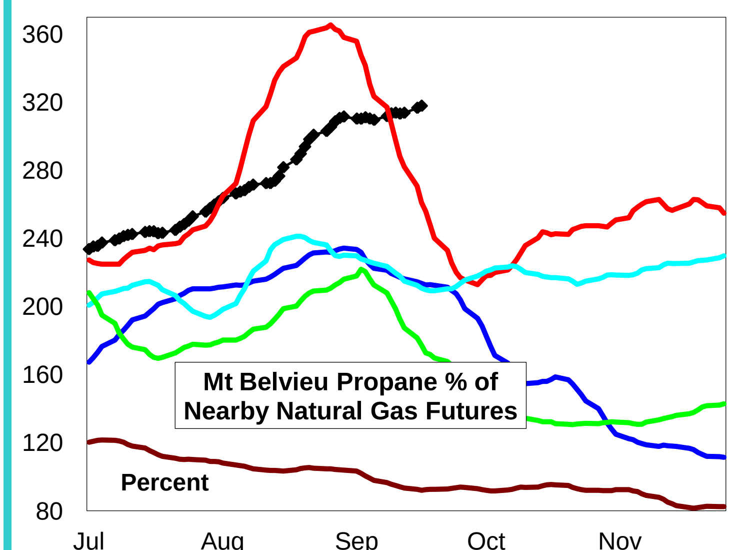
Price Trends for the Week Ending: Tuesday, September 21, 2010

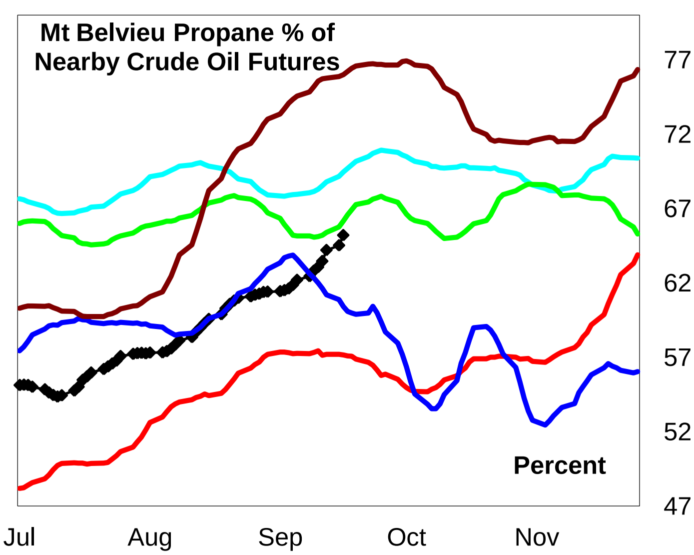
Cents/gal	Average for week ending:				Change from:			% change from:		
	9/21/10	9/14/10	8/23/10	9/11/09	9/14/10	8/23/10	9/11/09	9/14/10	8/23/10	9/11/09
Mont Belvieu Spot	113.9	111.5	104.7	97.3	2.45	6.74	7.38	2.2	6.4	7.6
Conway Spot	110.7	108.3	102.1	88.2	2.39	6.24	13.90	2.2	6.1	15.8

