FUNDAMENTAL PETROLEUM TRENDS

WEEKLY PROPANE SUPPLY-DEMAND-PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, December 23, 2010

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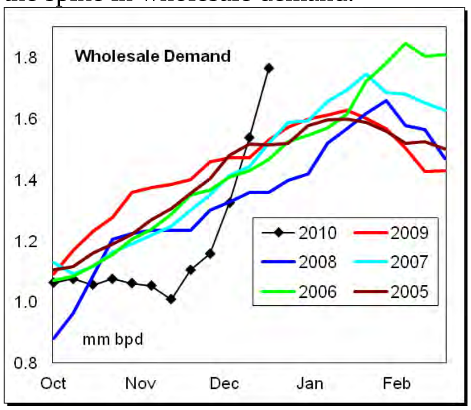
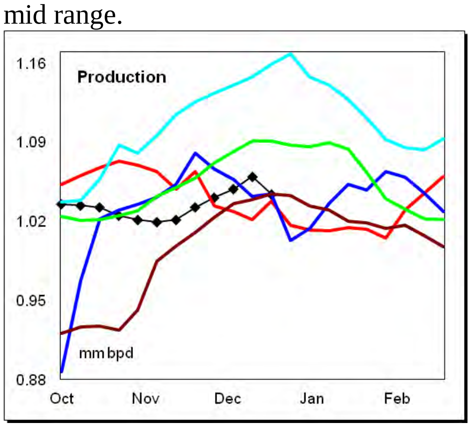
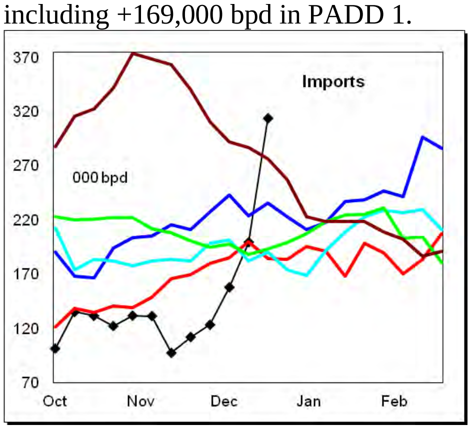
Summary[1]:
Wholesale demand jumped +415,000 bpd last week, driven by heating degree days that were +30% above normal in key markets. A surge of imports into PADD 1 private storage contributed to the spike in wholesale demand.



Production declined -3,000 bpd on the week, with the level matching the 5-year mid range.



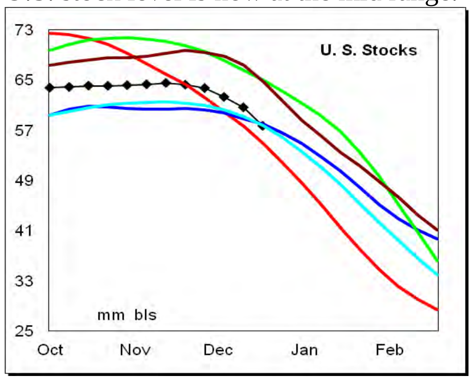
Imports spiked +190,000 bpd last week, including +169,000 bpd in PADD 1.



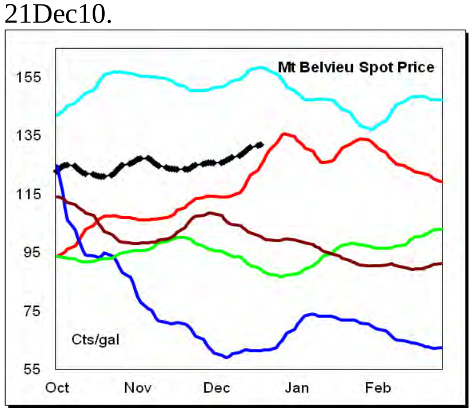
[1] Source is latest EIA Weekly Statistics

Combined production and imports during the latest 4-wk period were +6,000 bpd above a year ago. Production was +25,000 bpd above last year, and near the mid range while imports were off -19,000 bpd. The latest 4-wk average demand was -122,000 bpd below last year, a -8% drop.

Stocks decreased -3.5 million barrels this week, driving the 4-wk draw to a level above four of the last 5-years. The U.S. stock level is now at the mid range.



Price and Spreads Mt Belvieu spot prices increased +2.50 cts/gal and Conway was +1.5 cts/gal higher for the week ending 21Dec10.



