WEEKLY PROPANE SUPPLY-DEMAND-PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, October 06, 2010

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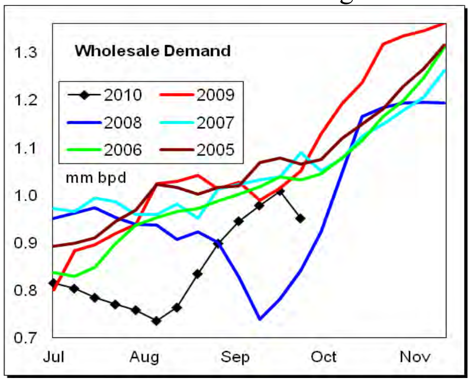
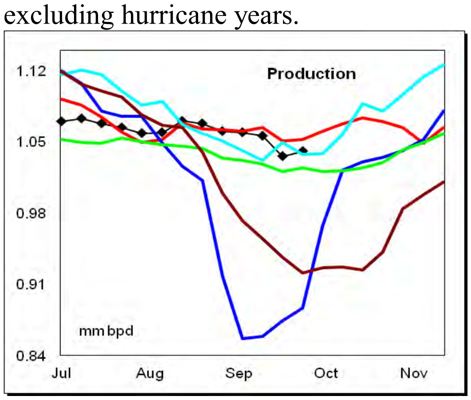
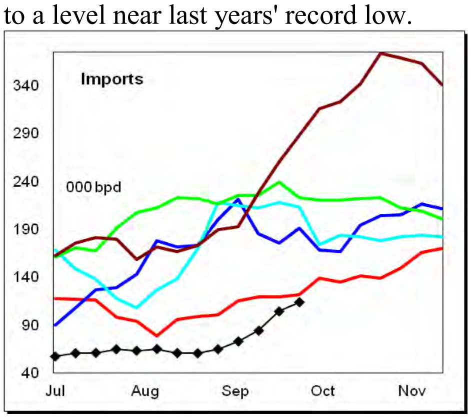
Summary[1]: Wholesale demand declined -121,000 bpd last week, to a level near the low end of the historic range.



Production was nearly unchanged on the week, at a level near the mid range, excluding hurricane years.

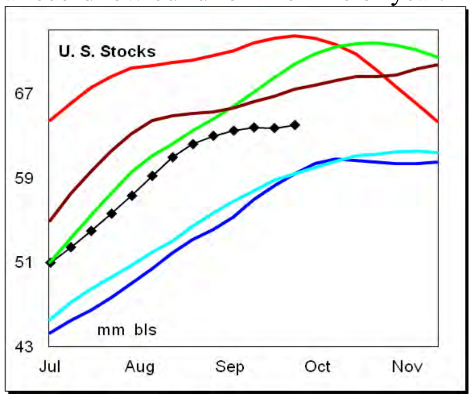


Imports increased +8,000 bpd last week, to a level near last years' record low.

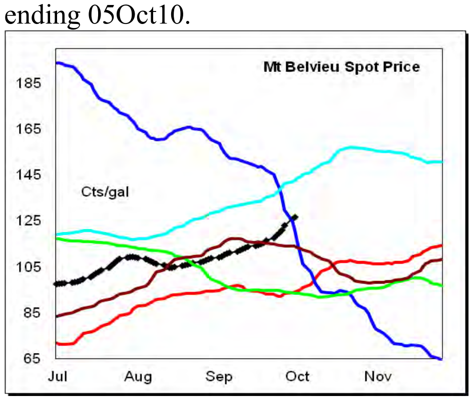


Combined production and imports during the latest 4-wk period were -26,000 bpd below a year ago. Production was -12,000 bpd lower while imports were off -14,000 bpd from last year. The latest 4-wk average demand was +18,000 bpd above last year.

Stocks increased +0.6 million barrels this week. The latest 4-wk stock change was a build of +1 million barrels, a record low build for this time of year.



Price and Spreads Mt Belvieu prices increased +10 cts/gal while Conway increased +11.50 cts/gal for the week ending 05Oct10.



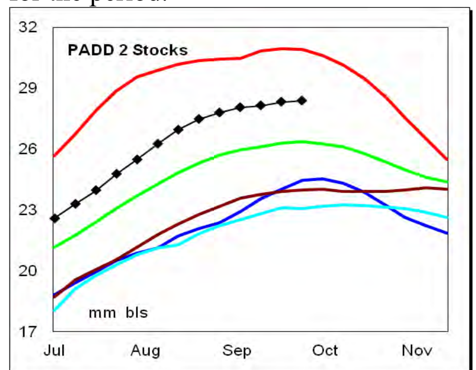
The Conway – Mt Belvieu price spread trended marginally higher last week ending 05Oct10. The spread ended the week at the 5-year mid range.

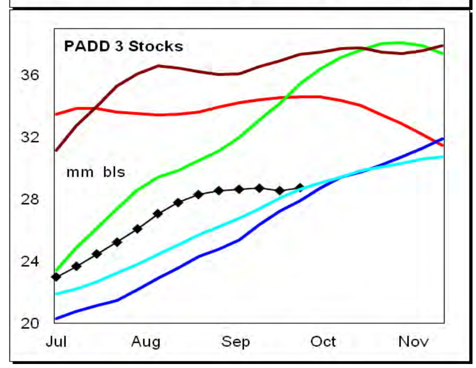
The propane to natural gas price spread spiked to a new record high for the period.

The propane / crude oil price spread trended higher last week, ending the week near the 5-year mid range.

PADD 1 stocks were nearly unchanged last week. Combined production and imports increased +4,000 bpd on the week, with the level well below the historic range. Supply for the latest 4-wk period was -12,000 bpd below a year ago. Stock levels were above the mid range for this time of year.