Key Price Spreads and Differentials

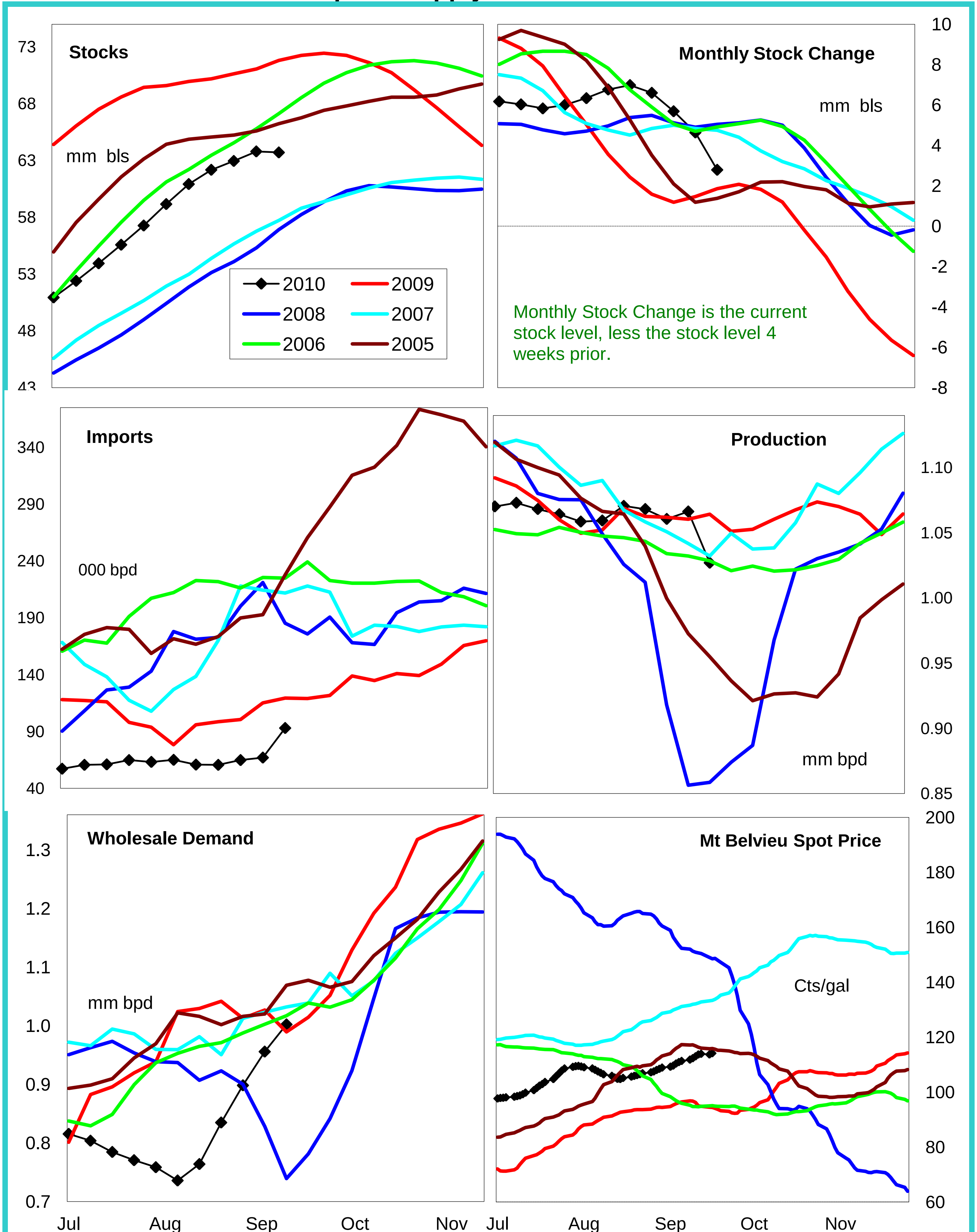






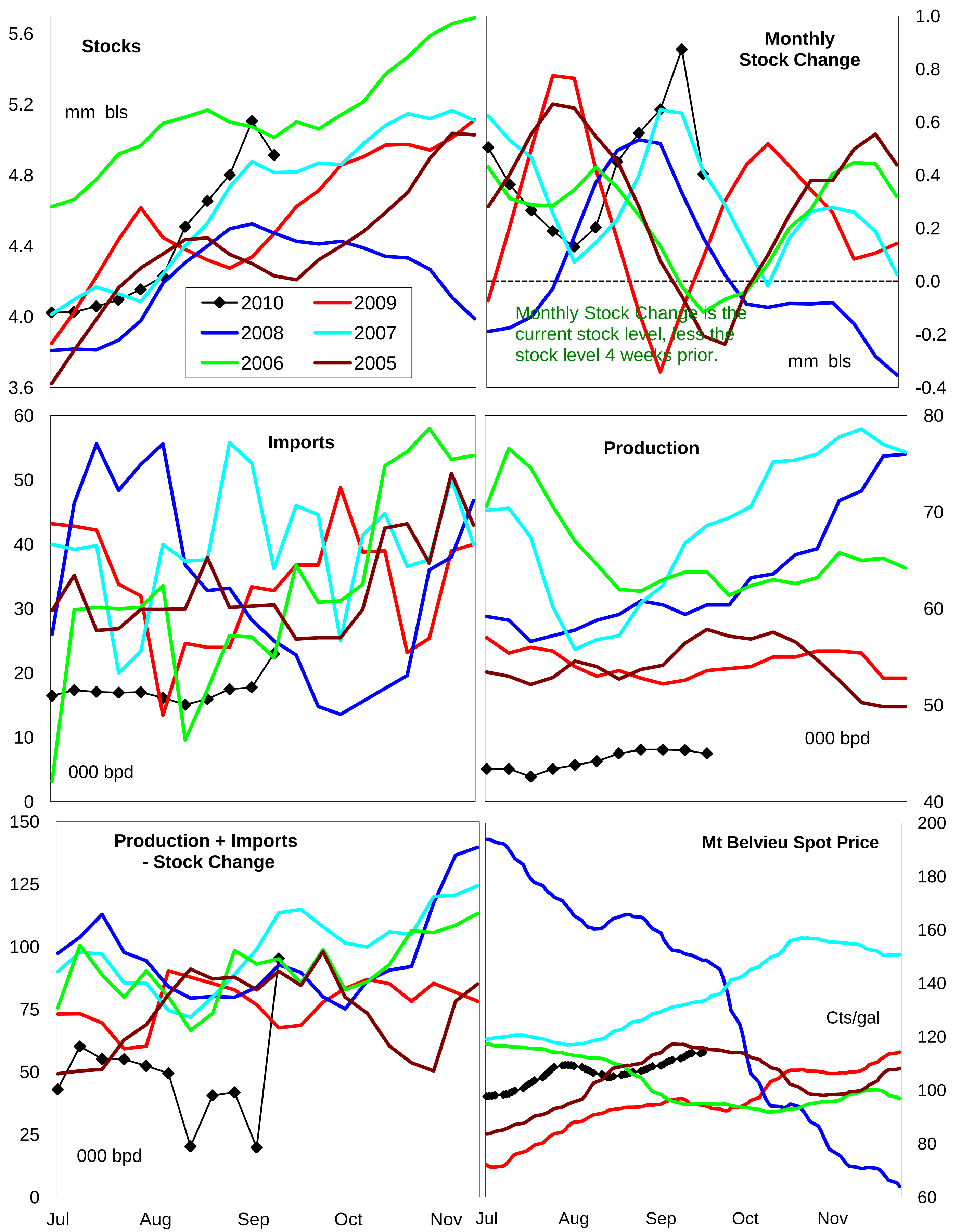


