FUNDAMENTAL PETROLEUM TRENDS

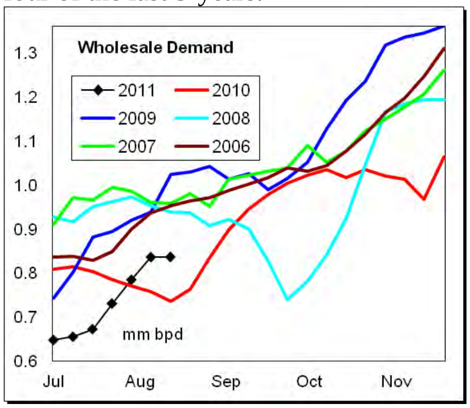
WEEKLY PROPANE SUPPLY-DEMAND-PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

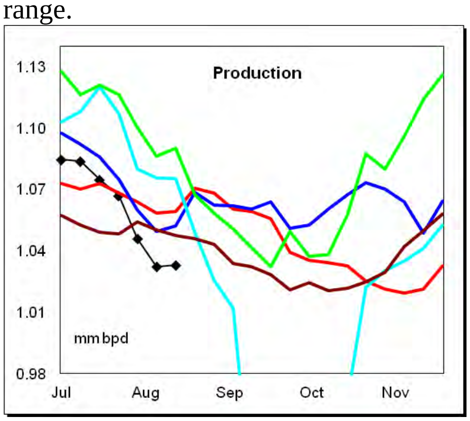
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, August 17, 2011

Summary[1]: ? **Table of Contents**

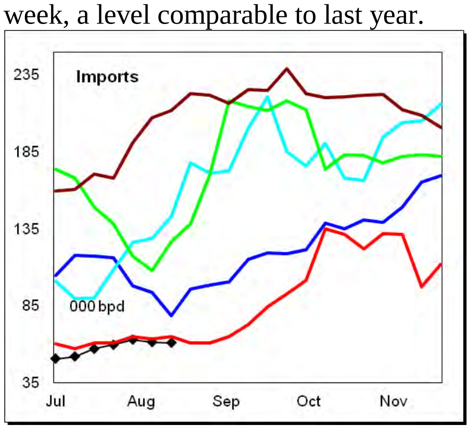
Wholesale demand decreased -65,000 bpd on the week, with the level below four of the last 5-years.



Production decreased -7,000 bpd on the week, with the level below the historic range.

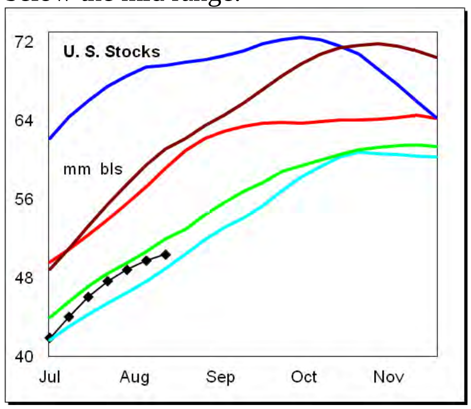


Imports increased +4,000 bpd on the week, a level comparable to last year.

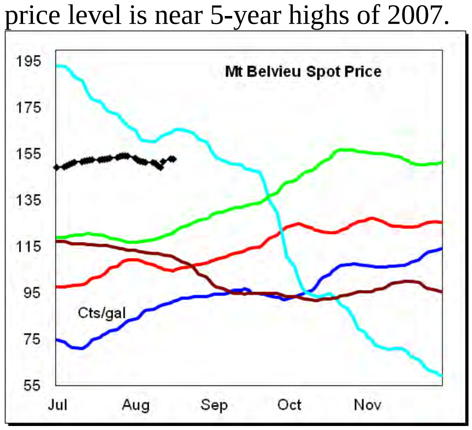


Combined production and imports during the latest 4-wk period were -23,000 bpd below a year ago. Production was -22,000 bpd below last year, while imports were -1,000 bpd lower. The latest 4-wk average demand was +71,000 bpd above last year.

Stocks increased +0.8 million barrels last week, a level below average for the period. Stock levels ended the week near 5-year lows for this time of year. The 4-wk stock change was a build of +4.3 million barrels, a level below the mid range.



Price and Spreads Mt Belvieu and Conway spot prices each increased +10 cpg last week ending 16Aug11. The price level is near 5-year highs of 2007.



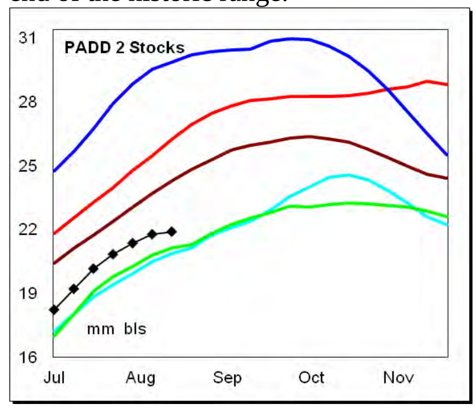
The Conway – Mt Belvieu price spread was unchanged last week. The spread ended the week at levels below four of the last 5-years.

The propane to natural gas price spread trended higher on the week, with the level at record highs.

