FUNDAMENTAL PETROLEUM TRENDS

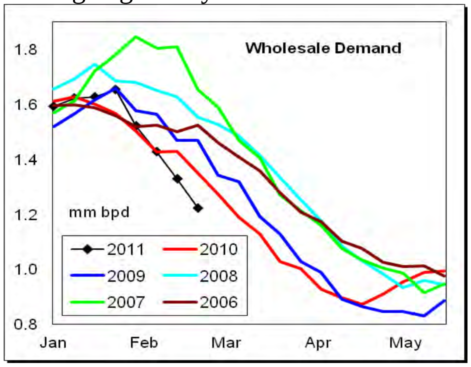
WEEKLY PROPANE SUPPLY-DEMAND-PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

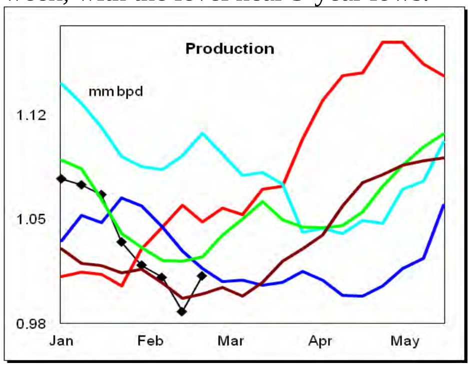
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, March 02, 2011

Table of Contents

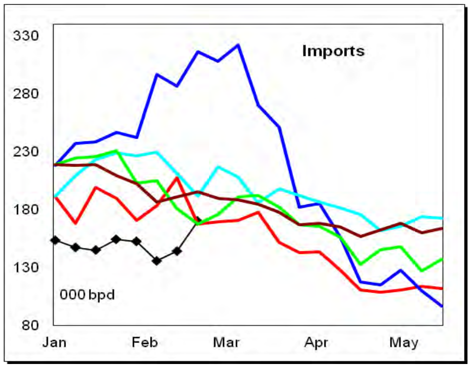
Summary[1]:
Wholesale demand increased +15,000 bpd last week, from an unusually low level, due to continued below normal heating degree days.



Production increased +14,000 bpd on the week, with the level near 5-year lows.

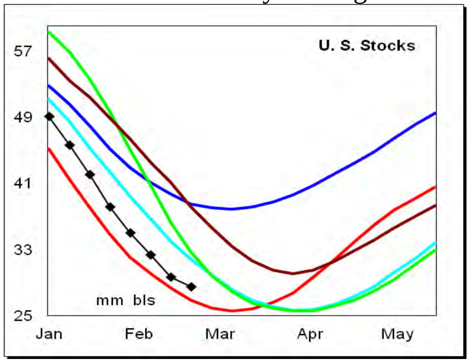


Imports increased +69,000 bpd on the week, with the increase concentrated in PADD 01.

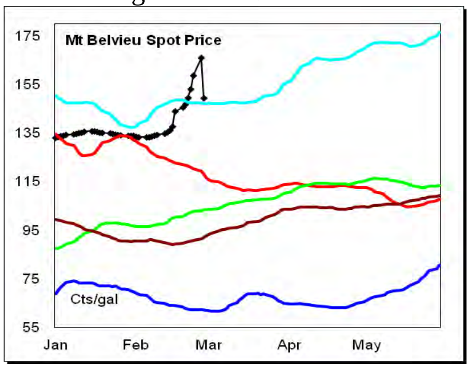


Combined production and imports during the latest 4-wk period were -120,000 bpd below a year ago. Production was -52,000 bpd below last year, while imports were -68,000 bpd lower. The latest 4-wk average demand was -52,000 bpd below last year.

Stocks decreased -1 million barrels this week, with a 4-wk draw of -9.7 million barrels, less than the average 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 spiked in the middle of last week on a supply squeeze, due in part to disruptions to delivery infrastructure from the earlier fire in the area. Prices were up +9.5 cpg for the week, while Conway was +14 cpg higher for the week ending 01Mar11.



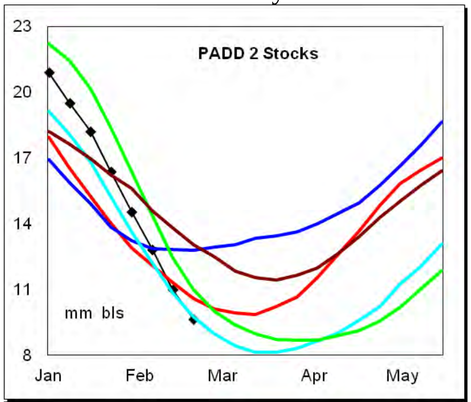
The Conway – Mt Belvieu price spread rebounded late in the week after the spike in Mt Belvieu prices, ending the week of 02Mar11, above the earlier lows.