U. S. Propane Supply and Demand Balance



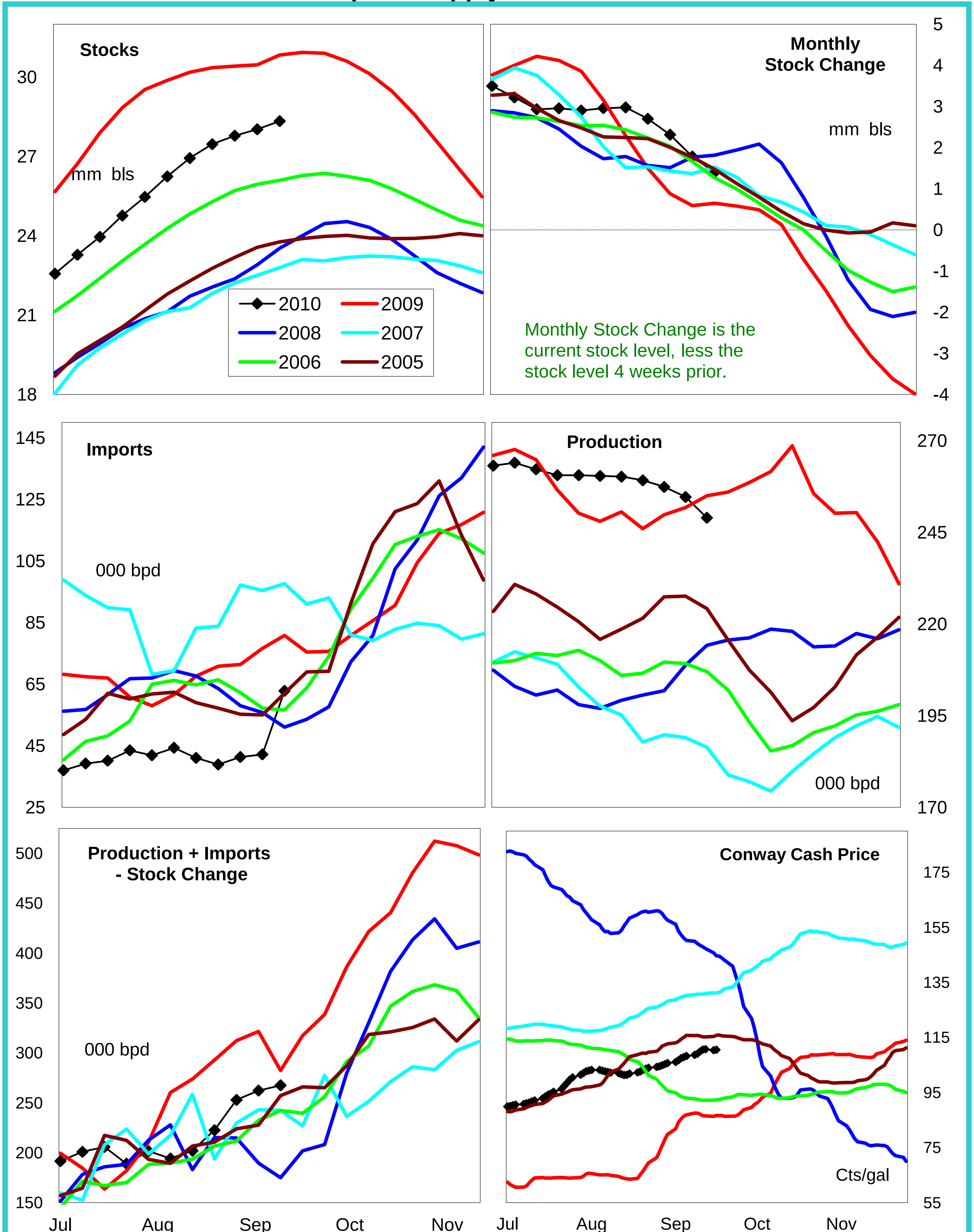
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Demand	4wk avg	Aug	Jul	Jun
000 bpd (000 bls stks)	-8,306	931	-4	-44		-128	-187	-83	-13
% change	-11.5	50	-0.4	-40.3		-11.8	-18.5	-8.7	-1.5

