FUNDAMENTAL PETROLEUM TRENDS

WEEKLY PROPANE SUPPLY-DEMAND-PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

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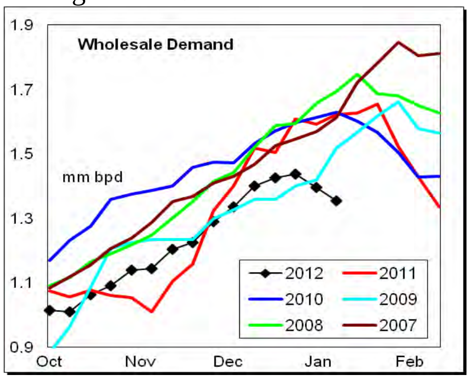
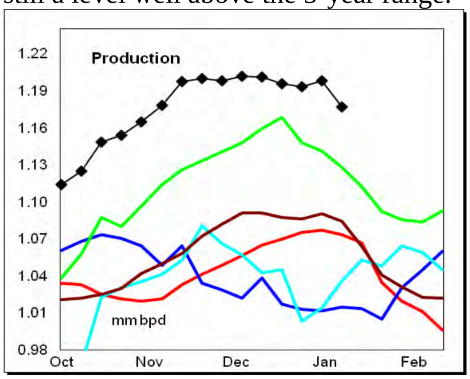
Summary[1]: ? **Table of Contents**

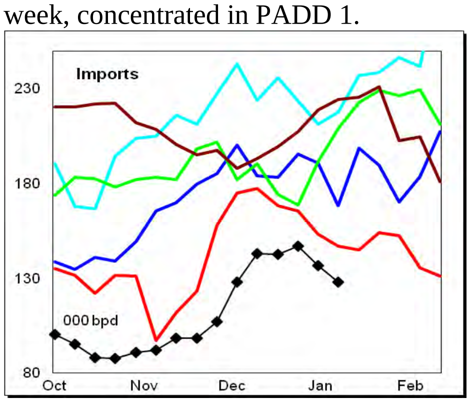
Wholesale demand decreased -50,000 bpd on the week, reflecting the continued mild temperatures in key heating markets.



Production fell - 49,000 bpd last week, still a level well above the 5-year range.

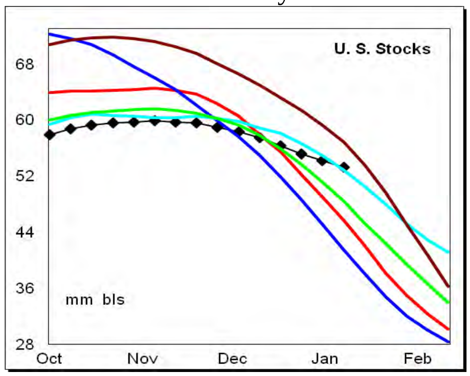


Imports increased +9,000 bpd on the week, concentrated in PADD 1.

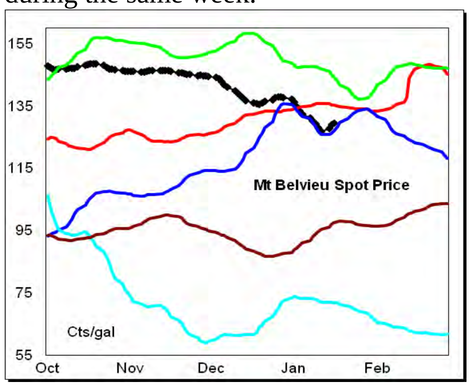


Combined production and imports during the latest 4-wk period were +134,000 bpd above a year ago. Production was +111,000 bpd above last year (+10%), while imports were +23,000 bpd higher. The latest 4-wk average demand was -167,000 bpd below last year; driven by low heating degree days in major markets.

Stocks decreased -1.1 million barrels last week. The 4-wk stock change was a draw of -4.2 million barrels, the lowest draw down of the last 5-years.



Price and Spreads Mt Belvieu spot prices increased +4.5 cpg for the week ending 19Jan12 while Conway increased +6 cpg during the same week.



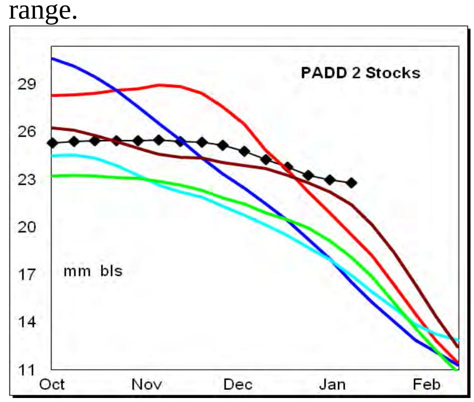
The Conway – Mt Belvieu price spread trended higher last week in favor of Conway, after falling to a -30 cpg discount the prior week, ending the week at -25 cpg discount.

The propane to natural gas price spread trended higher last week on continued weak natural gas prices. The spread reached new record highs in favor of propane.

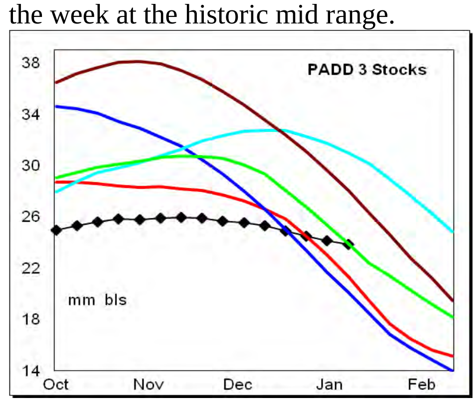
The propane / crude oil price spread traded near recent record lows on weakness in propane prices, at a level well below the 5-year range.

