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, December 08, 2010

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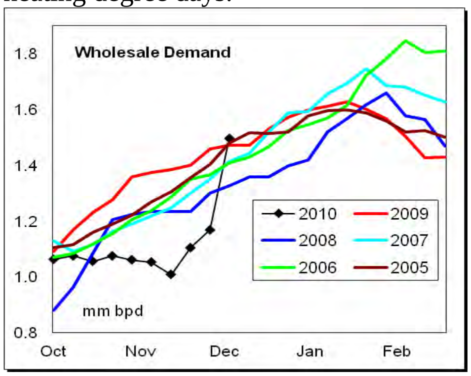
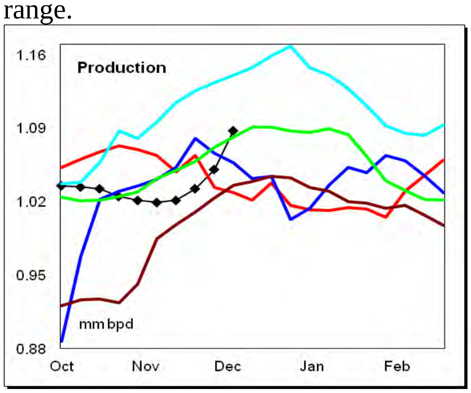
Summary[1]:

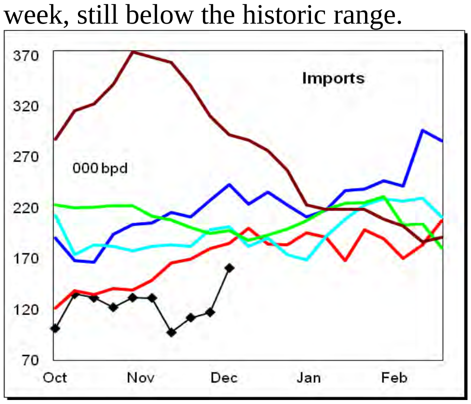
Wholesale demand jumped +619,000 bpd last week, reversing the prior month extremely low level of demand on higher heating degree days.



Production increased +57,000 bpd on the week, with the level now above the mid range.

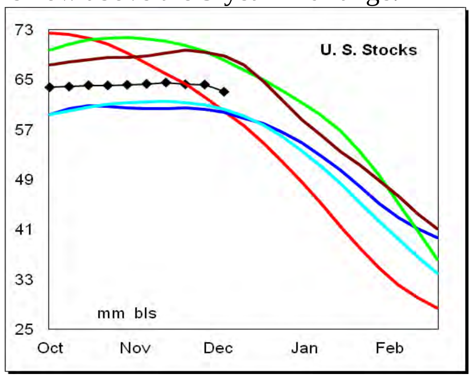


Imports increased +69,000 bpd last week, still below the historic range.

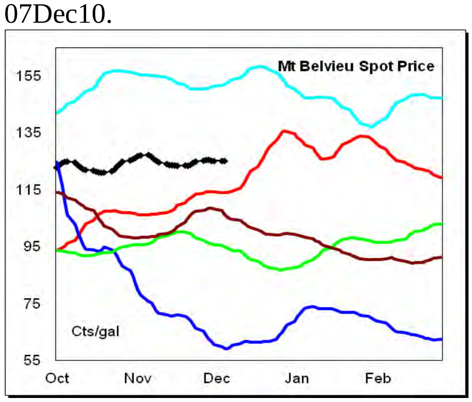


Combined production and imports during the latest 4-wk period were -64,000 bpd below a year ago. Production was -9,000 bpd below last year, and near the mid range while imports were off -55,000 bpd. The latest 4-wk average demand was -299,000 bpd below last year, a -21% drop.

Stocks decreased -2.3 million barrels this week, driving the 4-wk change to the historic mid range. The U.S. stock level is now above the 5-year mid range.



Price and Spreads Mt Belvieu spot prices increased +1.25 cts/gal and Conway was unchanged for the week ending 07Dec10.



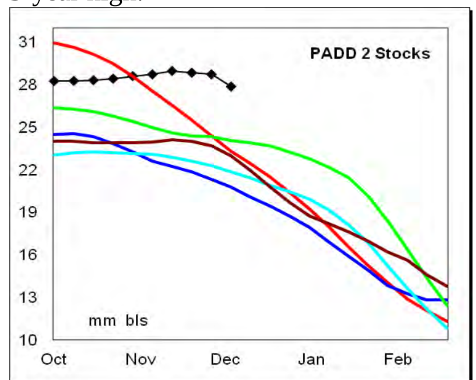
The Conway – Mt Belvieu price spread was nearly unchanged for the week ending 07Dec10. The spread ended the week well below the historic range.

