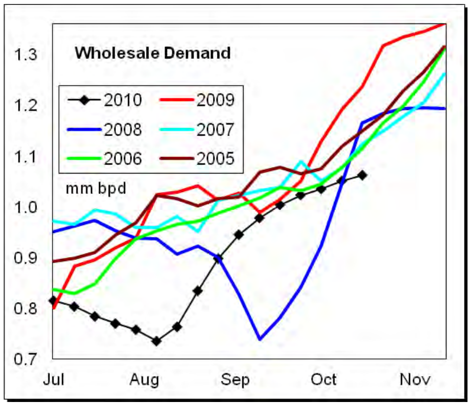
WEEKLY PROPANE SUPPLY-DEMAND-PRICE TRENDS

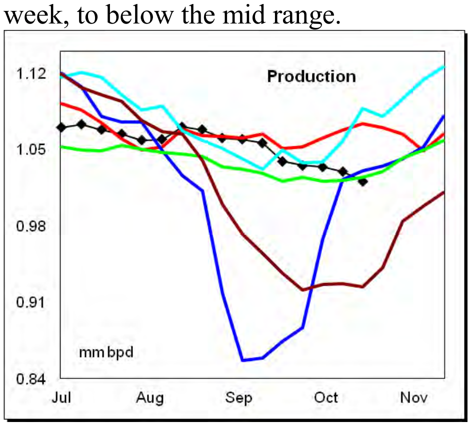
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, October 27, 2010

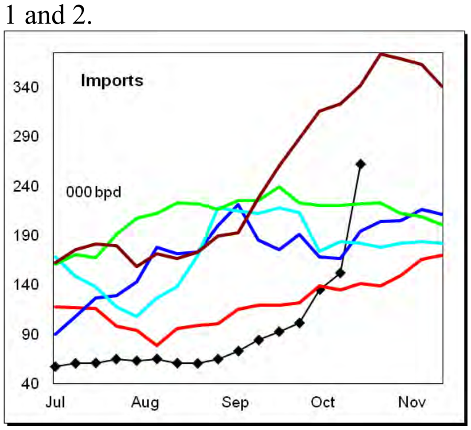
Summary[1]: Wholesale demand decreased -67,000 bpd last week, to a level below the historic range. Above normal temperatures in key heating markets has constrained demand.



Production decreased -23,000 bpd on the week, to below the mid range.

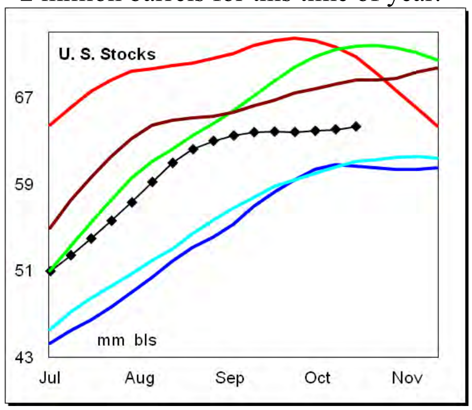


Imports spiked +161,000 bpd last week, with the increase concentrated in PADDs 1 and 2.

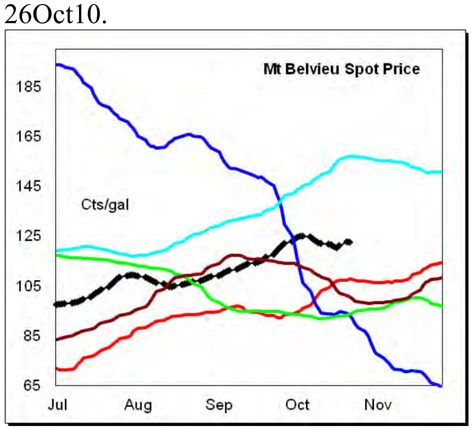


Combined production and imports during the latest 4-wk period were -30,000 bpd below a year ago. Imports were +5,000 bpd above years' record low rate. The latest 4-wk average demand was -143,000 bpd below last year.

Stocks increased +0.7 million barrels this week, at a level that is well below the mid range. The latest 4-wk stock change build of +0.5 million barrels, compared to an average build of +2 million barrels for this time of year.



Price and Spreads Mt Belvieu prices increased +7 cts/gal while Conway increased +4 cts/gal for the week ending 26Oct10.



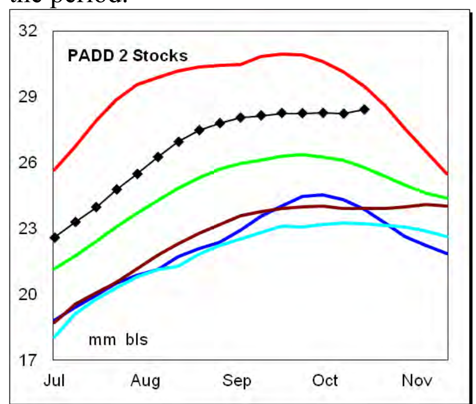
The Conway – Mt Belvieu price spread trended lower last week ending 26Oct10. The spread ended the week below the historic range.

