FUNDAMENTAL PETROLEUM TRENDS

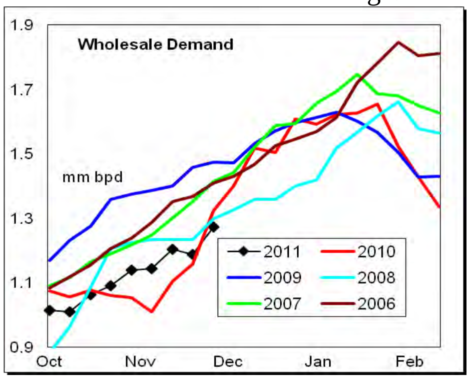
WEEKLY PROPANE SUPPLY-DEMAND-PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

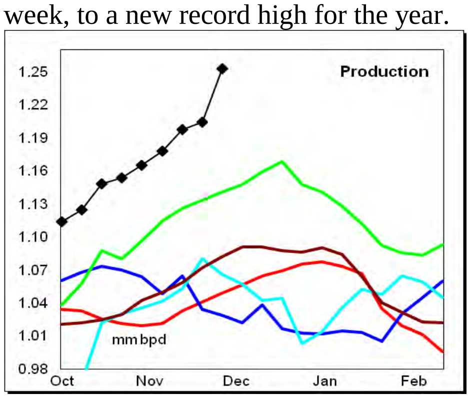
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, December 07, 2011

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

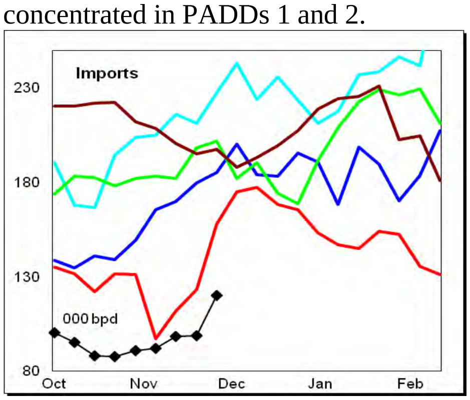
Wholesale demand increased +160,000 bpd on the week, driven by higher seasonal heating demand. The level was at the low end of the historic range.



Production increased +60,000 bpd last week, to a new record high for the year.

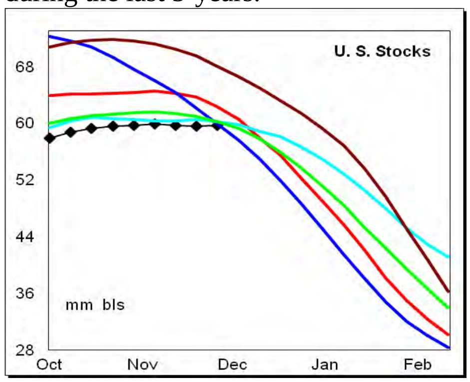


Imports increased +32,000 bpd, concentrated in PADDs 1 and 2.

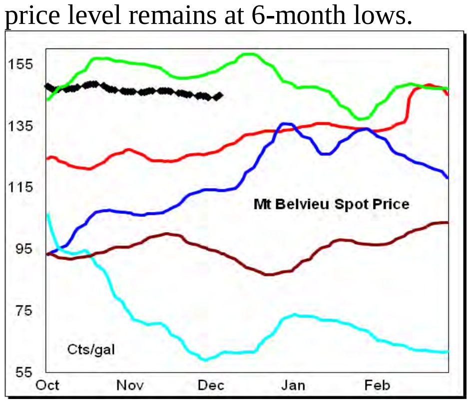


Combined production and imports during the latest 4-wk period were +136,000 bpd above a year ago. Production was +163,000 bpd above last year (+15.6%), while imports were -27,000 bpd lower. The latest 4-wk average demand was +96,000 bpd above last year, although still near 5-year lows.

Stocks decreased -0.1 million barrels last week. The 4-wk stock change was a draw of -0.1 million barrels, compared to average draws of -3 million barrels during the last 5-years.



Price and Spreads Mt Belvieu and Conway prices each decreased -1 cpg for the week ending 06Dec11. The Conway price level remains at 6-month lows.



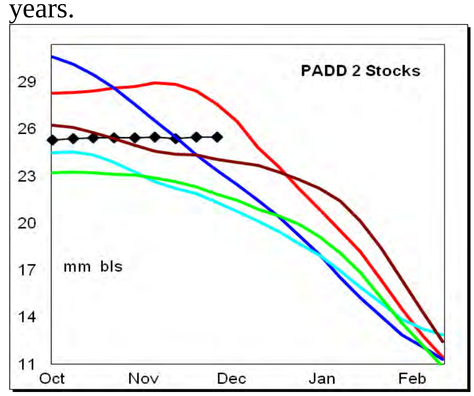
The Conway – Mt Belvieu price spread traded sideways last week. The spread ended the week at a -16 cpg discount, a level well below the historic range for this time of year.