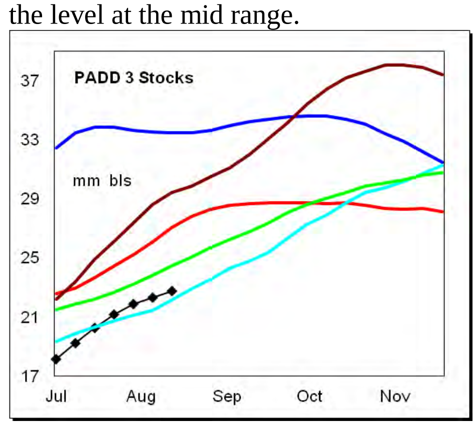
The propane / crude oil price spread traded sideways last. The level remains at record highs in favor of propane, on particularly weak WTI pricing.

PADD 1 stocks was unchanged last week, with the level at 5-year lows for the period. Supply for the latest 4-wk period was +5,000 bpd above a year ago.

PADD 2 stocks increased +0.2 million barrels on the week. Supply increased +4,000 bpd on higher production. The latest 4-wk average supply was -24,000 bpd below a year ago, on lower production. Stock levels are at the low end of the historic range.



PAD 3 stocks increased +0.5 million barrels on the week, with the 4-wk rate of stock build near the mid range. Stock levels match 5-year lows. Production decreased -7,000 bpd on the week, with the level at the mid range.



PADDs 4 & 5 stocks increased +0.1 million barrels. The stock level matched historic lows.

Emerging Trends Stock levels are near 5-year lows, and -9.4 million barrels below last year. Record high exports, and very low imports have more than offset weak domestic demand to cause this tightness in the supply balance. Expect prices to remain firm during the next quarter.

[1] Source is latest EIA Weekly Statistics

PROPANE: Graph Link and Weekly Summary

August 17, 2011

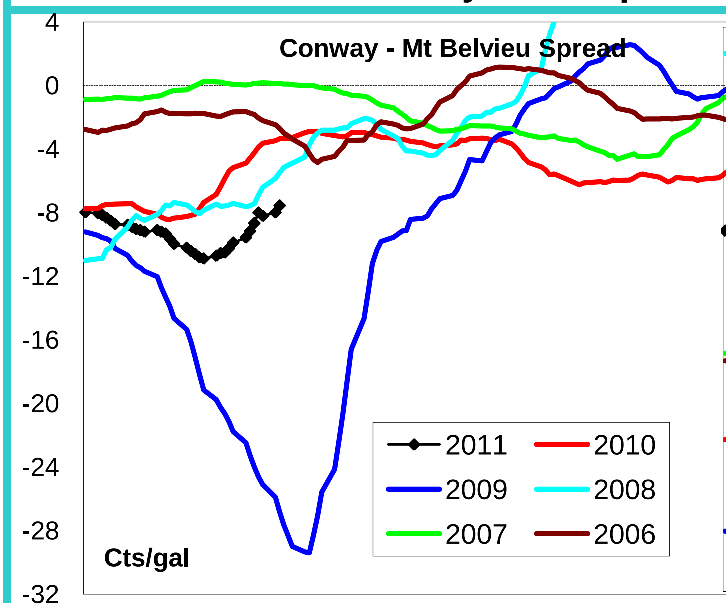
Fundamental Trends for the Week Ending: Friday, August 12, 2011

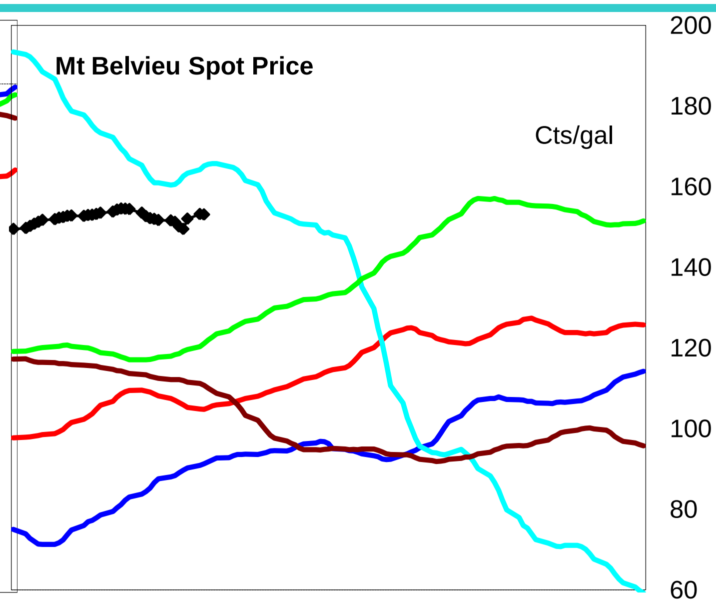
000 bpd / Stocks 000 bls	Weekly Supply-Demand					Change from prior week:				
	U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5	U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5
Stocks	50,382	4,066	21,896	22,747	1,673	787	-22	248	453	108
Propylene Stocks	2,430					-22				
Production	1,033	47	238	686	62	-7	2	3	-7	-5
Imports	61	19	34	0	8	4	2	1	0	2
Whsle Demand	877					-65				

