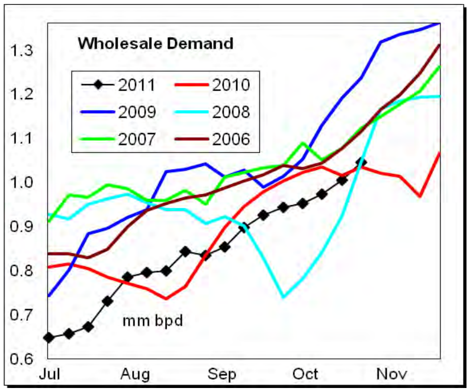
WEEKLY PROPANE SUPPLY-DEMAND-PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

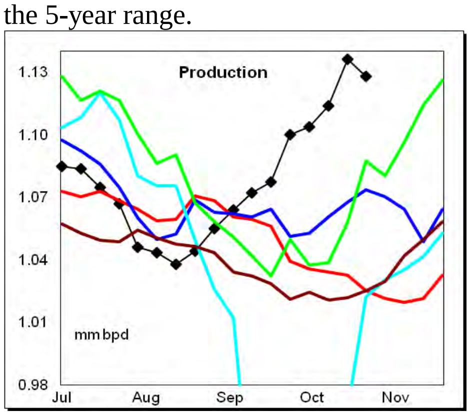
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, October 27, 2011

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

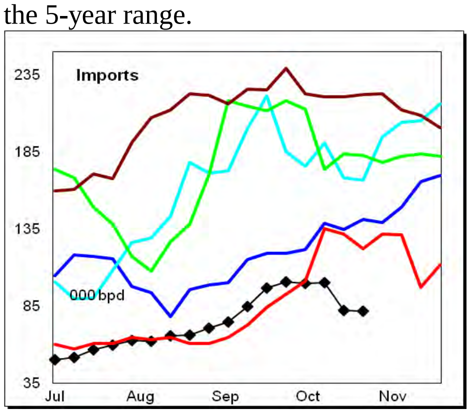
Wholesale demand climbed +147,000 bpd on the week, extending the seasonal uptrend. The level remains at the low end of the historic range on mild weather that has limited heating and grain drying demand.



Production increased +17,000 bpd last week, with the level still sharply above the 5-year range.

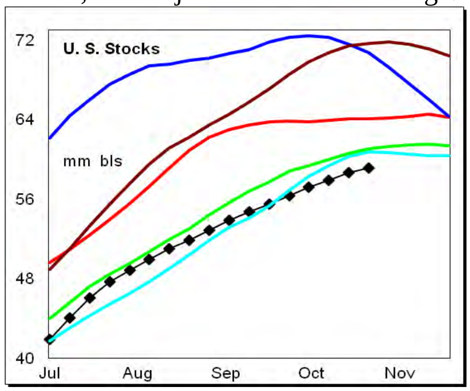


Imports increased +8,000 bpd on the week, although the level remains below the 5-year range.

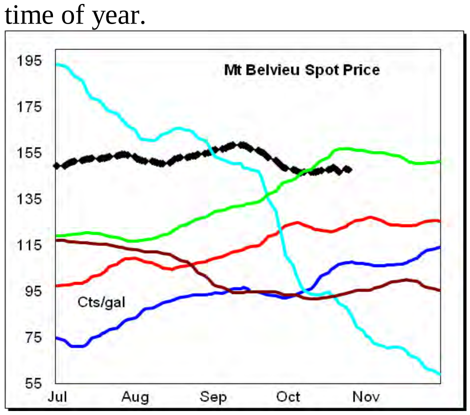


Combined production and imports during the latest 4-wk period were +40,000 bpd above a year ago. Production was +85,000 bpd above last year, while imports were -45,000 bpd lower. The latest 4-wk average demand was -49,000 bpd below last year.

Stocks increased +0.2 million barrels last week. The 4-wk stock change was a build of +3.1 million barrels, a level just above the mid range.



Price and Spreads Mt Belvieu spot prices decreased -2 cpg for the week ending 25Oct11, while Conway spot prices declined -3 cpg for the same period. The price level ended the week at the upper end of the 5-year range for this time of year.



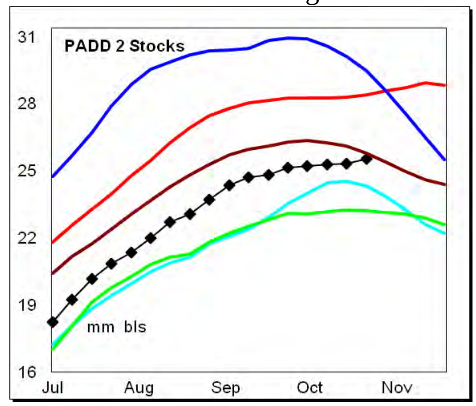
The Conway – Mt Belvieu price spread trended lower last week, in favor of Mt Belvieu. The spread ended the week at levels well below the historic range for this time of year.

The propane to natural gas price spread traded sideways last week, with the level at new record highs.