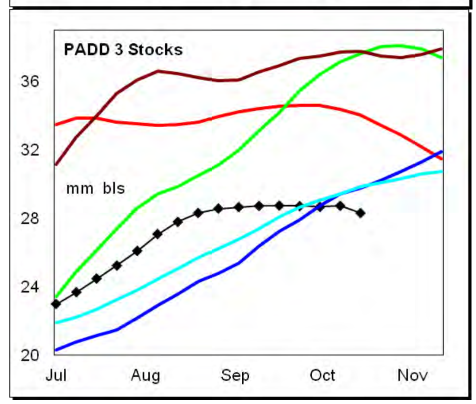
The propane to natural gas price spread surged last week to new all time highs on weak gas prices.

The propane / crude oil price spread traded sideways on the week, ending well below the 5-year mid range.

PADD 1 stocks were jumped +0.8 million barrels on a +117,000 bpd rise in imports. Combined production and imports increased +121,000 bpd, with the level above the historic range. Supply for the latest 4-wk period was -3,000 bpd below a year ago. Stock levels were above the historic range.

PADD 2 stocks increased +0.3 million barrels last week, on a +46,000 bpd jump in imports. Combined imports and production increased +48,000 bpd on the week. The most recent 4-wk stock change was a draw build of +0.1 million barrels, above the 5-year mid range for the period.





PAD 3 stocks declined -0.4 million barrels. Supply decreased -30,000 bpd on the week, with the 4-wk average +4,000 bpd above last year. *Stock levels were well below the historic range.*

PADDs 4 & 5 stocks were unchanged on the week. Stock levels were below the 5-year range.

Emerging Trends *show above normal temperatures continue to limit demand. A surge in imports to PADDs 1 and 2 provided a counter seasonal stock build. Stock levels in the Gulf were extremely low. Expect prices to be sensitive to weather forecasts in key heating markets.*

[1] Source is latest EIA Weekly Statistics

PROPANE: Graph Link and Weekly Summary

October 27, 2010

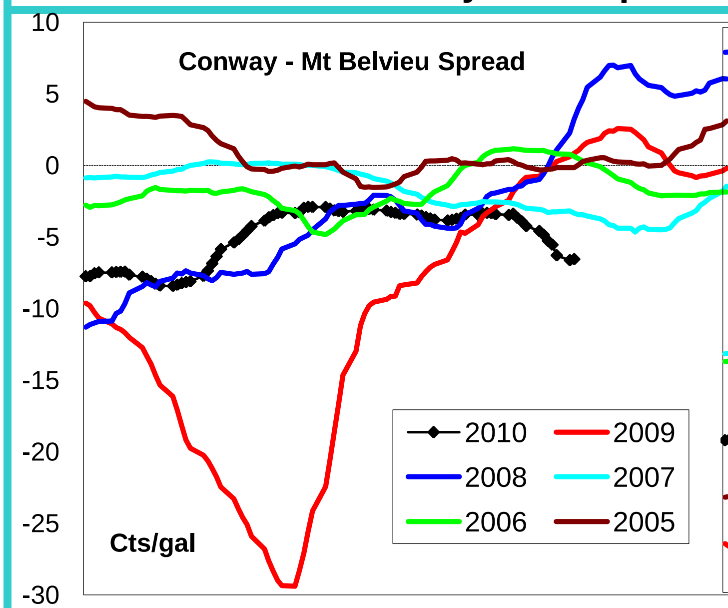
Fundamental Trends for the Week Ending: Friday, October 22, 2010