The propane to natural gas price spread traded sideways last week, a level near season highs for this year.

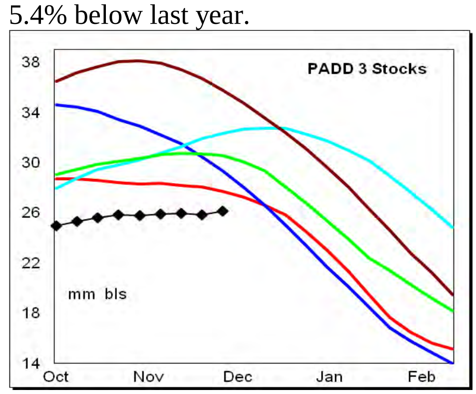
The propane / crude oil price spread extended the longer term downtrend last week. The spread ended the week at a level that matched 5-year lows.

PADD 1 stocks decreased -0.1 million barrels last week. Stocks remain at a level well above the 5-year range. Supply for the latest 4-wk period was+4,000 bpd above last year.

PADD 2 stocks decreased -0.2 million barrels on the week. Supply jumped +59,000 bpd last week on higher production and imports. The latest 4-wk average supply was +22,000 bpd above a year ago, on record production. Stock levels were above four of the last 5-years.



PAD 3 stocks increased +0.3 million barrels on the week, with the 4-wk rate of stock building above four of the last 5-years. Stock levels ended the week -5.4% below last year.



PADDs 4 & 5 stocks decreased -0.1 million barrels on the week. The stock level was comparable to the last 2-years.

Emerging Trends Propane production continues to set new records, with the latest week up +220,000 bpd from a year ago. The increase is driven by expansion of natural gas processing plants; which should continue to increase as new natural gas processing plants come on line.

The Midwest propane market is approaching over supply on near record stock levels.

Fundamental trends including high production, moderate heating degree day forecast and rising relative stock levels should constrain prices during the heating season.

[1] Source is latest EIA Weekly Statistics

PROPANE: Graph Link and Weekly Summary

December 7, 2011

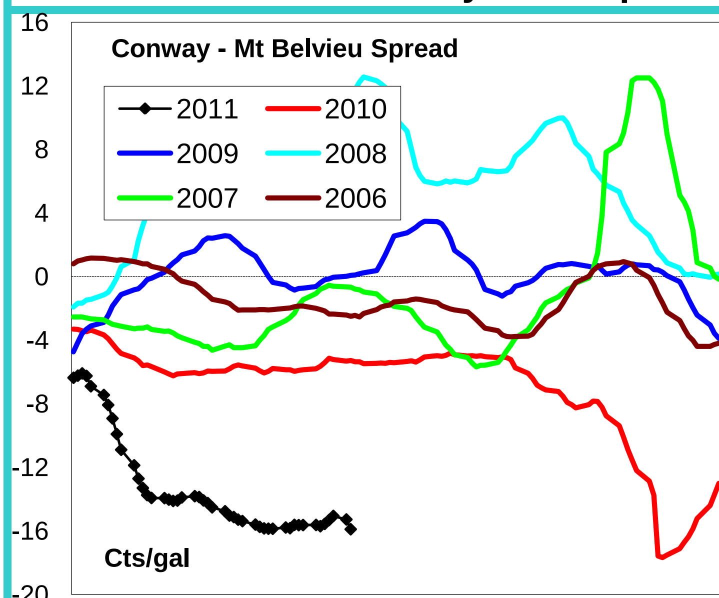
Fundamental Trends for the Week Ending: Friday, December 02, 2011

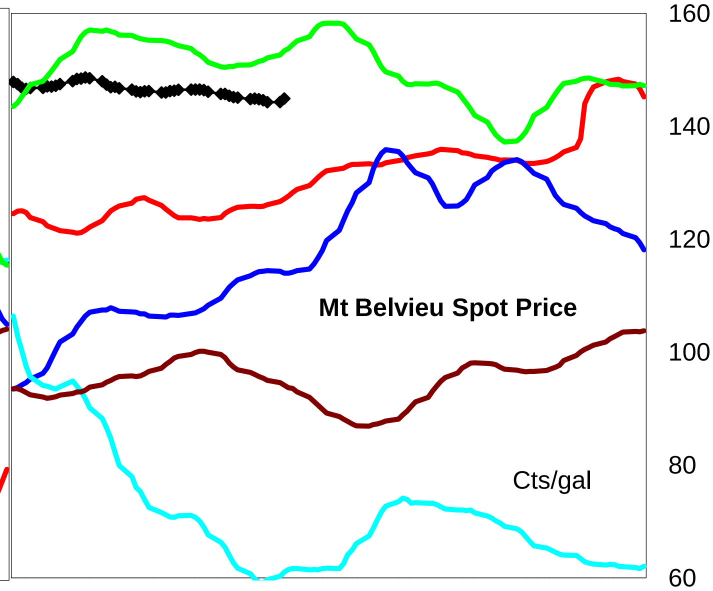
000 bpd Stocks 000 bls	Weekly Supply-Demand U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5	Change from prior week: U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5
Stocks	59,678	6,080	25,475	26,106	2,017	-93	-118	-195	309	-89
Propylene Stocks	4,631					272				
Production	1,253	58	298	780	117	60	-8	41	37	-10
Imports	120	44	57	0	20	32	14	18	-6	6
Whsle Demand	1,274					160				