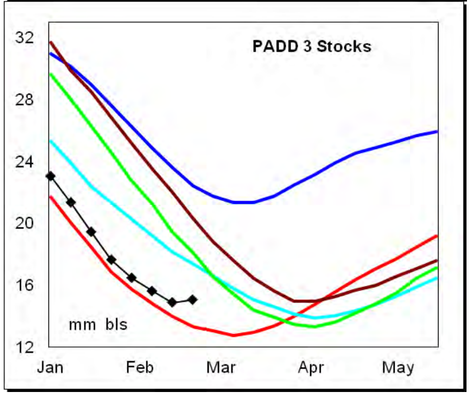
The propane to natural gas price spread trended higher in favor of propane last week, on very weak gas prices. The spread reached a new record high for this time of year.

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 above the historic mid range.

PADD 1 stocks increased +0.2 million barrels on the week, due to a jump in imports. Supply for the latest 4-wk period decreased -38,000 bpd, on lower production and imports. Stock levels were above the historic mid range.

PADD 2 stocks declined -1.3 million barrels last week. Supply increased +17,000 bpd on the week. The latest 4-wk average supply was -26,000 bpd below a year ago, on lower imports. Stock levels matched 5-year lows.





PAD 3 stocks increased +0.2 million barrels on the week. The latest 4-wk average supply was -58,000 bpd below a year ago. Stock levels remain at the low end of the historic range.

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

Emerging Trends Propane exports averaged 138,000 bpd during the 4th quarter of 2010, underlying the price strength in Mt Belvieu compared to the Midwest. Expect robust exports and the spike in global crude oil prices to support the propane spot market.

[1] Source is latest EIA Weekly Statistics

PROPANE: Graph Link and Weekly Summary

March 2, 2011

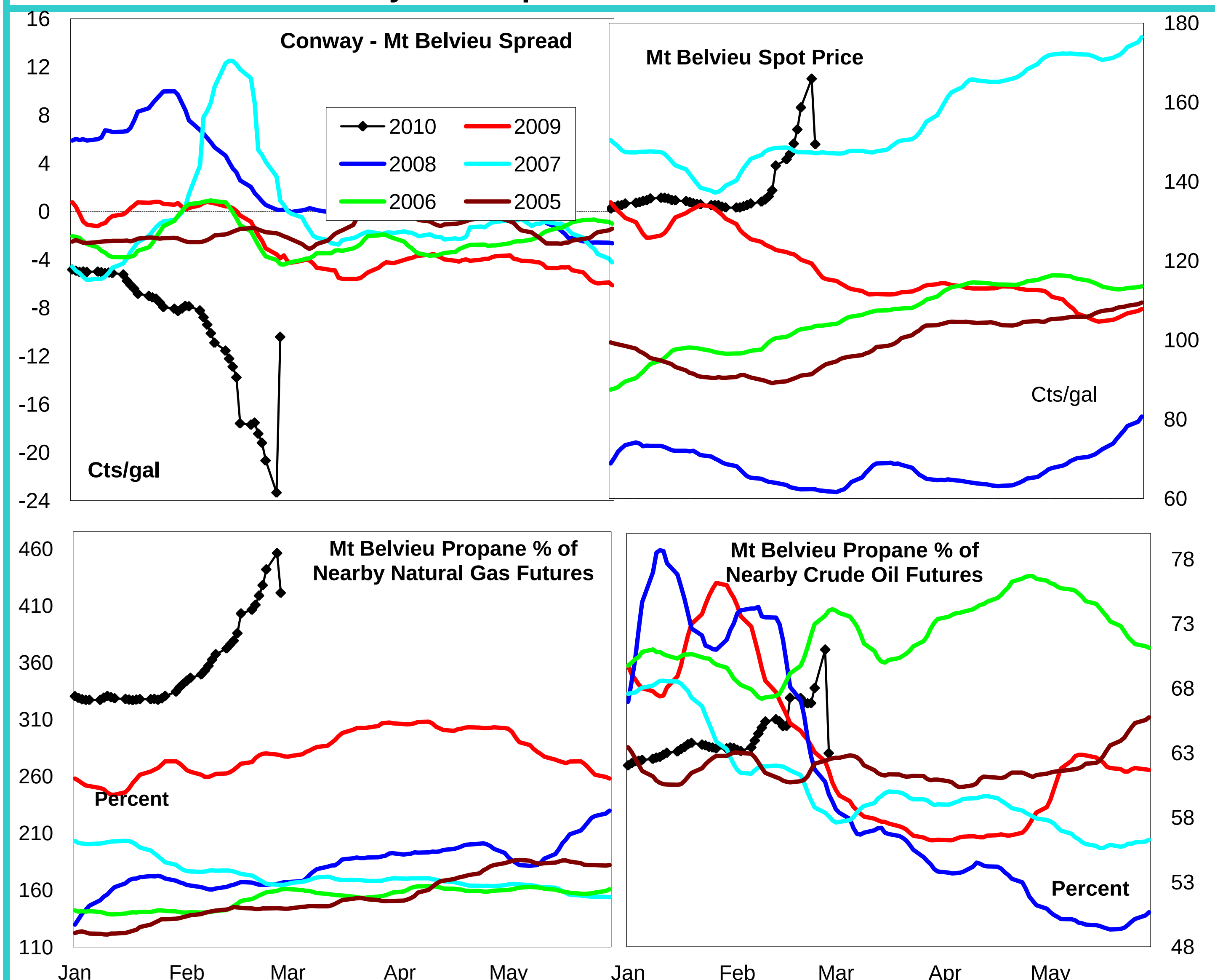
Fundamental Trends for the Week Ending: Friday, February 25, 2011