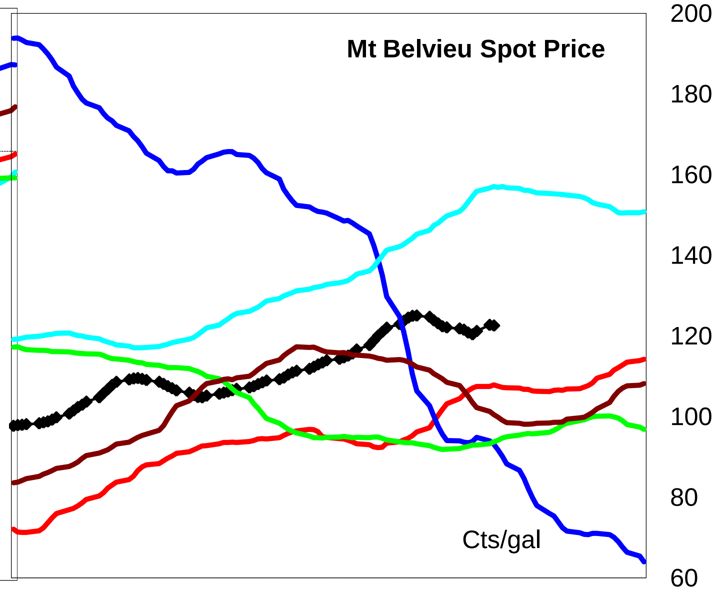
000 bpd Stocks 000 bls	Weekly Supply-Demand U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5	Change from prior week: U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5
Stocks	64,284	5,543	28,408	28,298	2,035	735	763	337	-394	29
Propylene Stocks	2,122					11				
Production	1,021	43	259	663	56	-23	4	2	-30	1
Imports	262	143	110	0	9	161	117	46	0	-2
Whsle Demand	1,102					-67				

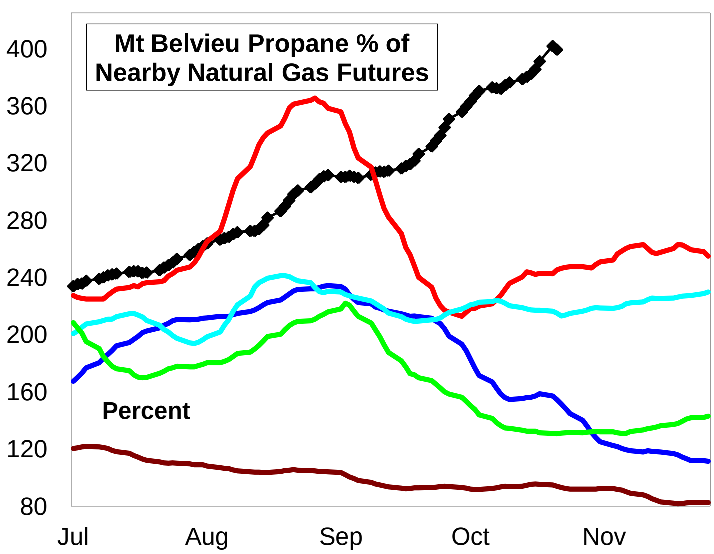
Price Trends for the Week Ending: Tuesday, October 26, 2010

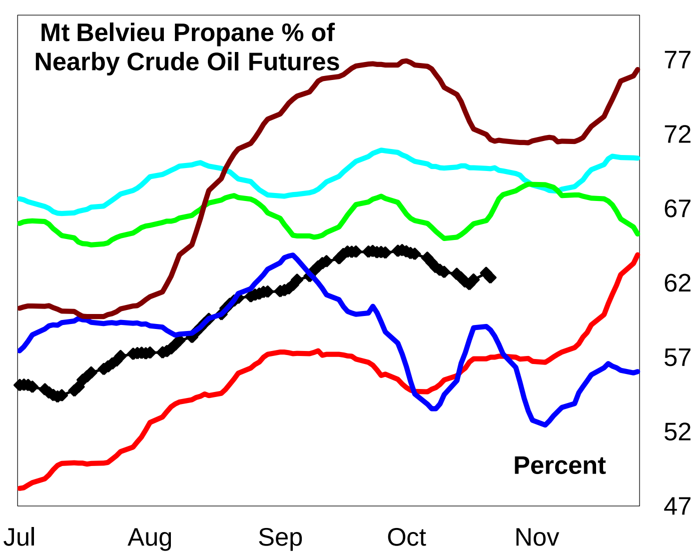
Cents/gal	Average for week ending: 10/26/10	10/19/10	9/28/10	10/16/09	Change from: 10/19/10	9/28/10	10/16/09	% change from: 10/19/10	9/28/10	10/16/09
Mont Belvieu Spot	121.2	121.3	115.6	108.5	-0.12	5.72	7.09	-0.1	5.0	6.5
Conway Spot	114.9	117.4	111.6	108.8	-2.45	5.77	2.77	-2.1	5.2	2.5