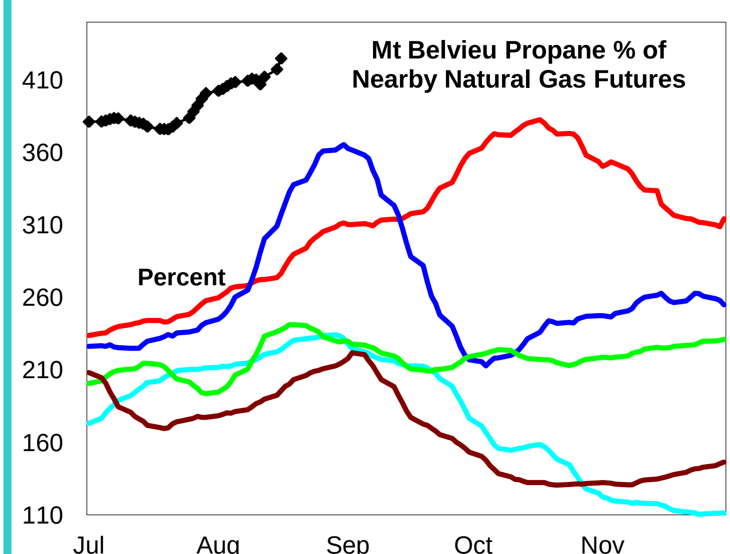
Price Trends for the Week Ending: Tuesday, August 16, 2011

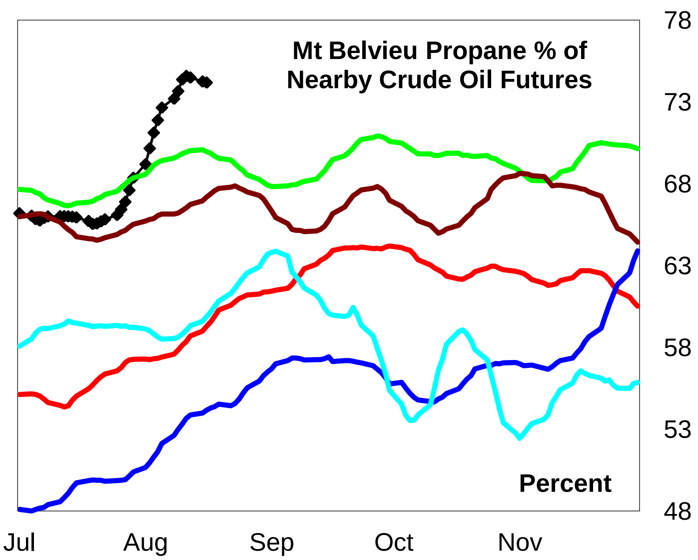
Cents/gal	Average for week ending:				Change from:			% change from:		
	8/16/11	8/9/11	7/19/11	8/18/10	8/9/11	7/19/11	8/18/10	8/9/11	7/19/11	8/18/10
Mont Belvieu Spot	152.0	149.3	152.7	104.4	2.69	-3.35	48.25	1.8	-2.2	46.2
Conway Spot	143.8	139.6	143.8	100.5	4.20	-4.15	43.23	3.0	-2.9	43.0

