WEEKLY PROPANE SUPPLY-DEMAND-PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Friday, February 25, 2011

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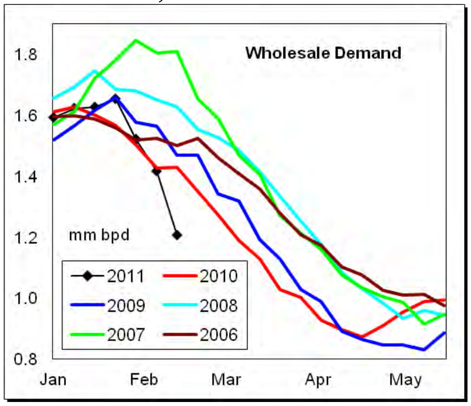
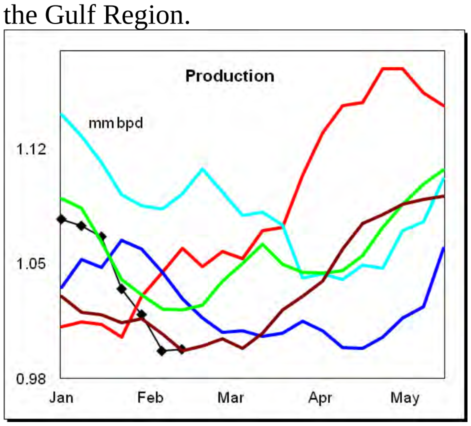
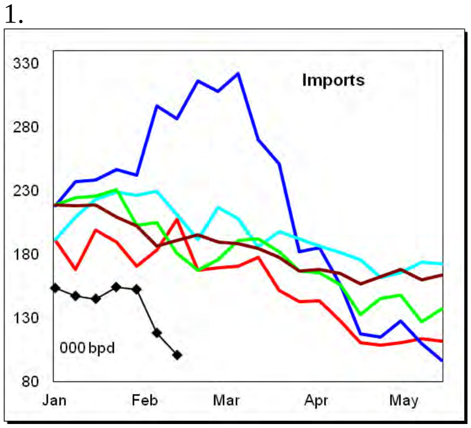
Summary[1]:
Wholesale demand fell -350,000 bpd last week on heating degrees that were -29% below normal, a record low level.



Production increased +44,000 bpd on the week, with the increased concentrated in the Gulf Region.

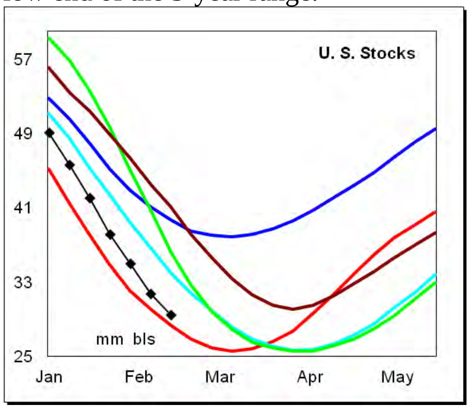


Imports fell -60,000 bpd on the week, with the decline concentrated in PADD 1.

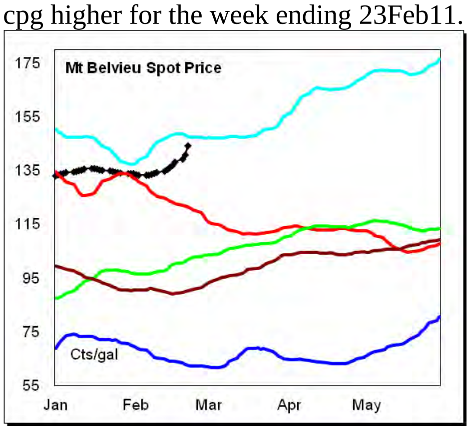


Combined production and imports during the latest 4-wk period were -75,000 bpd below a year ago. Production was -30,000 bpd below last year, while imports were -45,000 bpd lower. The latest 4-wk average demand was +18,000 bpd above last year.

Stocks decreased -1.5 million barrels this week, with the 4-wk draw of -12.6 million barrels, exceeding four of the last 5-years. The U.S. stock level is at the low end of the 5-year range.



Price and Spreads Mt Belvieu spot prices jumped +7.5 cpg and Conway was +5.25 cpg higher for the week ending 23Feb11.



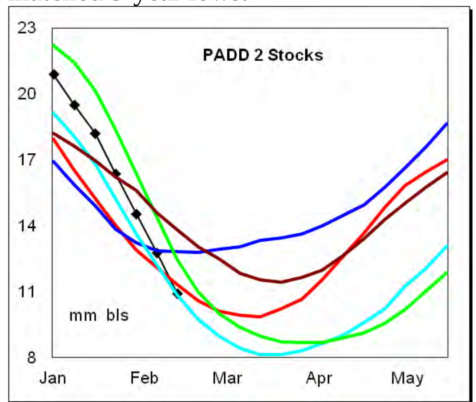
The Conway – Mt Belvieu price spread traded lower last week ending 23Feb11 on weakness in Midwest prices. The spread ended the week at a record low.