Key Price Spreads and Differentials

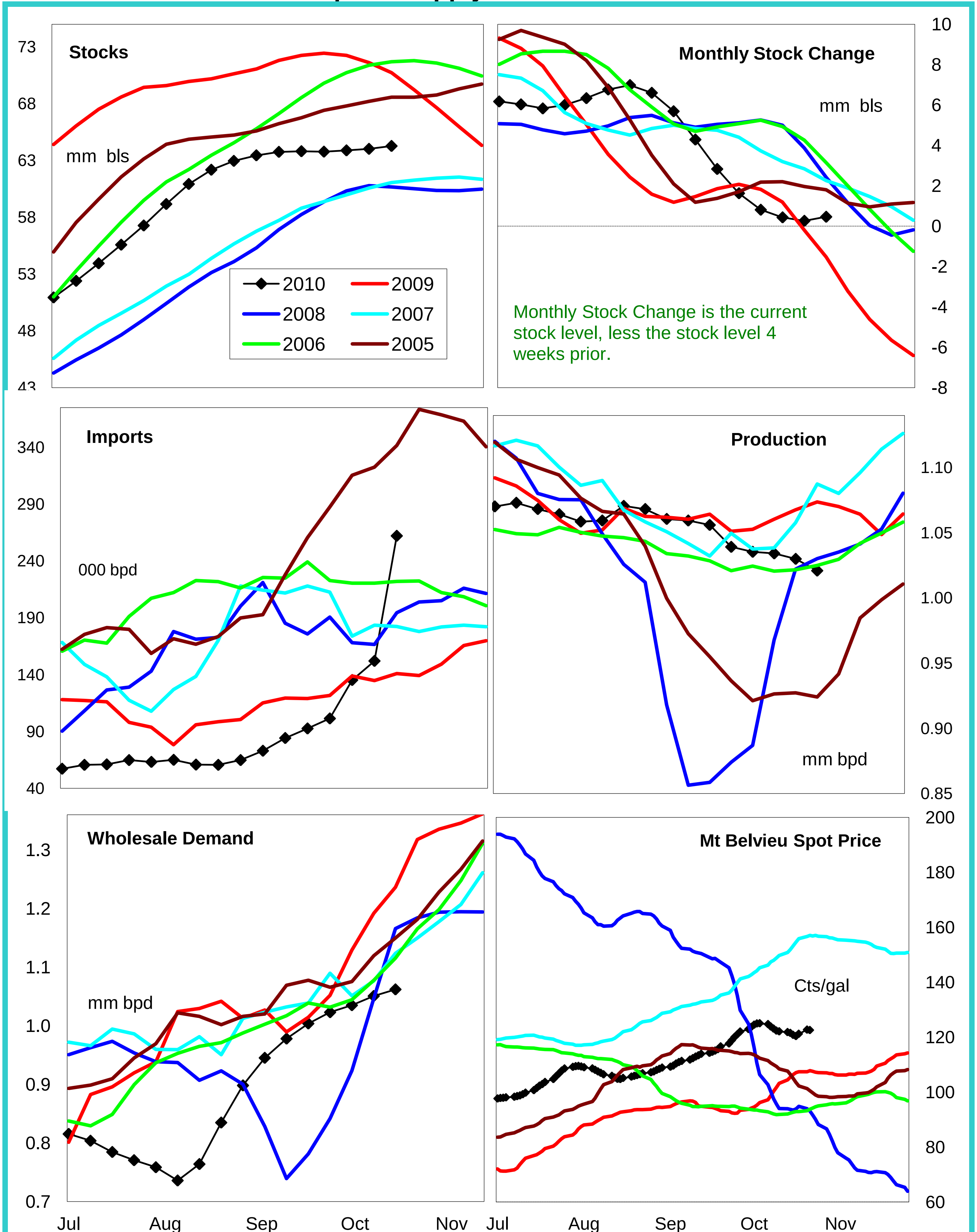








U. S. Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Demand	4wk avg	Sep	Aug	Jul
000 bpd (000 bls stks)	-6,763	1,992	-35	5		-143	46	-187	-22
% change	-9.5	-130	-3.3	3.3		-11.8	4.6	-18.5	-2.3

