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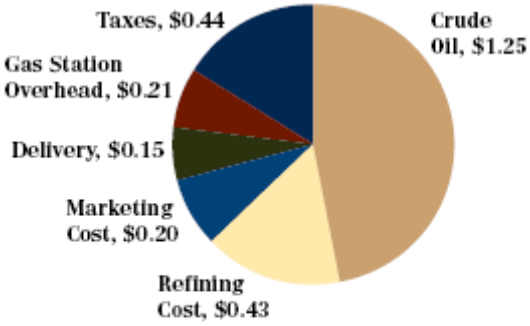
Price is on the Rise:

What makes up the cost of a gallon of gas?

In the past year, crude oil prices have risen dramatically driven by strong global demand, limited spare oil production capacity, and reduced supply as a result of recent hurricanes in the Gulf of Mexico region.

Crude oil prices are important in determining gasoline prices because crude is the primary raw material used to produce gasoline. In some cases, the price of crude oil may account for up to half the price of a gallon of gasoline.

For example, there are 42 gallons in each barrel of oil. If the price of crude oil is $60 a barrel, the cost of the raw material required to produce a gallon of gasoline is $1.43. This figure does not include costs incurred from the refining process, transportation to distribution hubs or wholesalers and delivery to retail locations.



$2.68 to $2.85
Final price at the gas pump

Each gallon of gasoline also is subject to a number of taxes and fees which vary by state. In California for example, the price of gasoline includes Federal motor fuel excise tax, California motor fuel excise tax, state/local sales tax and miscellaneous fees totaling about 60 cents a gallon.

After the crude oil is processed through the refinery, the finished gasoline product is transported to a terminal, where it may be sold to a wholesaler for distribution to the wholesaler's retail network or delivered to the retail location. There the dealer sets the "street price" which includes a margin to account for the retailer's cost of doing business at that particular location and the retailer's profit.

Source: The Noble Newsline; April, 2006 V.ii I.iiii