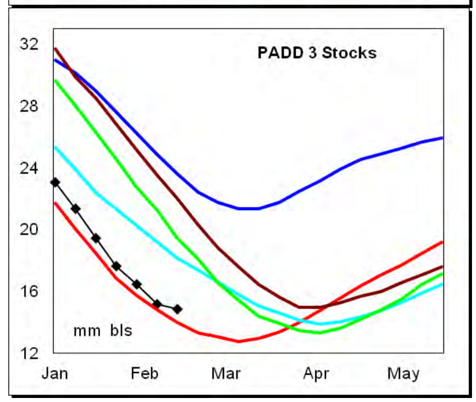
The propane to natural gas price spread trended higher in favor of propane last week, on very weak gas prices. The spread reached a new record high for this time of year.

The propane / crude oil price spread declined last week in favor of crude oil as the shut down of Libyan crude oil production spike crude prices. The level ended the week at the historic mid range.

PADD 1 stocks decreased -0.1 million barrels on the week, due to the drop in imports. Supply for the latest 4-wk period decreased -9,000 bpd, on lower production and imports. Stock levels were above the last 2-years.

PADD 2 stocks declined -1.5 million barrels last week. Supply decreased -22,000 bpd on the week. The latest 4-wk average supply was -25,000 bpd below a year ago, on lower imports. Stock levels matched 5-year lows.





PAD 3 stocks increased +0.1 million barrels on the week. Production increased +58,000 bpd, partially offsetting the previous week fall. Stock levels were near historic lows.

PADDs 4 & 5 stocks decreased -0.1 million barrels to a level near 5-year lows.

Emerging Trends The spike in global oil prices has also spiked propane prices, particularly in the Gulf where petro chemical and industrial uses are supporting the price level. Expect propane prices to track rising global energy prices, even as the heating season winds down. Expect a further expansion of the Conway to Mt Belvieu spread.

[1] Source is latest EIA Weekly Statistics

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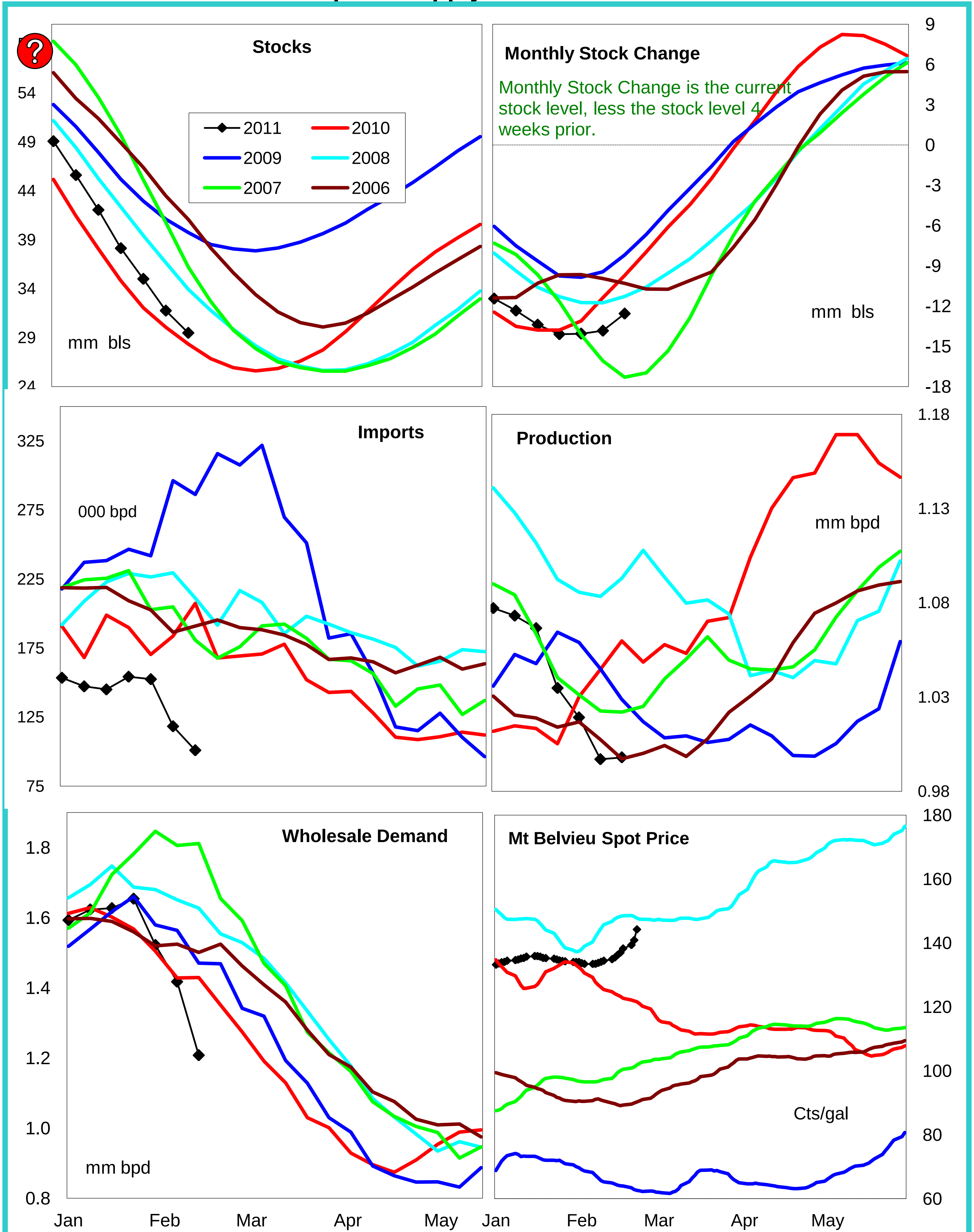
U. S. Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Demand	4wk avg	Jan	Dec	Nov
000 bpd (000 bls stks)	2,117	-2,841	-30	-45		18	32	-73	-414
% change	7.7	29	-2.8	-25.9		1.2	2.0	-4.6	-27.2