PADD 2 stocks increased +0.1 million barrels last week, with stock levels at the upper end of the historic range. Combined imports and production decreased -7,000 bpd on the week. The most recent 4-wk stock build of +0.5 million barrels, was below the mid range for the period.





PAD 3 stocks increased +0.4 million barrels. Supply increased +18,000 bpd on the week, with the 4-wk average +5,000 bpd above last year. Stock levels were at the low end of the historic range.

PADDs 4 & 5 stocks increased +0.1 million barrels on the week. Stock levels were near historic lows.

Emerging Trends *point to continued weak propane demand, including exports. Above normal temperatures have reduced demand for grain drying and fall heating usage.*

Very weak natural gas prices should drive high propane extraction from gas streams, increasing propane supply during the winter gas heating period.

Recent price strength was due to the overall rise in prices across the energy complex, particularly heating fuels in Europe. Lack of robust demand for grain drying and heating represent downside risk to prices ahead of the winter season.

[1] Source is latest EIA Weekly Statistics

PROPANE: Graph Link and Weekly Summary

October 6, 2010

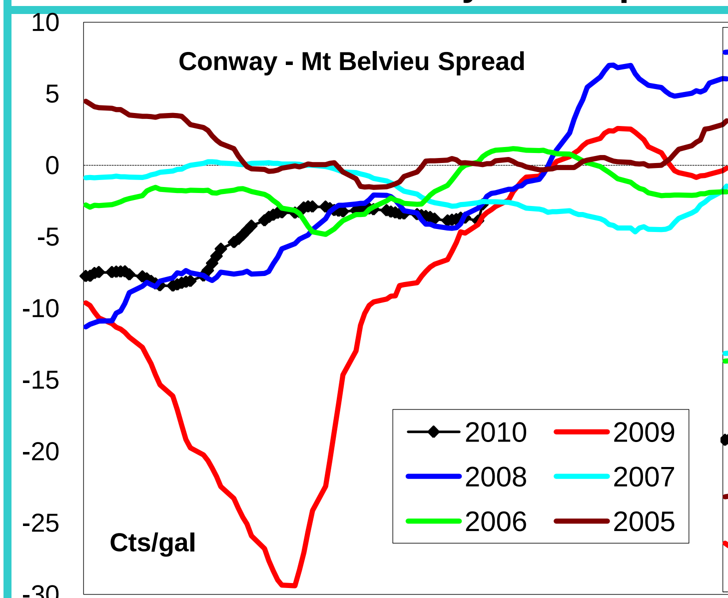
Fundamental Trends for the Week Ending: Friday, October 01, 2010

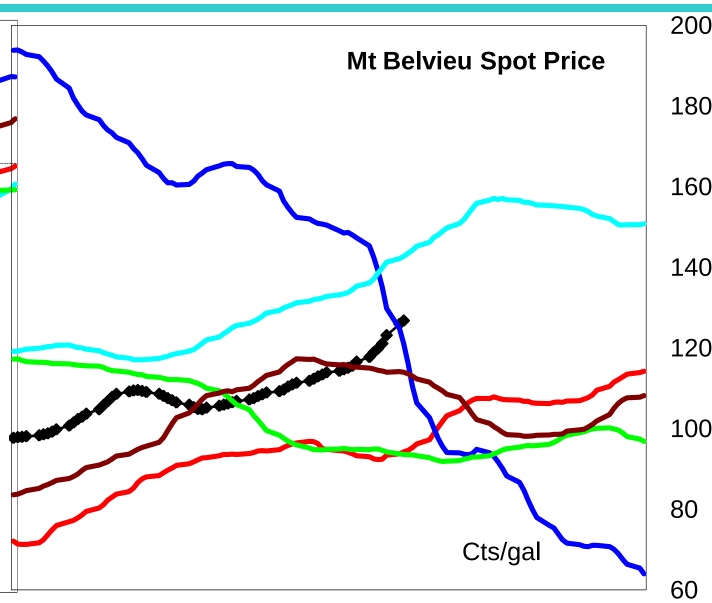
000 bpd / Stocks 000 bls	Weekly Supply-Demand					Change from prior week:				
	U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5	U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5
Stocks	63,988	4,861	28,368	28,748	2,011	588	31	132	370	55
Propylene Stocks	2,456					-37				
Production	1,041	42	264	682	53	1	-1	-5	10	-3
Imports	114	28	71	8	7	8	5	-2	8	-3
Whsle Demand	991					-121				

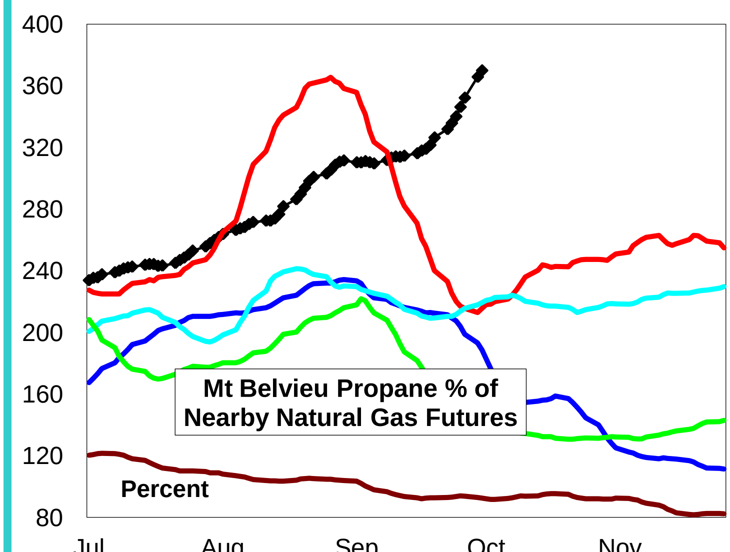
Price Trends for the Week Ending: Tuesday, October 05, 2010