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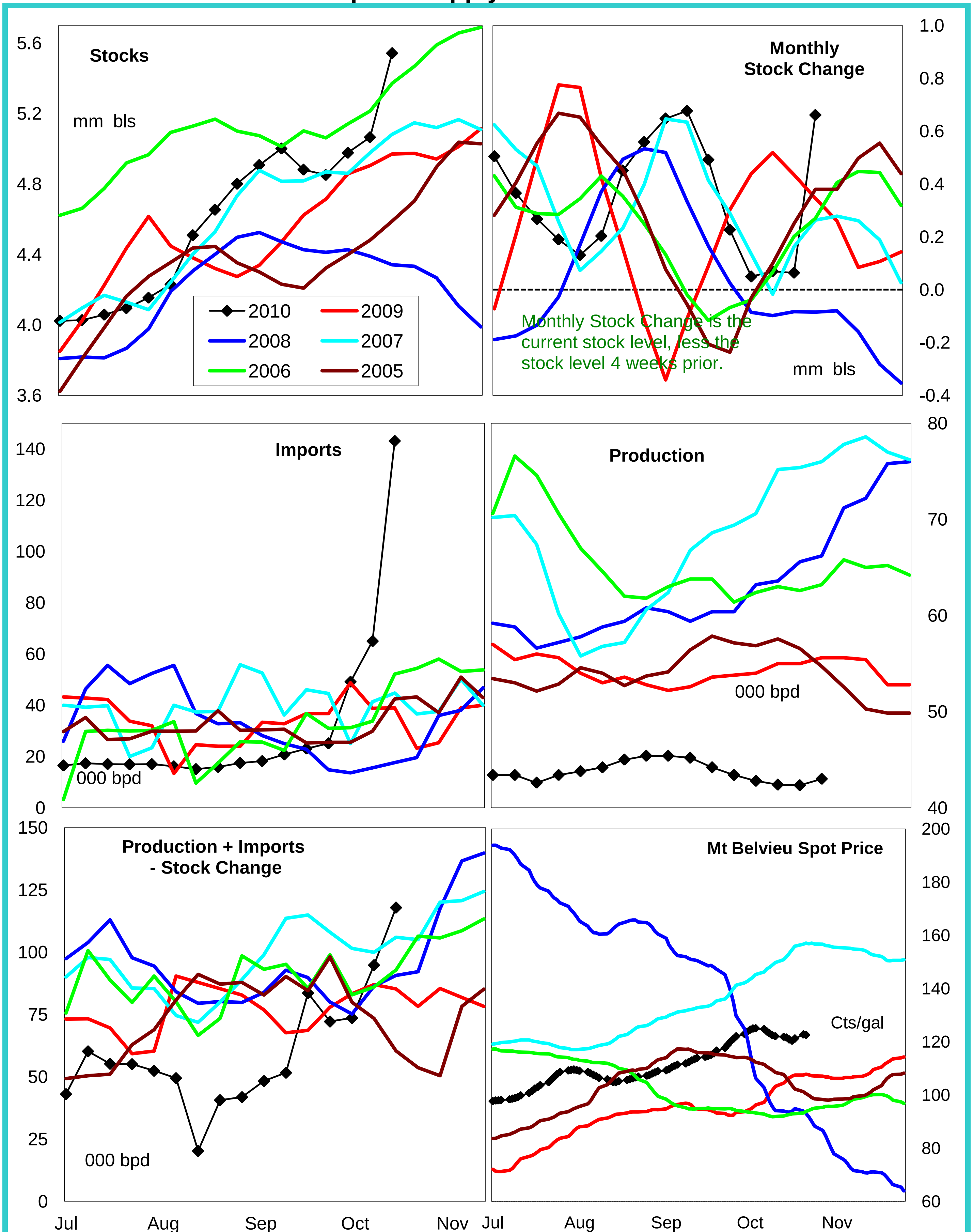
PADD 1 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	472	315	-13	10	6
% change	9.3	90.9	-23.9	22.5	7.5