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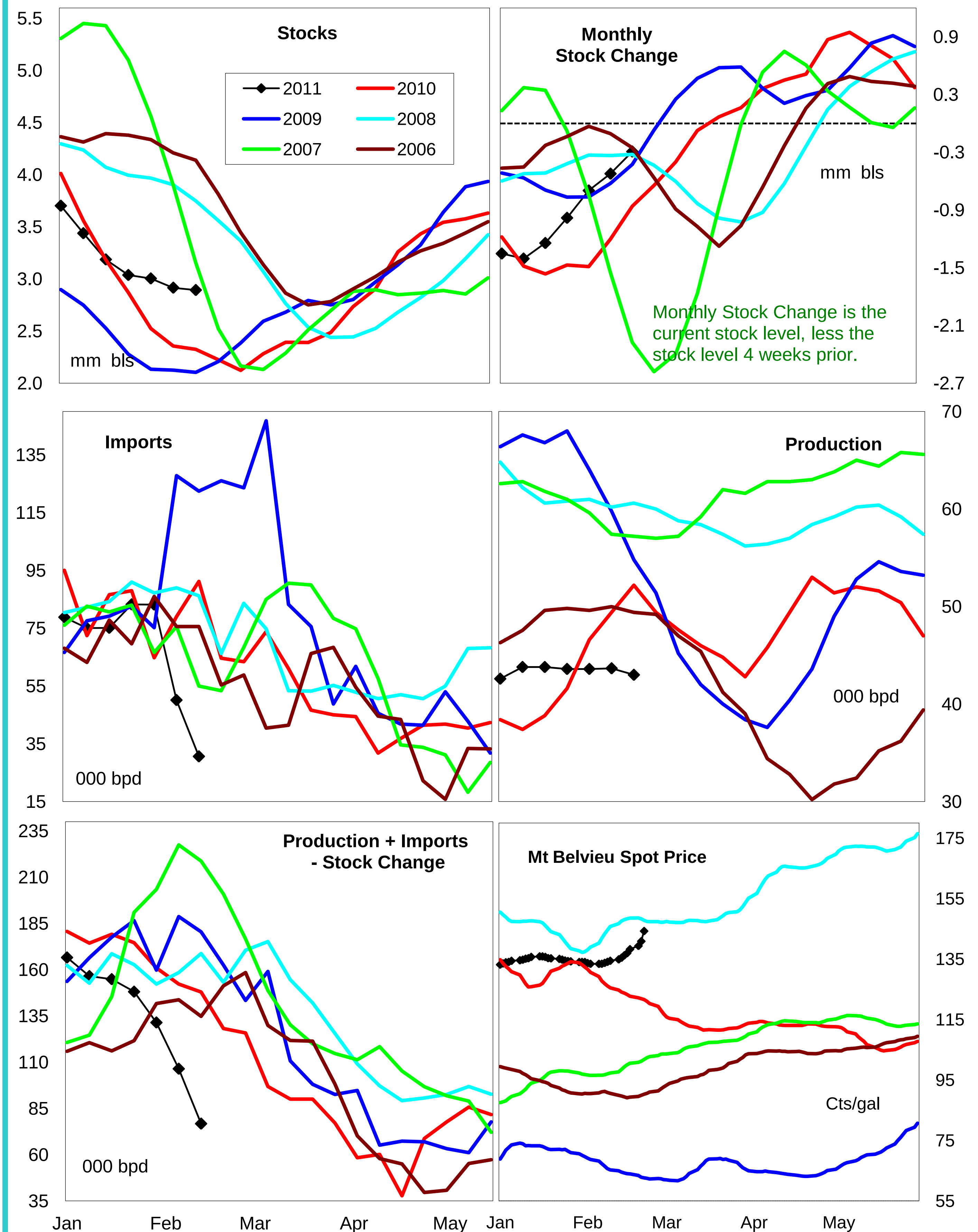
PADD 1 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	1,484	566	-5	-4	-43
% change	105.3	-65.9	-9.2	-7.0	-27.2