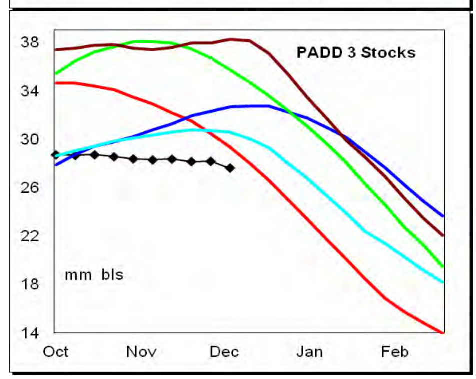
The propane to natural gas price spread traded sideways last week. The spread remains well above the historic range.

The propane / crude oil price spread trended lower on the week, ending near 5-year lows.

PADD 1 stocks increased +0.5 million barrels on a +59,000 bpd jump in imports. Combined production and imports climbed +69,000 bpd on the week. Supply for the latest 4-wk period was unchanged from a year ago. Stock levels were a record high.

PADD 2 stocks fell -1.7 million barrels last week. Production was slightly above the historic range. Imports were -56% below last year. Stock levels are now +4.3 million barrels above the prior 5-year high.





PAD 3 stocks decreased -1 million barrels on the week. Production increased +25,000 bpd on the week, to a level slightly above the historic range. Stock levels were -2.7 million barrels below the previous 5-year low for the period.

PADDs 4 & 5 stocks decreased -0.1 million barrels on the week. Stock levels were below the 5-year range.

Emerging Trends Exports were 112,000 bpd during the 4th quarter of 2009 and averaged +25,000 bpd higher in 2010. Based on these trends current monthly exports are near 140,000 bpd; not enough to drive the recent volatility in wholesale demand. Much colder temperatures should provide support to prices; although, a very well supplied market has risk of a pull back during the heating season.

[1] Source is latest EIA Weekly Statistics

PROPANE: Graph Link and Weekly Summary

December 8, 2010

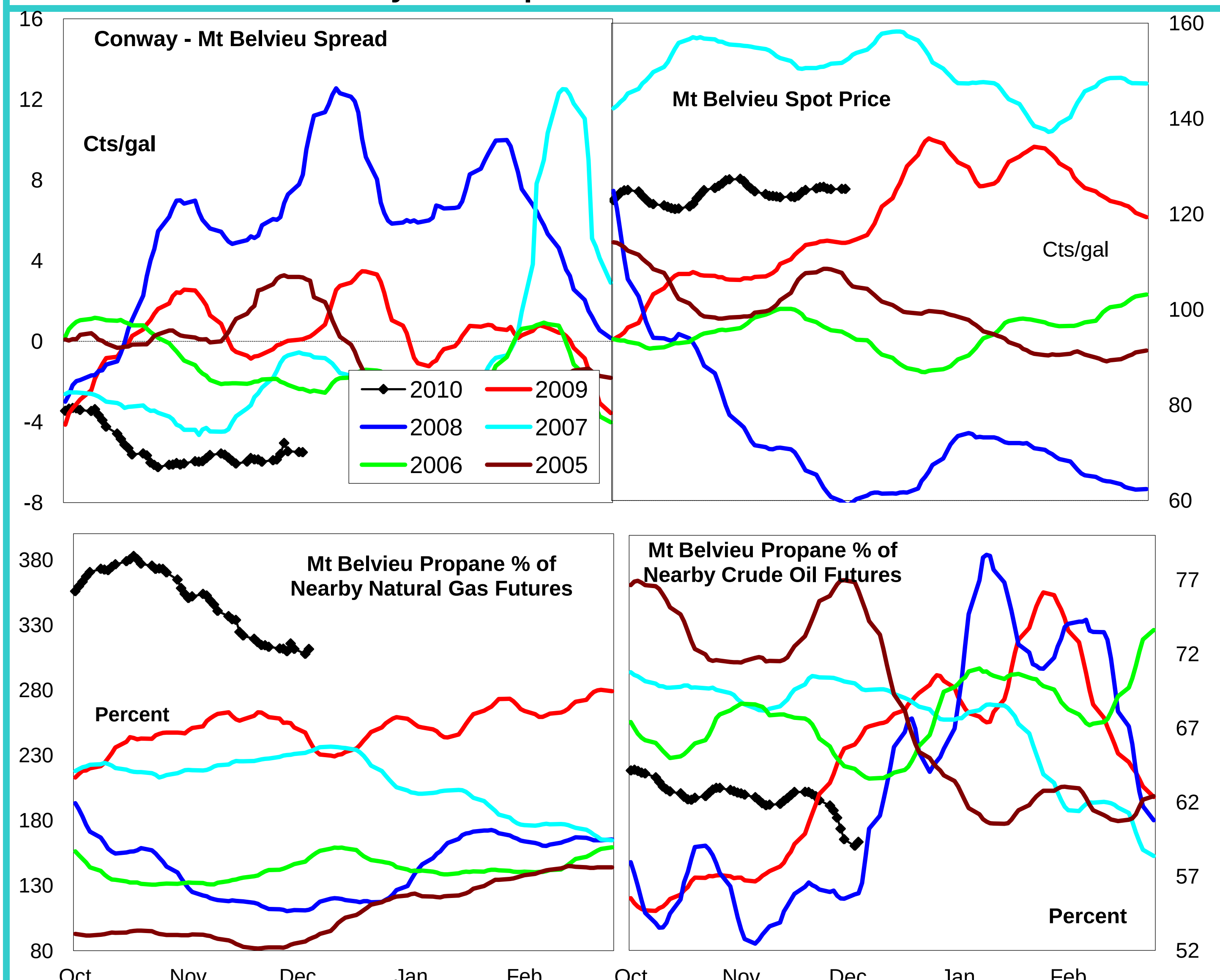
Fundamental Trends for the Week Ending: Friday, December 03, 2010