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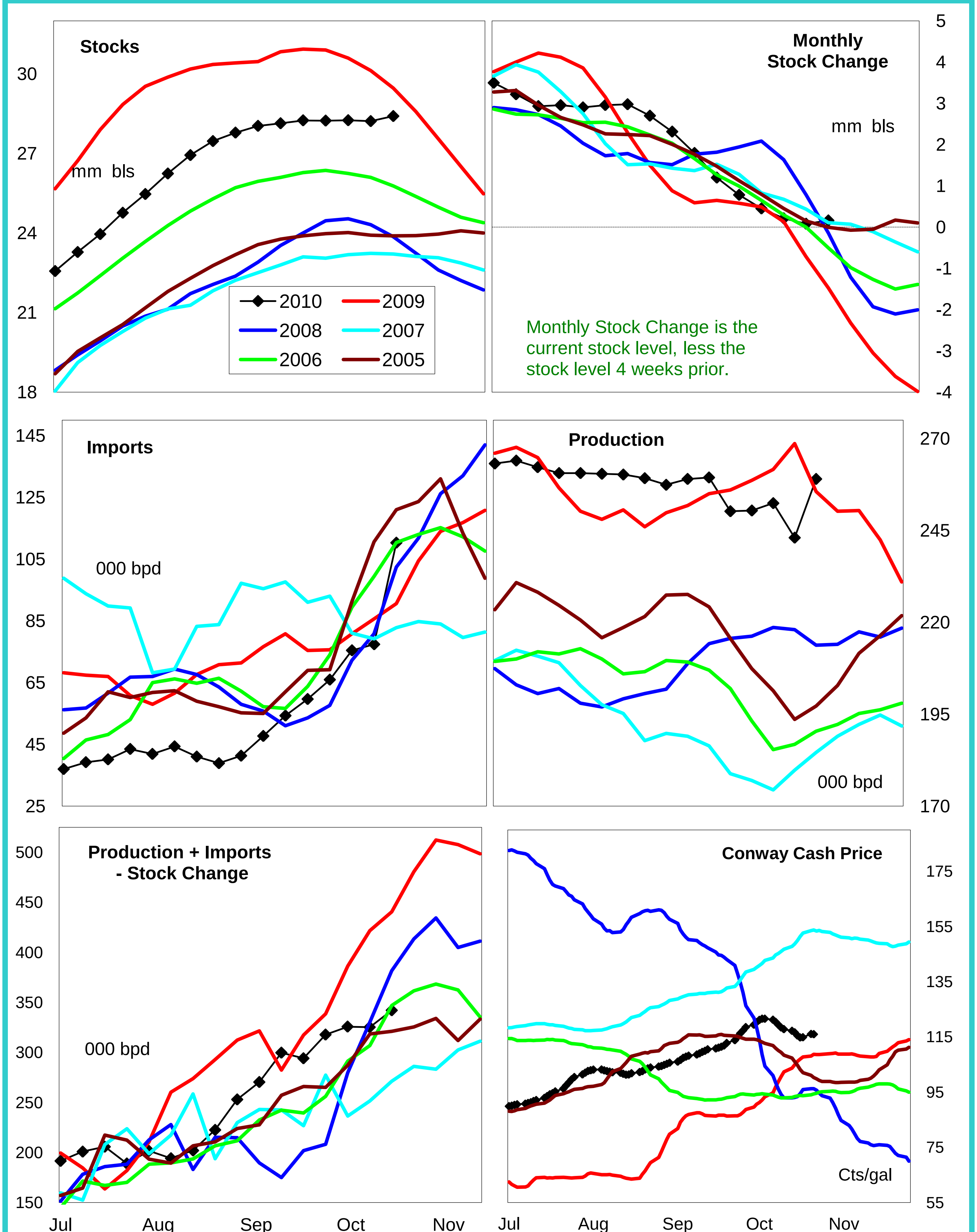
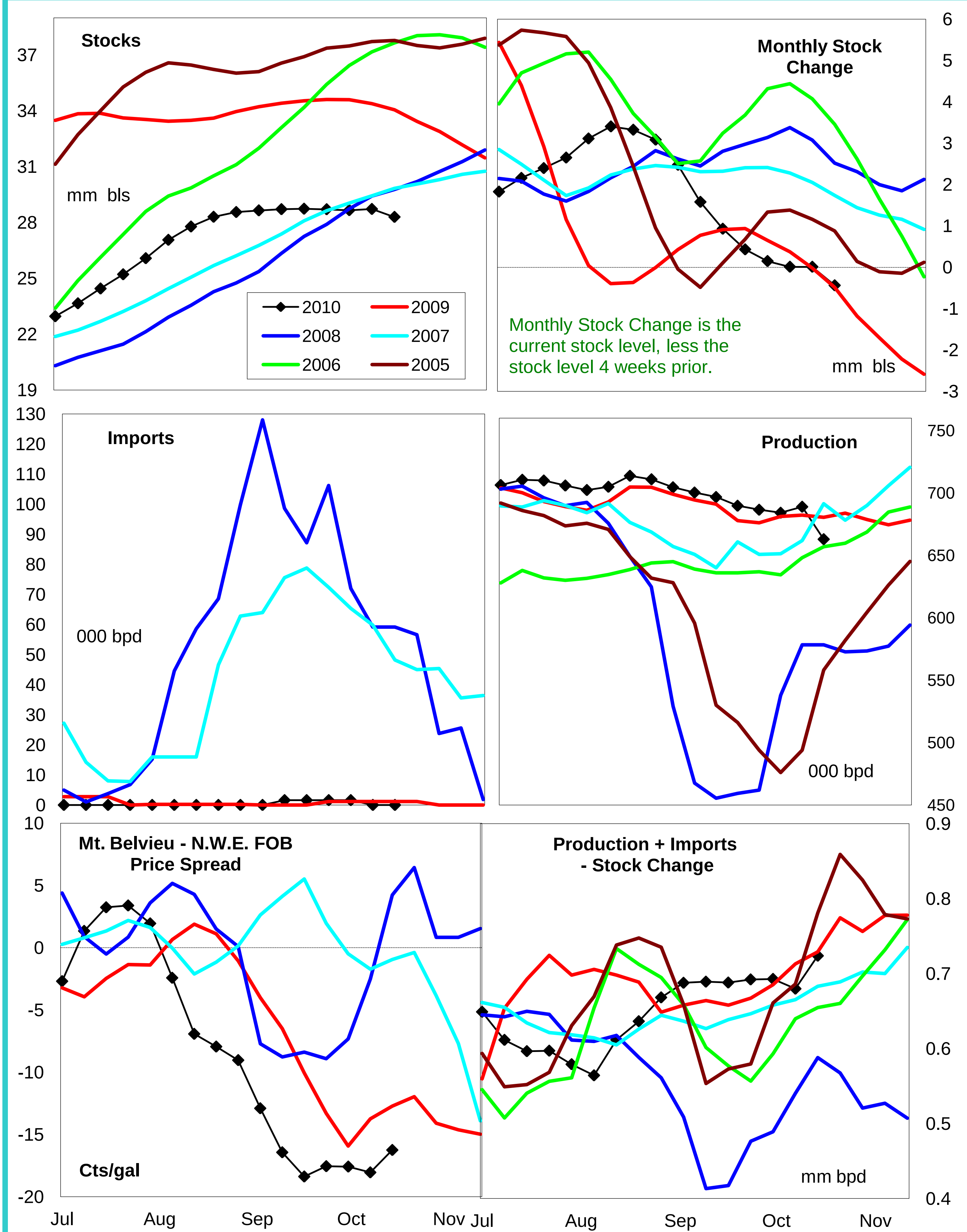
PADD 2 Propane Supply and Demand Balance