000 bpd Stocks 000 bls	Weekly Supply-Demand					Change from prior week:				
	U.S.	PADD				U.S.	PADD			
	Total	1	2	3	4&5	Total	1	2	3	4&5
Stocks	28,469	3,082	9,634	15,042	711	-1,012	189	-1,278	194	-117
Propylene Stocks	2,591					50				
Production	1,012	42	248	665	57	14	-1	12	4	-1
Imports	170	97	60	0	14	69	66	5	0	-2
Whsle Demand	1,223					15				

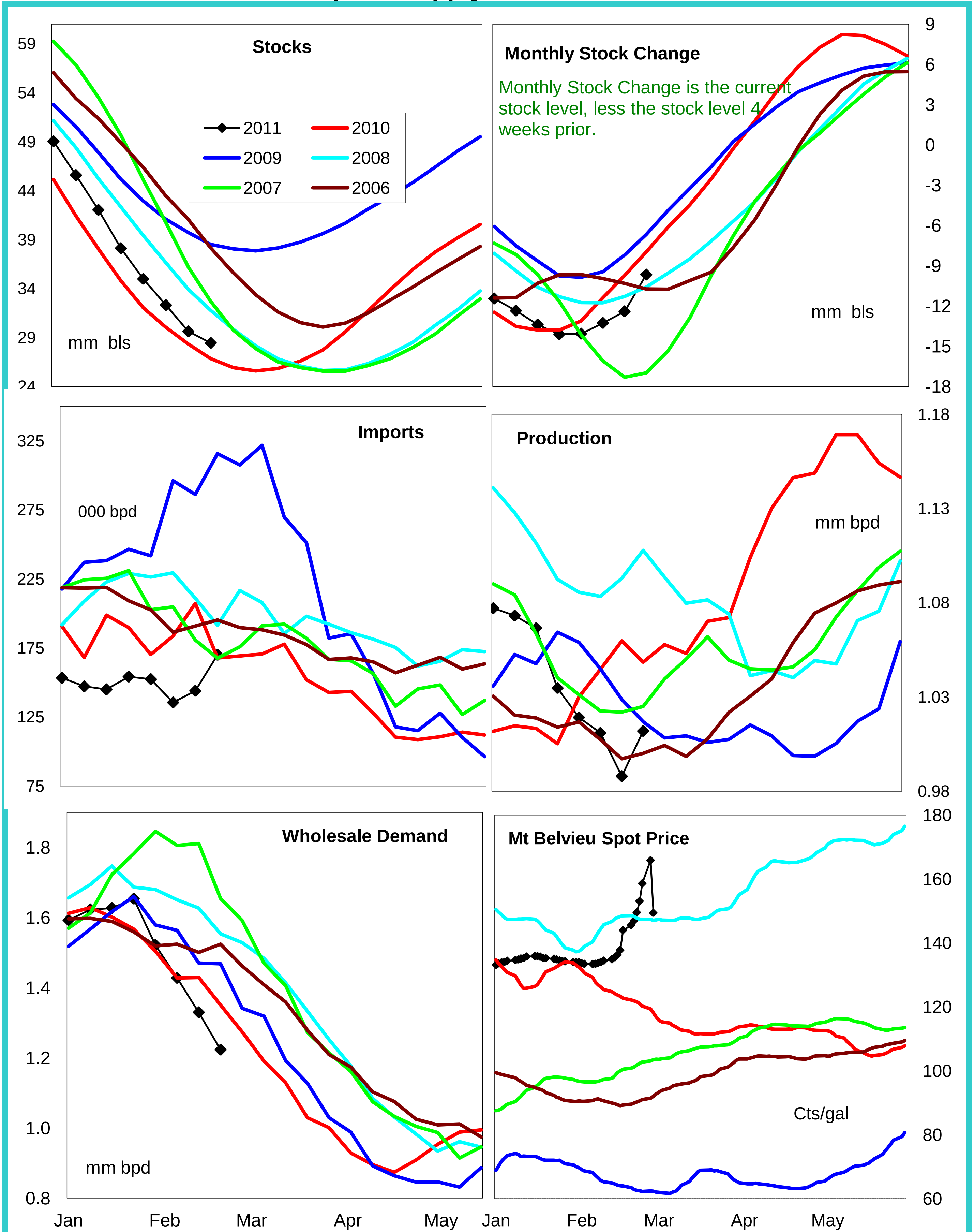
Price Trends for the Week Ending: Tuesday, March 01, 2011