PADD 1 stocks decreased -0.4 million barrels last week. Stock levels ended the week near 5-year highs. Supply for the latest 4-wk period was +28,000 bpd above last year.

PADD 2 stocks decreased -0.3 million barrels on the week. Supply was unchanged on the week. The latest 4-wk average supply was +25,000 bpd above a year ago, on higher production. Stock levels ended the week above the 5-year range.



PAD 3 stocks decreased -0.3 million barrels on the week, with the 4-wk rate of stock draw matching the lowest draw of the last 5-years. Stock levels ended the week at the historic mid range.



PADDs 4 & 5 stocks were unchanged on the week. The stock level was +38% above a year ago.

Emerging Trends Temperatures are forecast to be slightly warmer than normal in the core midwest heating market during the next 10-days. This the peak heating degrees for the winter season after which heating degree days began to drop. Record high stocks in the midwest and very high production should keep the market extremely well supplied.

Expect further price weakness through the end of the heating season, offset by pre buying for the next season on relatively low price levels.

[1] Source is latest EIA Weekly Statistics

PROPANE: Graph Link and Weekly Summary

January 20, 2012

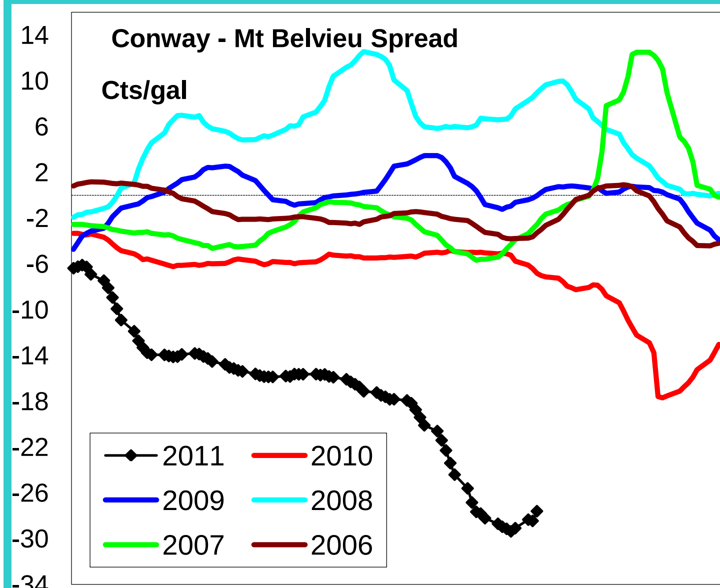
Fundamental Trends for the Week Ending: Friday, January 13, 2012

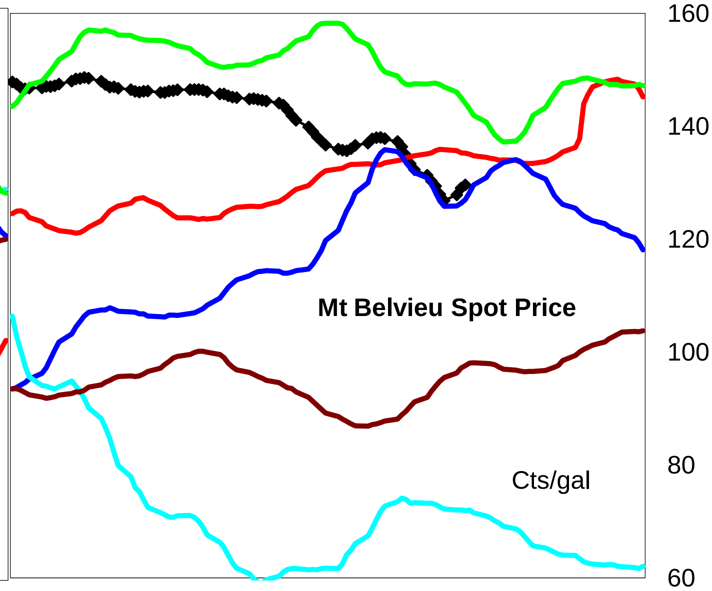
000 bpd Stocks 000 bls	Weekly Supply-Demand					Change from prior week:				
	U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5	U.S. Total	PADD 1	PADD 2	PADD 3	PADD 4&5
Stocks	53,224	4,843	22,750	23,819	1,812	-1,061	-444	-283	-287	-47
Propylene Stocks	5,302					-331				
Production	1,177	63	266	716	132	-49	0	3	-53	1
Imports	128	40	69	0	19	9	8	-3	0	4
Whsle Demand	1,355					-50				

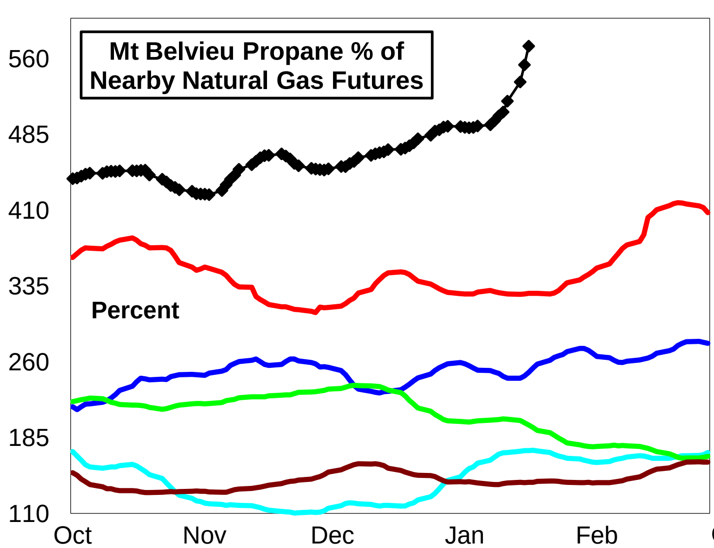
Price Trends for the Week Ending: Wednesday, January 04, 2012