Key Price Spreads and Differentials

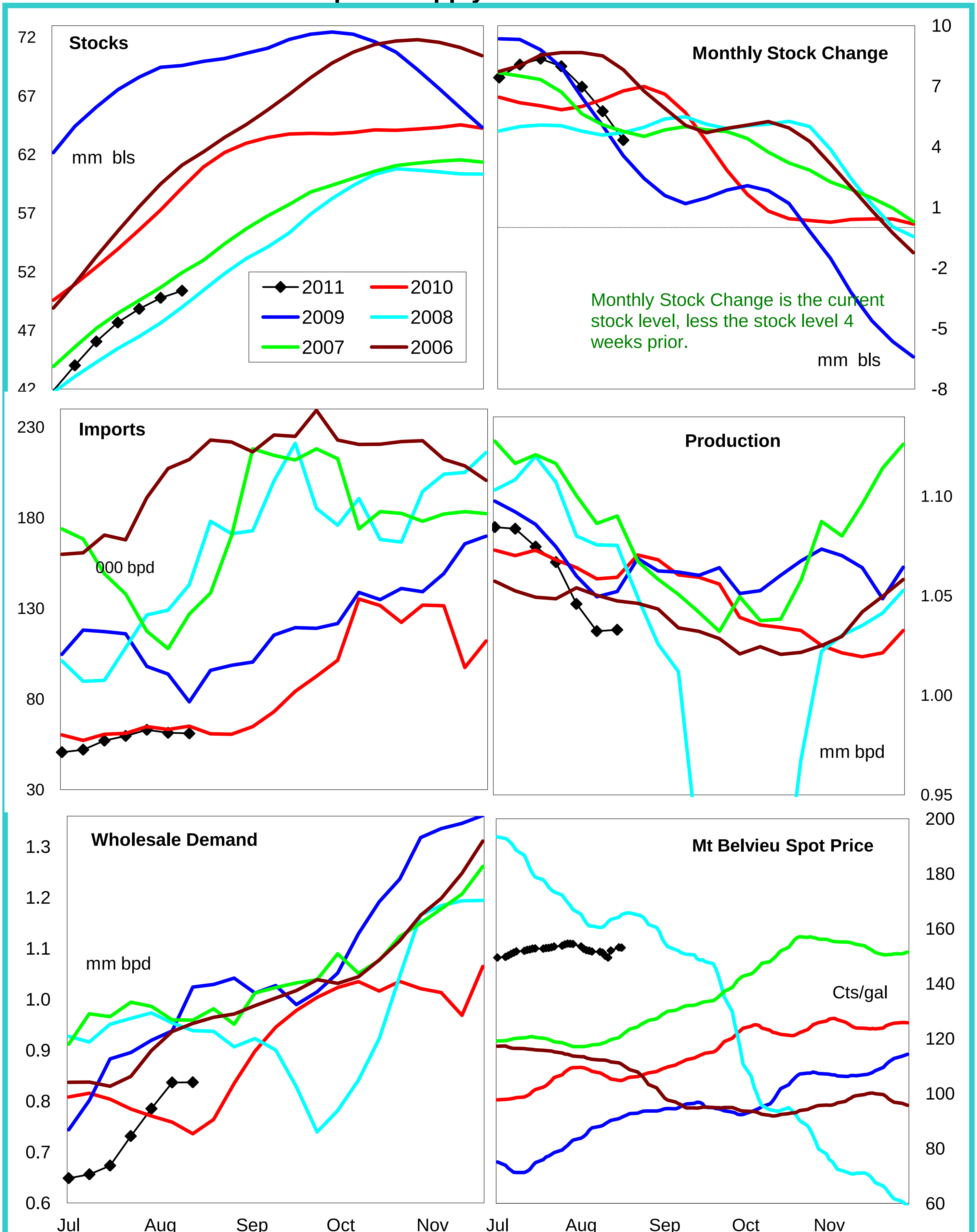








U. S. Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	**Demand**	4wk avg	Jul	Jun	May
000 bpd (000 bls stks)	-9,439	-2,442	-22	-1		71	-186	-153	43
% change	-15.8	-36	-2.1	-1.2		9.1	-20.3	-17.0	4.8