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	63,062	5,770	27,853	27,595	1,844	-2,313	556	-1,738	-1,021	-110
Propylene Stocks	1,807					-149				
Production	1,088	44	248	731	65	57	10	10	25	12
Imports	161	88	58	0	15	69	59	7	0	3
Whsle Demand	1,498					619				

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	125.2	126.4	127.9	114.7	-1.19	-1.49	13.24	-0.9	-1.2	11.5
Conway Spot	119.8	120.3	121.4	115.1	-0.54	-1.07	6.31	-0.4	-0.9	5.5

Key Price Spreads and Differentials



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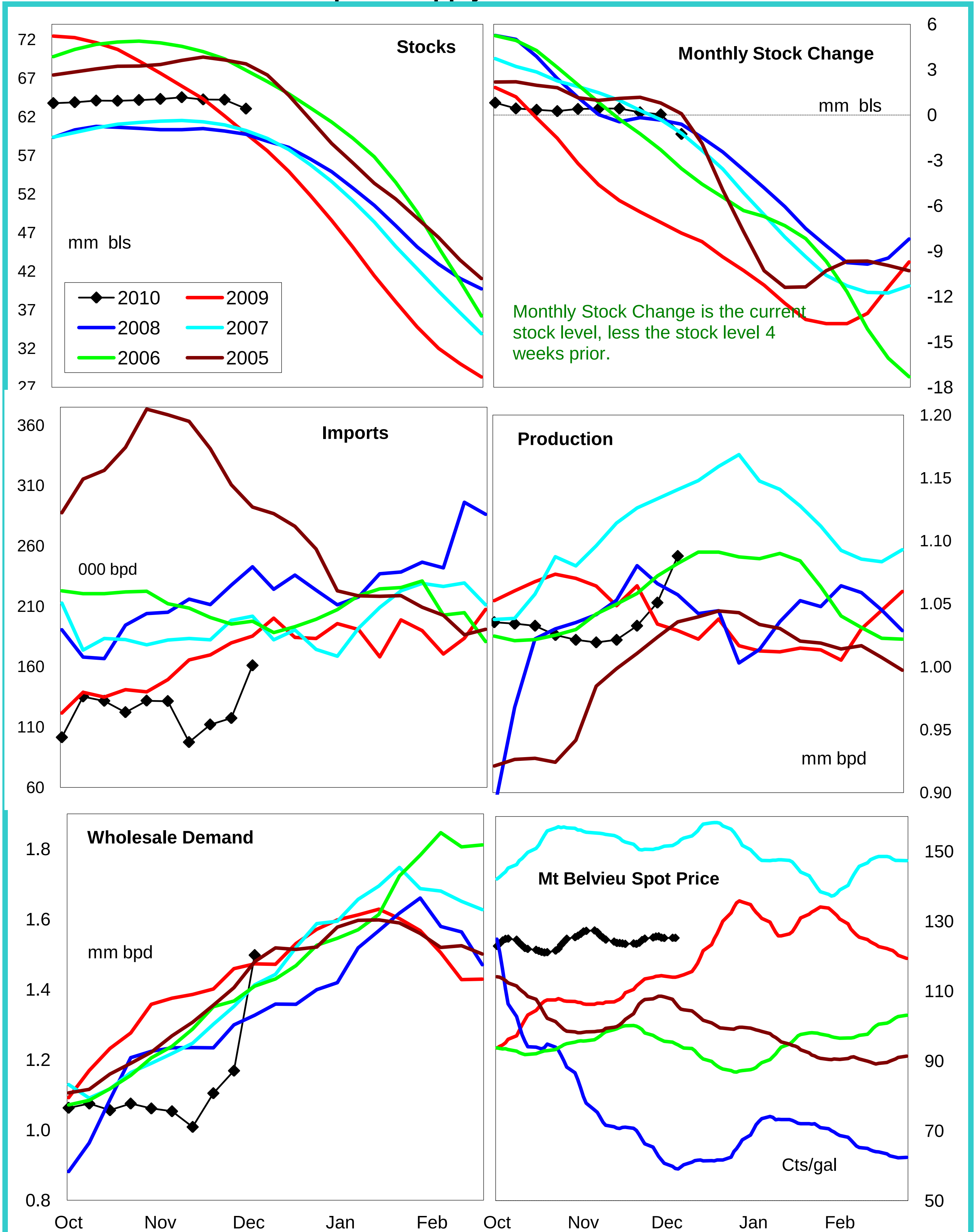
U. S. Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Demand	4wk avg	Oct	Sep	Aug
000 bpd (000 bls stks)	1,640	6,546	-9	-55		-299	-125	46	-187
% change	2.7	-84	-0.8	-30.8		-21.2	-10.3	4.6	-18.5