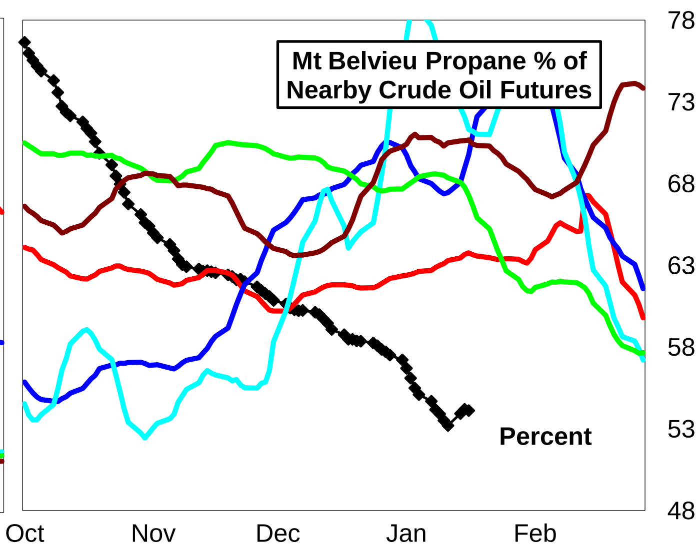
Cents/gal	Average for week ending:				Change from:			% change from:		
	1/4/12	12/28/11	12/7/11	1/6/11	12/28/11	12/7/11	1/6/11	12/28/11	12/7/11	1/6/11
Mont Belvieu Spot	128.7	127.1	134.2	135.6	1.62	-7.14	-1.32	1.3	-5.3	-1.0
Conway Spot	100.7	97.3	116.6	130.0	3.37	-19.23	-13.43	3.5	-16.5	-10.3

Key Price Spreads and Differentials

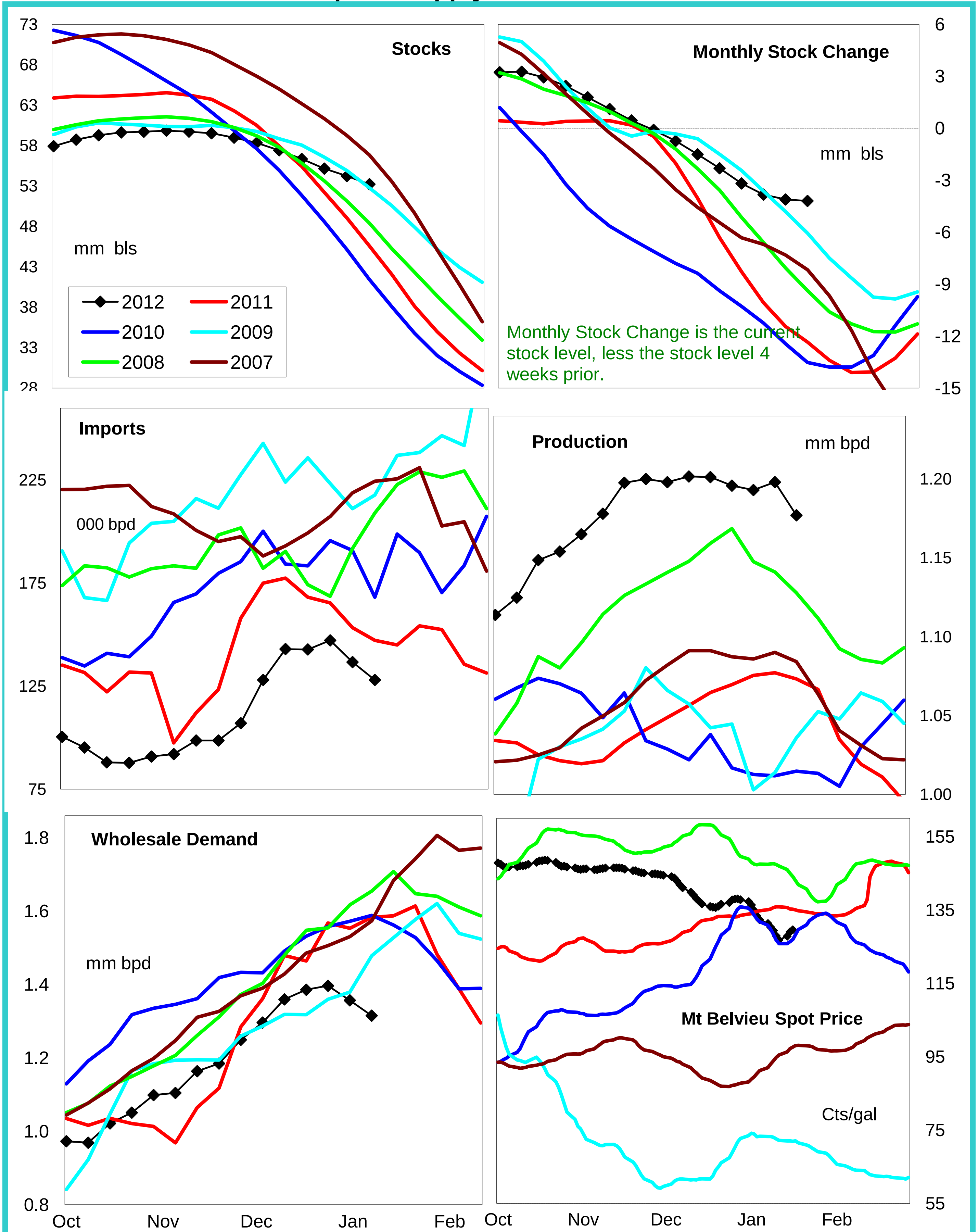








U. S. Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Demand	4wk avg	Dec	Nov	Oct
000 bpd (000 bls stks)	8,083	8,147	111	23		-167	-203	18	-86
% change	17.9	-66	10.3	17.7		-10.7	-12.4	1.5	-7.6