PADD 1 Propane Supply and Demand Balance



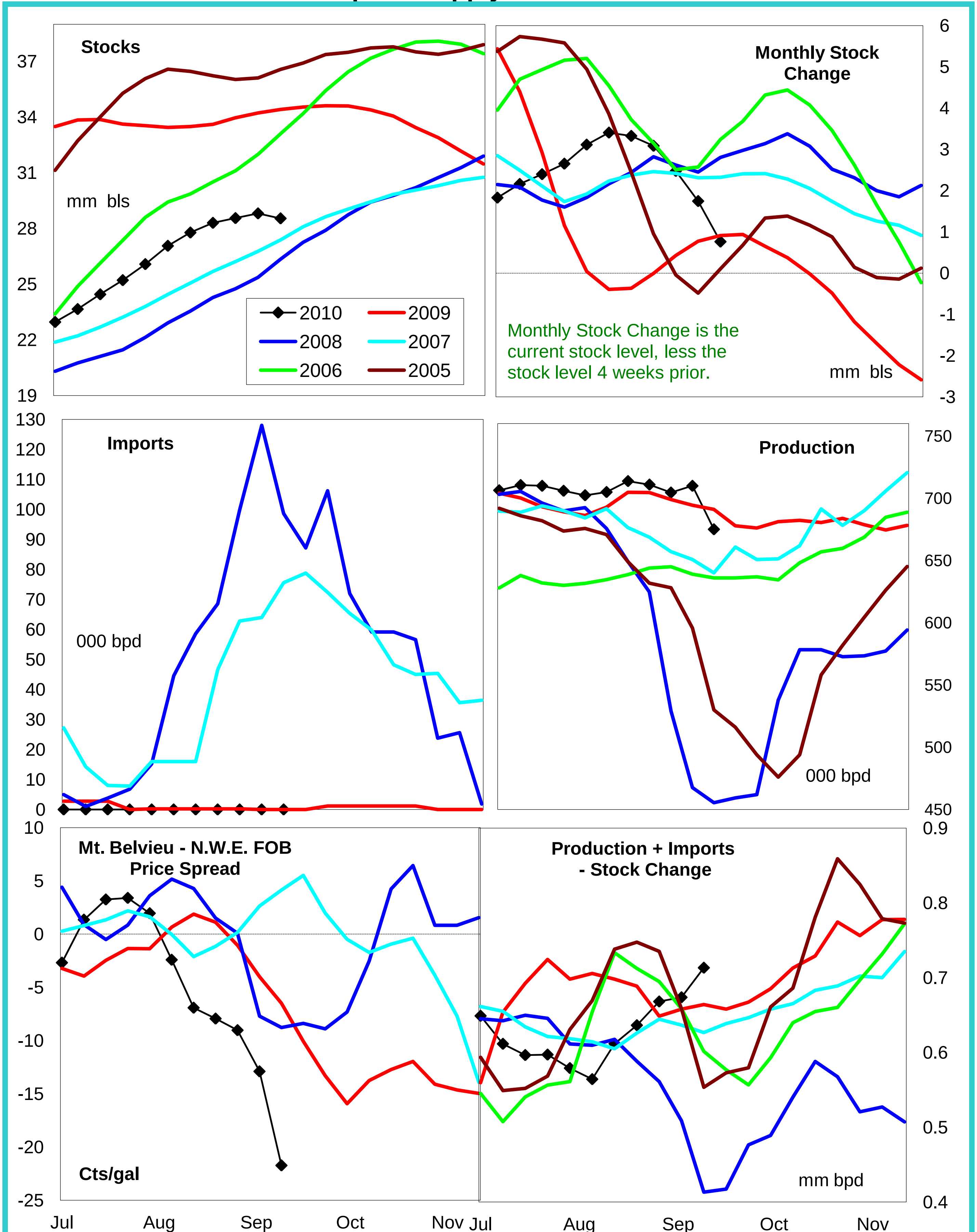
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	559	315	-7	-9	-29
% change	12.8	351.3	-12.9	-35.0	-36.8