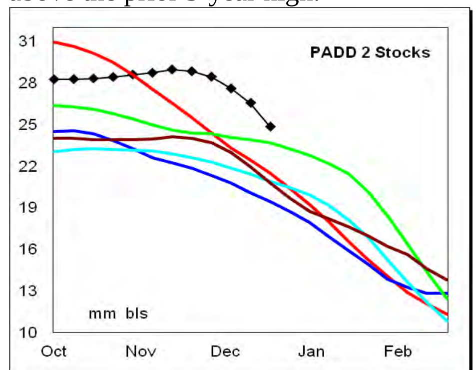
The Conway – Mt Belvieu price spread trended lower for the week ending 21Dec10. The spread ended the week well below the historic range.

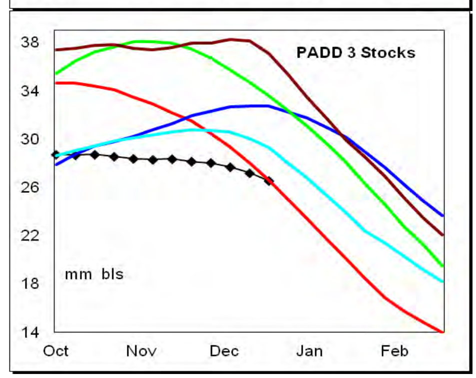
The propane to natural gas price spread trended higher last week on weakness in gas prices. The spread remains well above the historic range.

The propane / crude oil price spread trended higher on the week, ending at a record low for this time of year.

PADD 1 stocks fell -0.5 million barrels on record heating degree days for the period, offsetting a +169,000 bpd jump in imports. Production decreased -4,000 bpd on the week. Supply for the latest 4-wk period increased +16,000 bpd compared to a year ago. Stock levels fell below the mid range.

PADD 2 stocks declined -2.1 million barrels last week. Production was at the upper end of the historic range. Imports increased +30,000 bpd to a level near the mid range. Stock levels remain above the prior 5-year high.





PAD 3 stocks decreased -0.9 million barrels on the week. Production was nearly unchanged near historic highs. Stock levels match last years' 5-yar lows.

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

Emerging Trends Unplanned pipeline maintenance has limited deliveries into PADD 1, driving the spike in imports into private storage, which contributed to the jump in weekly demand. Large stock draws and very high heating degrees have supported prices. A warming trend over the next 10-days should limit near term price increases.

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PROPANE: Graph Link and Weekly Summary

December 23, 2010

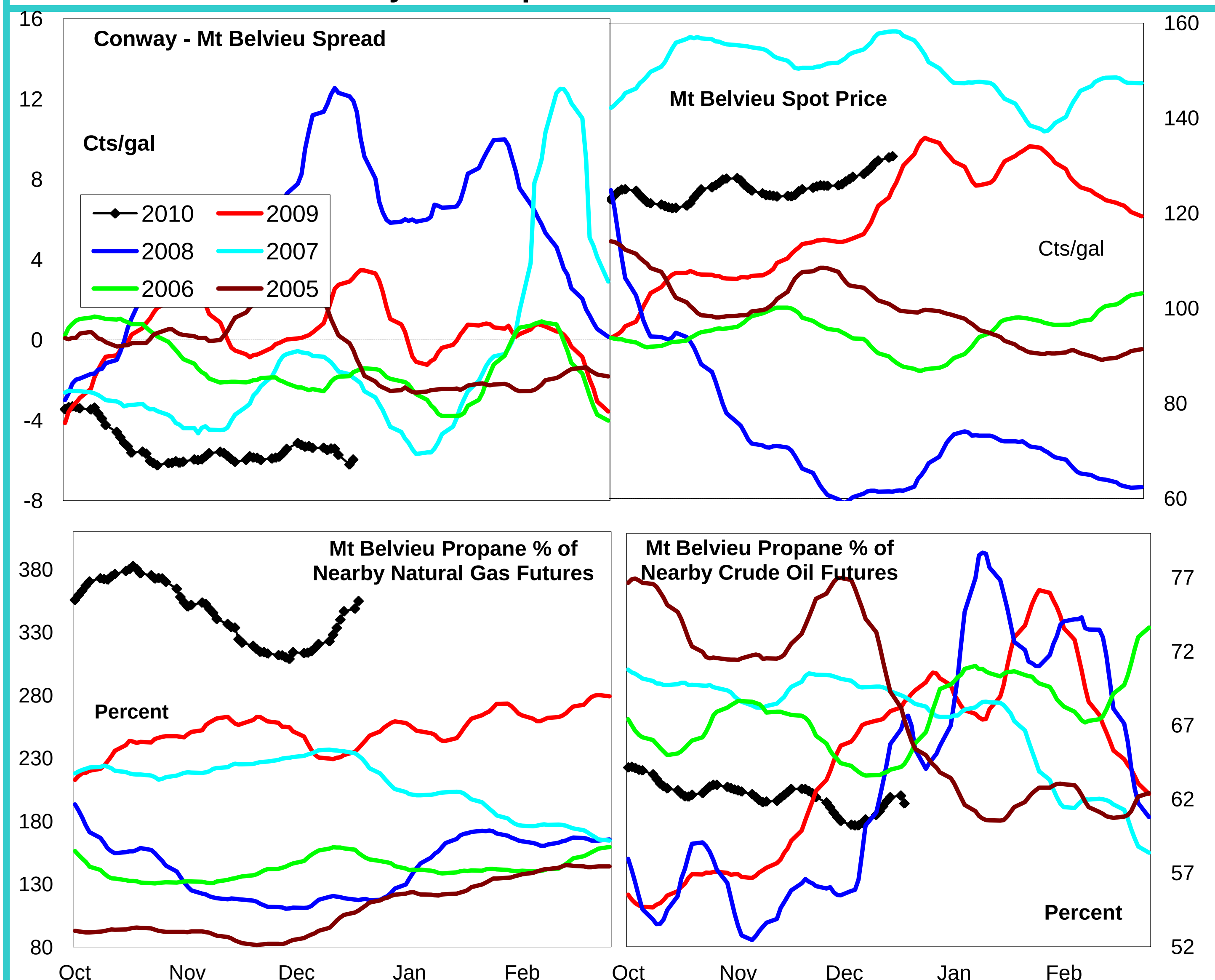
Fundamental Trends for the Week Ending: Friday, December 17, 2010