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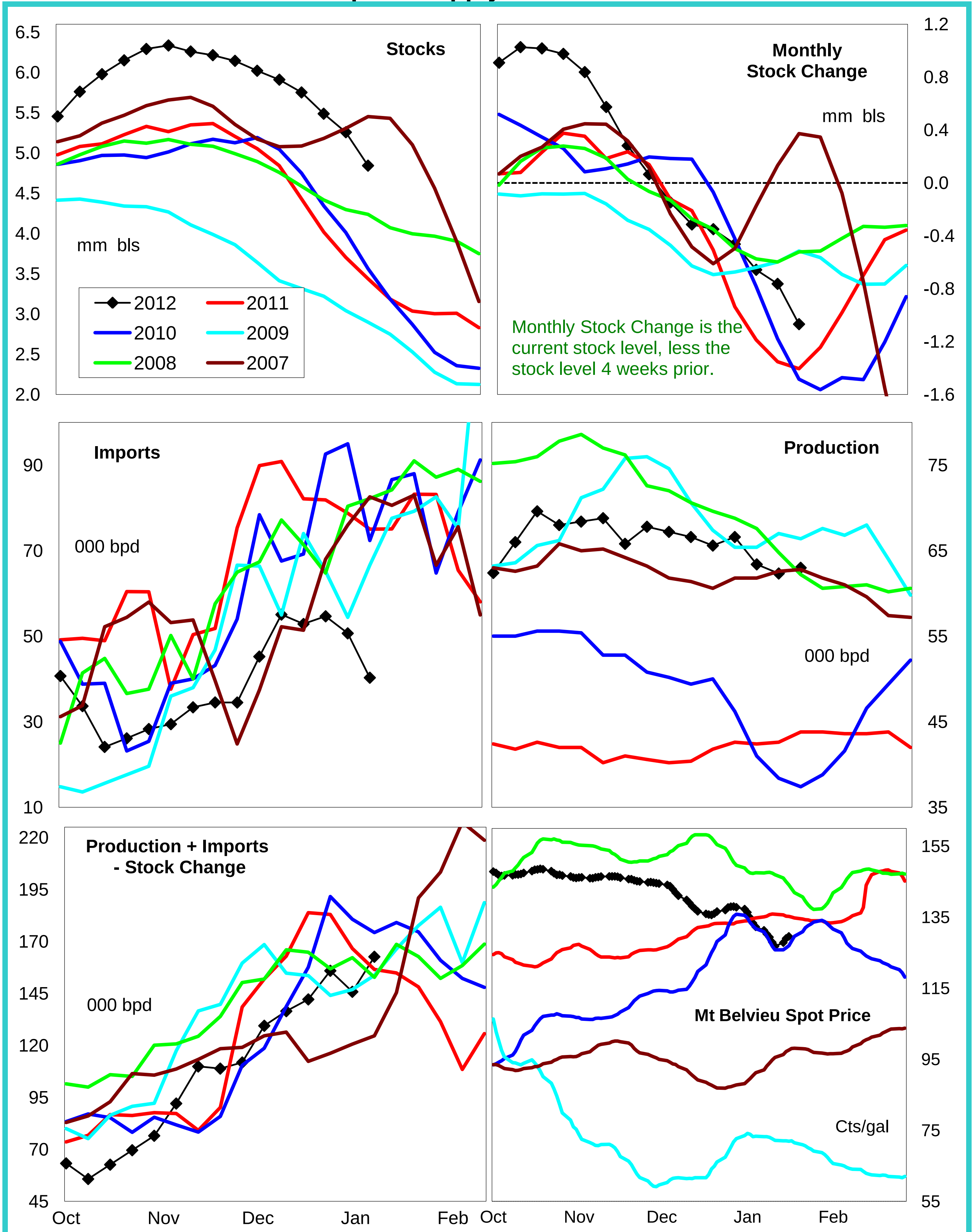
PADD 1 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	1,785	336	20	8	-21
% change	58.4	-23.9	45.9	15.7	-12.1