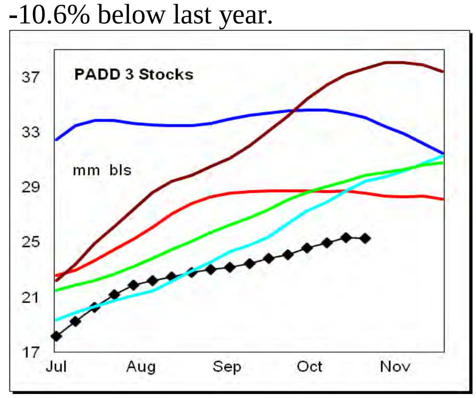
The propane / crude oil price spread trended sharply lower on the week, driven by a surge in WTI prices. The level ended the week at the upper end of the historic range.

PADD 1 stocks increased +0.4 million barrels last week. Stock levels were above the historic range. Supply for the latest 4-wk period was +2,000 bpd above last year.

PADD 2 stocks increased +0.3 million barrels on the week. Supply increased +5,000 bpd. The latest 4-wk average supply was -15,000 bpd below a year ago, on extremely low imports. Stock levels are near the mid range.



PAD 3 stocks fell -0.6 million barrels on the week, with the 4-wk rate of stock building well above the last 2-years. Supply increased +30,000 bpd on higher production. Stock levels ended the week -10.6% below last year.



PADDs 4 & 5 stocks were unchanged on the week. The stock level was slightly above the last 2-years.

Emerging Trends Moderate temperatures, dry weather and high retail price levels have constrained domestic use. Gulf stock draws, and an increased Gulf over Midwest price spread point to strong exports. Look for global energy prices to provide near term price support to propane wholesale prices.

[1] Source is latest EIA Weekly Statistics

PROPANE: Graph Link and Weekly Summary

October 27, 2011

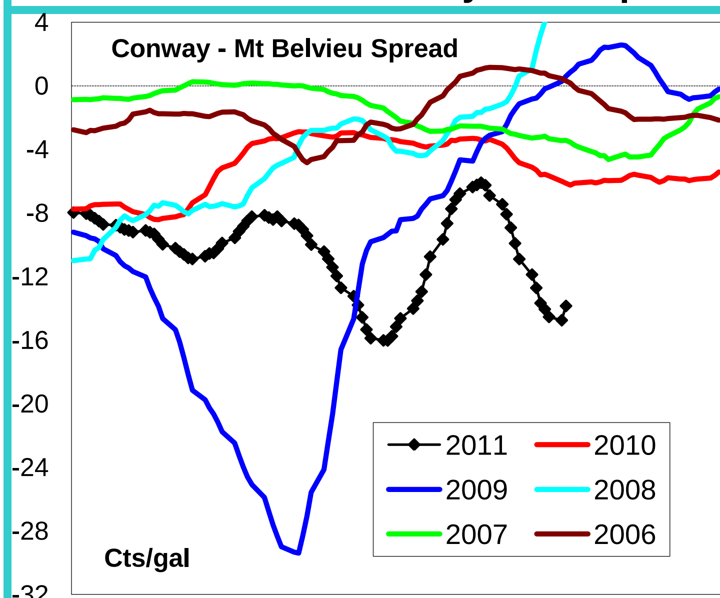
Fundamental Trends for the Week Ending: Friday, October 21, 2011

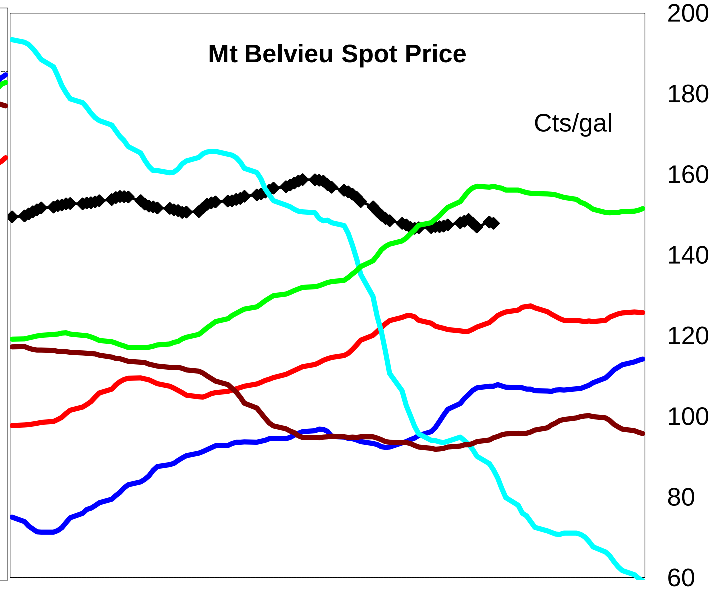
000 bpd / Stocks 000 bls	Weekly Supply-Demand U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5	Change from prior week: U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5
Stocks	59,111	5,981	25,533	25,292	2,305	182	393	345	-556	0
Propylene Stocks	3,629					93				
Production	1,128	64	267	694	103	17	-1	-2	30	-10
Imports	82	24	47	0	11	8	-1	9	0	0
Whsle Demand	1,085					147				