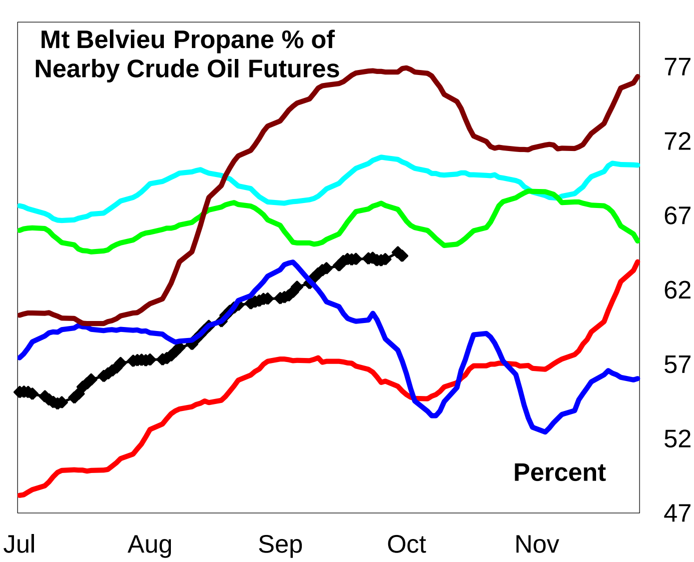
Cents/gal	Average for week ending:				Change from:			% change from:		
	10/5/10	9/28/10	9/7/10	9/25/09	9/28/10	9/7/10	9/25/09	9/28/10	9/7/10	9/25/09
Mont Belvieu Spot	123.1	115.6	108.4	93.5	7.55	7.18	14.90	6.5	6.6	15.9
Conway Spot	119.5	111.6	105.7	88.7	7.87	5.86	17.06	7.1	5.5	19.2