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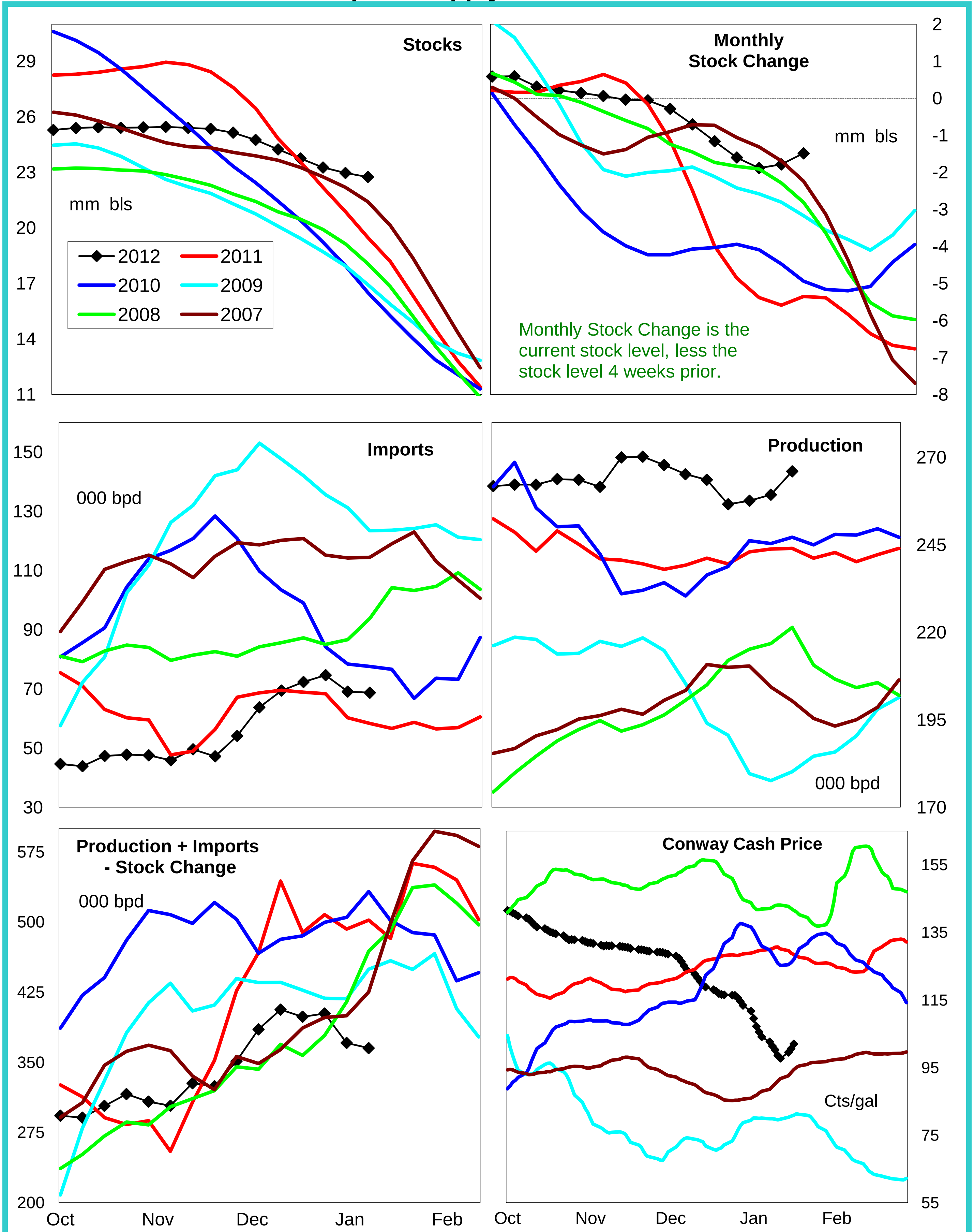
PADD 2 Propane Supply and Demand Balance



4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	2,676	3,864	13	12	-114
% change	13.3	-72.2	5.3	19.9	-22.8