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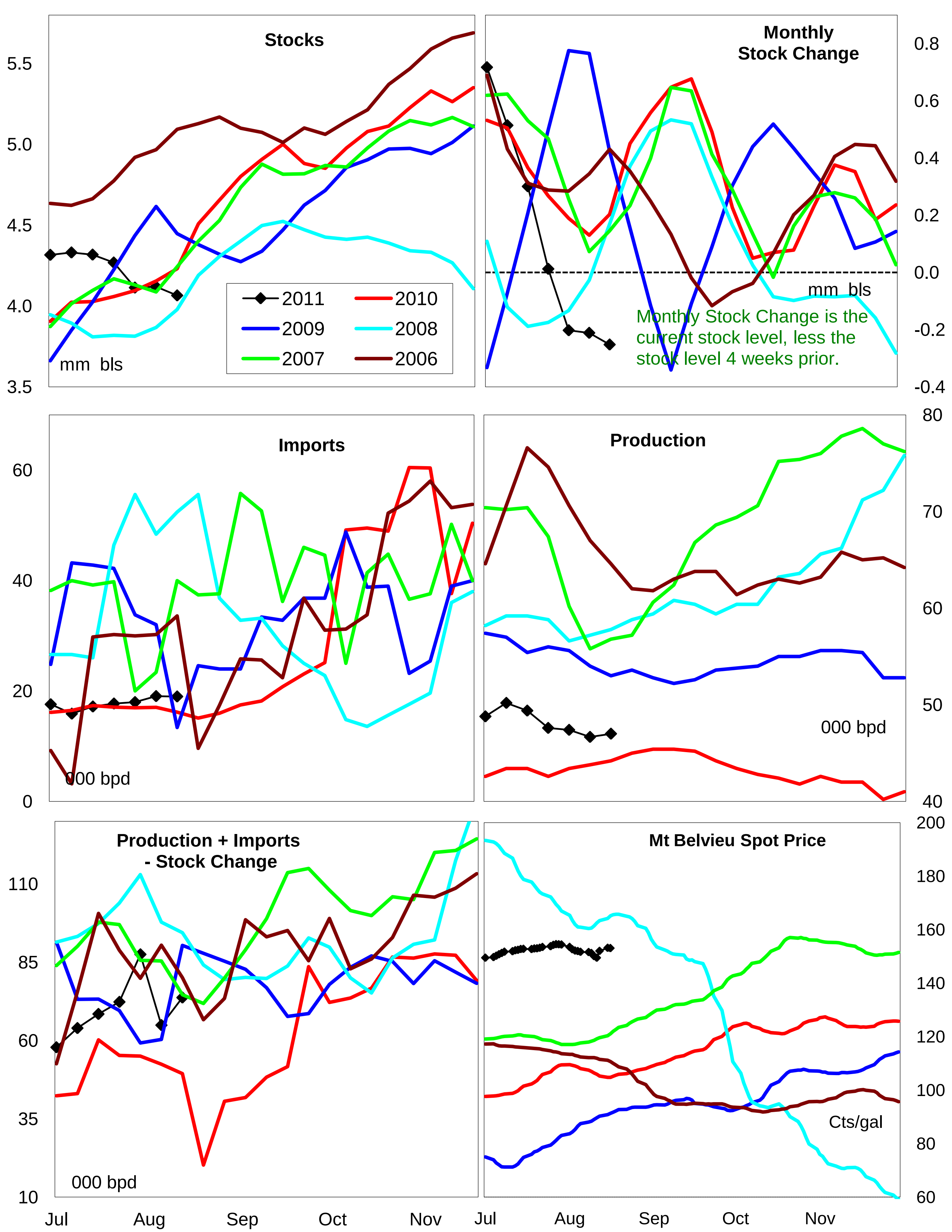
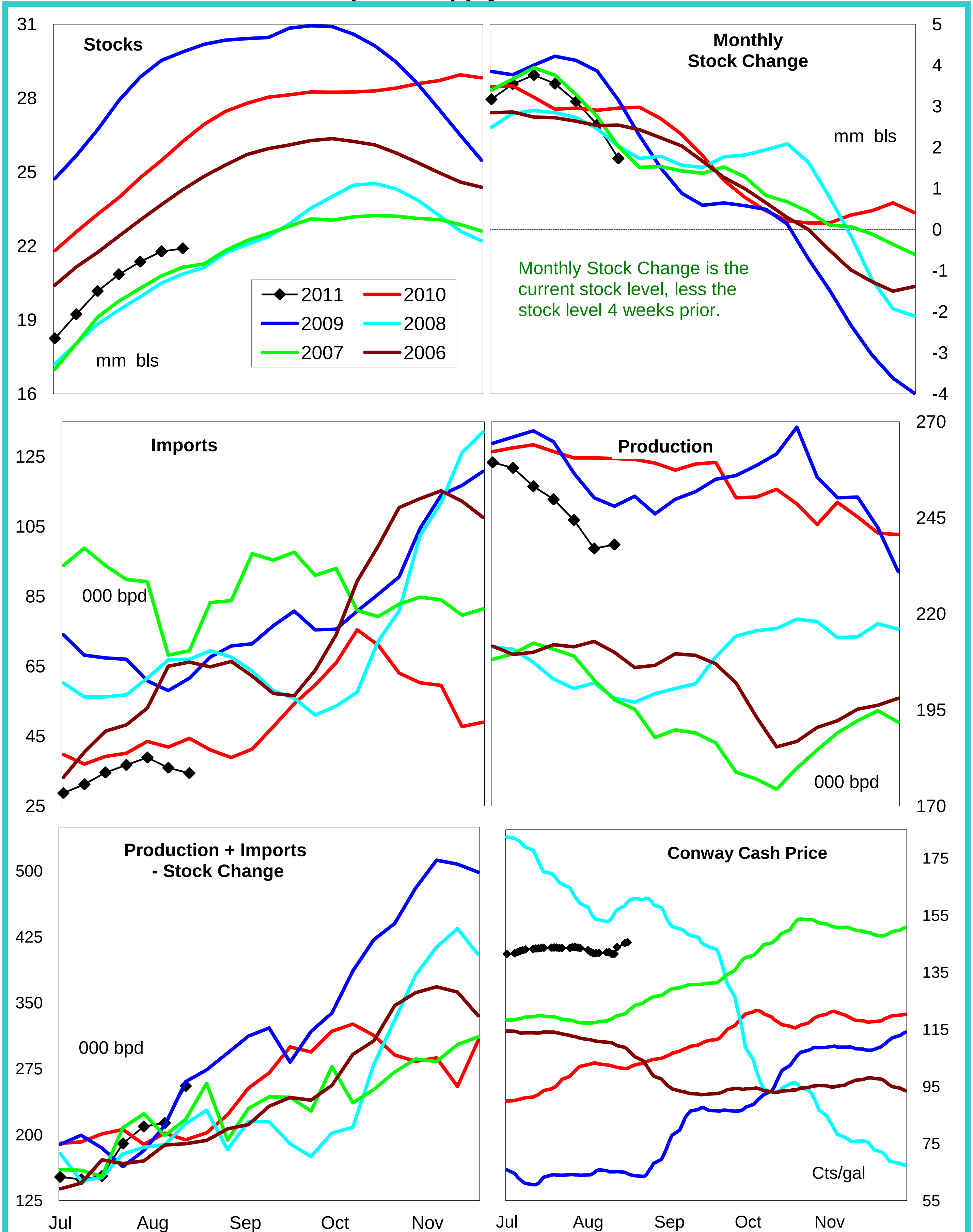
PADD 1 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-111	-455	4	1	22
% change	-2.7	-224.0	8.0	7.3	40.7

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)	-4,842	-1,229	-20	-4	19
% change	-18.1	-41.5	-7.8	-9.9	9.7