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	57,670	4,638	24,828	26,537	1,667	-3,496	-473	-2,120	-854	-49
Propylene Stocks	2,027					152				
Production	1,044	40	234	716	54	-3	-4	2	-1	0
Imports	314	201	98	0	15	190	169	30	-10	2
Whsle Demand	1,766					415				

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

Cents/gal	Average for week ending:				Change from:			% change from:		
	10/26/10	10/19/10	9/28/10	10/16/09	10/19/10	9/28/10	10/16/09	10/19/10	9/28/10	10/16/09
Mont Belvieu Spot	131.1	127.4	121.1	121.4	3.69	6.23	-0.30	2.9	5.1	-0.2
Conway Spot	125.3	122.1	115.4	124.6	3.20	6.72	-9.17	2.6	5.8	-7.4

Key Price Spreads and Differentials



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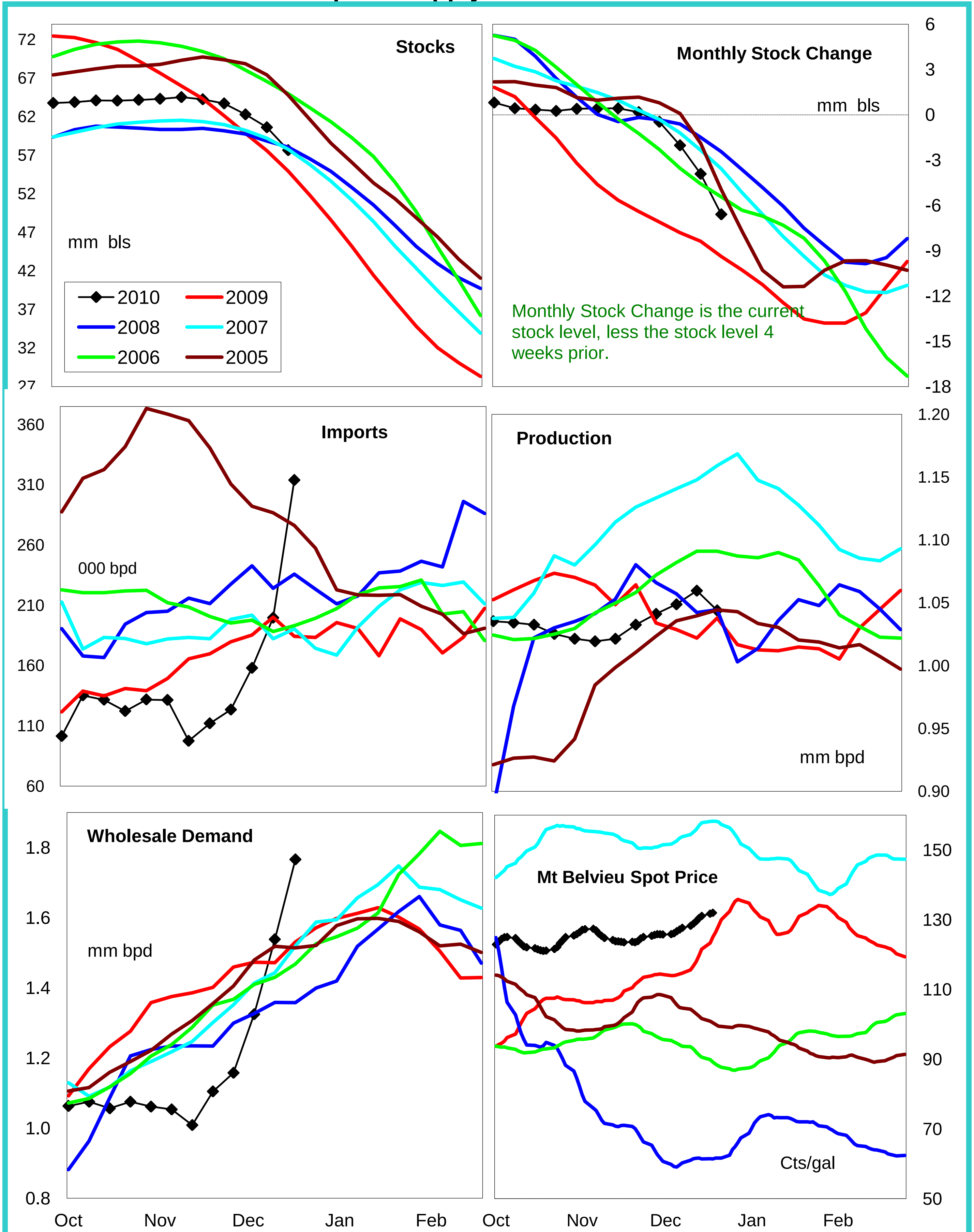
U. S. Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Demand	4wk avg	Nov	Oct	Sep
000 bpd (000 bls stks)	3,674	2,798	25	-19		-122	-414	-125	37
% change	6.8	-30	2.4	-9.9		-8.1	-27.2	-10.3	3.7