PADD 2 Propane Supply and Demand Balance



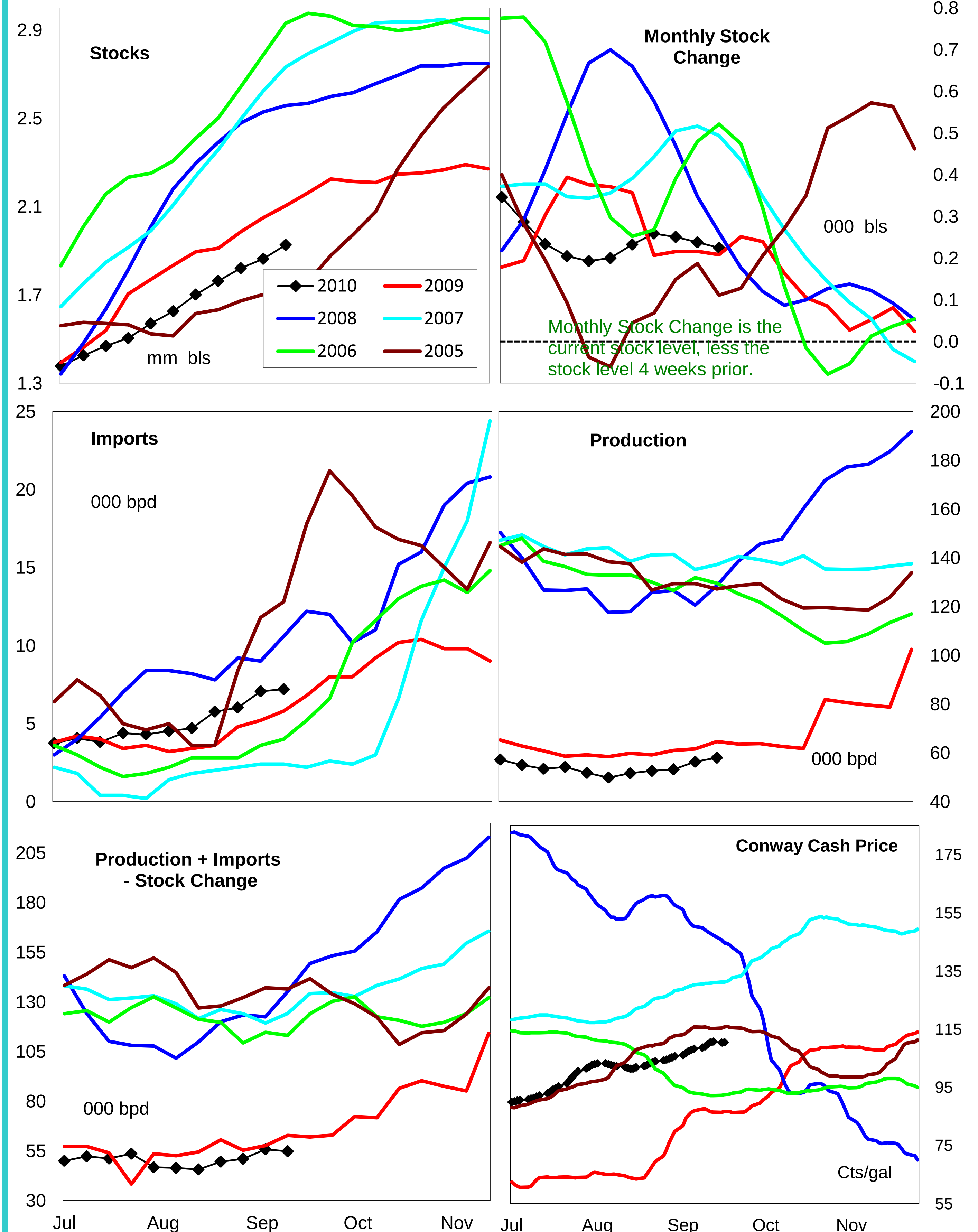
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-2,727	747	3	-36	-51
% change	-8.8	114.8	1.1	-46.7	-16.8