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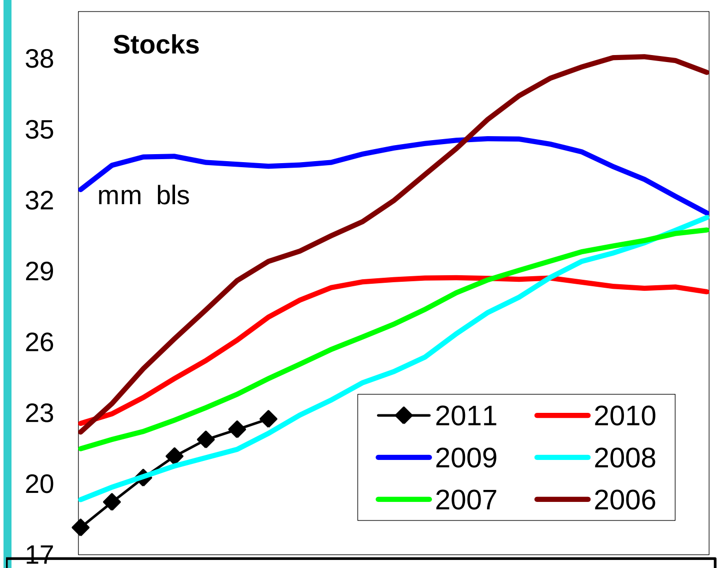
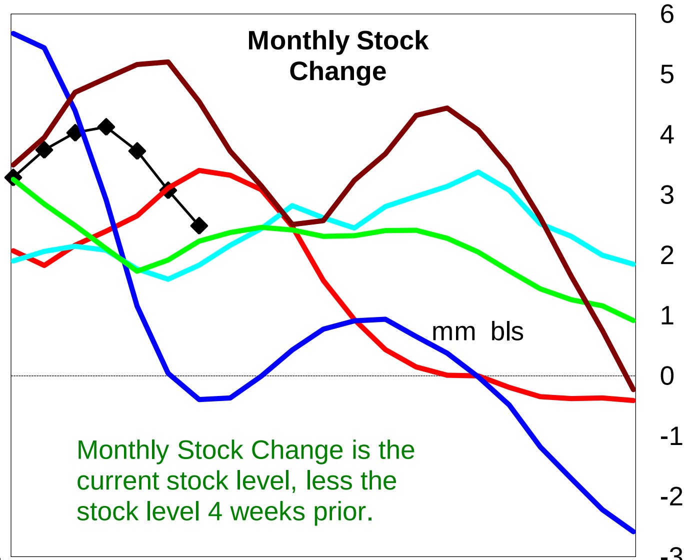
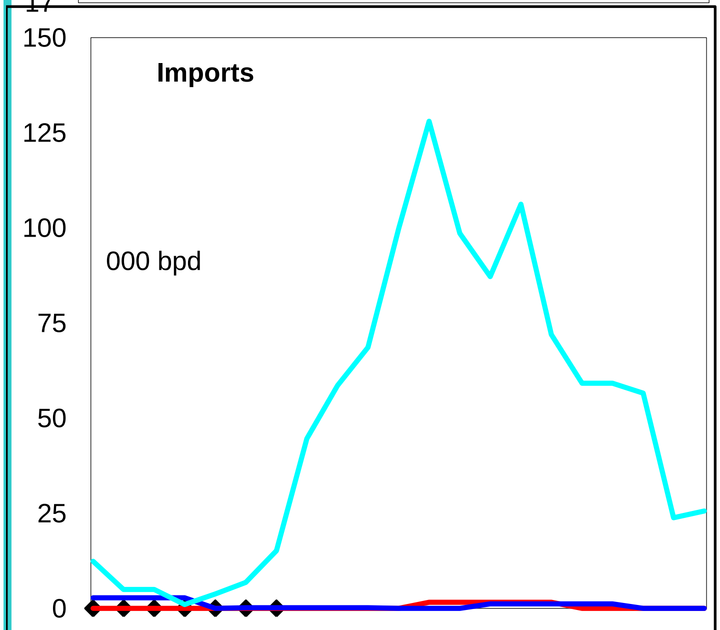
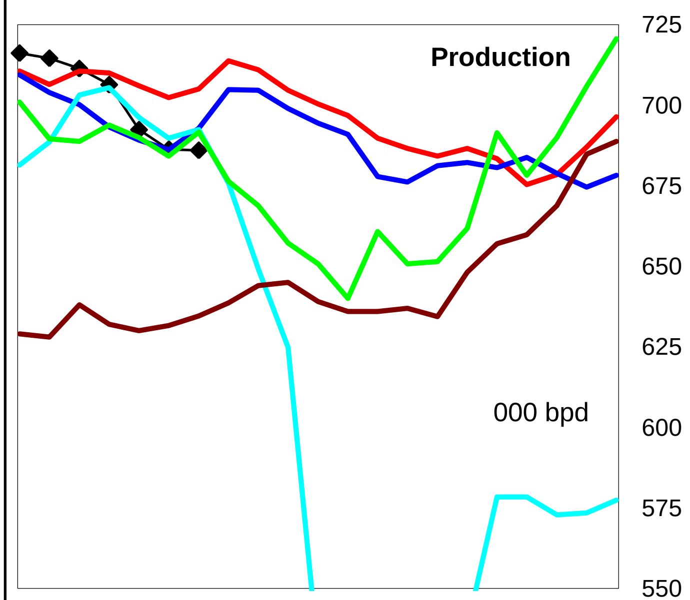
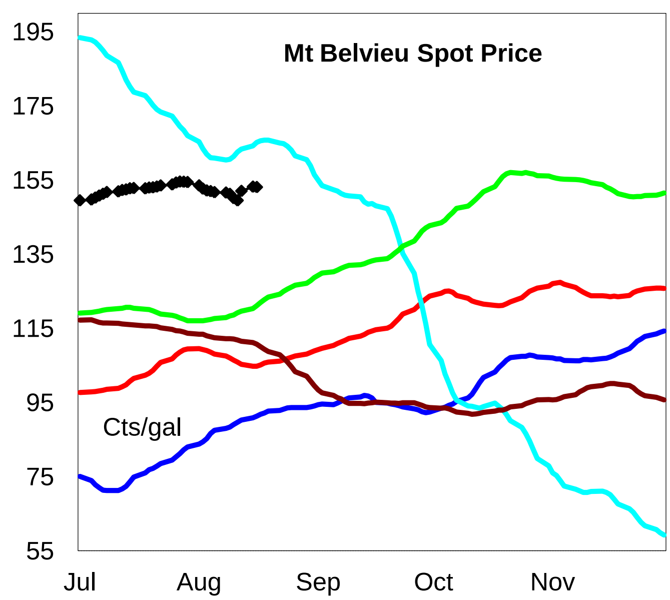
PADD 3 Propane Supply and Demand Balance