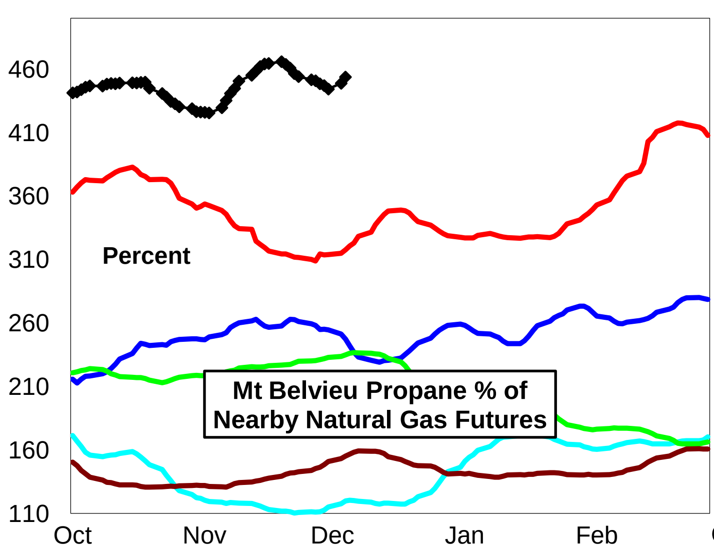
Price Trends for the Week Ending: Tuesday, December 06, 2011

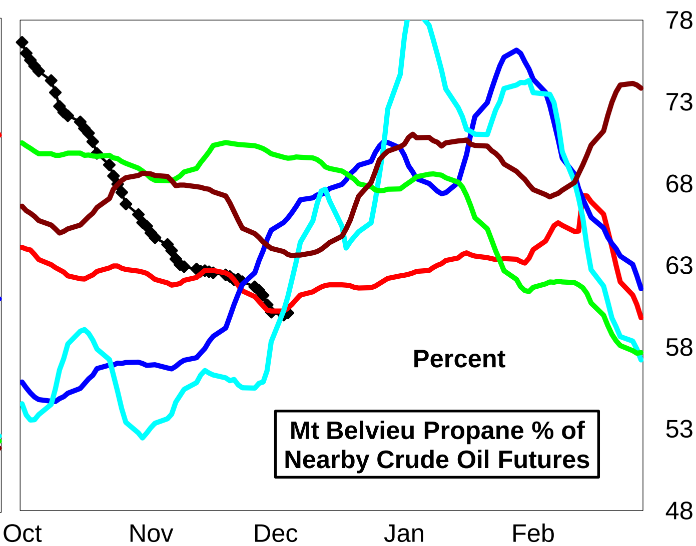
Cents/gal	Average for week ending: 12/6/11	11/29/11	11/8/11	12/8/10	Change from: 11/29/11	11/8/11	12/8/10	% change from: 11/29/11	11/8/11	12/8/10
Mont Belvieu Spot	144.3	145.4	144.7	125.7	-1.17	0.73	19.01	-0.8	0.5	15.1
Conway Spot	129.2	129.2	130.7	120.1	0.00	-1.50	10.64	0.0	-1.1	8.9