Cents/gal	Average for week ending:				Change from:			% change from:		
	3/1/11	2/22/11	2/1/11	2/26/10	2/22/11	2/1/11	2/26/10	2/22/11	2/1/11	2/26/10
Mont Belvieu Spot	158.7	137.8	134.1	118.8	20.83	3.77	15.23	15.1	2.8	12.8
Conway Spot	138.0	122.6	125.9	114.6	15.43	-3.33	11.27	12.6	-2.6	9.8

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	Jan	Dec	Nov
000 bpd (000 bls stks)	1,638	-1,701	-52	-68		-51	32	-73	-414
% change	6.1	21	-4.9	-34.1		-3.6	2.0	-4.6	-27.2

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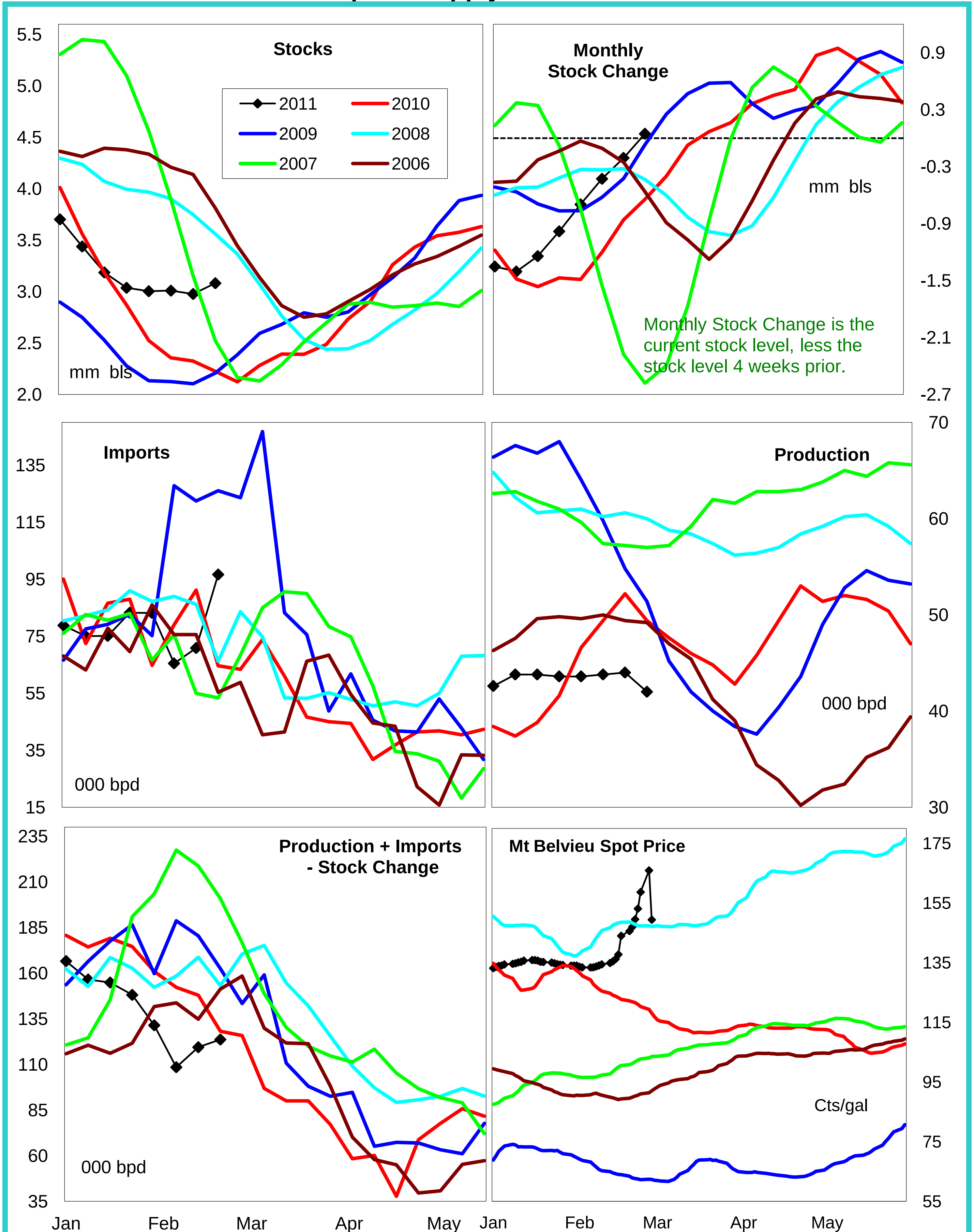
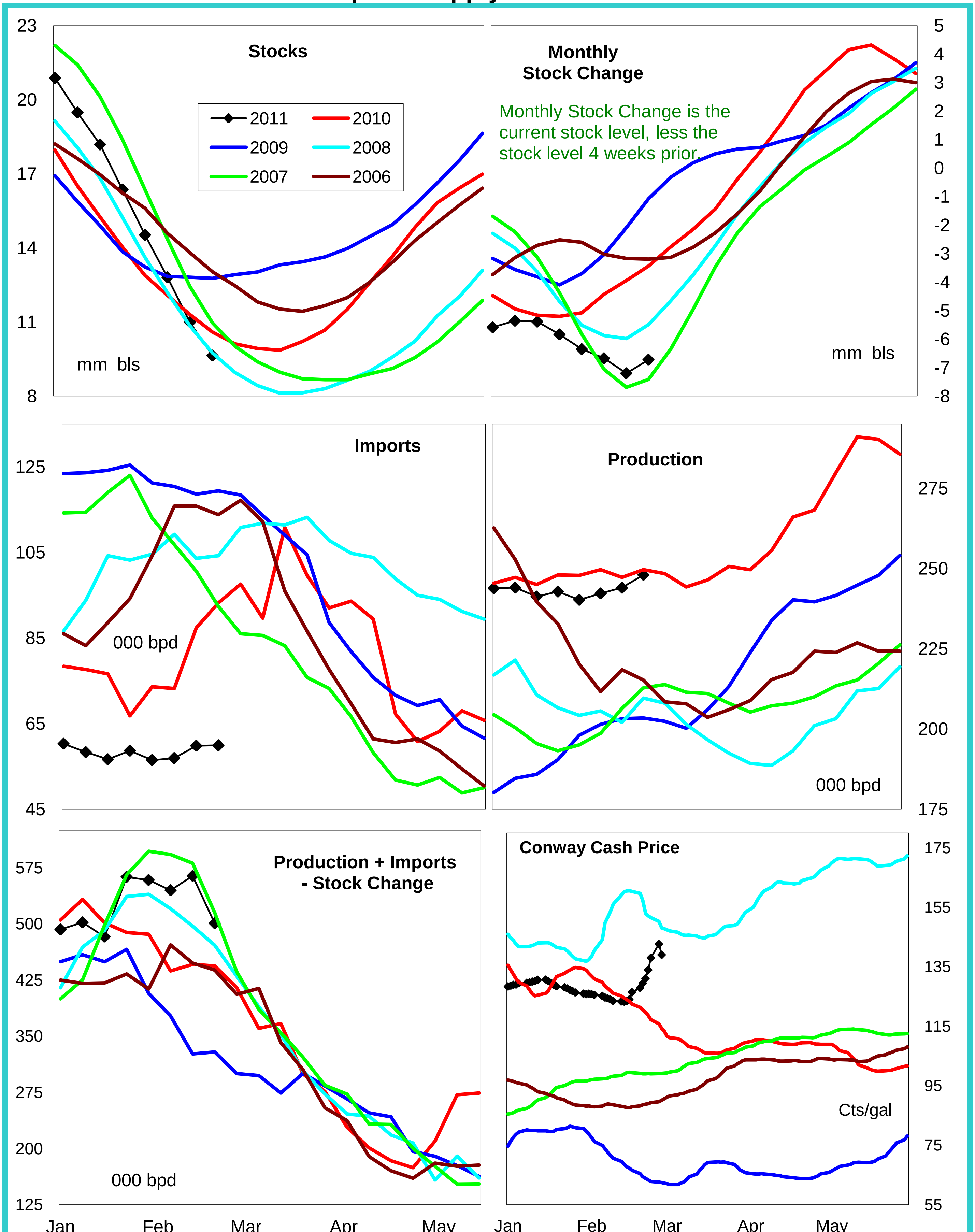
PADD 1 Propane Supply and Demand Balance