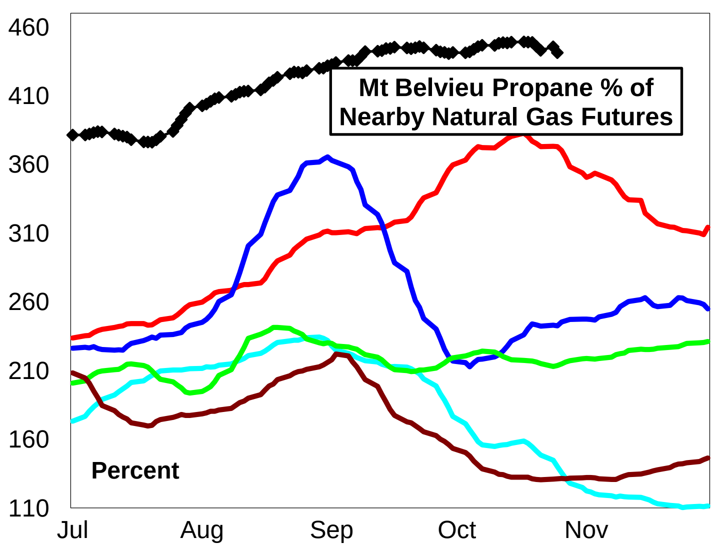
Price Trends for the Week Ending: Tuesday, October 25, 2011

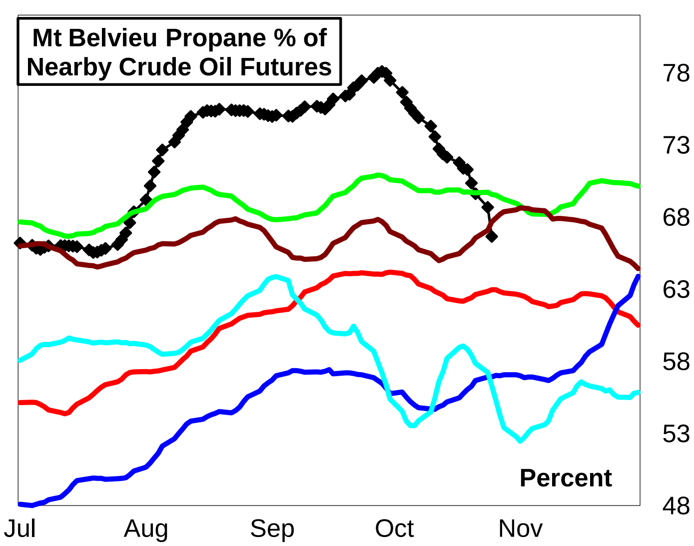
Cents/gal	Average for week ending: 10/25/11	10/18/11	9/26/11	10/27/10	Change from: 10/18/11	9/26/11	10/27/10	% change from: 10/18/11	9/26/11	10/27/10
Mont Belvieu Spot	146.9	150.2	151.5	122.5	-3.29	-1.22	28.96	-2.2	-0.8	23.6
Conway Spot	132.4	138.4	141.8	116.4	-6.00	-3.38	25.43	-4.3	-2.4	21.9