Key Price Spreads and Differentials









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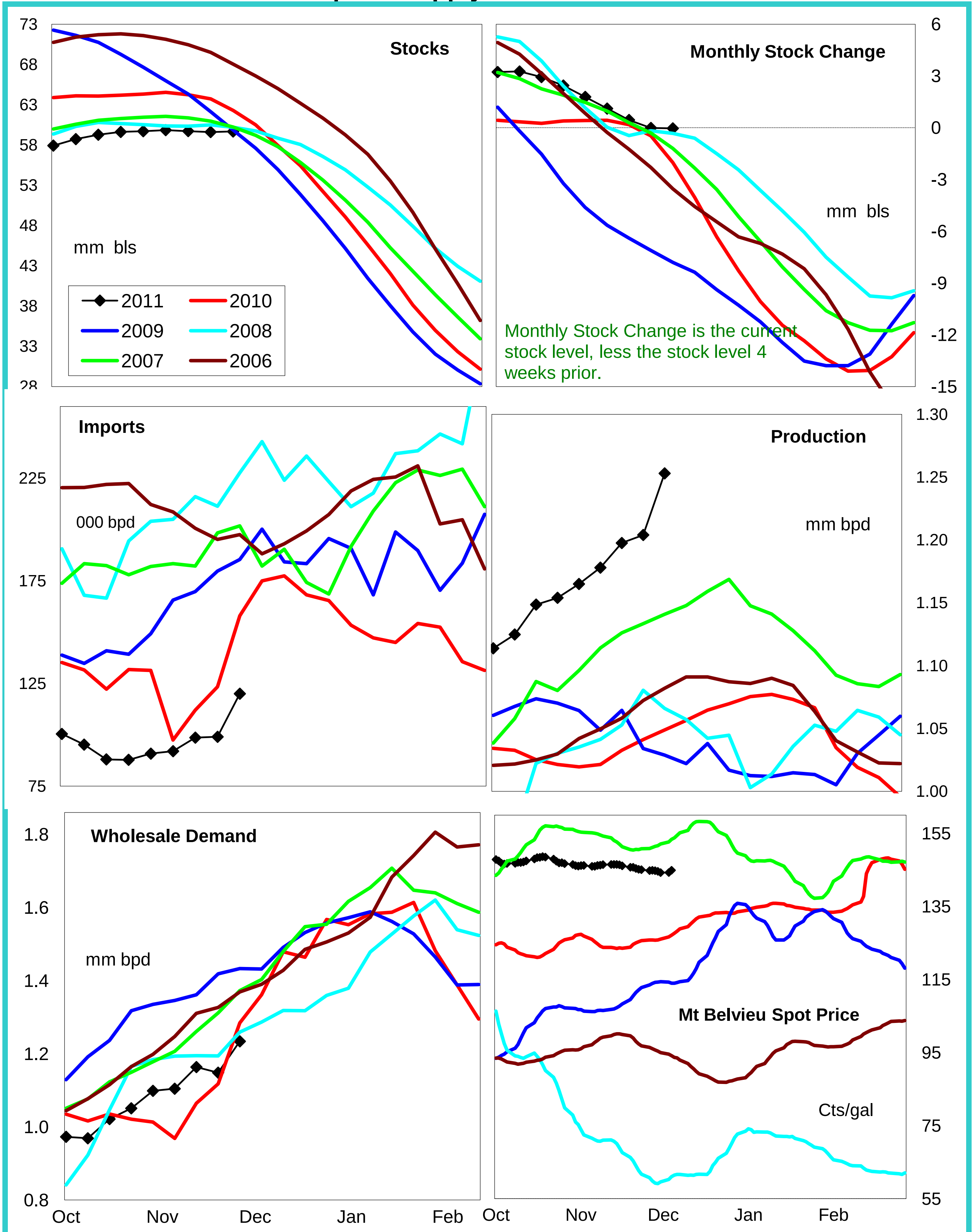
U. S. Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Demand	4wk avg	Nov	Oct	Sep
000 bpd (000 bls stks)	-3,384	1,982	163	-27		96	18	-86	-61
% change	-5.4	-98	15.6	-21.5		8.7	1.5	-7.6	-5.9