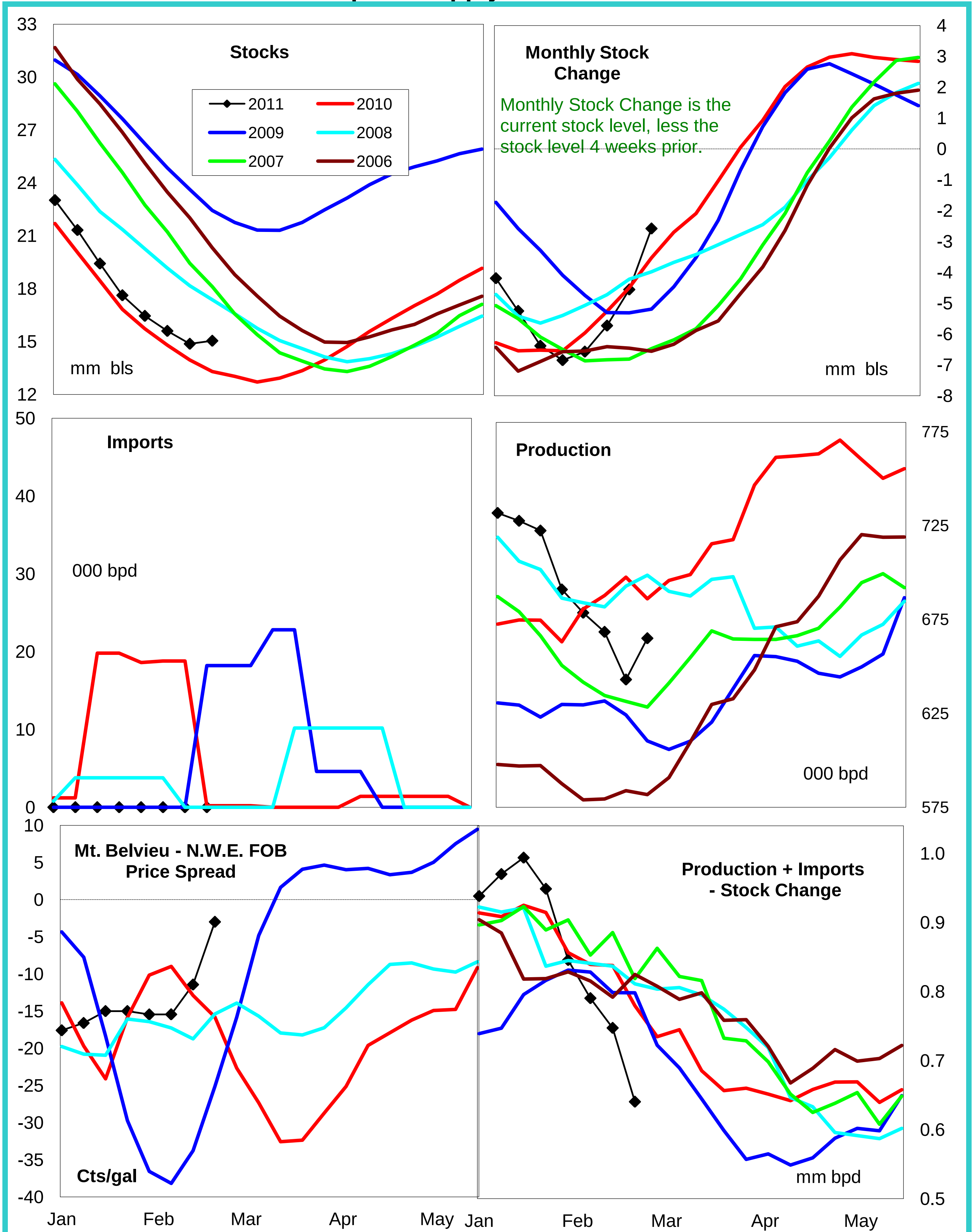
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	696	689	-8	-30	-27
% change	29.2	-107.0	-14.8	-32.4	-18.0