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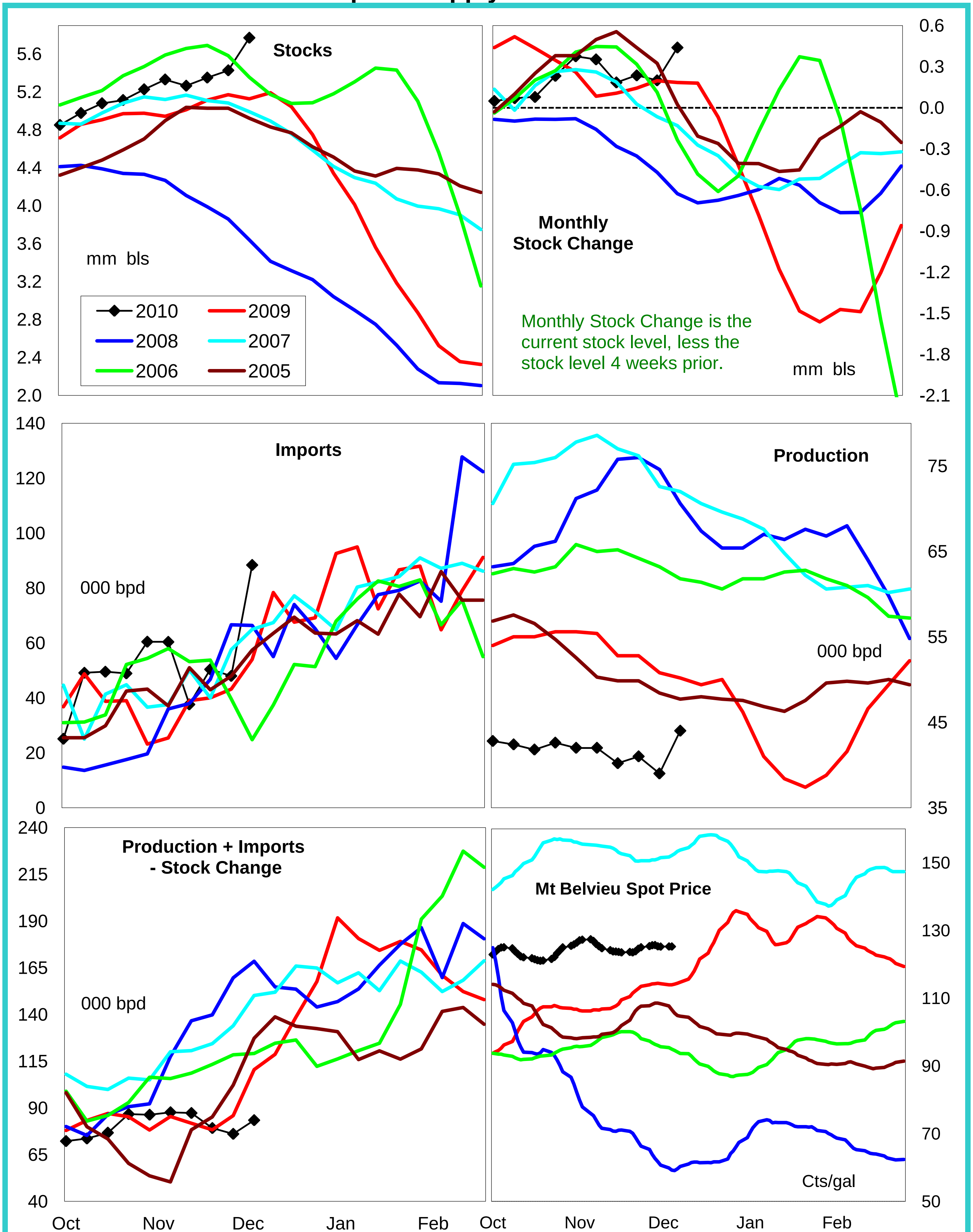
PADD 1 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	290	254	-11	10	-8
% change	5.3	137.3	-22.1	20.7	-8.6