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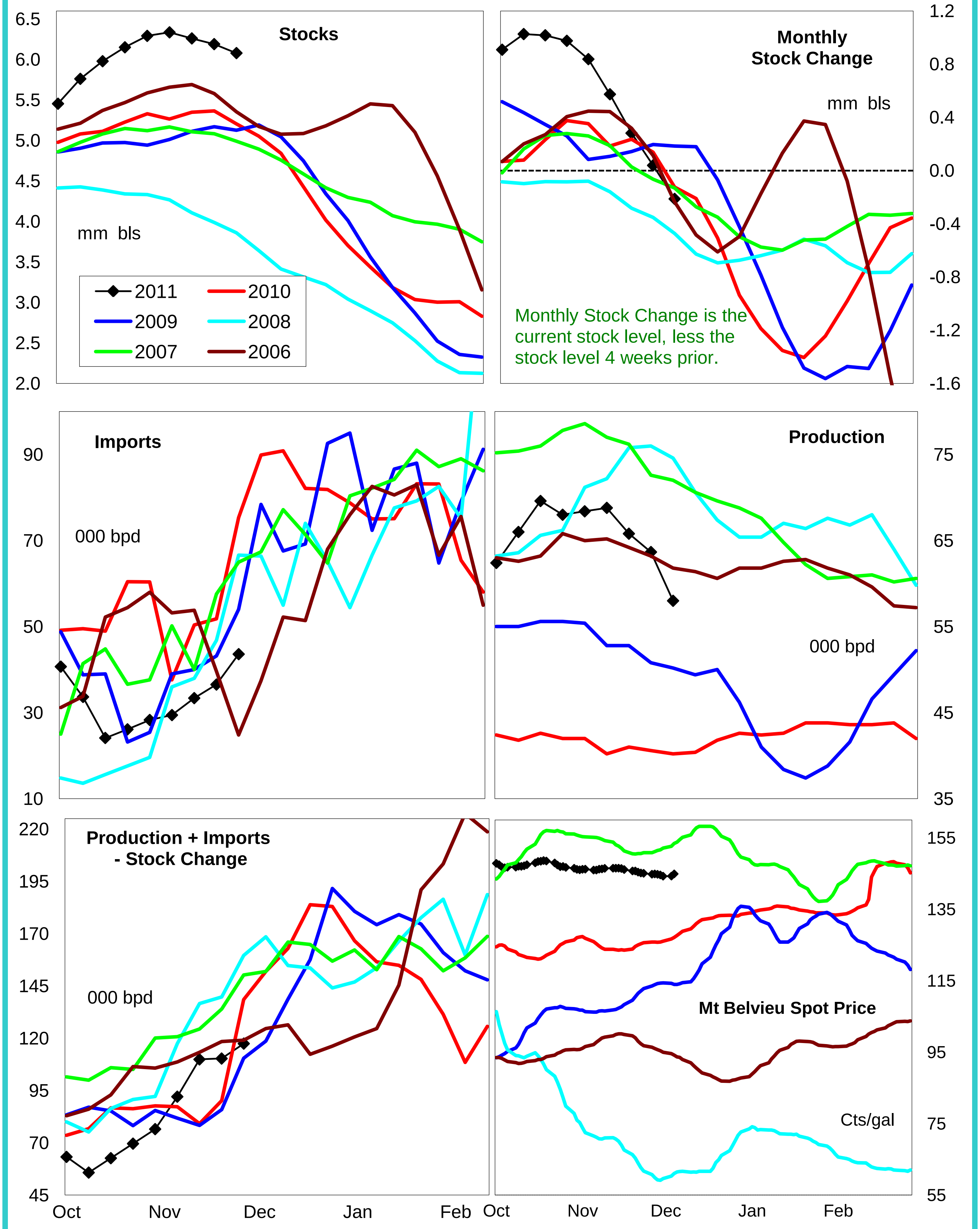
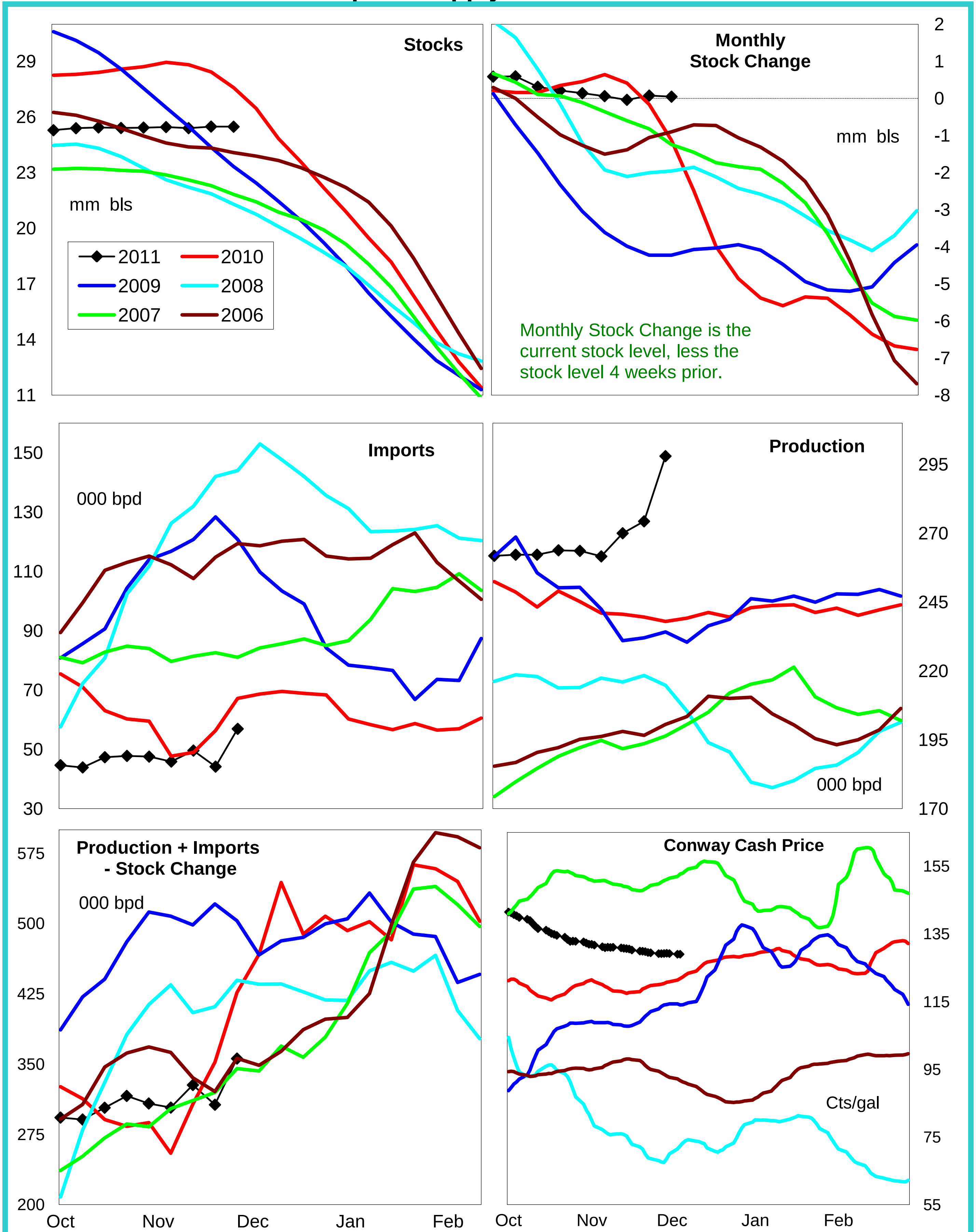
PADD 1 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	310	-88	25	-21	9
% change	5.4	70.6	63.5	-37.8	8.8