Key Price Spreads and Differentials

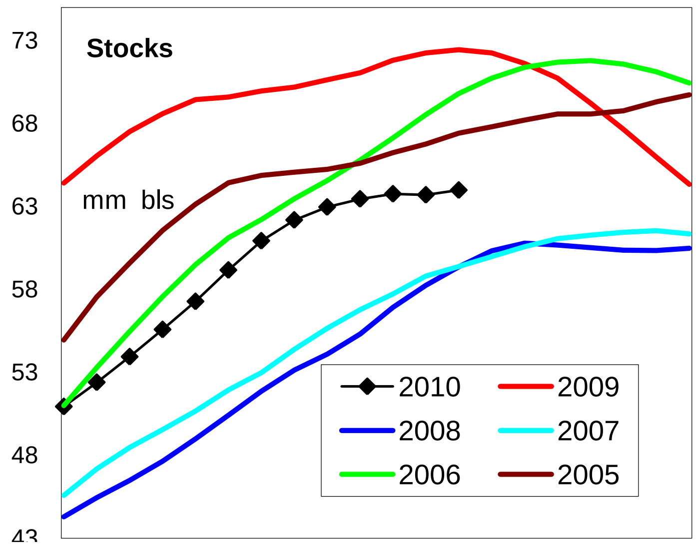


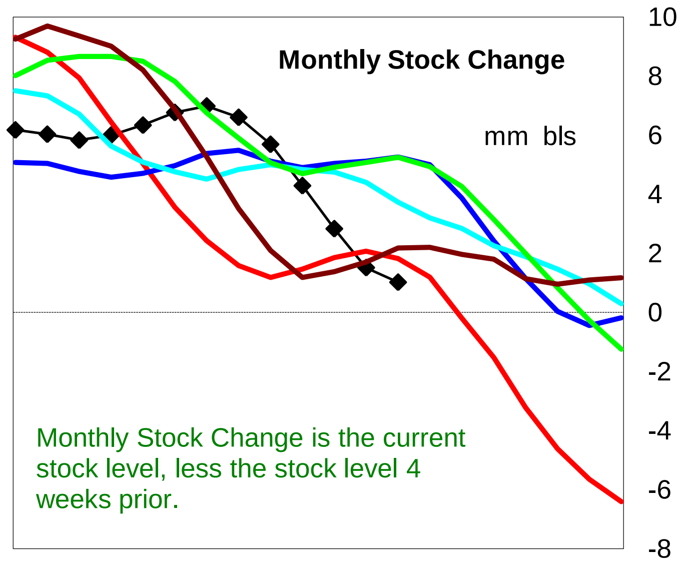


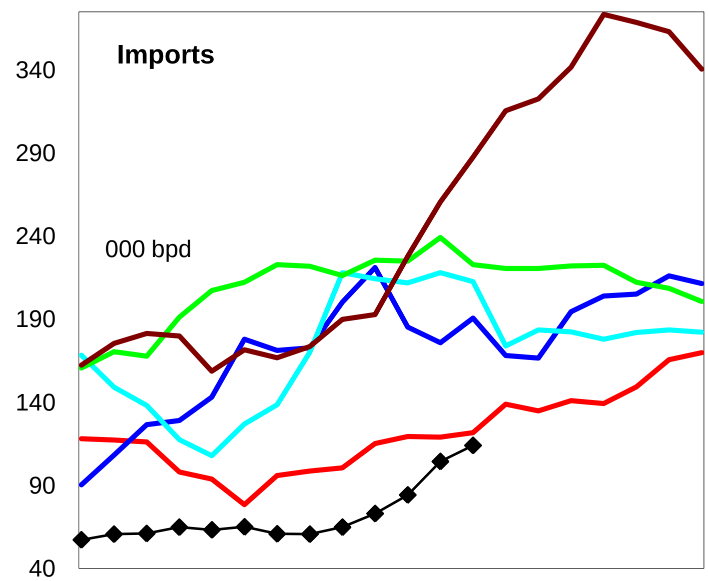


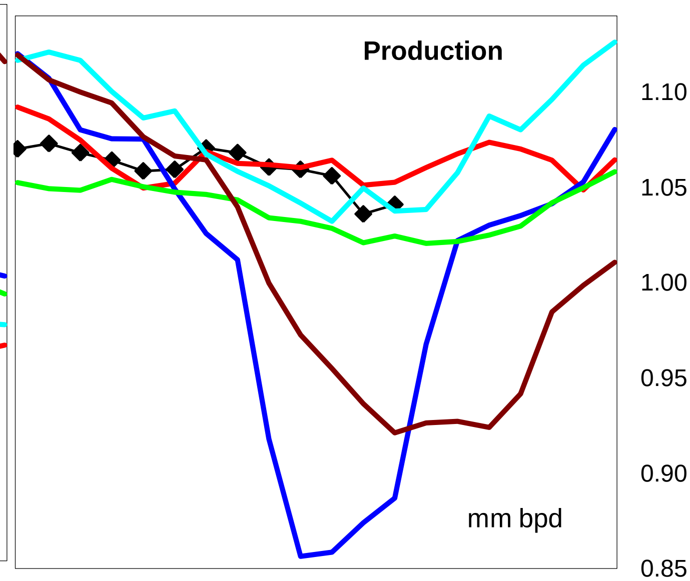


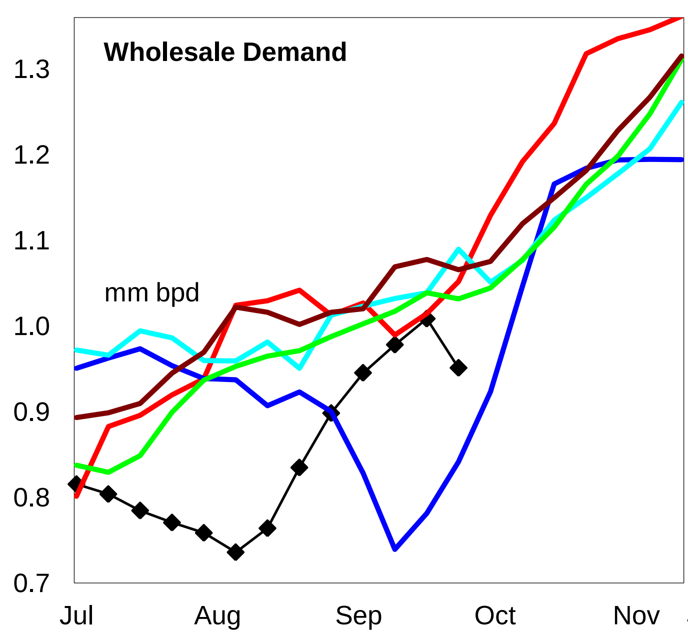
U. S. Propane Supply and Demand Balance

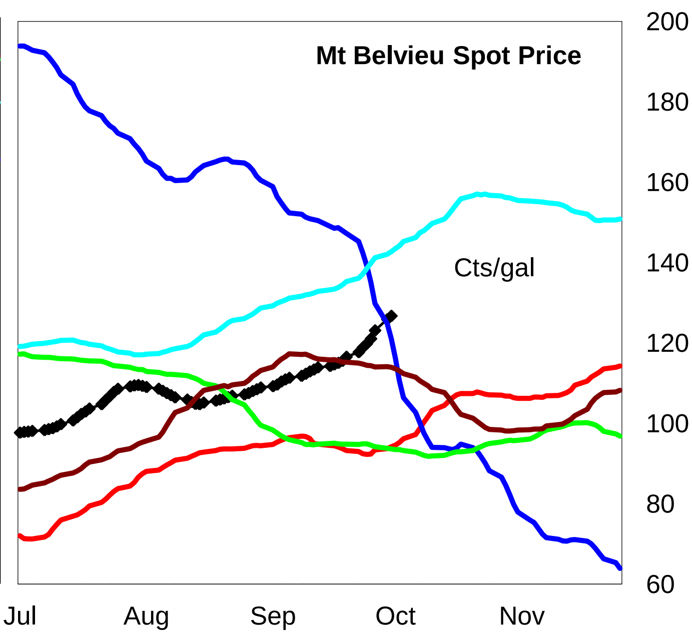












4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Demand	4wk avg	Aug	Jul	Jun
000 bpd (000 bls stks)	-8,871	-800	-12	-14		18	-187	-83	-13
% change	-12.2	-44	-1.1	-12.7		1.8	-18.5	-8.7	-1.5