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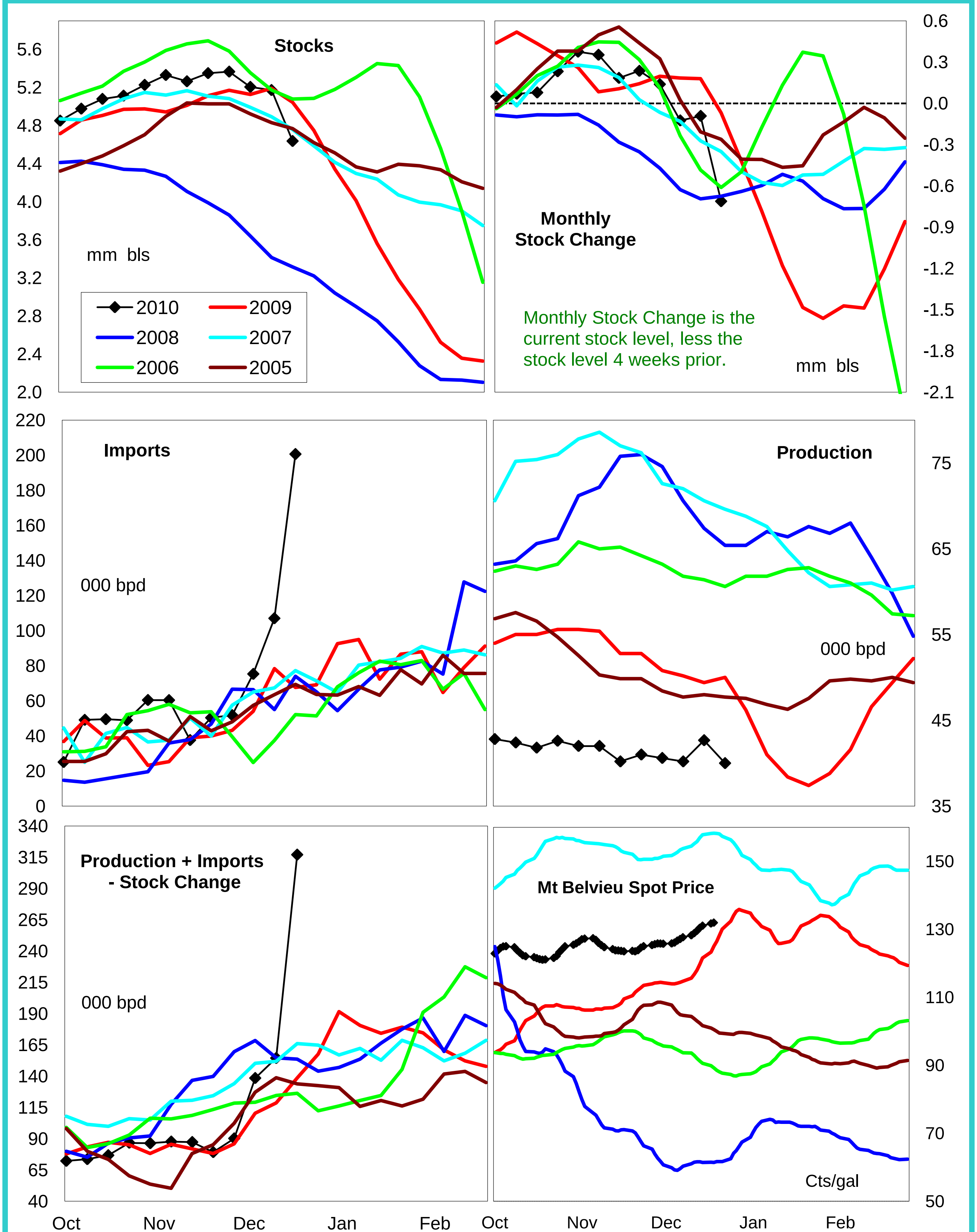