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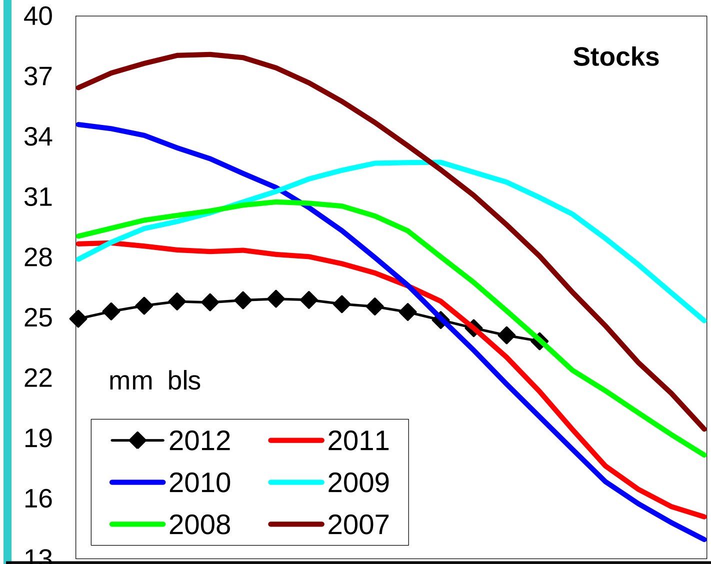
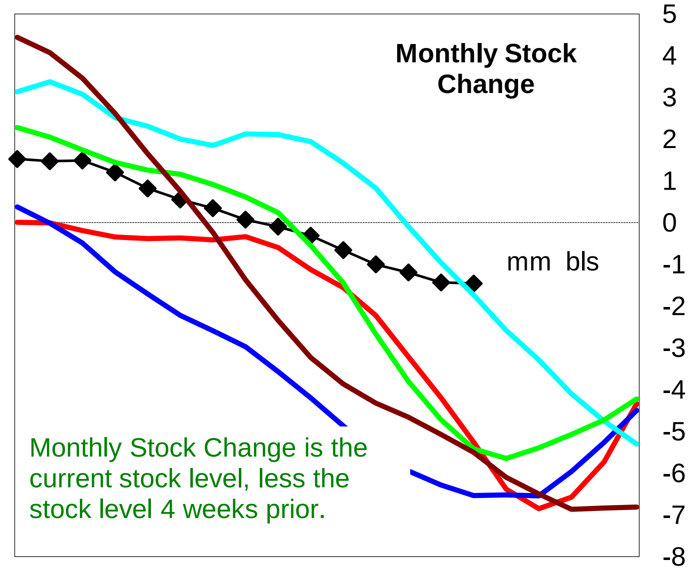
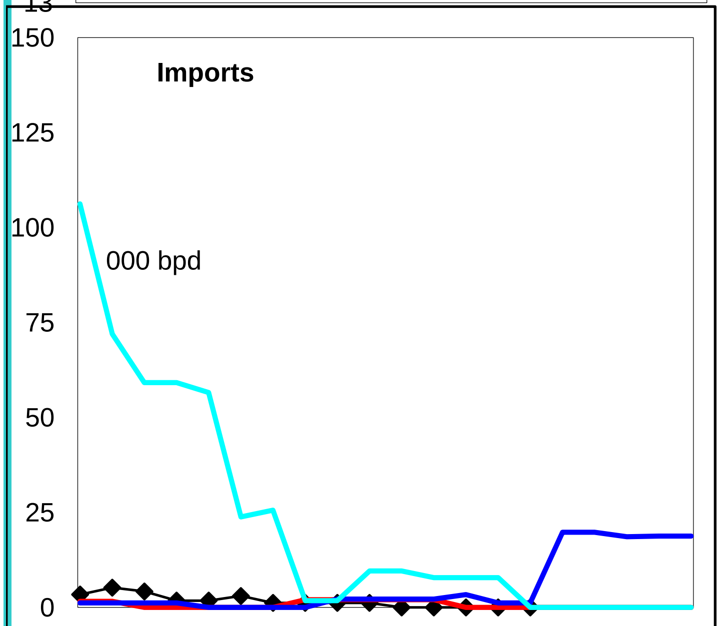
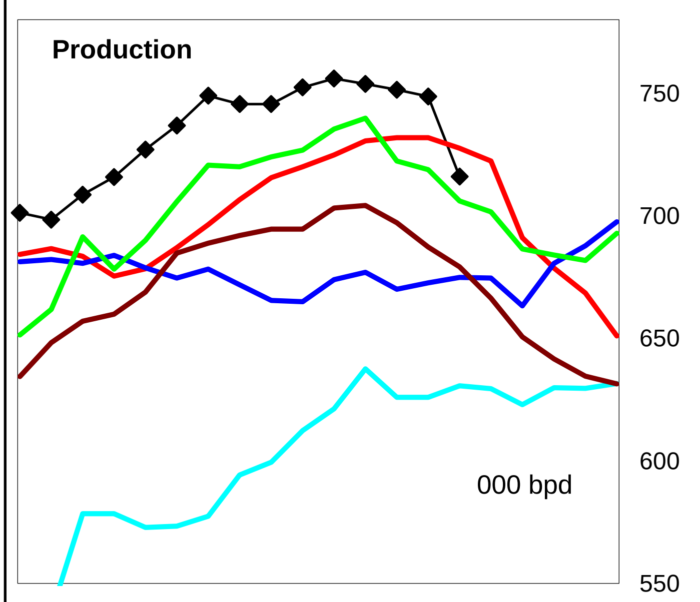
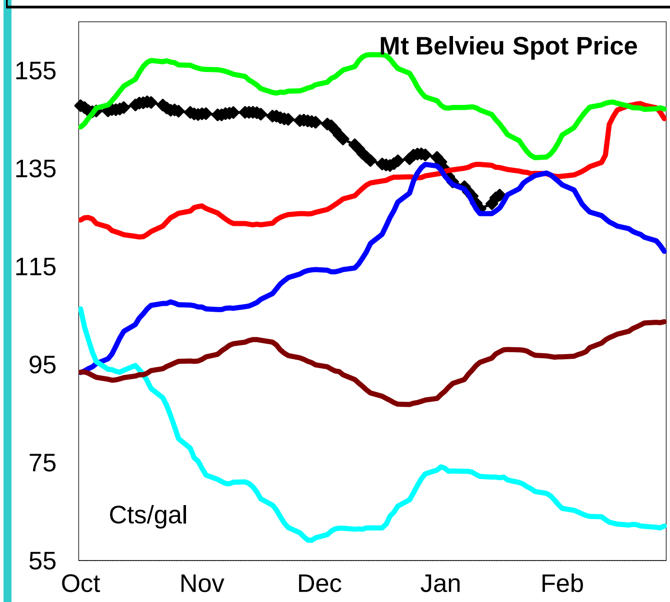
PADD 3 Propane Supply and Demand Balance