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)	-1,251	-3,286	-9	-17	89
% change	-11.5	95.6	-3.4	-22.6	19.6

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)	2,144	949	-34	-24	-72
% change	16.6	-26.9	-4.8	-100.0	-8.7

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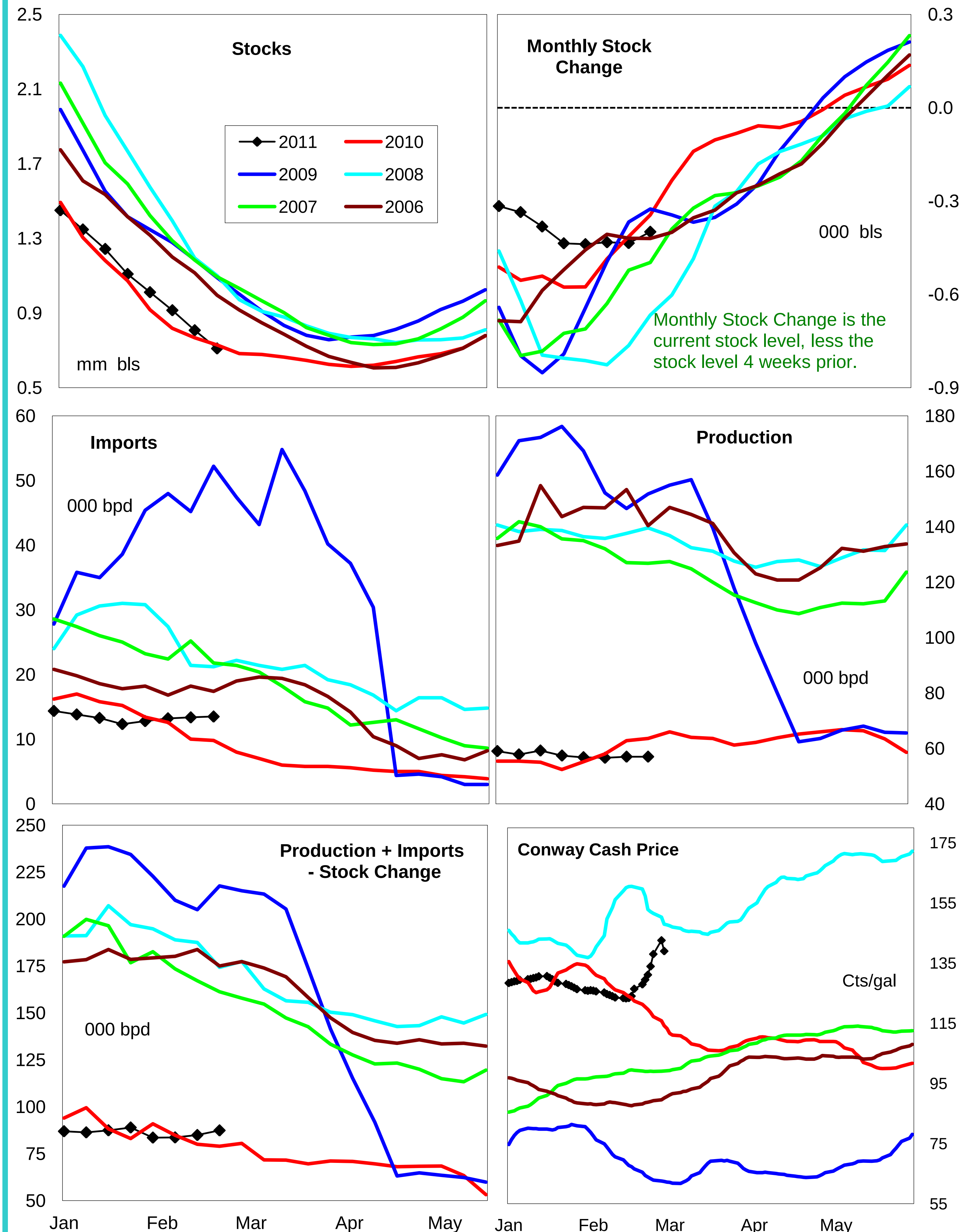
PADDs 4 and 5 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	48	-54	-3	2	1
% change	7.3	15.8	-4.1	14.0	1.4