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)	-2,378	1,175	31	-9	-12
% change	-8.5	-104.2	12.8	-16.2	-3.5

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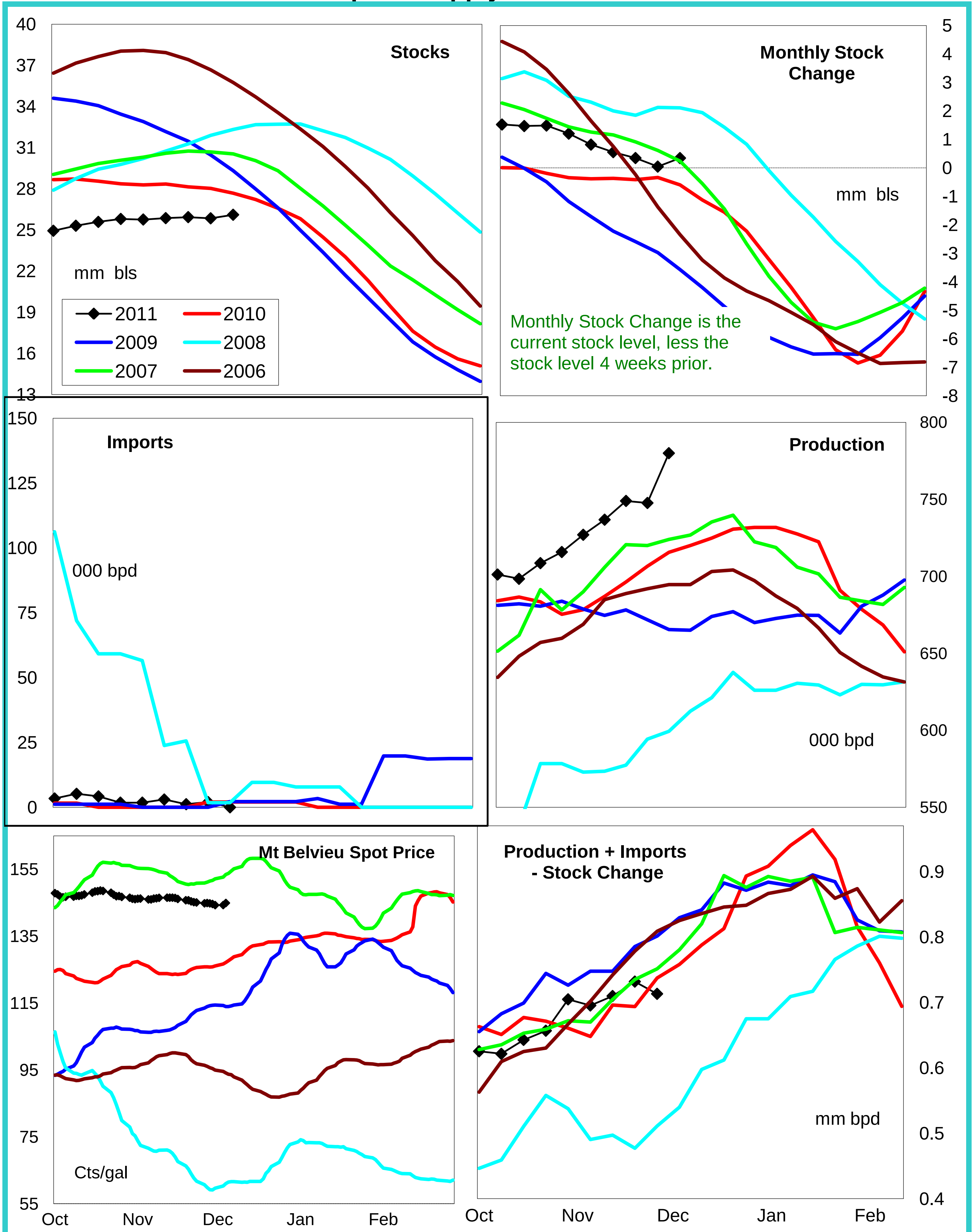
PADD 3 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-1,489	945	46	2	19
% change	-5.4	-158	6.5	#DIV/0!	2.6