Key Price Spreads and Differentials

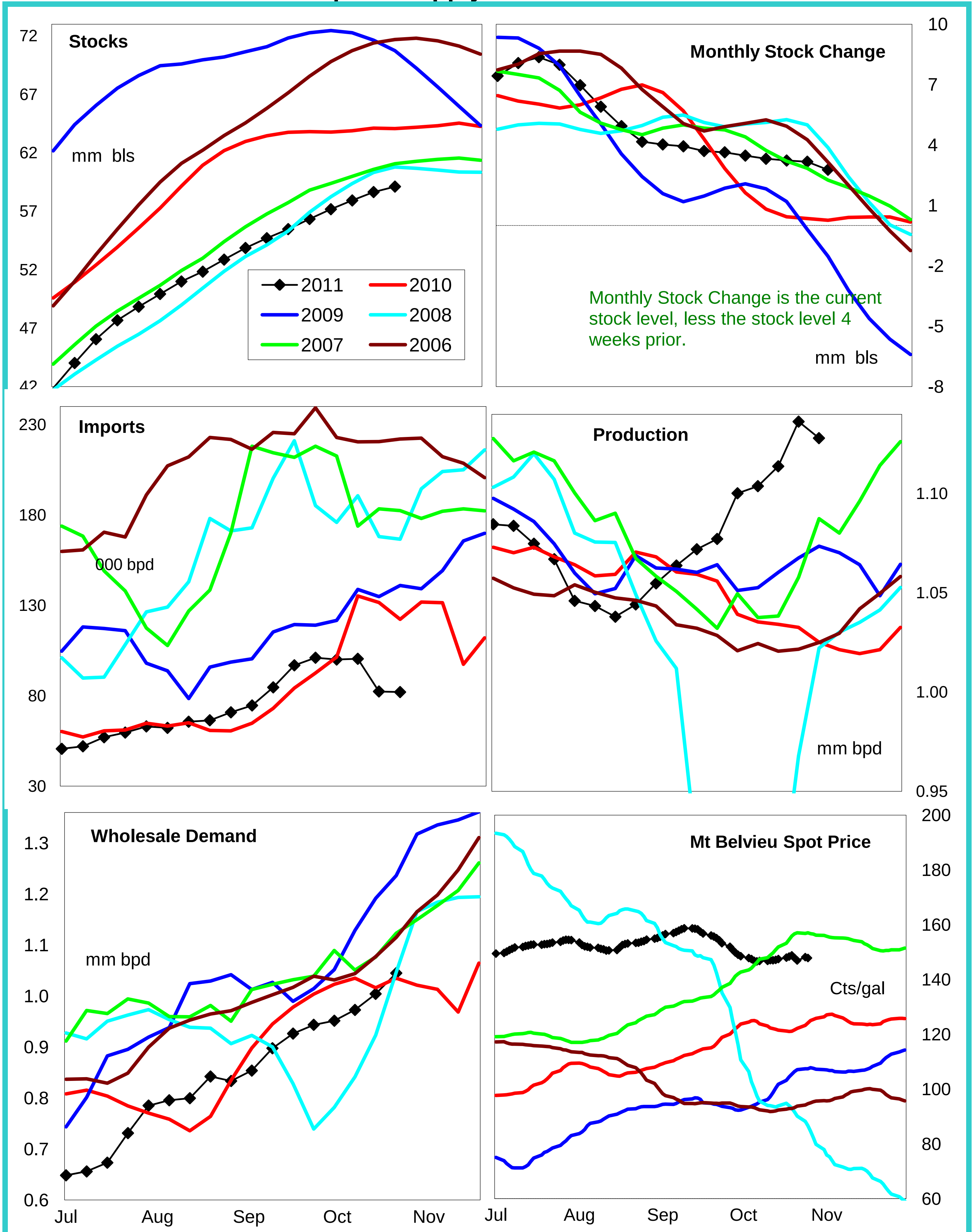








U. S. Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Demand	4wk avg	Sep	Aug	Jul
000 bpd (000 bls stks)	-5,173	2,514	85	-45		-49	-88	-106	3
% change	-8.0	974	8.2	-31.8		-4.6	-8.5	-10.9	0.3