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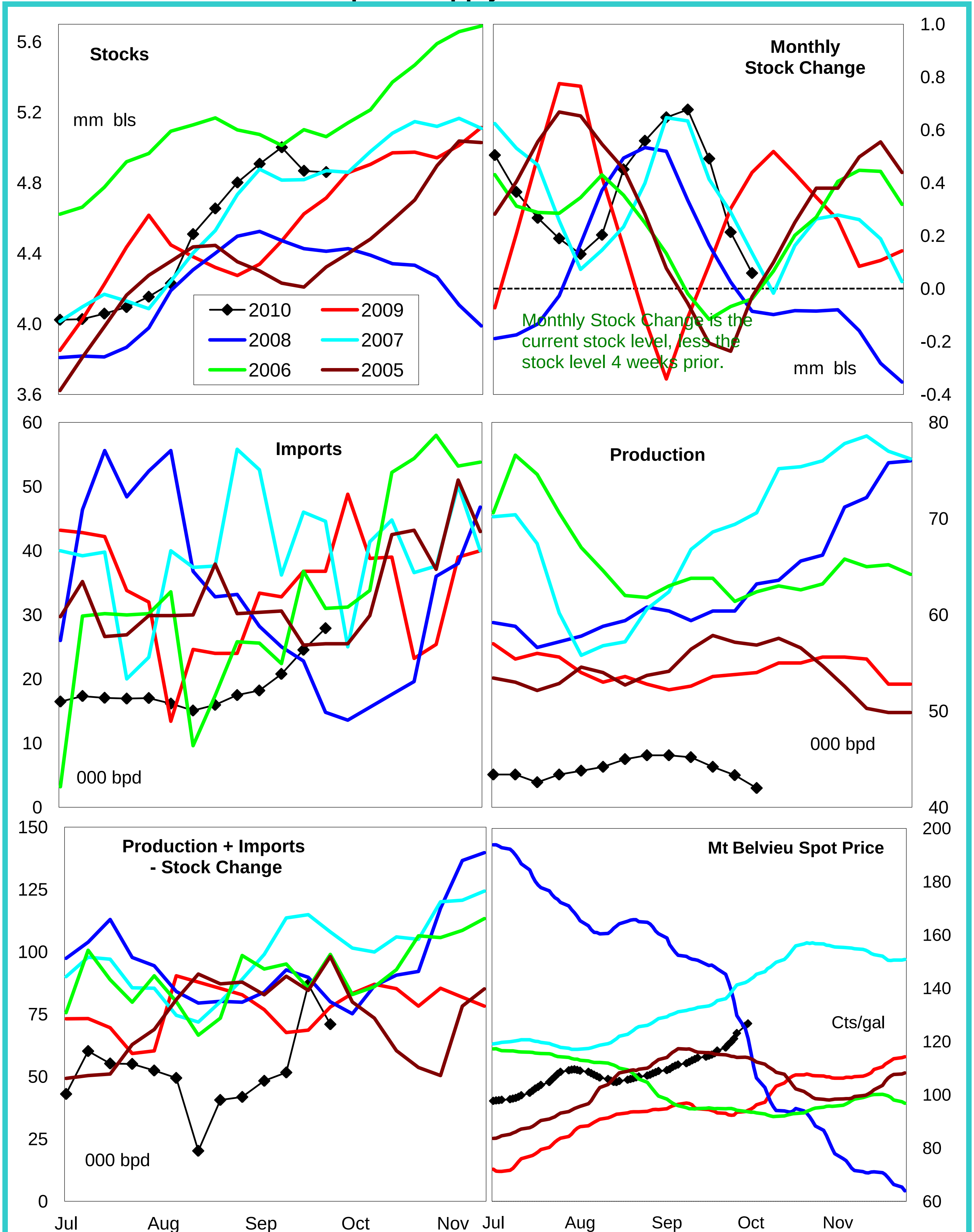
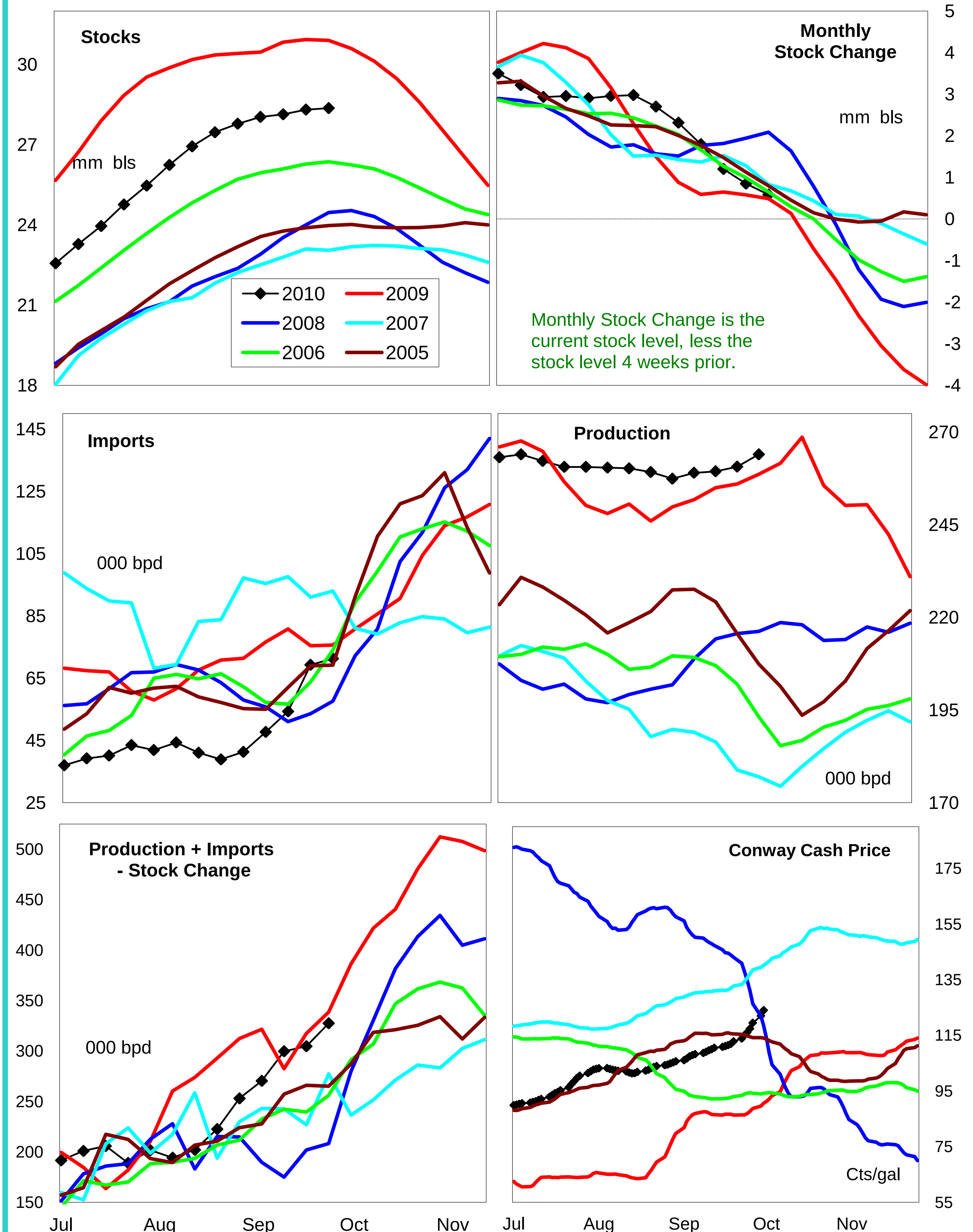
PADD 1 Propane Supply and Demand Balance