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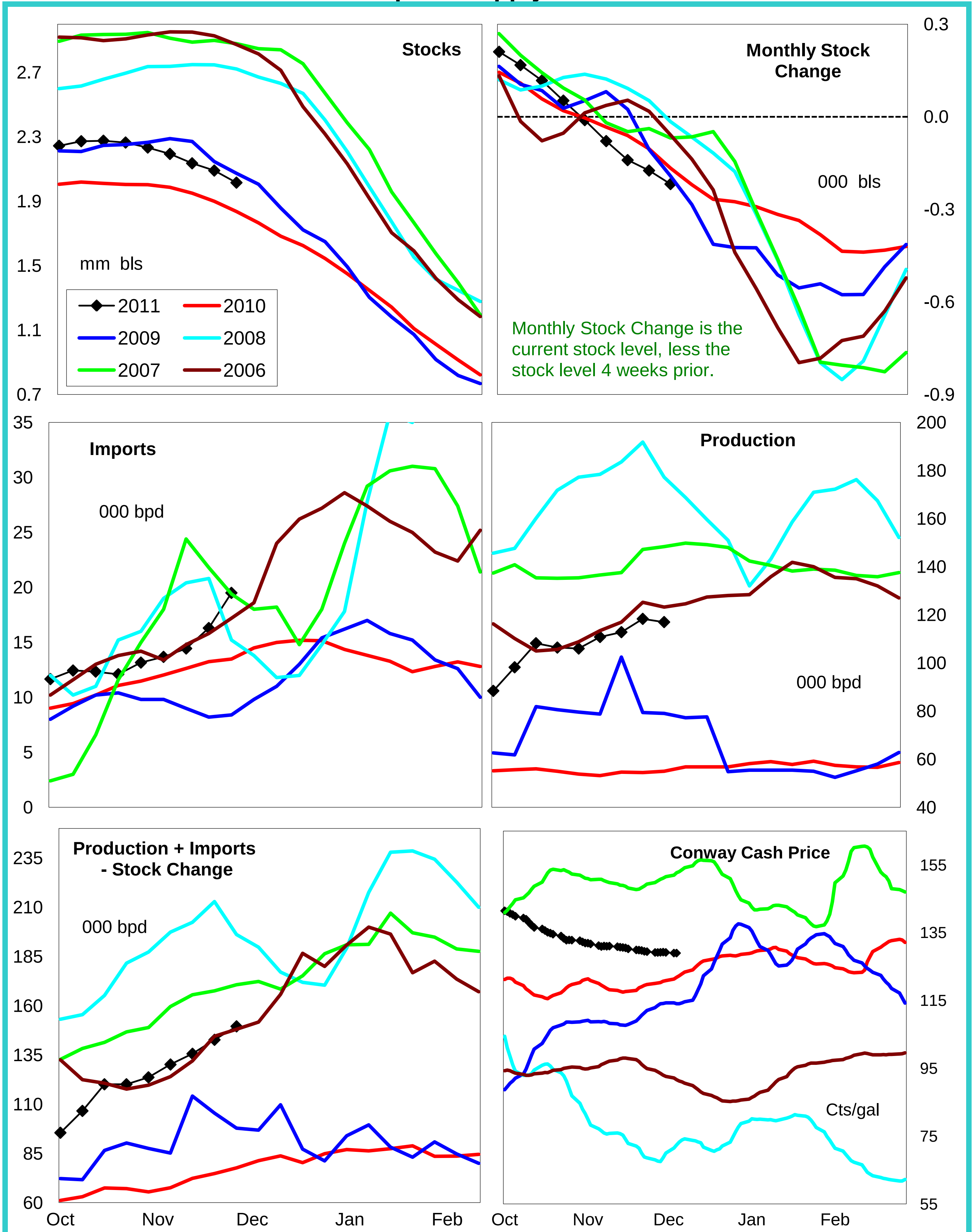
PADDs 4 and 5 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	171	-52	60	2	66
% change	9.3	31.0	110.6	15.8	90.8