PADD 3 Propane Supply and Demand Balance



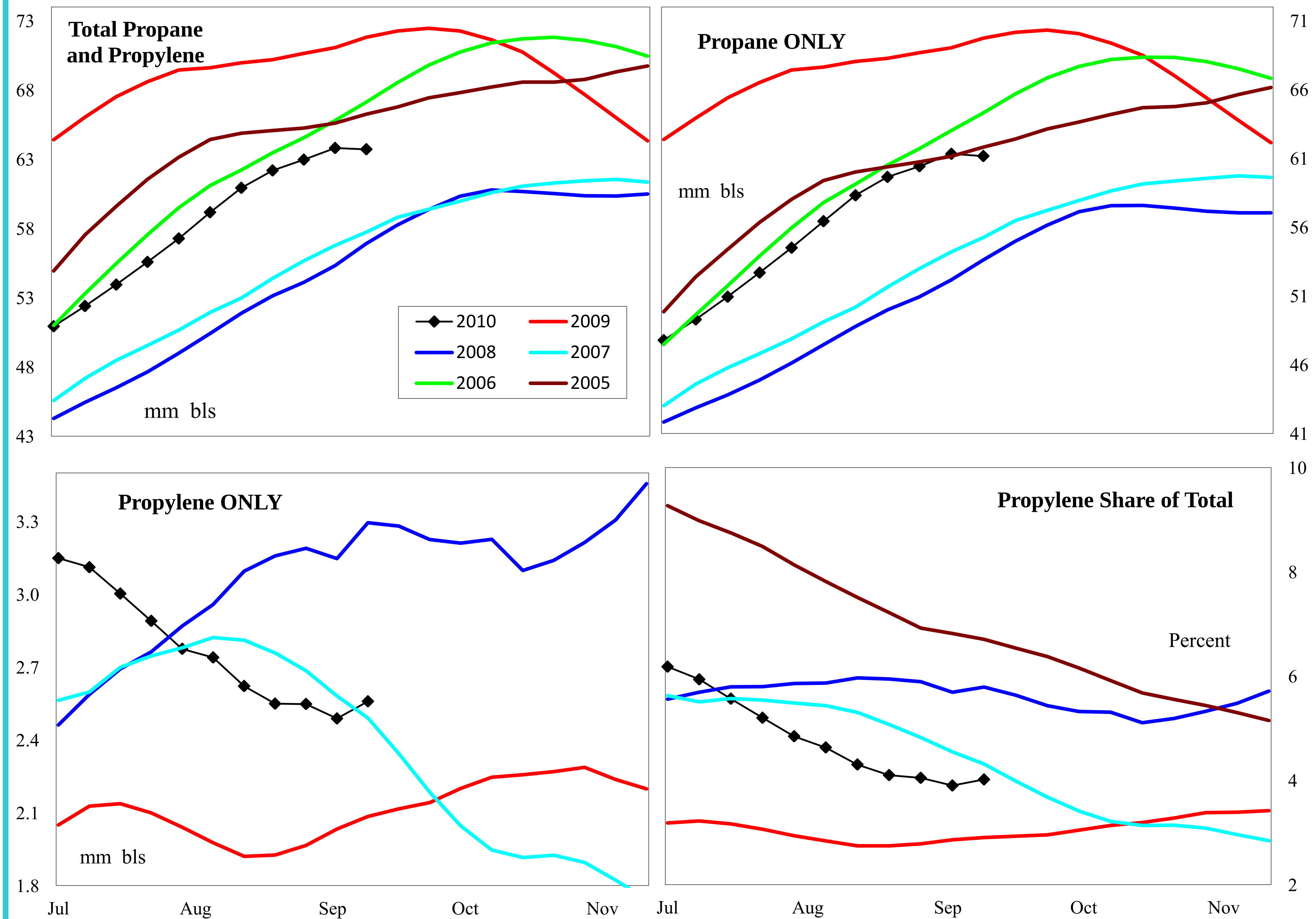
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-5,855	-148	7	0	8
% change	-17.0	-16.3	1.0	#DIV/0!	1.2

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)	-283	17	-7	1	-6
% change	-12.8	8.1	-10.7	29.5	-10.6

U. S. Propane and Propylene Stocks



Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	-8,306	-8,792	474
% change	-11.5	-12.6	22.8

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