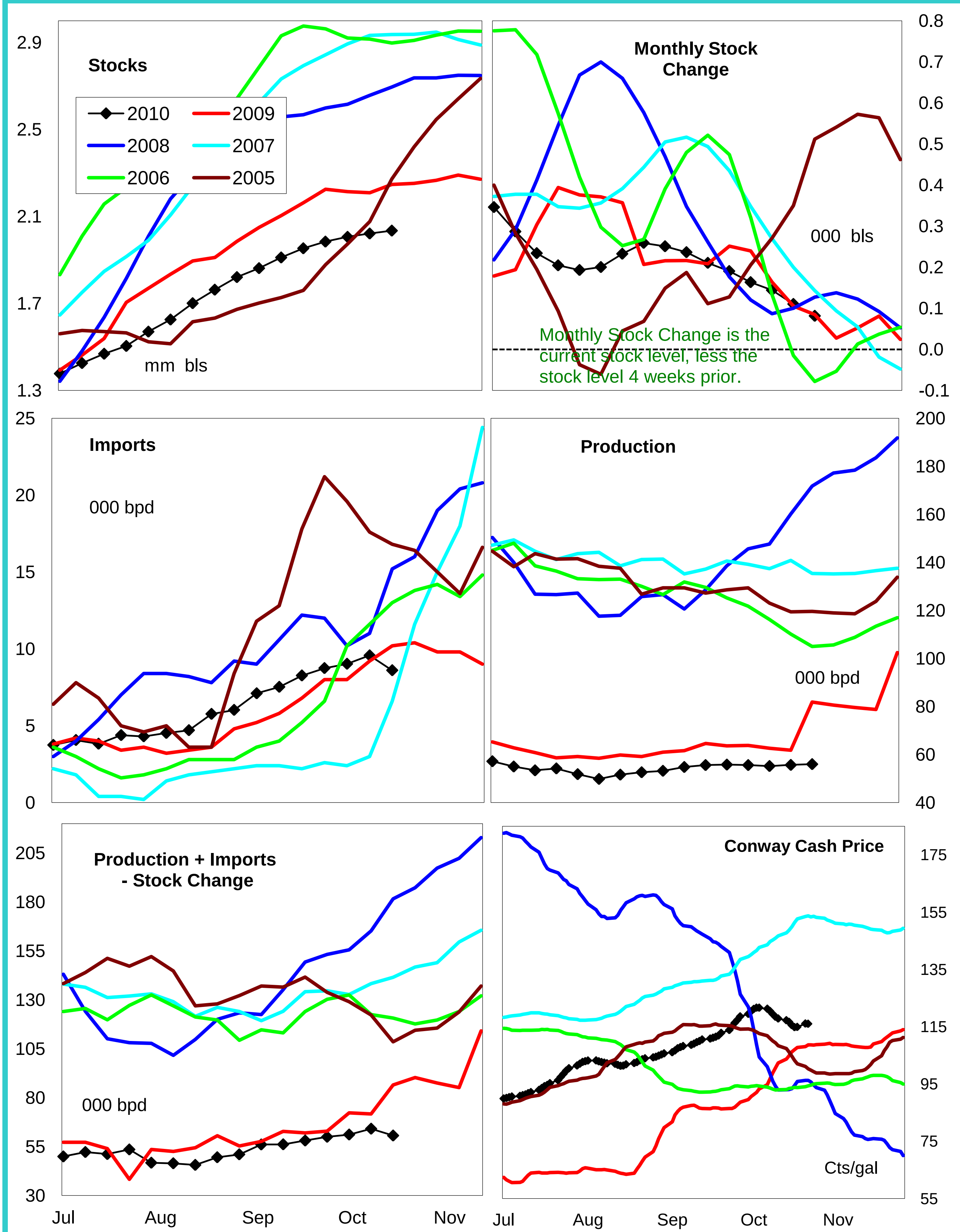
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-1,115	1,633	-18	-7	-69
% change	-3.8	-110.9	-6.7	-8.0	-17.4