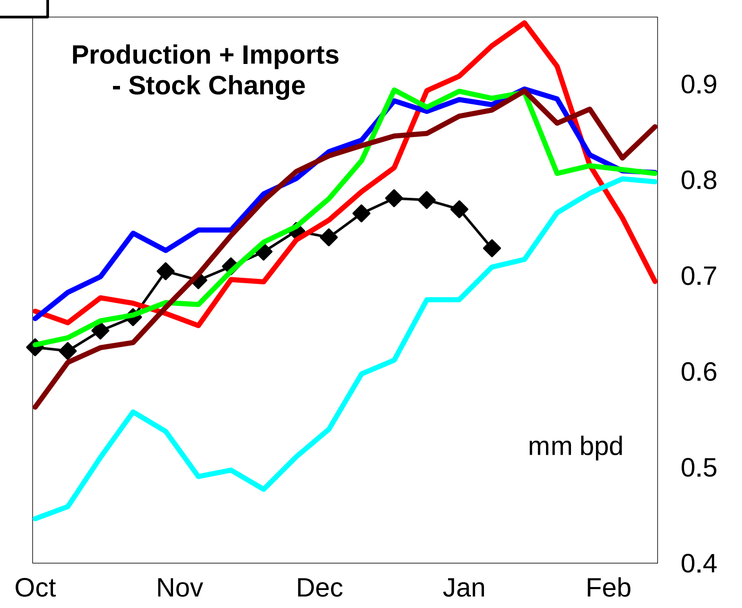






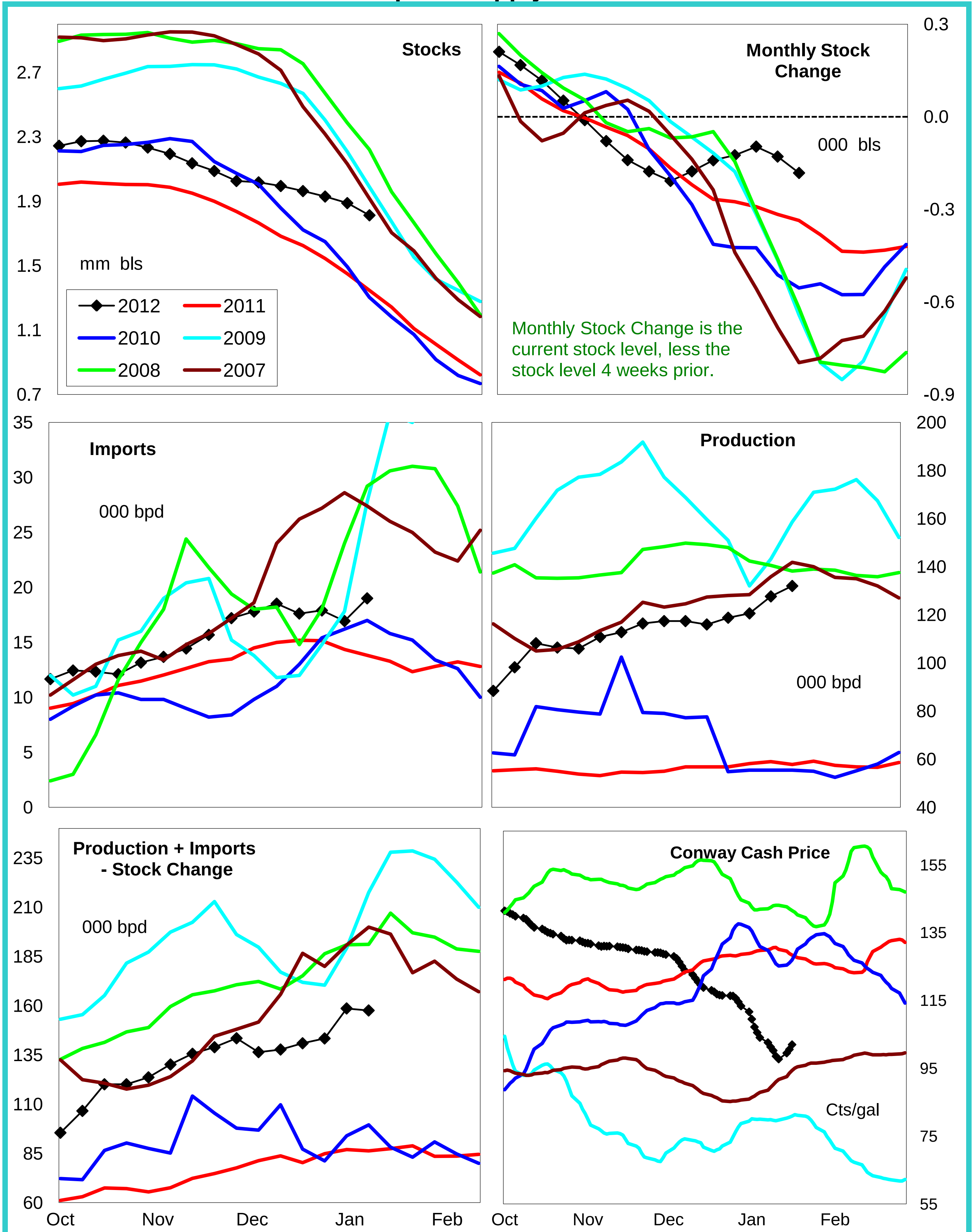






4 wk avg variance prior year	Stocks	4wk stk	Prod	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	3,126	3,795	14	0	-124
% change	15.1	-72	1.9	#DIV/0!	-13.5

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)	497	154	64	2	66
% change	37.8	-45.8	108.4	15.9	77.5