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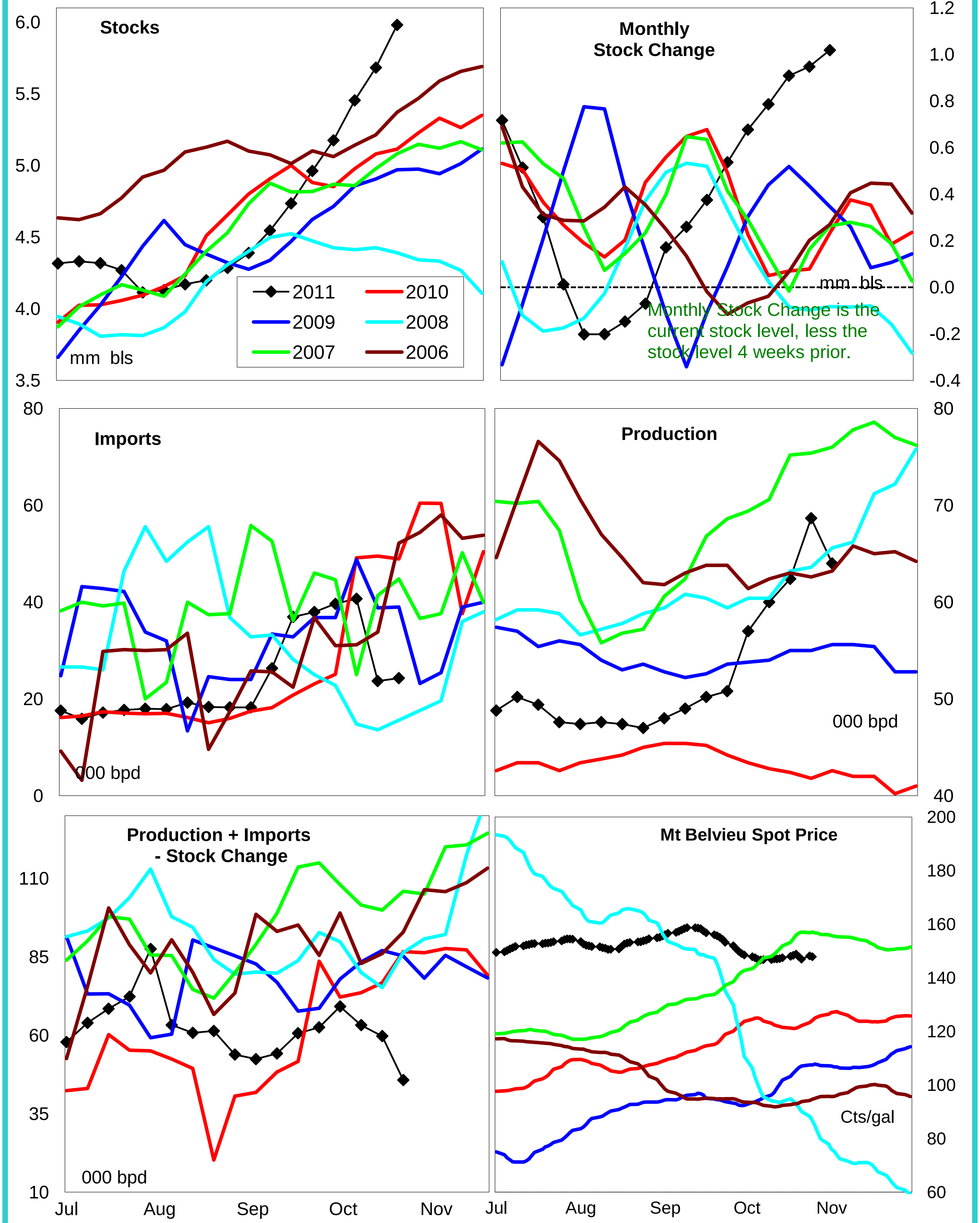
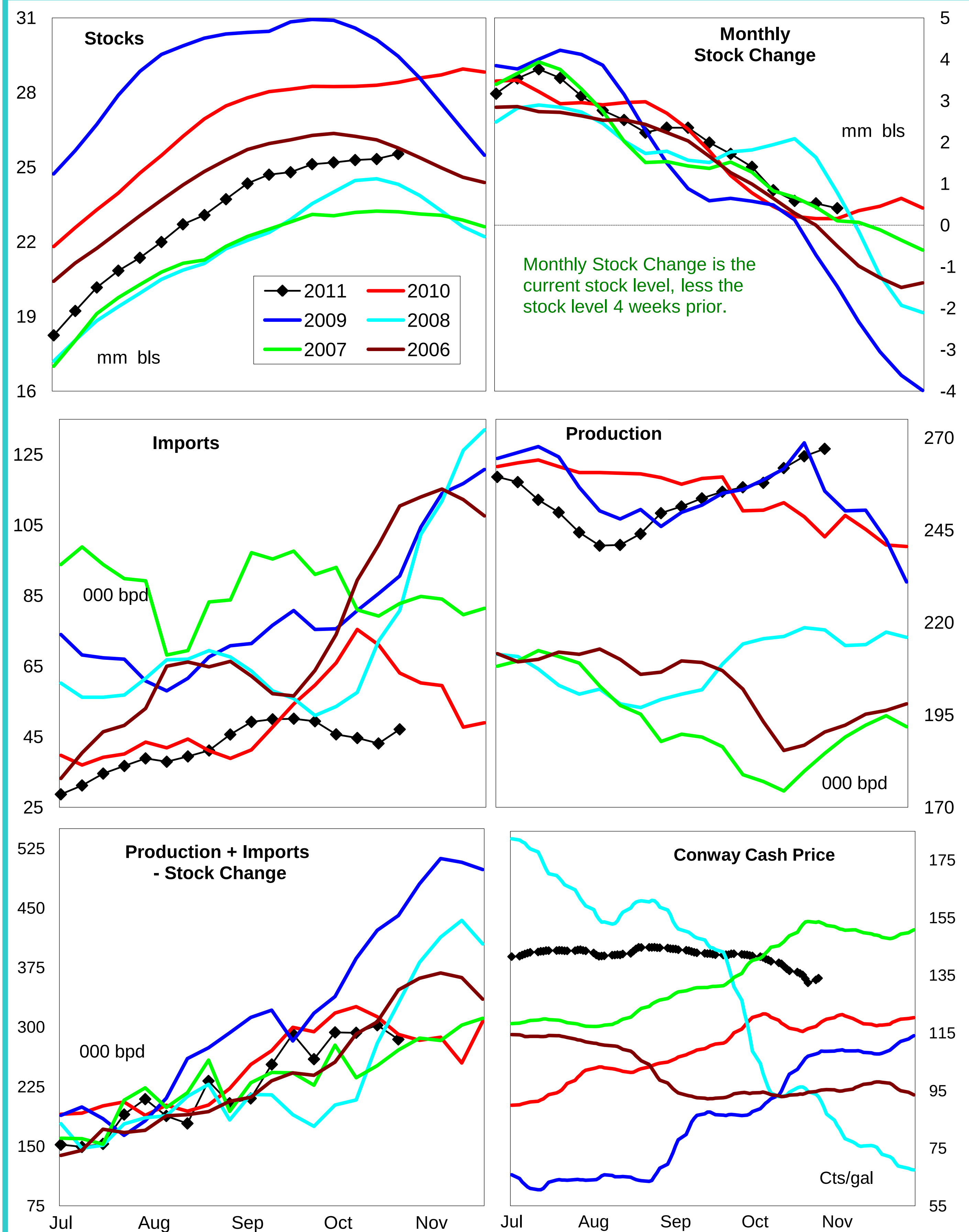
PADD 1 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	438	786	22	-20	-18
% change	7.9	337.9	52.1	-35.2	-23.0

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)	-2,875	252	16	-31	-19
% change	-10.1	158.7	6.2	-40.3	-5.9