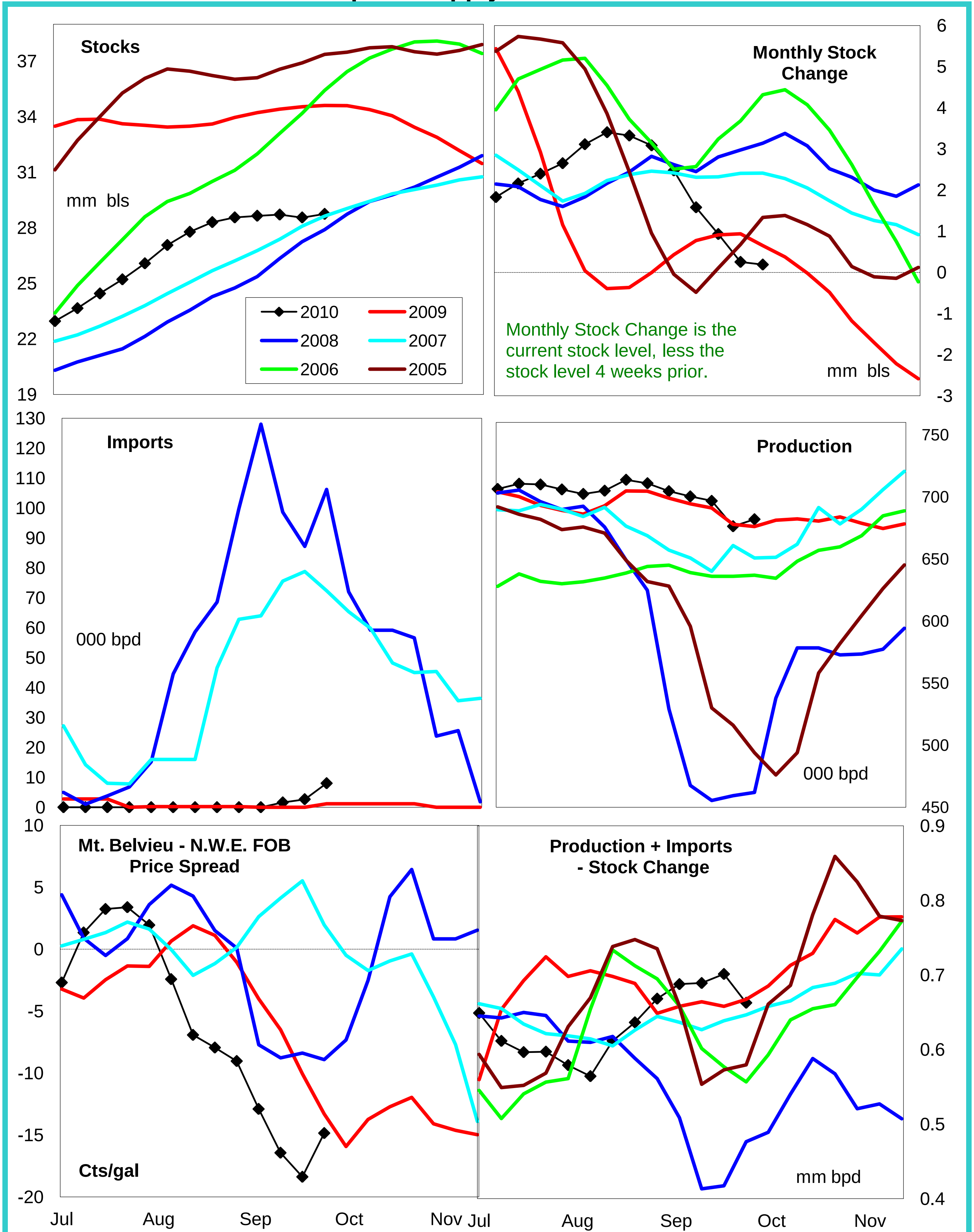
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	302	-381	-11	-1	-8
% change	6.6	-86.6	-20.0	-5.3	-11.4