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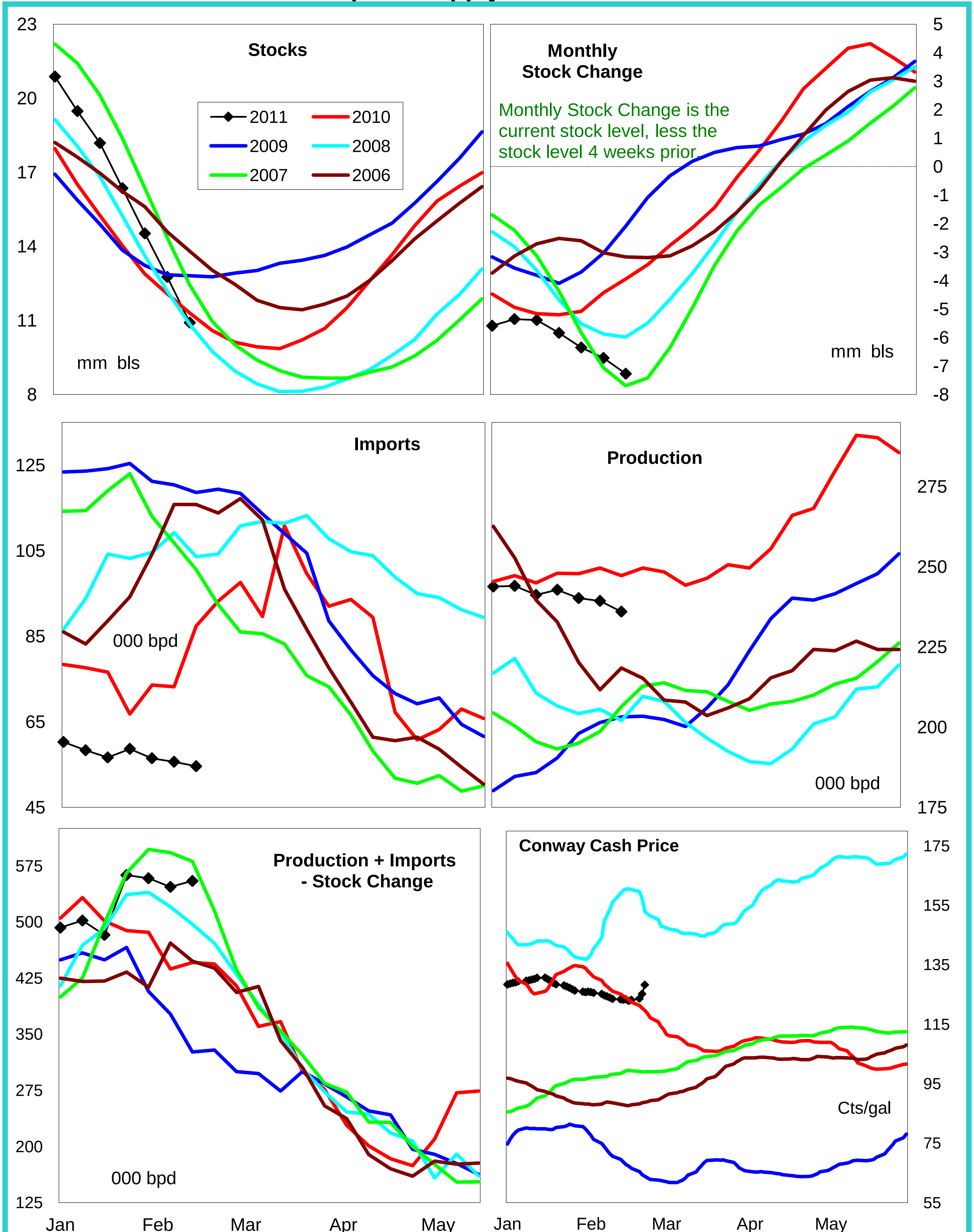
PADD 2 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	194	-3,326	-8	-17	91
% change	1.8	84.2	-3.3	-23.3	19.7