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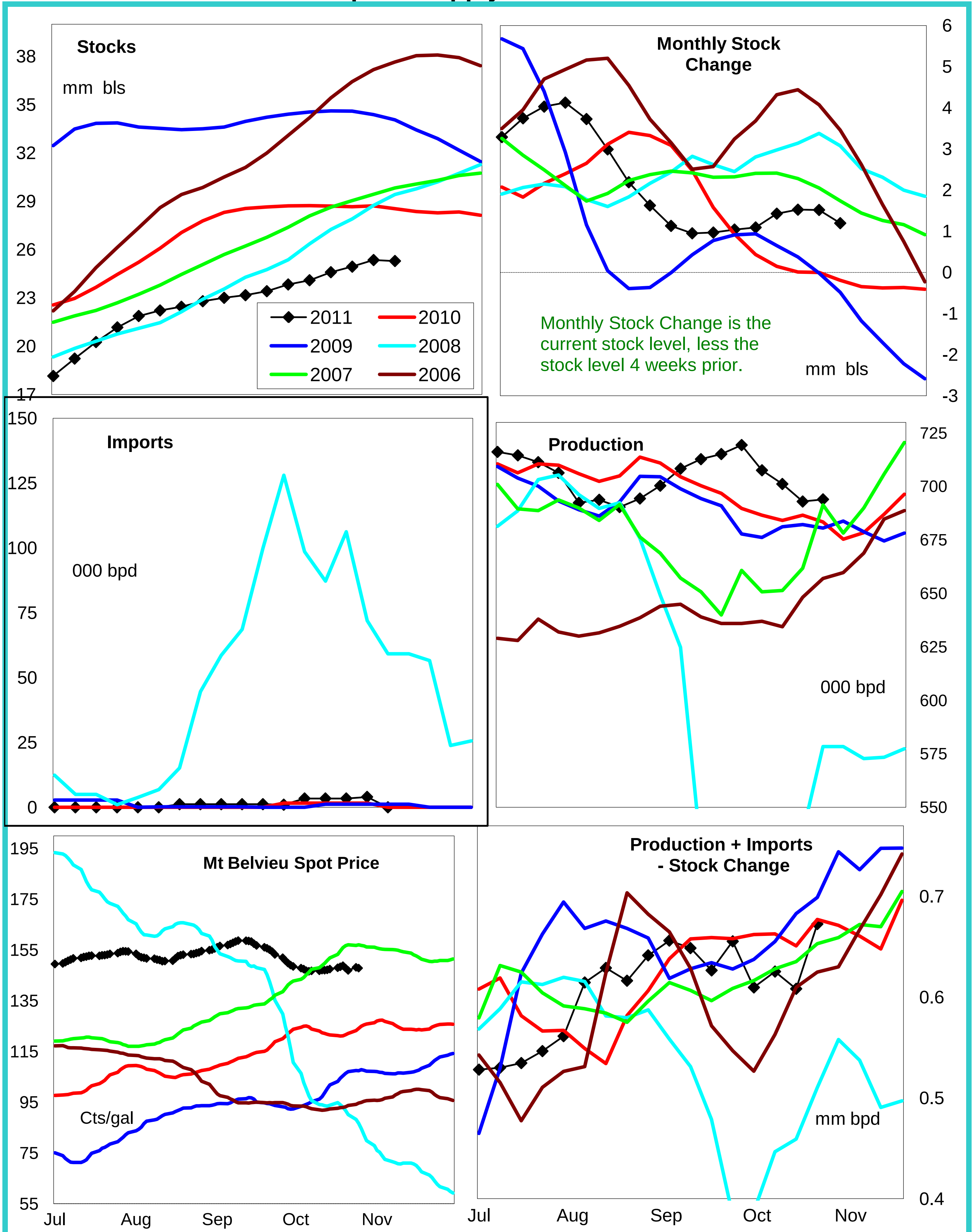
PADD 3 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-3,006	1,386	6	2	-34
% change	-10.6	-727	0.9	112.5	-4.9