PADD 3 Propane Supply and Demand Balance



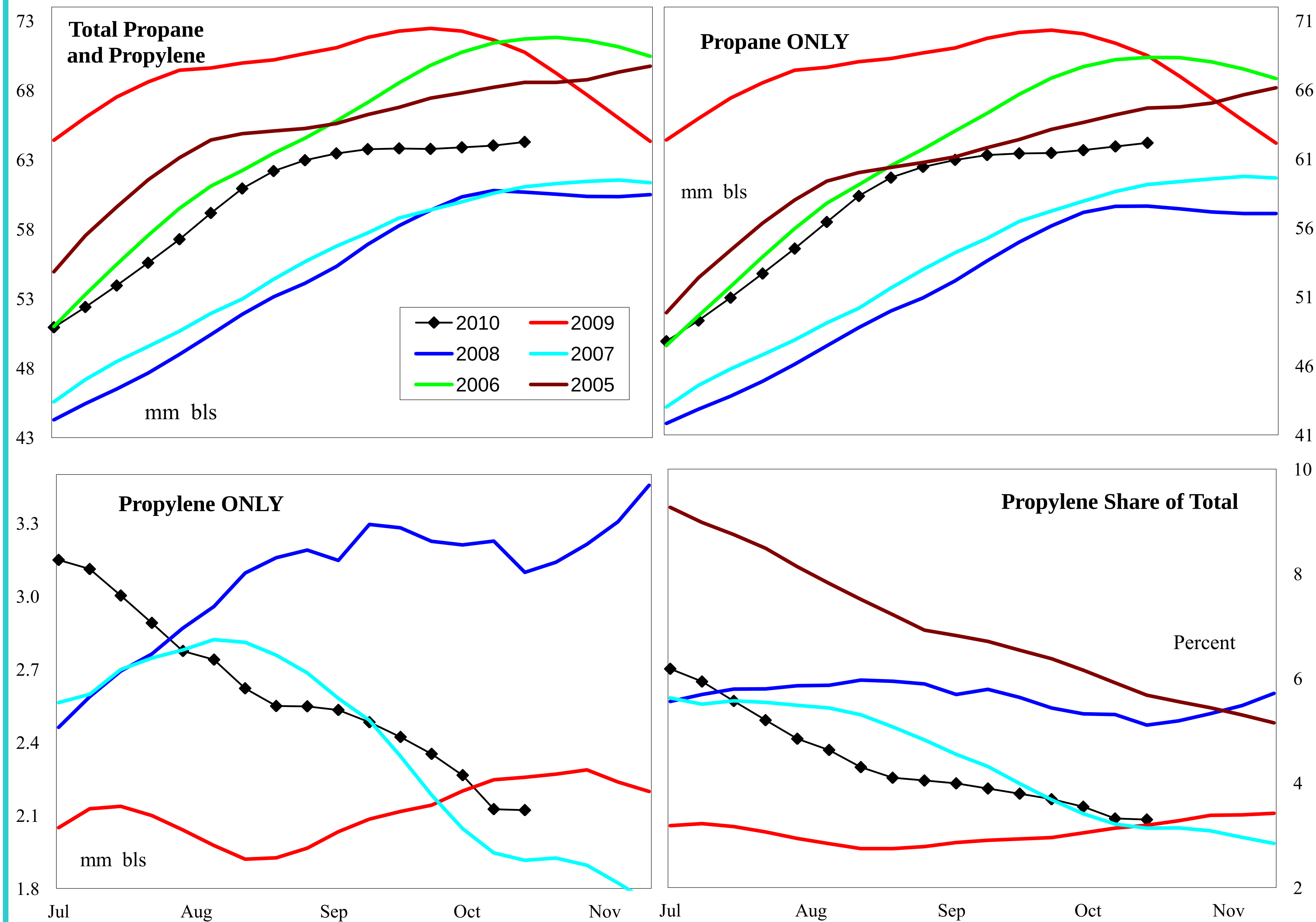
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-6,003	48	3	1	-1
% change	-17.5	-9.8	0.4	33.3	-0.2

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)	-117	-3	-7	0	-12
% change	-5.4	-3.8	-11.6	4.4	-16.2

U. S. Propane and Propylene Stocks



Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	-6,763	-6,524	-135
% change	-9.5	-9.5	-6.0

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