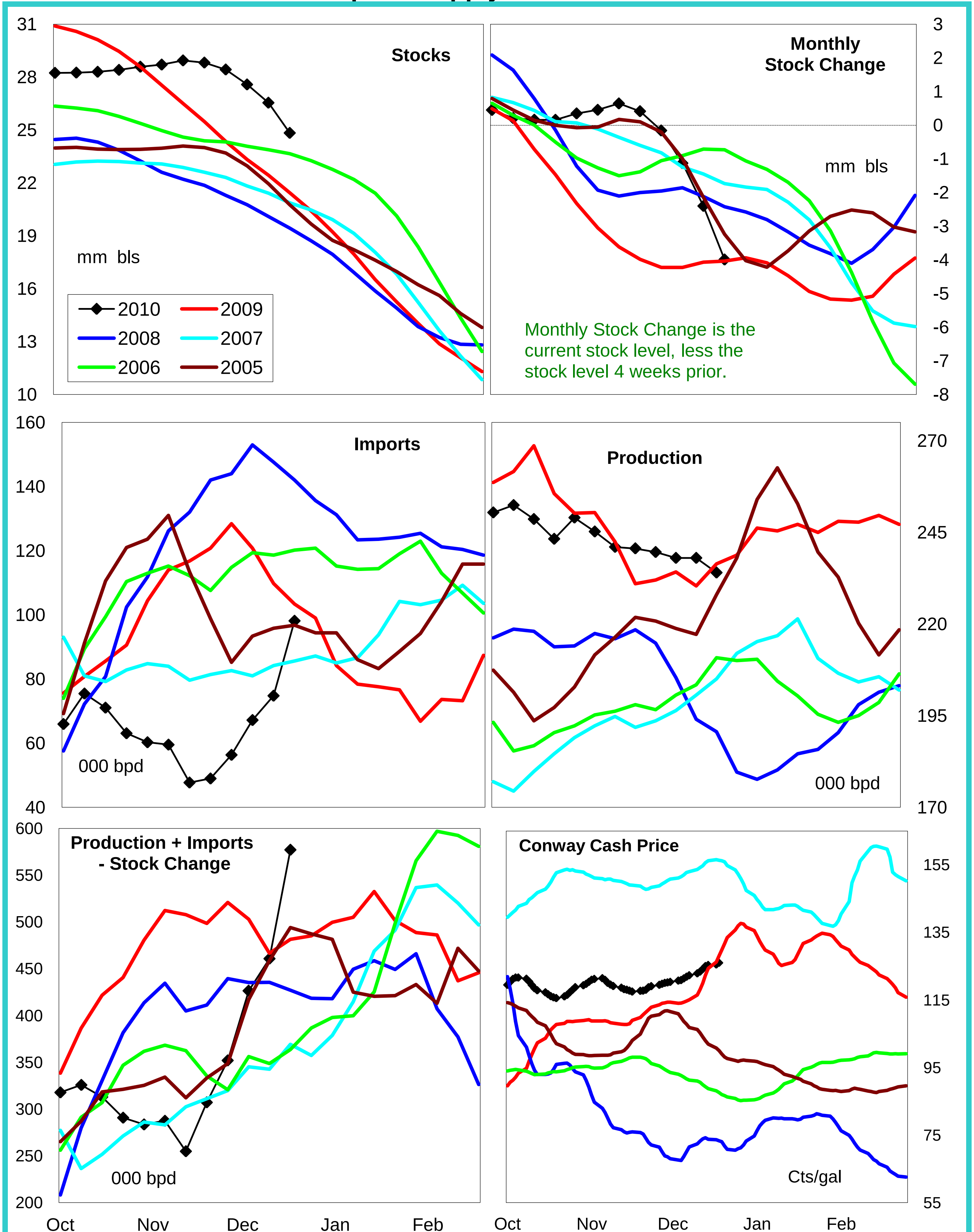
PADD 1 Propane Supply and Demand Balance