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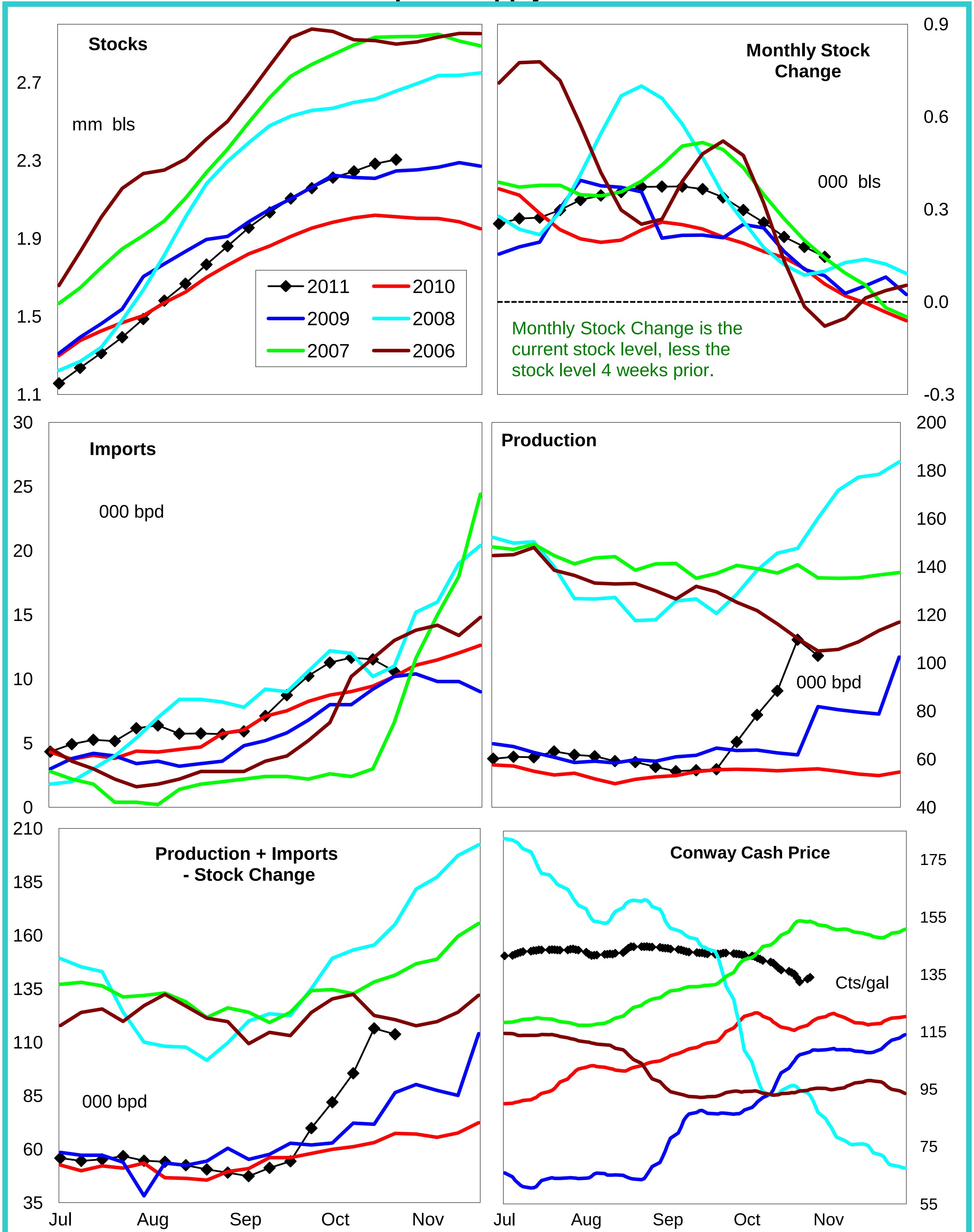
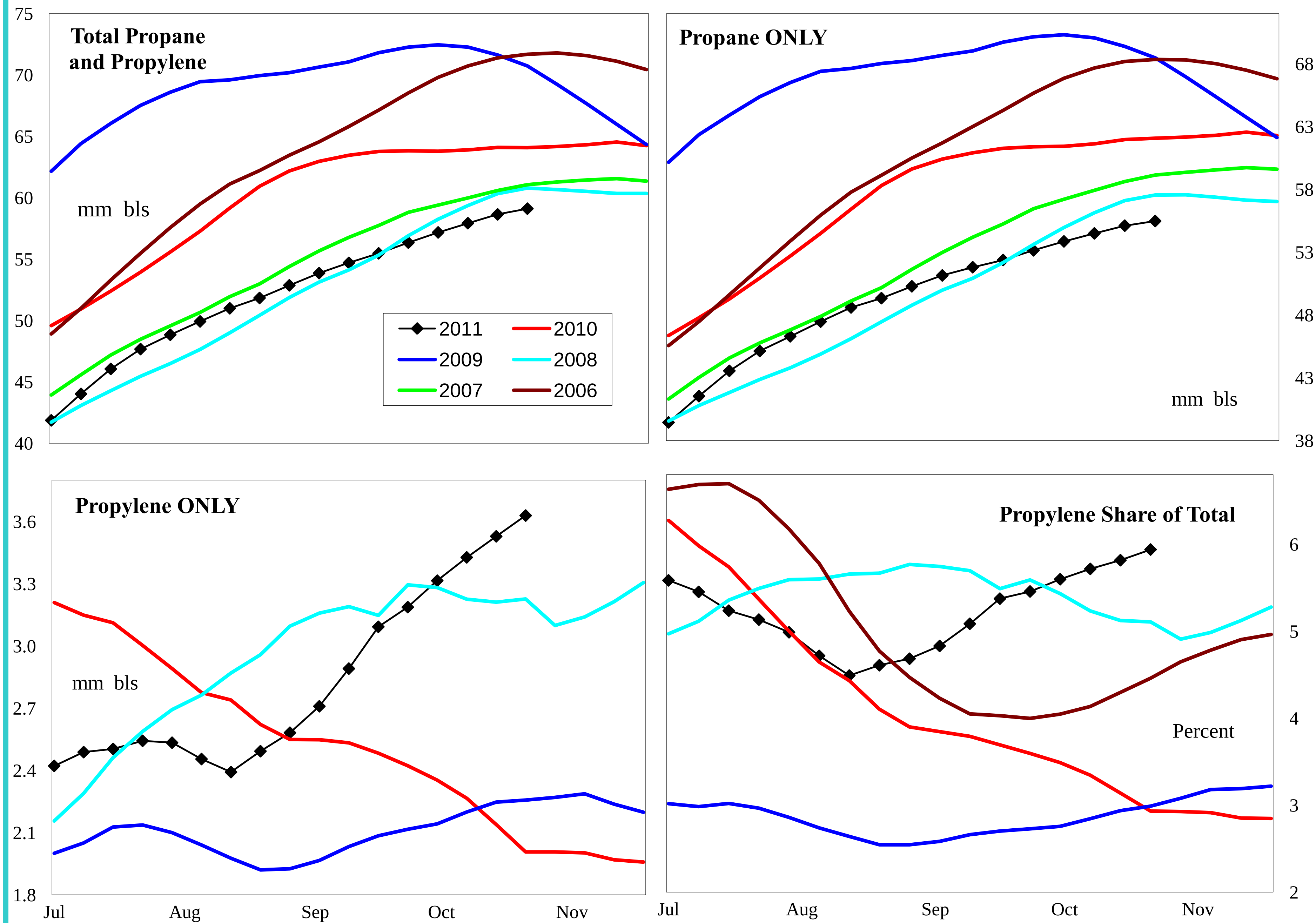
PADDs 4 and 5 Propane Supply and Demand Balance