PADD 2 Propane Supply and Demand Balance



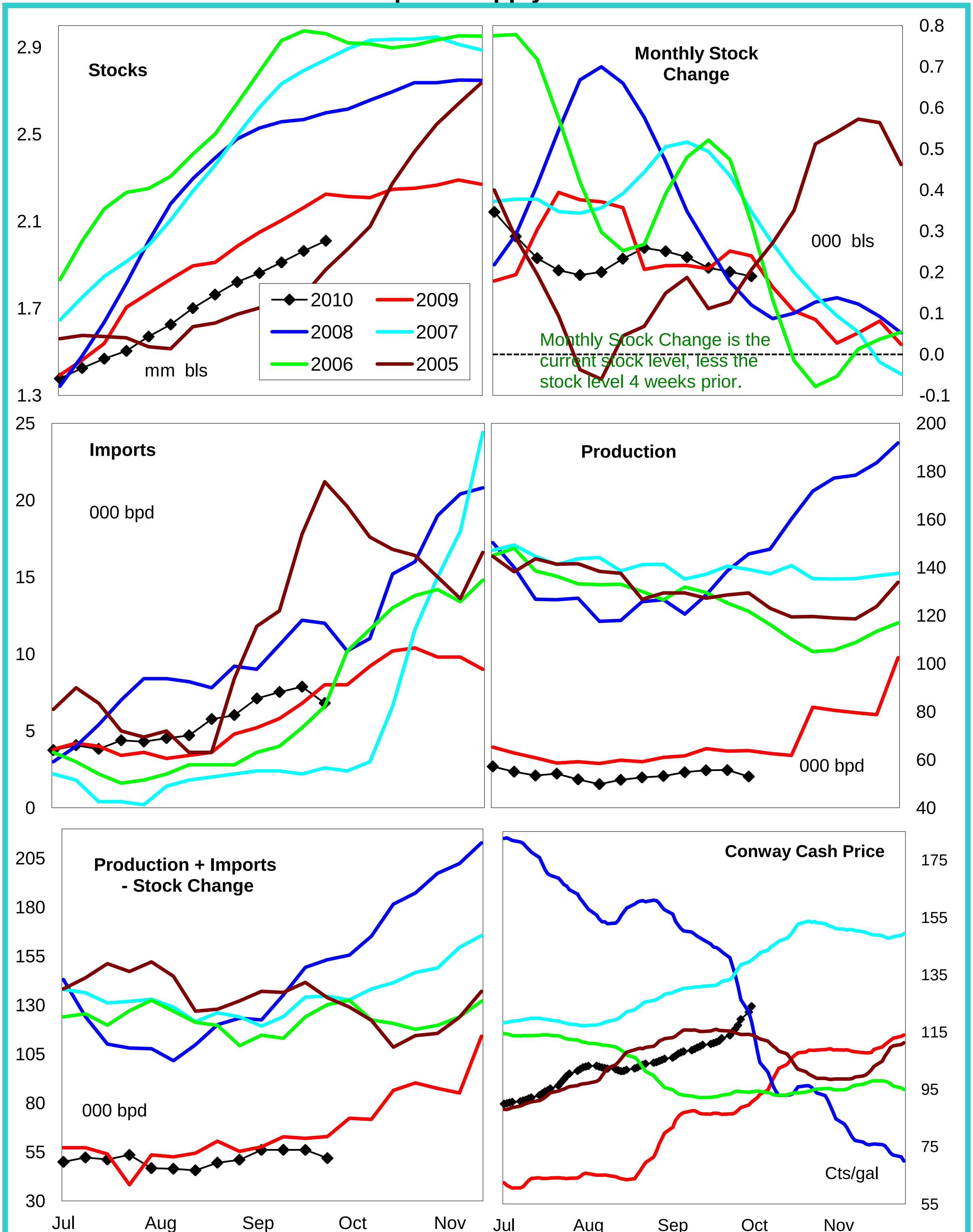
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-2,950	94	5	-16	-14
% change	-9.4	19.1	2.1	-20.9	-4.6

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)	-6,005	-463	3	2	23
% change	-17.3	-71.0	0.4	#DIV/0!	3.5

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)	-218	-50	-9	2	-6
% change	-9.8	-20.7	-13.9	26.4	-10.3