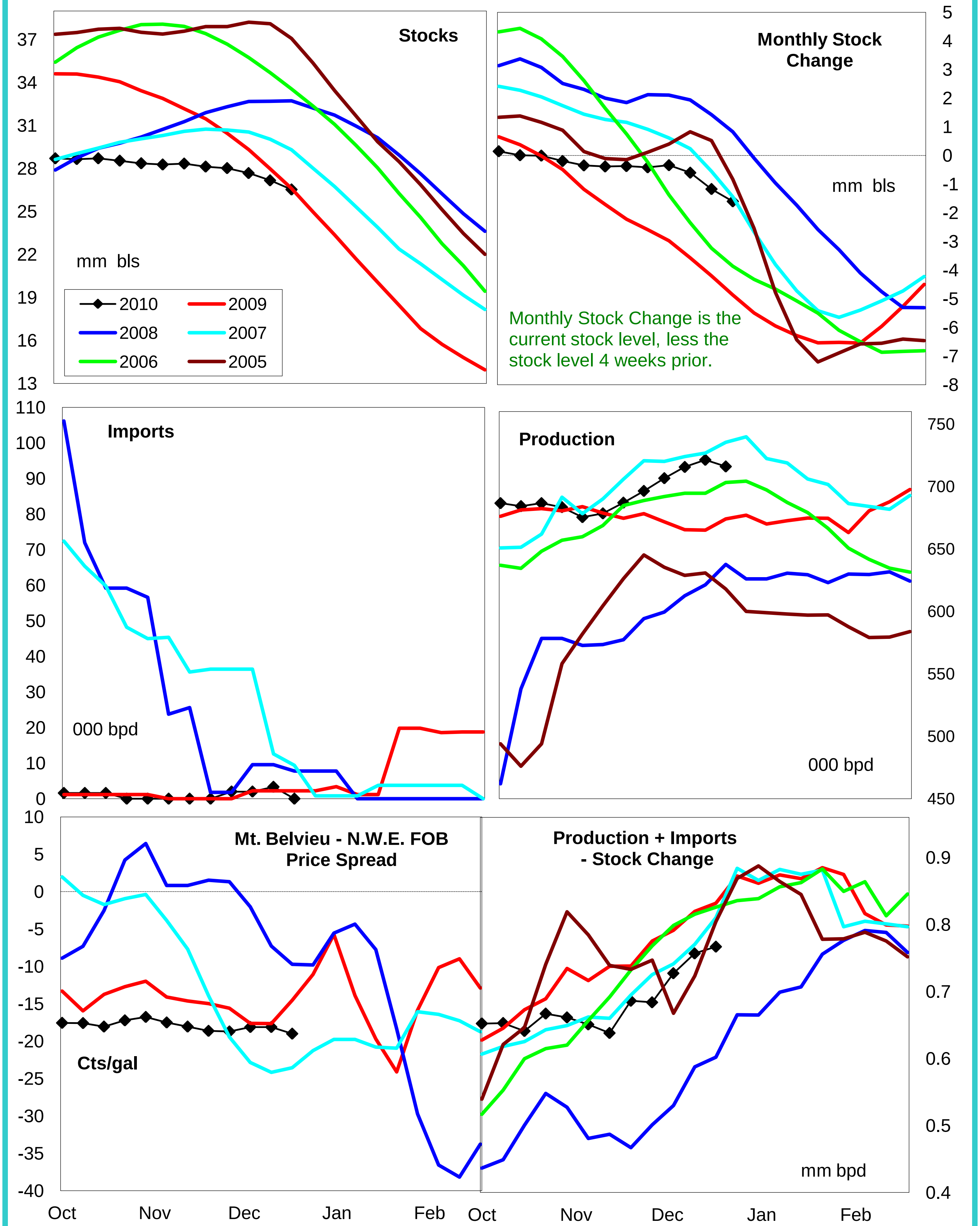
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-236	-643	-9	25	62
% change	-4.8	926.5	-18.2	40.7	54.4