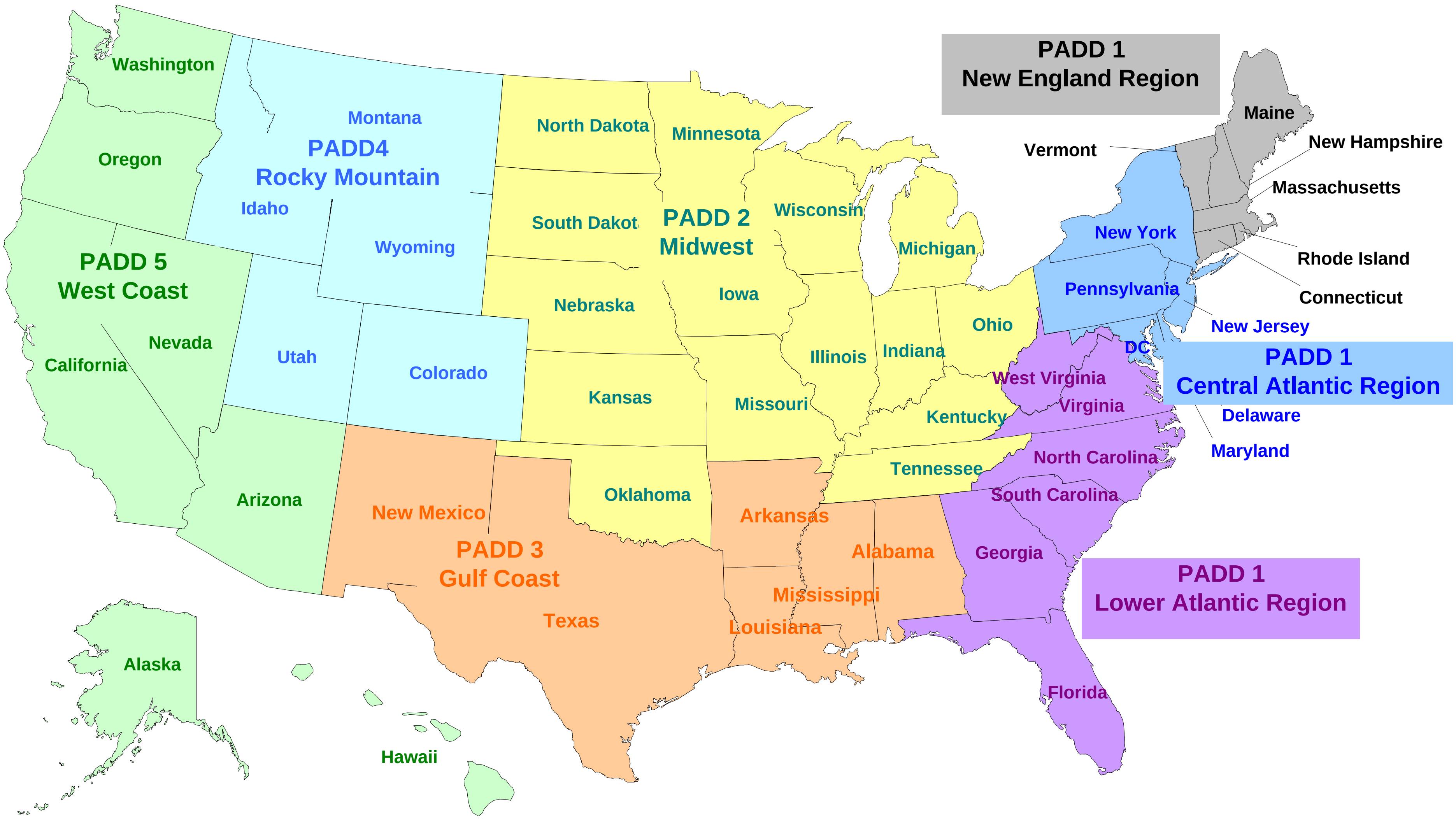
4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	270	88	41	3	39
% change	13.3	152.9	74.5	31.0	62.1

U. S. Propane and Propylene Stocks



Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	-5,173	-6,680	1,623
% change	-8.0	-10.7	80.9

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



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