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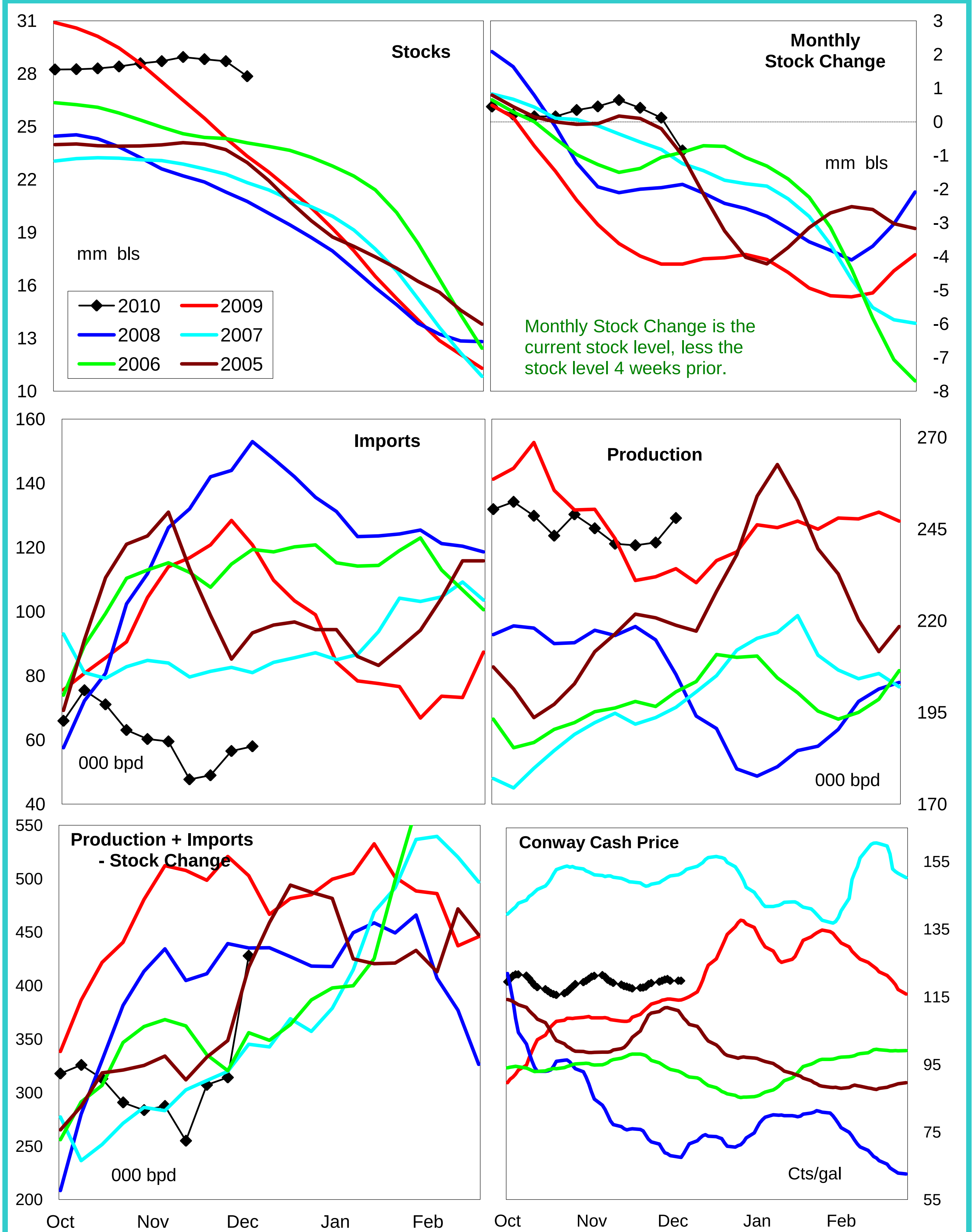
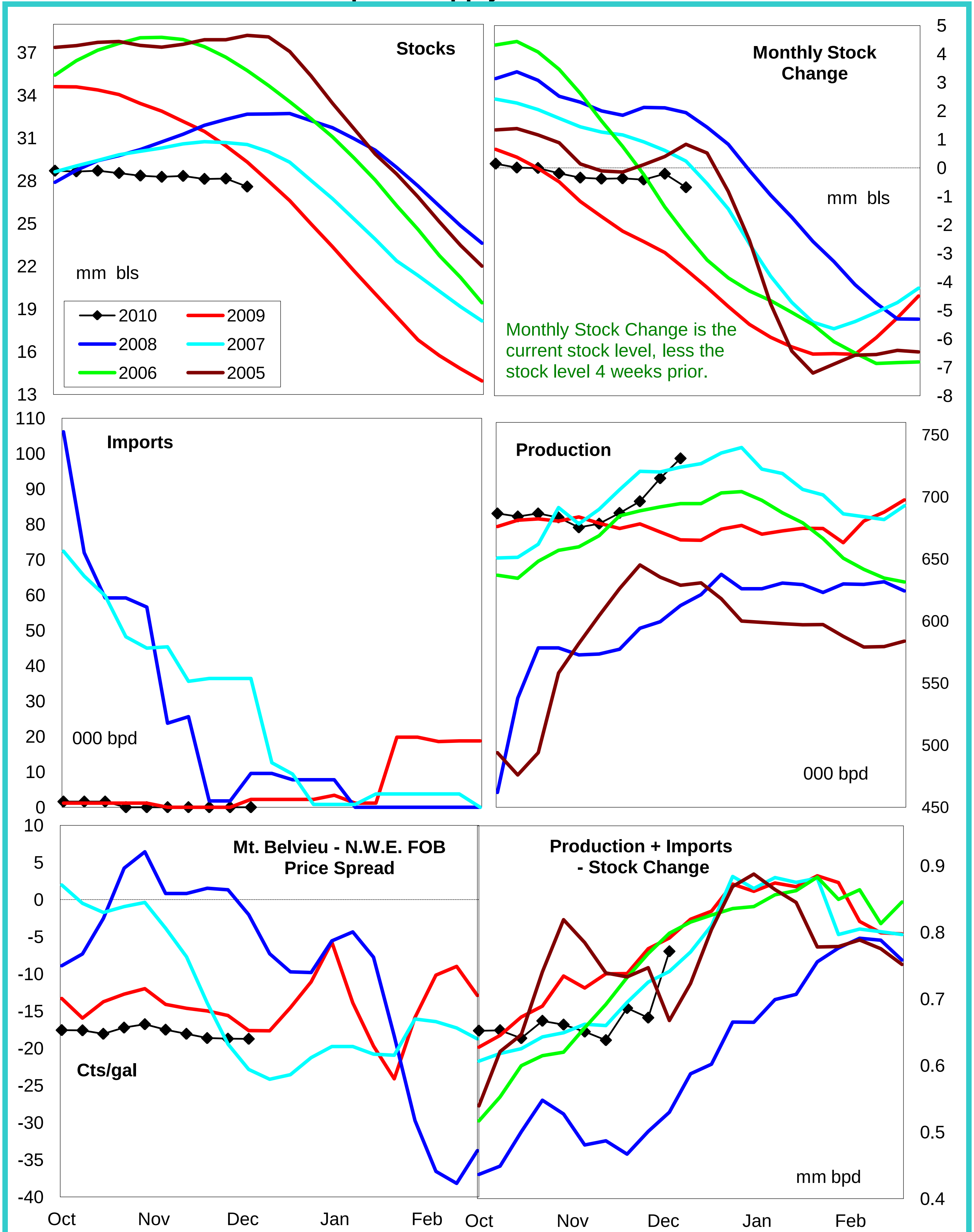
PADD 2 Propane Supply and Demand Balance