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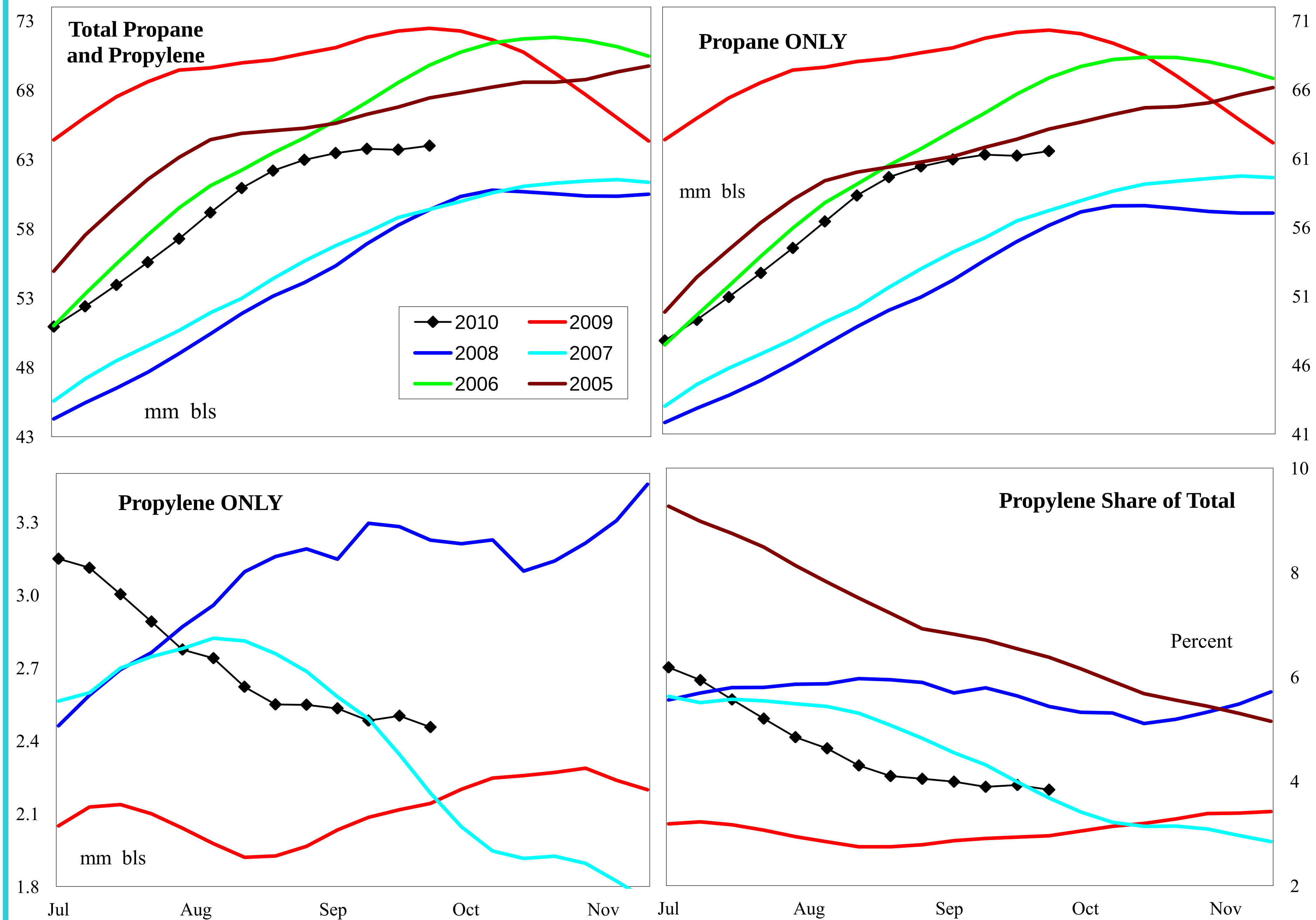
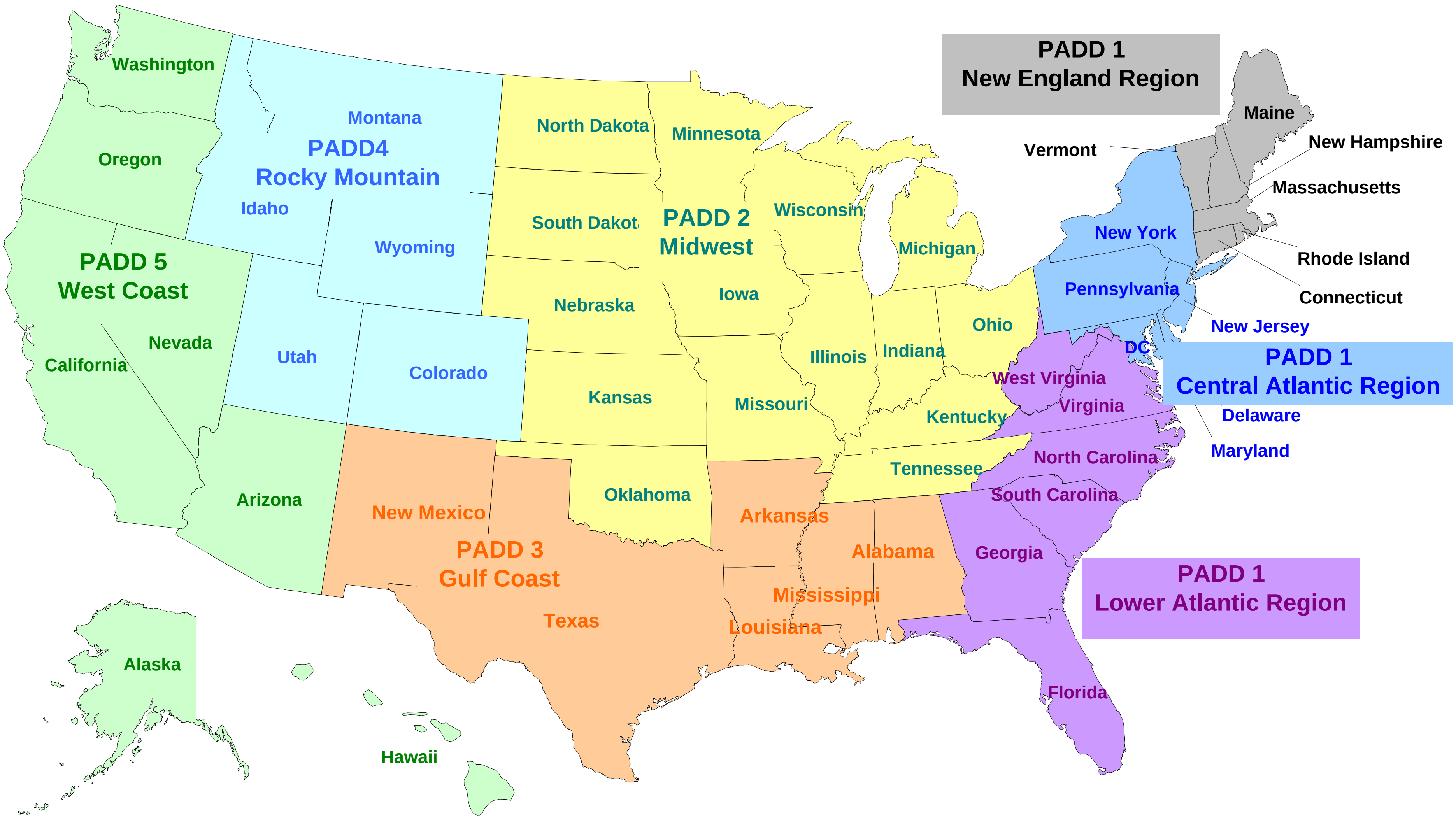
U. S. Propane and Propylene Stocks



Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	-8,871	-9,101	314
% change	-12.2	-12.9	14.6

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



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