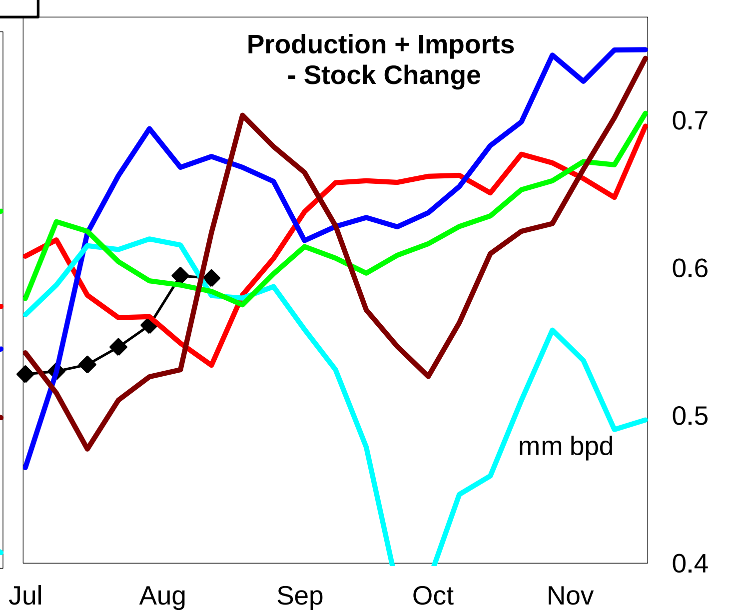












4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-4,522	-918	-15	0	20
% change	-16.6	-26.9	-2.2	#DIV/0!	3.4