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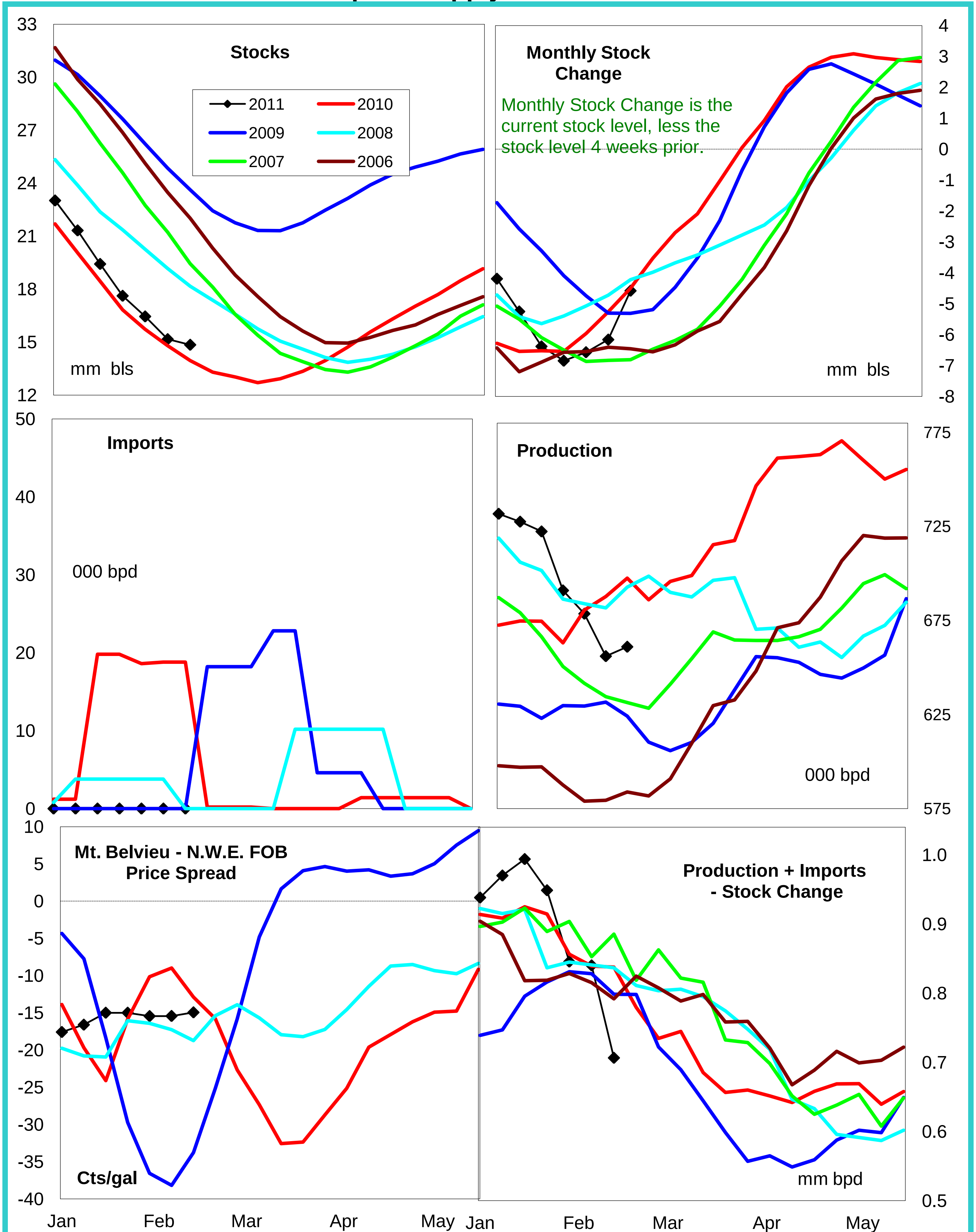
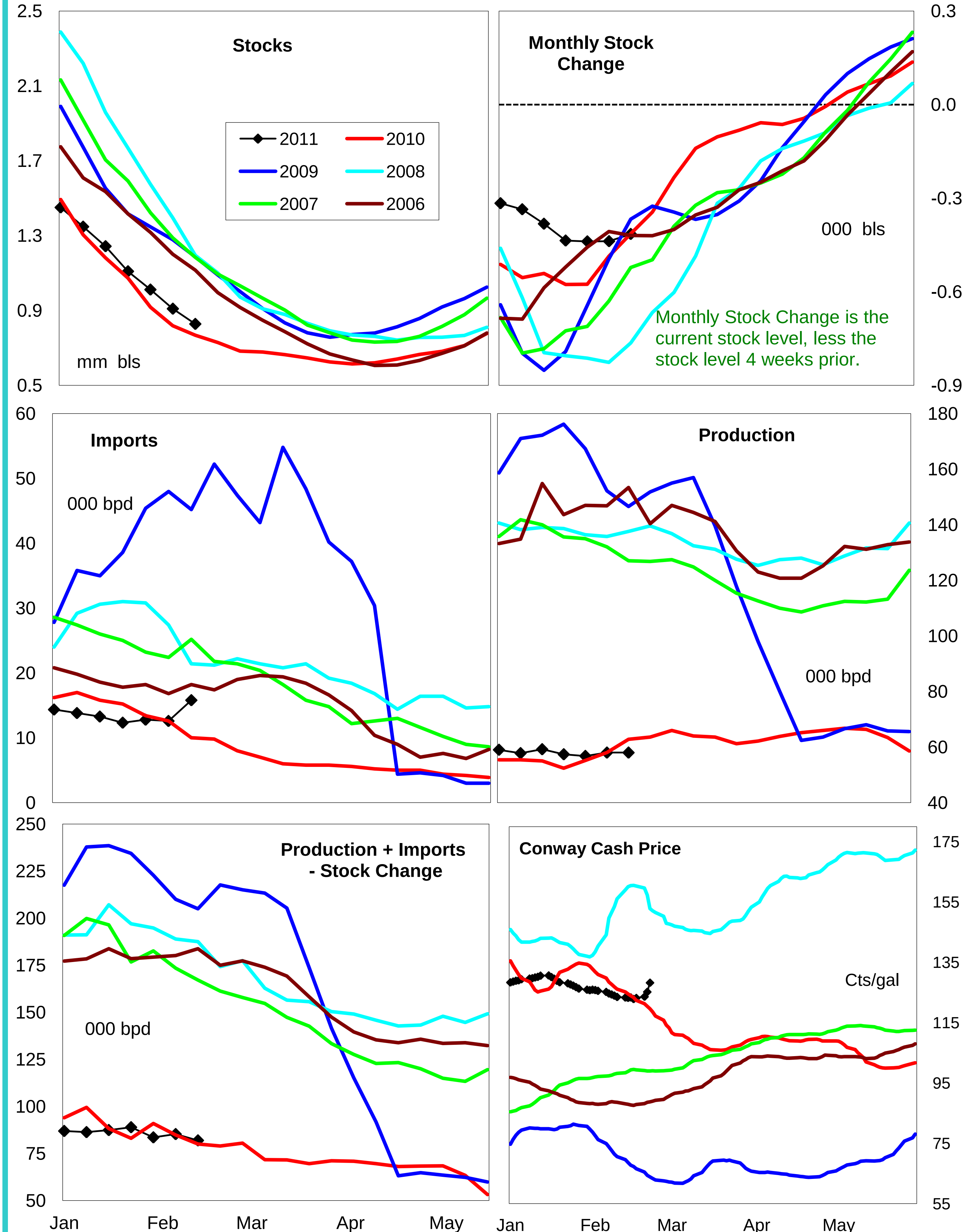
PADD 3 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	263	-81	-17	-23	-27
% change	1.8	1.8	-2.5	-100.0	-3.1