PADD 2 Propane Supply and Demand Balance



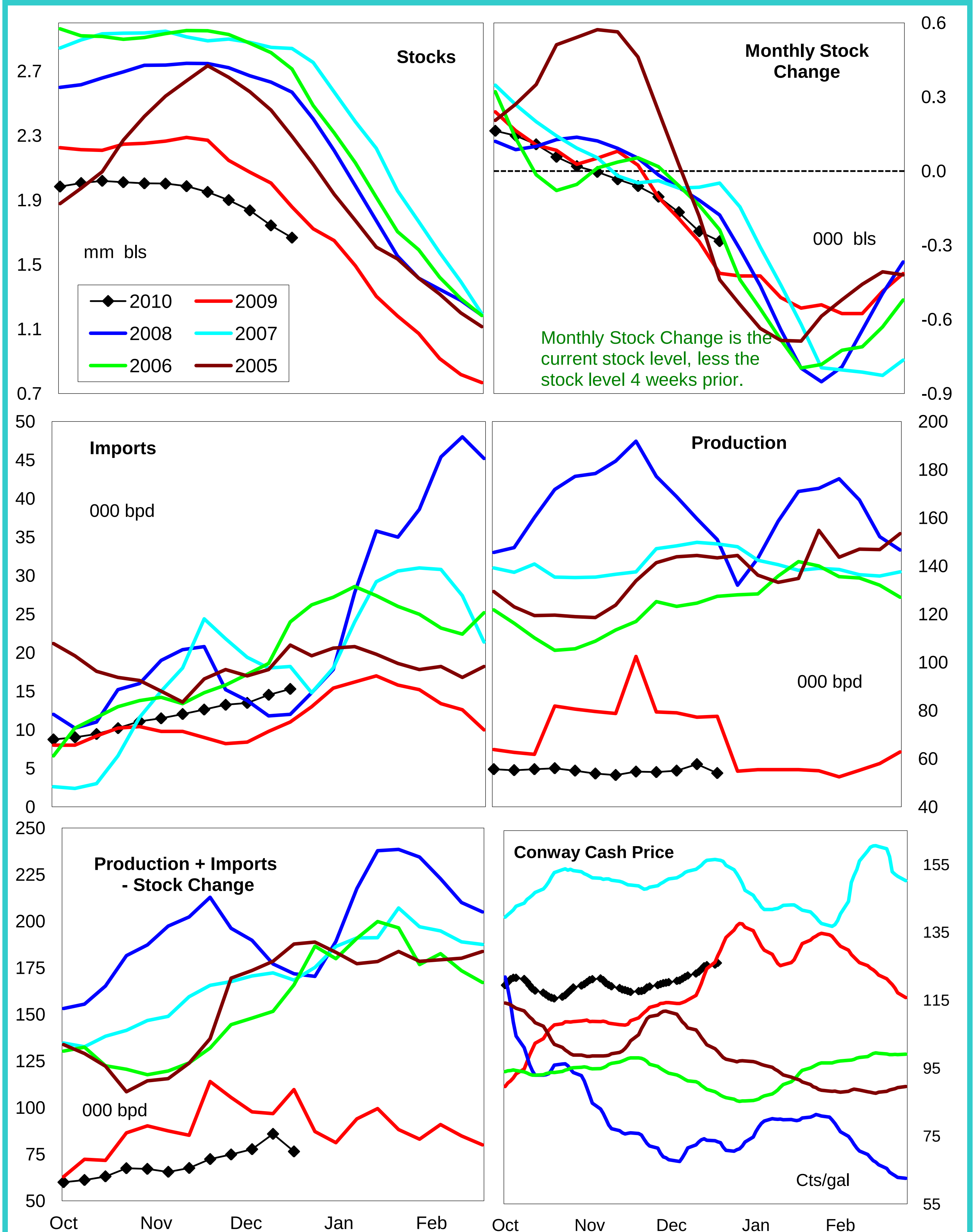
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	3,598	42	10	-49	-39
% change	16.9	-1.0	4.3	-41.6	-7.9