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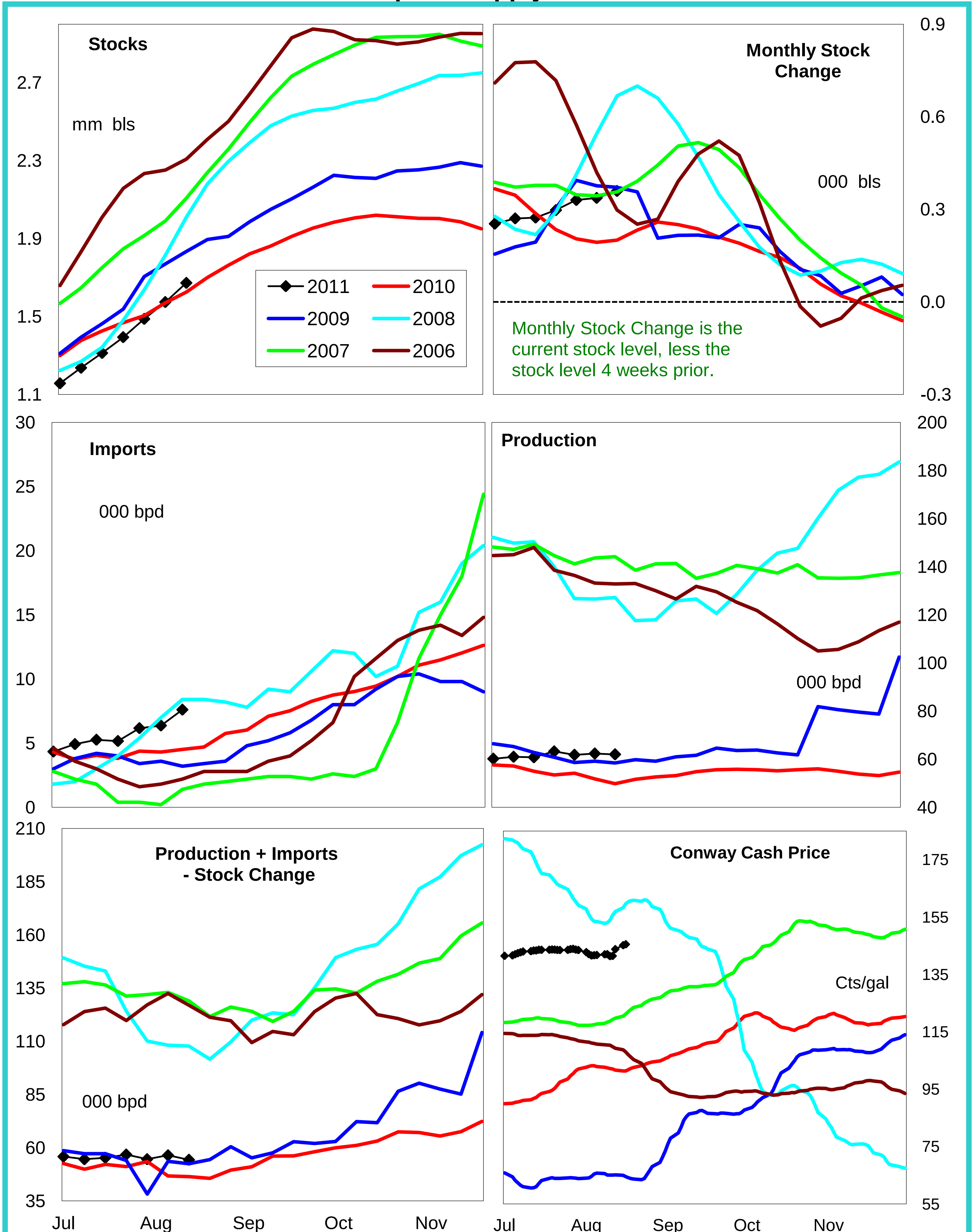
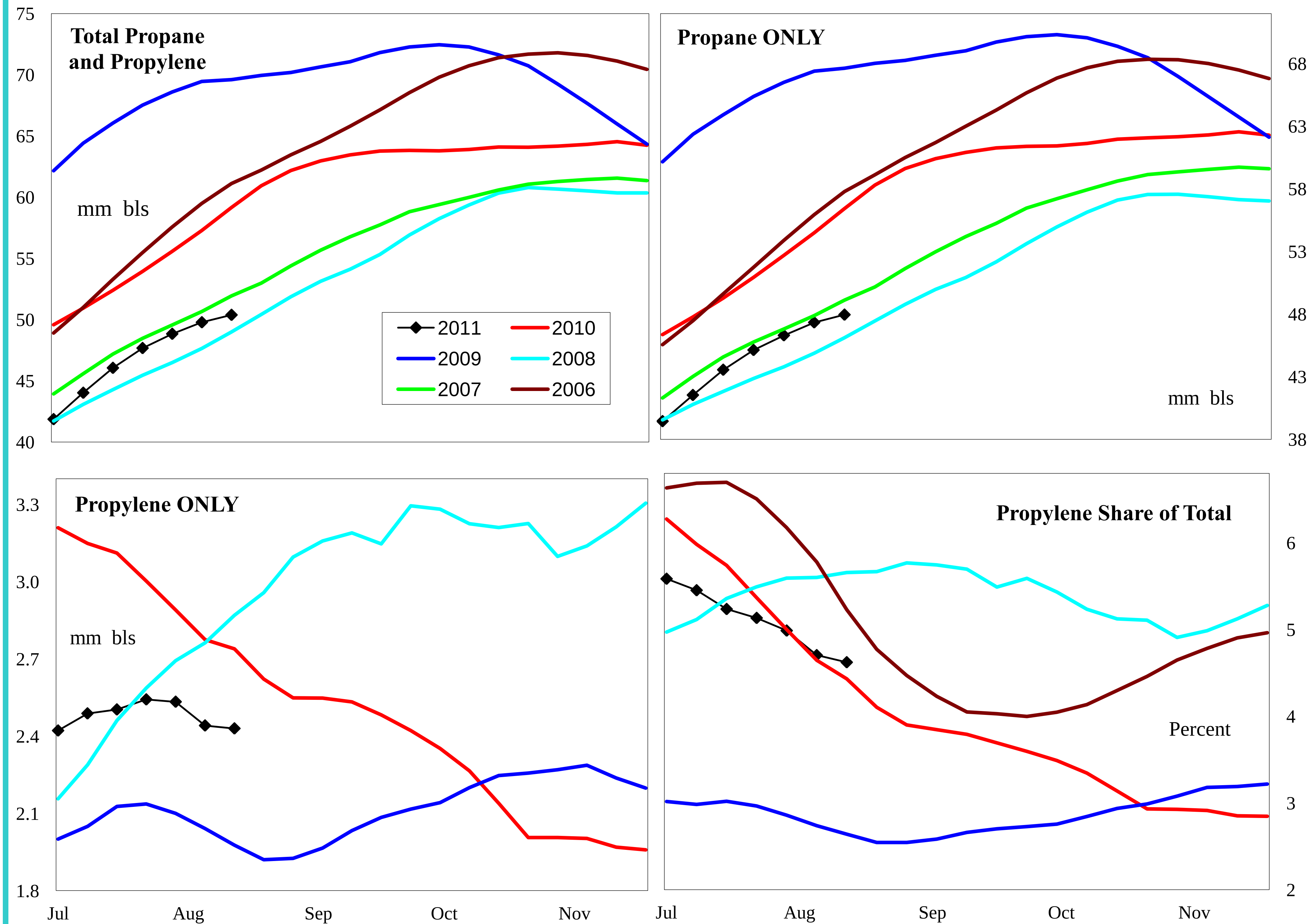
PADDs 4 and 5 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	35	159	10	2	6
% change	2.1	79.6	18.5	50.9	12.4

U. S. Propane and Propylene Stocks



Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	-9,439	-9,303	-310
% change	-15.8	-16.2	-11.3

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