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)	176	-1	0	0	0
% change	27.0	0.2	0.4	1.2	0.3

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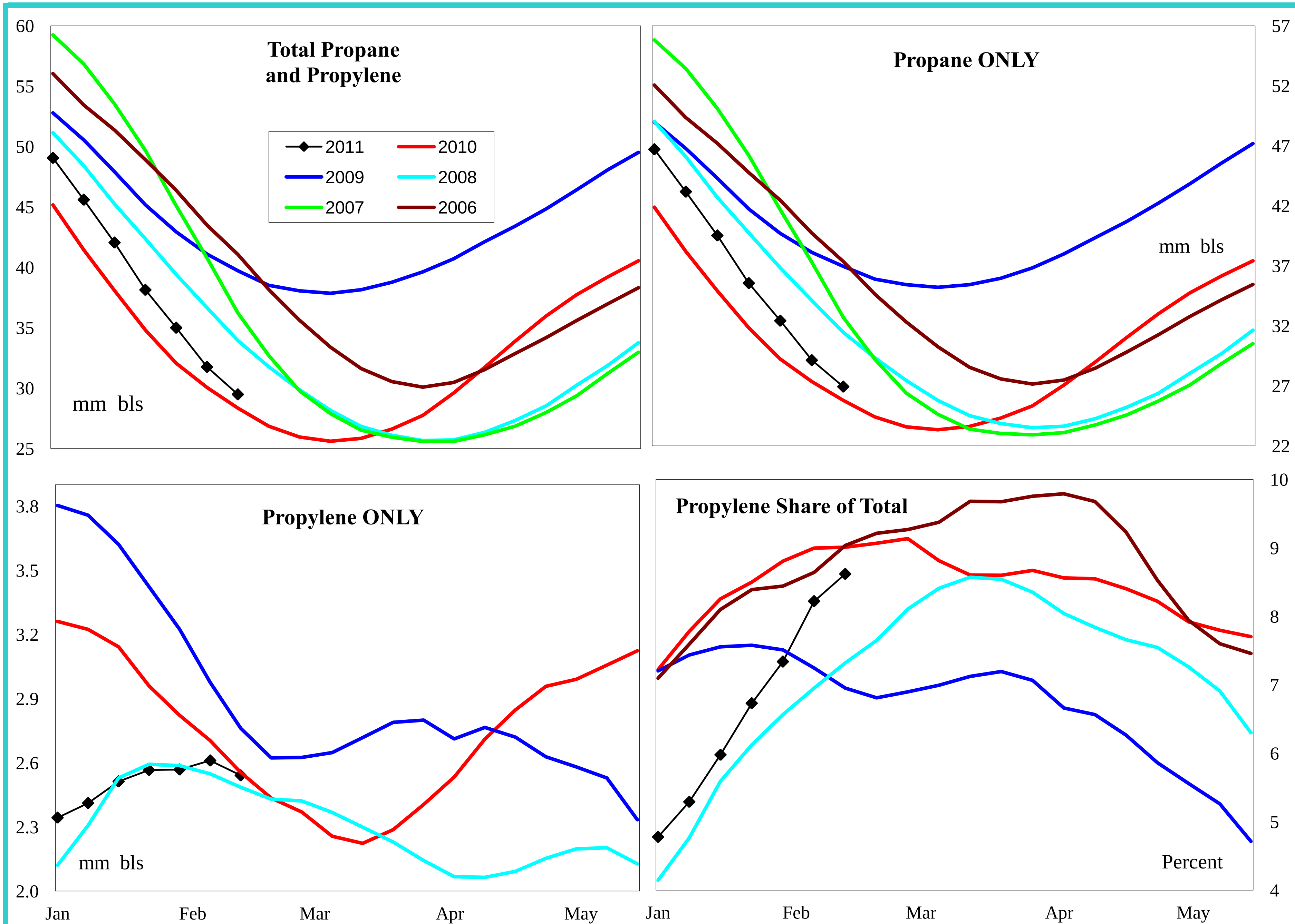
U. S. Propane and Propylene Stocks



Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	2,117	2,326	-13
% change	7.7	9.4	-0.5

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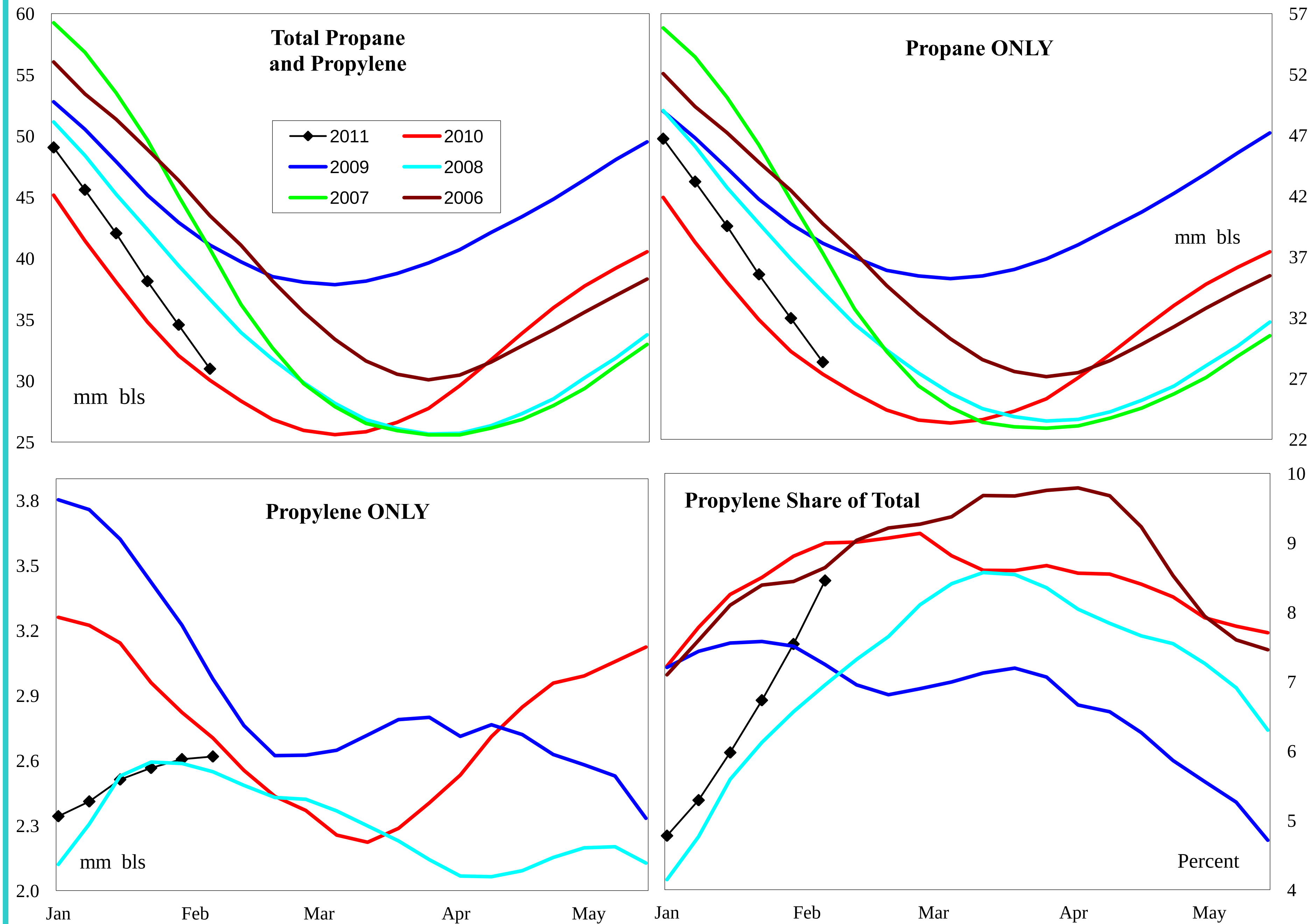
U. S. Propane and Propylene Stocks



Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	**1,331**	**1,290**	**-86**
% change	**4.5**	**4.8**	**-3.2**

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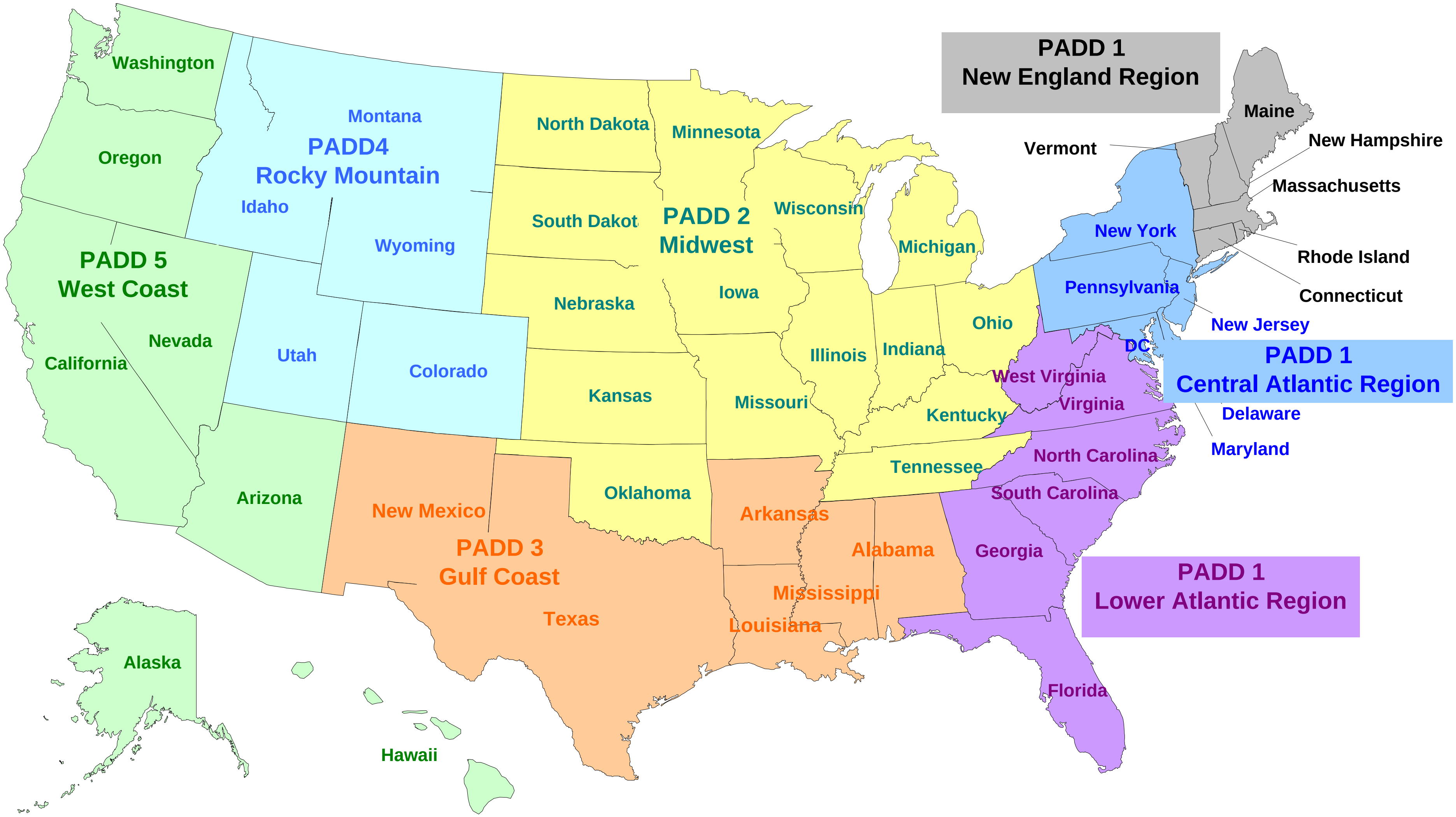
U. S. Petroleum Administrative for Defense Districts (PADDs)



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