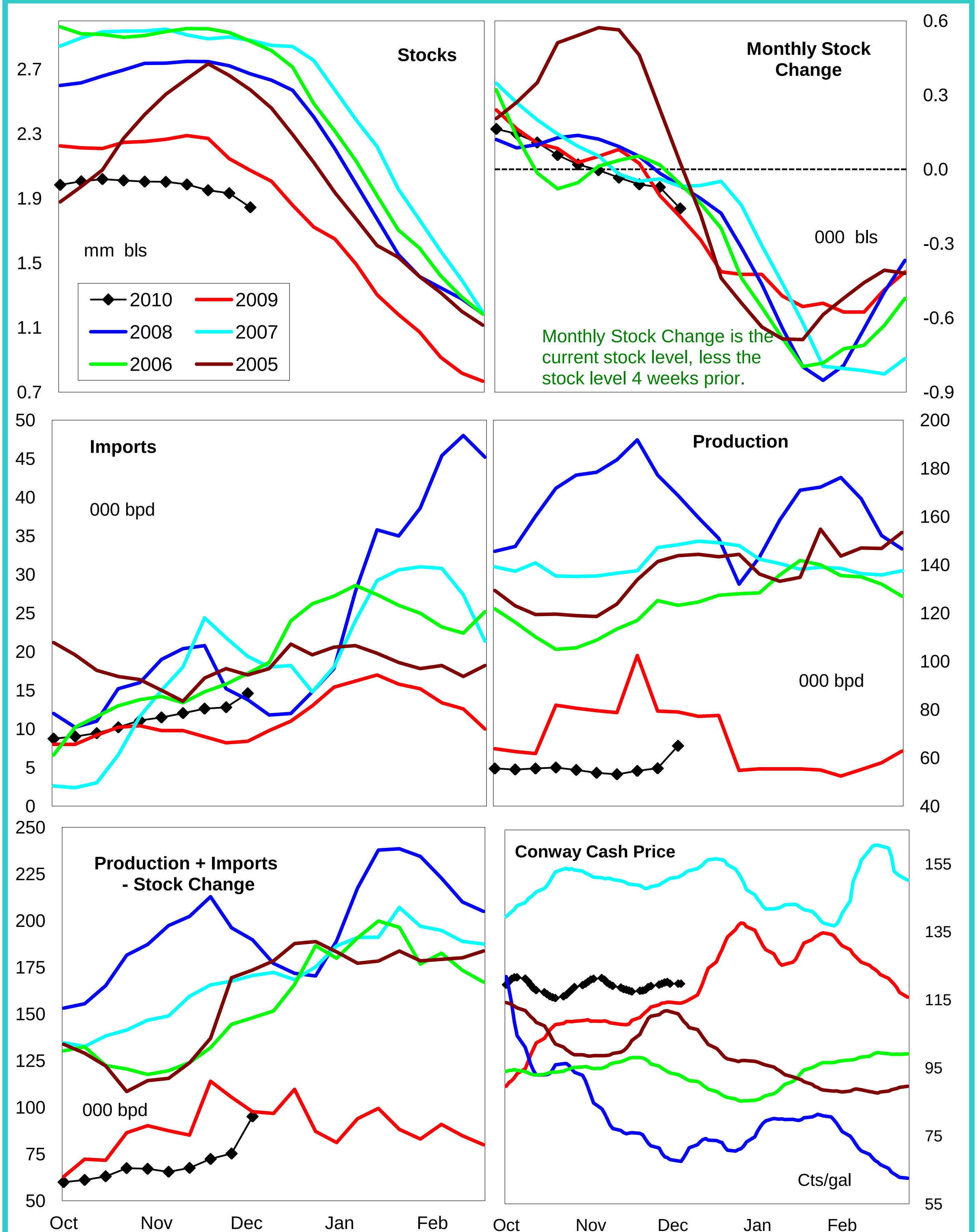
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	4,333	3,371	6	-69	-181
% change	18.4	-79.8	2.7	-56.5	-35.8