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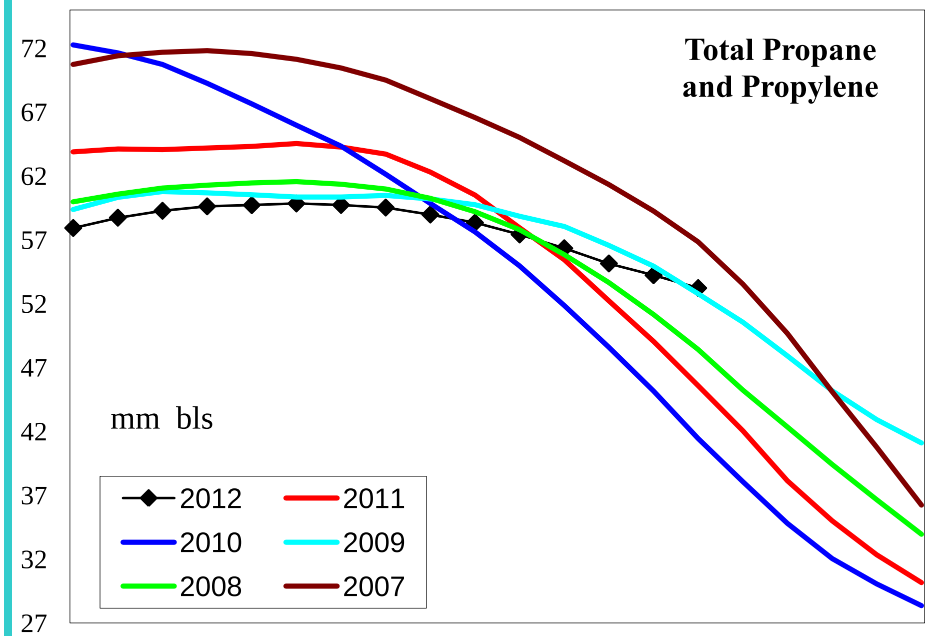
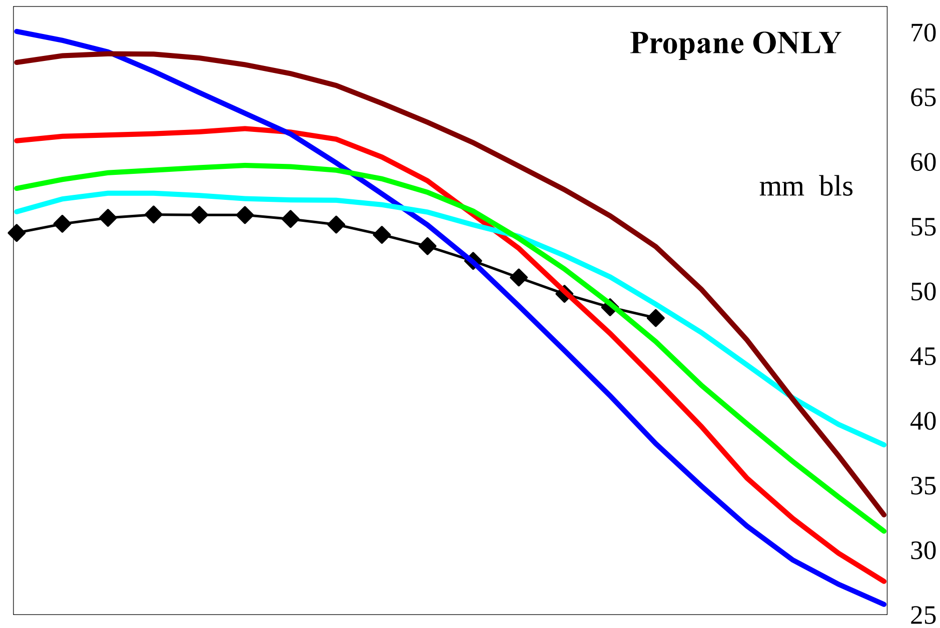
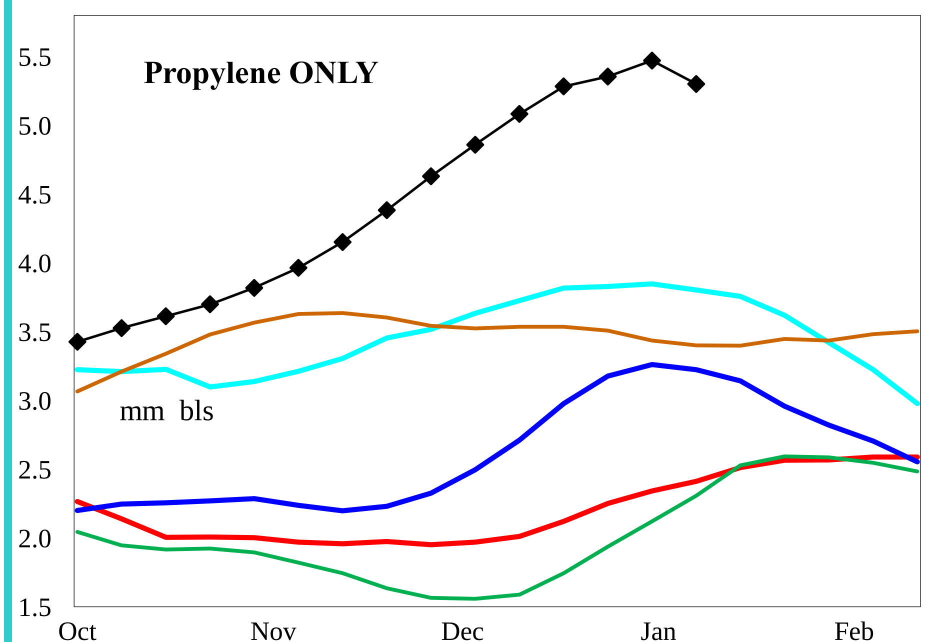
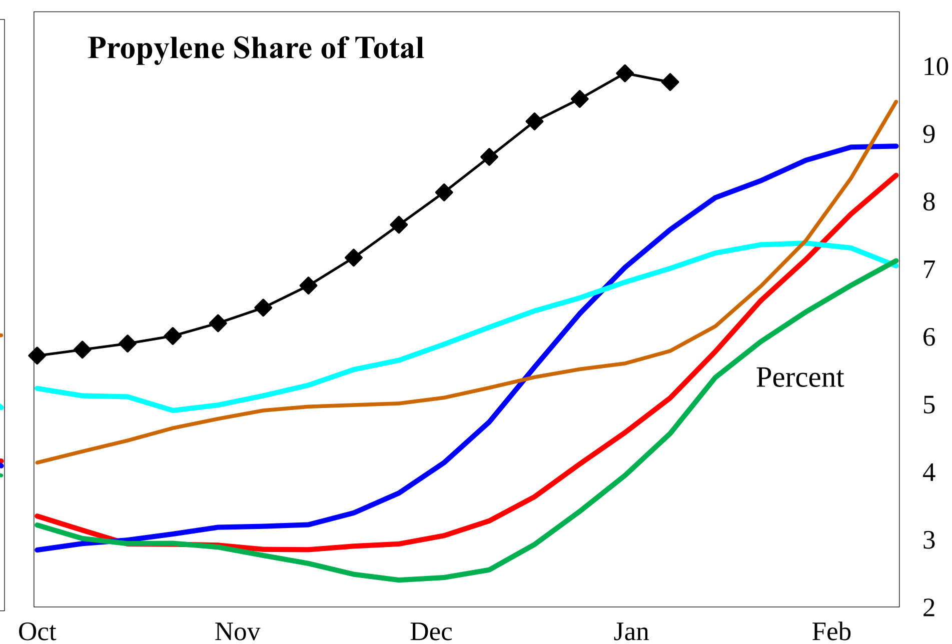
U. S. Propane and Propylene Stocks









Variance to prior year	Total	Propane ONLY	Propylene ONLY
000 bls	8,083	5,312	2,890
% change	17.9	12.5	119.8

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