PADD 3 Propane Supply and Demand Balance



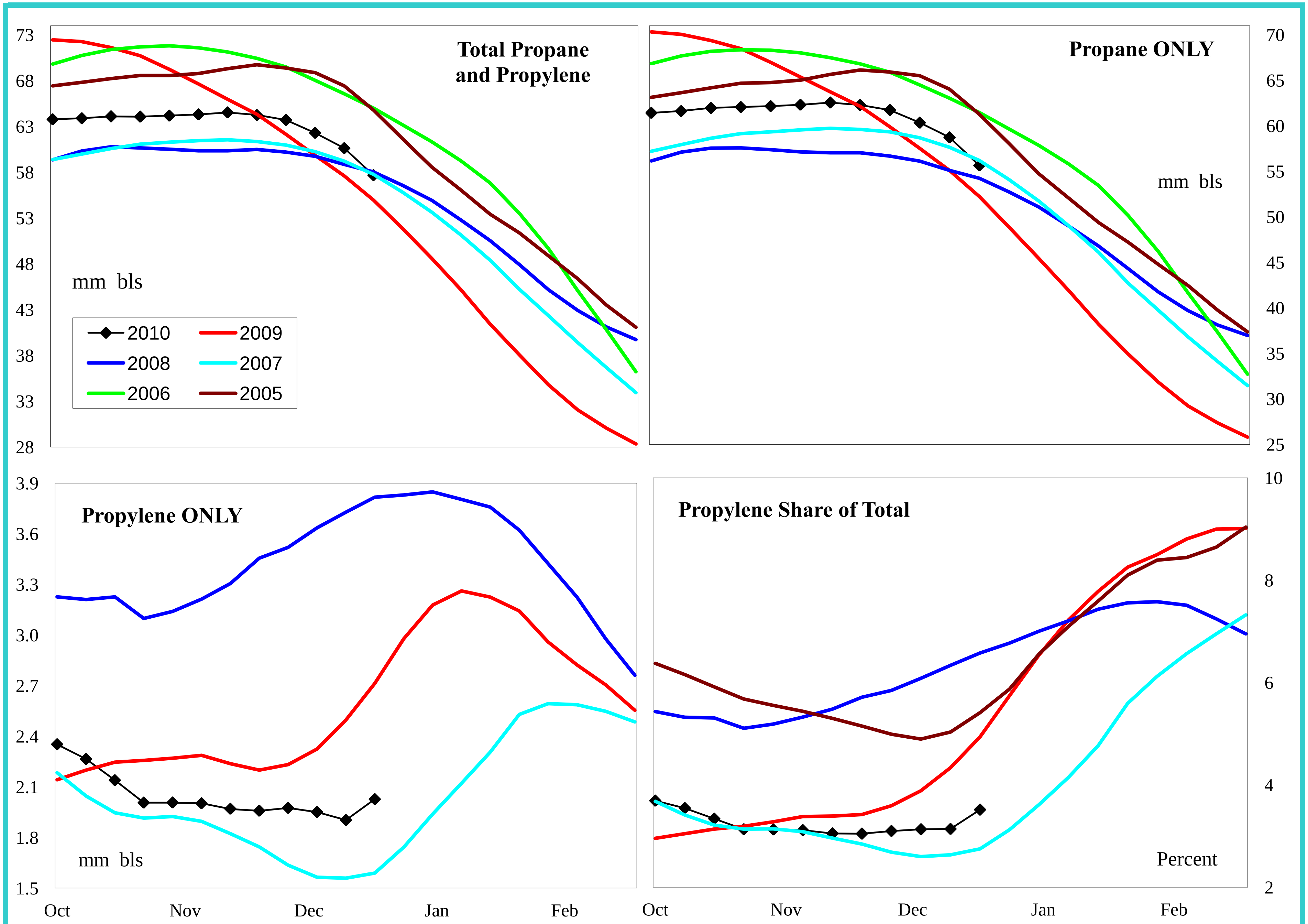
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	585	3,269	52	0	-71
% change	2.3	-67.2	7.7	-9.1	-8.4

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)	-273	129	-28	5	-24
% change	-14.1	-31.3	-32.9	57.1	-23.2

U. S. Propane and Propylene Stocks



Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	3,674	4,327	-686
% change	6.8	8.4	-25.3

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