PADD 3 Propane Supply and Demand Balance



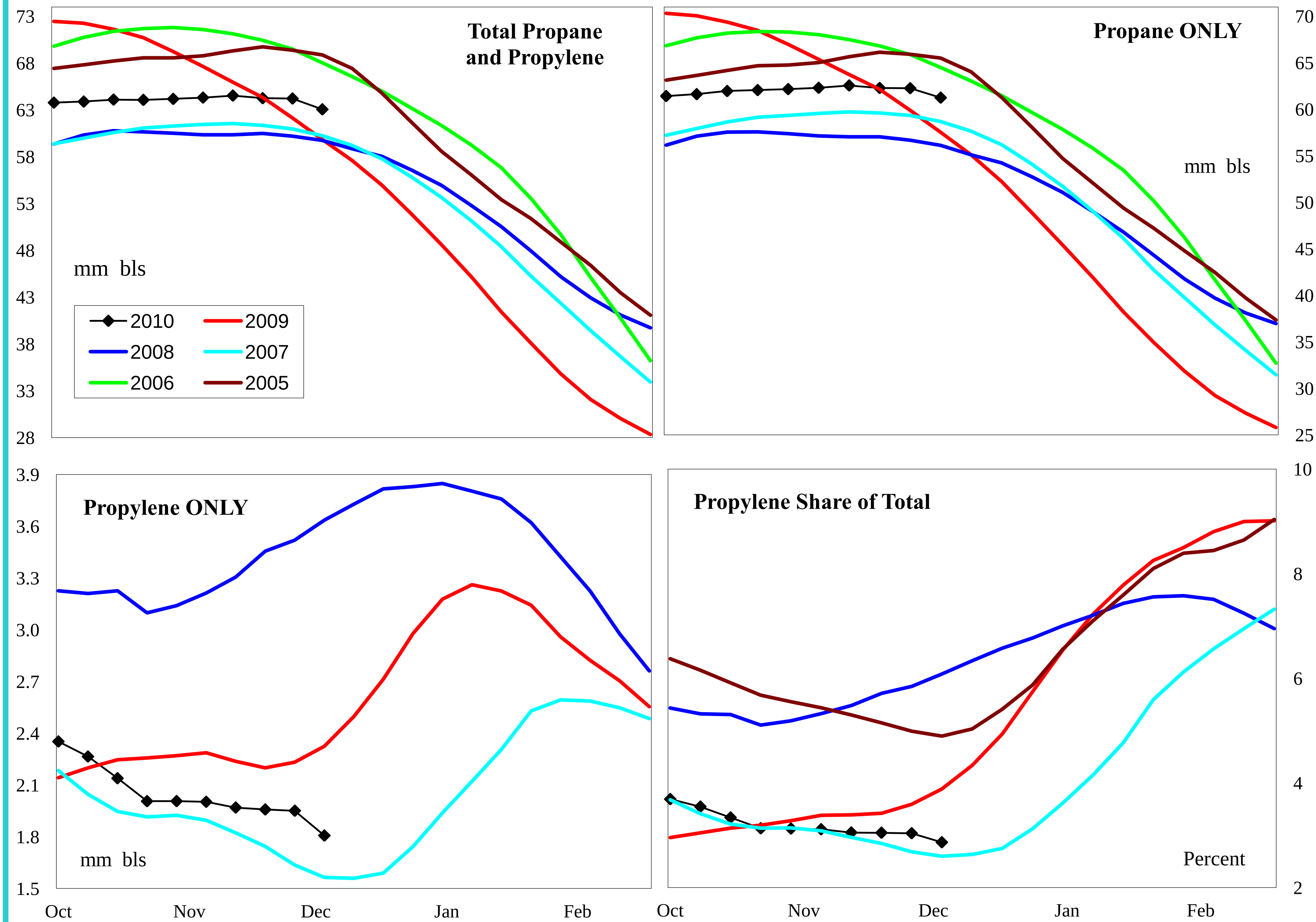
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-2,689	2,888	28	0	-69
% change	-8.9	-80.9	4.2	#DIV/0!	-8.6