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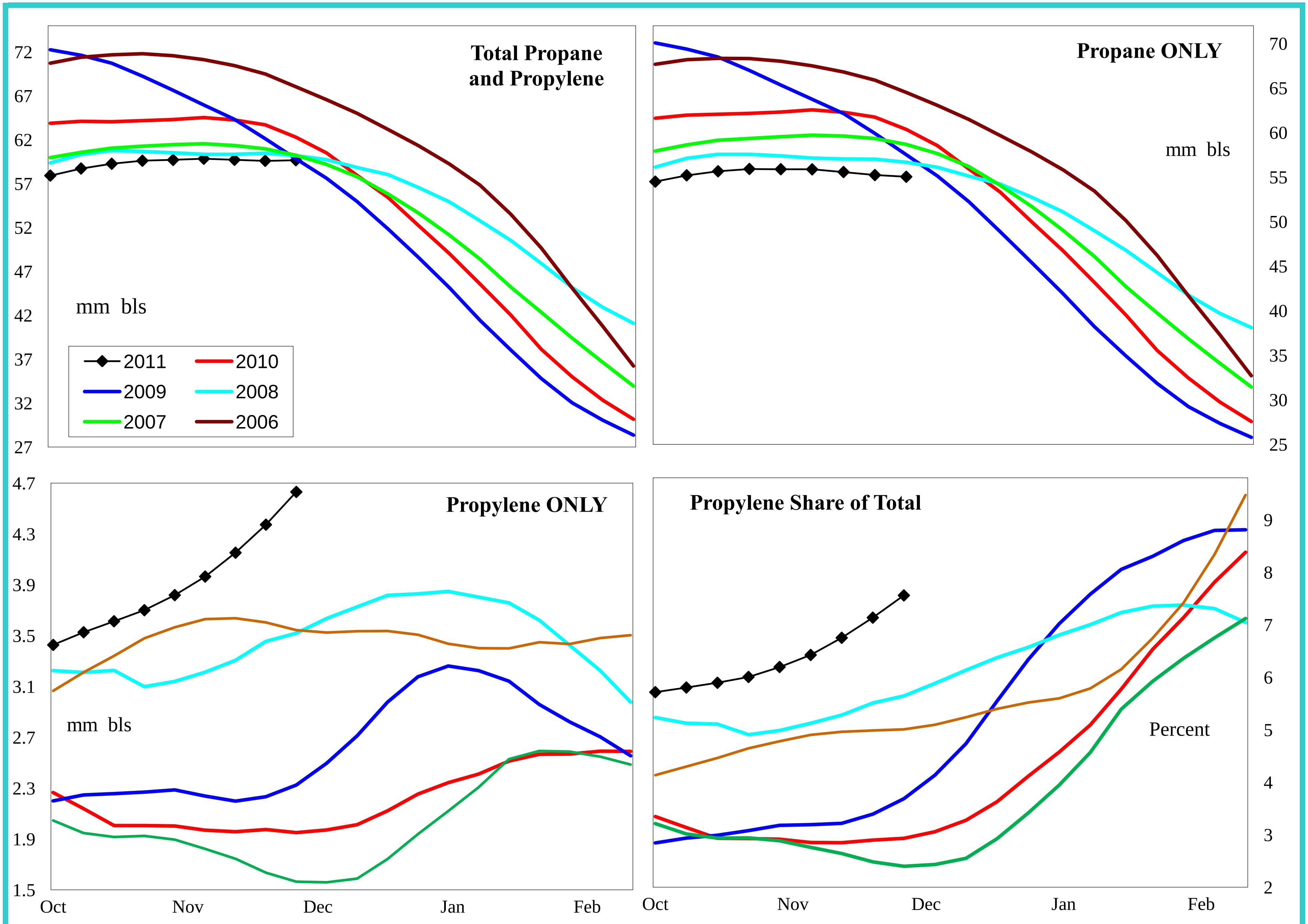
U. S. Propane and Propylene Stocks



Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	**-3,384**	**-6,208**	**2,680**
% change	**-5.4**	**-10.1**	**137.4**

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