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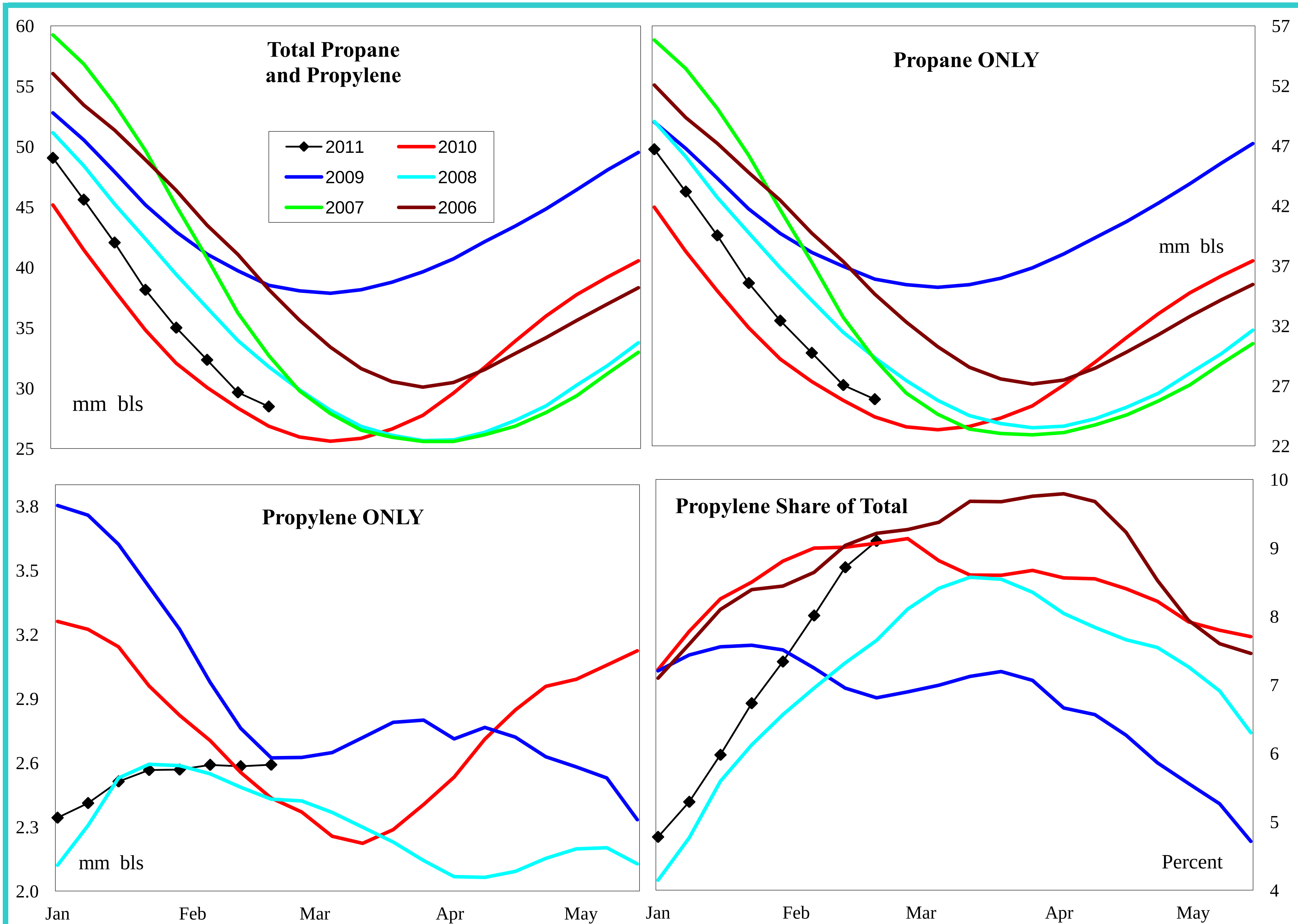
U. S. Propane and Propylene Stocks



Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	1,638	1,560	156
% change	6.1	6.4	6.4

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