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)	-293	34	-32	5	-23
% change	-13.7	-17.8	-36.8	59.1	-22.9

U. S. Propane and Propylene Stocks



Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	1,640	2,000	-518
% change	2.7	3.4	-22.3

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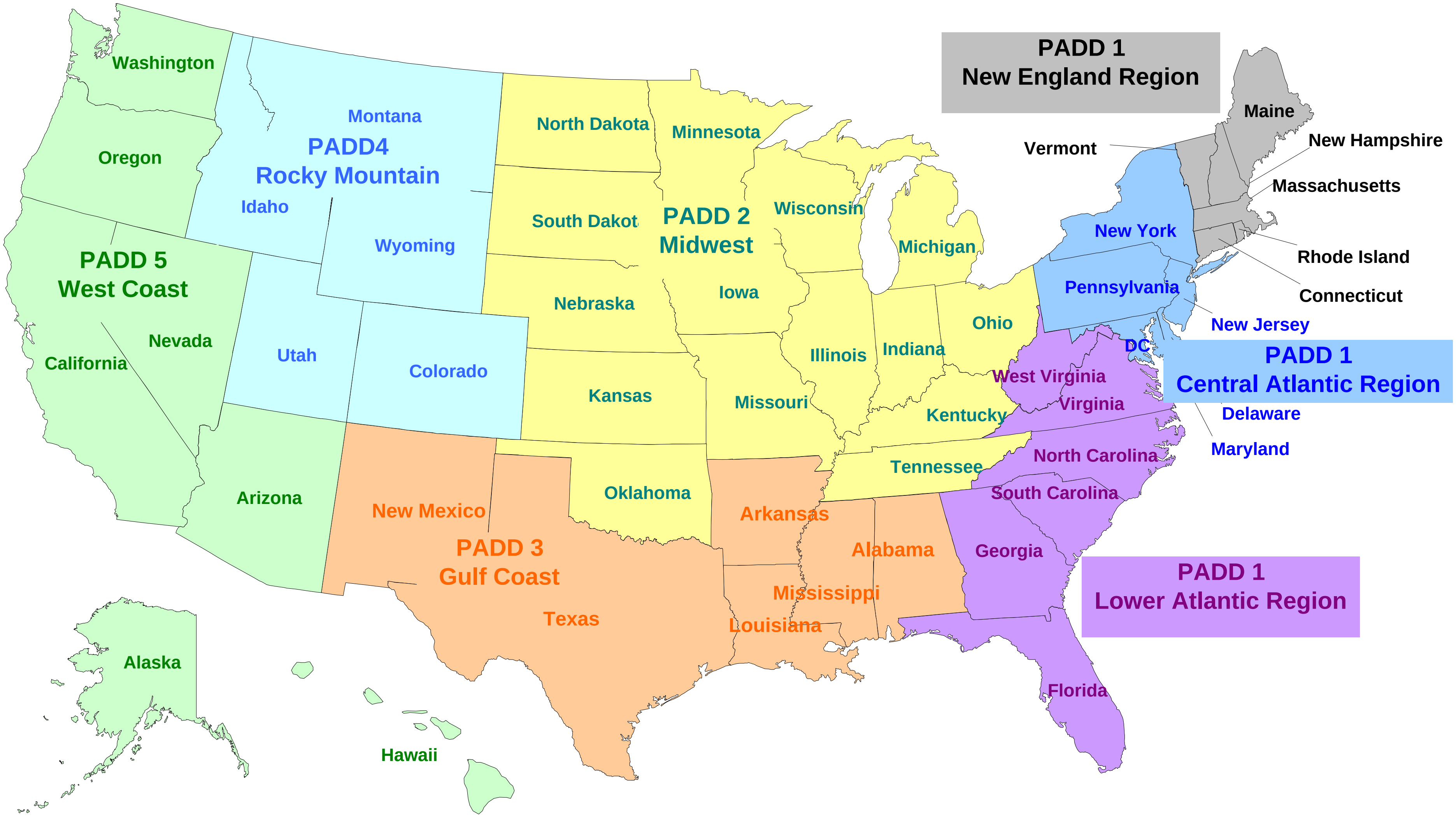
U. S. Petroleum Administrative for Defense Districts (PADDs)



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