



The United States consumes an average of 20 million barrels of oil per day, according to the Department of Energy. Of that, about 45 percent is used for gasoline. The rest is used for distillate fuel oil, jet fuel, residual fuel and other oils. Each barrel of oil contains 42 gallons, which yields 19 to 20 gallons of gasoline. The historical price of gasoline has climbed and fallen over the last half century with a significant rise over the last 3-4 years (see chart to right).

Historical Gas Prices (Adjusted for inflation)	
Year	Price Per Gallon
1950	\$1.91
1960	\$1.79
1970	\$1.59
1975	\$1.80
1980	\$2.59
1985	\$1.90
1990	\$1.51
1995	\$1.28
2002	\$1.31
2003	\$1.52
2004	\$1.79
2005	\$2.28
2006	\$3.03
2007*	\$3.26

Source: U.S. DOE
* As of May 2007

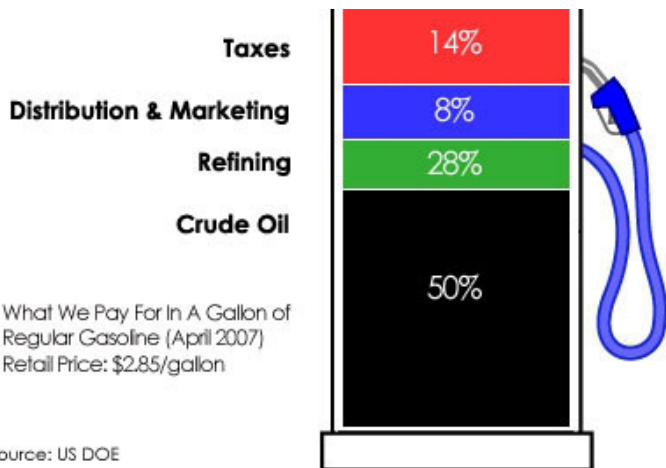
Where does the money go when you pay for gas?

- Crude oil** - The biggest portion of the cost of gas -- as of April 2007, that's about 50 percent -- goes to the crude-oil suppliers. This is determined by the world's oil-exporting nations. The amount of crude oil these countries produce determines the price of a barrel of oil. In May 2007, crude-oil prices averaged around \$60 per barrel.

The single largest entity impacting the world's oil supplies is the Organization of the Petroleum Exporting Countries (OPEC), a consortium of 12 countries responsible for 40 percent of the world's oil production and hold two-thirds of the world's oil reserves, according to the Energy Information Administration (EIA). When OPEC wants to raise the price of crude oil, it reduced production. This causes gasoline prices to jump because of the short supply.

- Refining costs** - The refining of crude oil makes up about 28 percent of the price of gasoline.

- Distribution and marketing** - Crude oil is transported to refineries, and gasoline is shipped from the refineries to distribution points and then to gas stations. The price of transportation is passed along to the consumer. Marketing the brand of the oil company is also added into the cost of the gasoline you buy. Together, these two factors account for about 8 percent of the price of gasoline.



- Taxes** - Taxes, including federal and local, account for about 14 percent of the total price of gas in the United States. Federal excise taxes are 18.4 cents per gallon, and state excise taxes average 18.2 cents per gallon. The North Carolina gas tax adds an additional 30 cents per gallon (as of July 2007), for a total of 48.4 cents per gallon. This places North Carolina 15th highest in the country for gas taxes. For an updated listing of nationwide gas taxes, see <http://www.api.org/statistics/fueltaxes/index.cfm>

- Station markup** - Of course some of the actual money you spend at the pump does go to the service station. Service stations add on a few cents per gallon. There's no set standard for how much gas stations add on to the price and some states have laws limiting the markup of stations.

Where does our crude oil come from?



According to the EIA, the top sources of US crude oil imports for May of 2007 were Canada (1.821 million barrels per day), Saudi Arabia (1.574 million barrels per day), Mexico (1.461 million barrels per day), Venezuela (1.232 million barrels per day), Nigeria (0.882 million barrels per day).

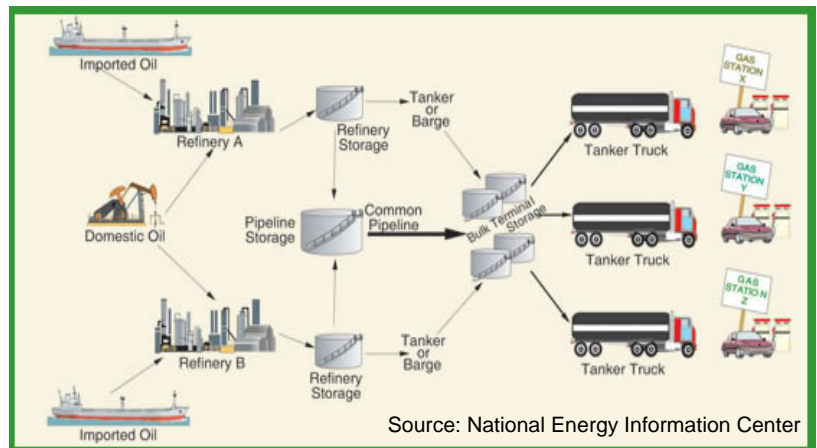
Canada remained the largest exporter of total petroleum in May, exporting 2.462 million barrels per day to the United States, which was a decrease from last month (2.479 thousand barrels per day). The second largest exporter of total petroleum was Mexico with 1.617 million barrels per day. The United States is actually the world's third largest

producer of crude oil. The biggest production region is around the Gulf of Mexico, and the largest producing state is Texas.

Following the oil crisis of the 1970s, the federal government formed the Strategic Petroleum Reserve (SPR). While most domestic oil is sent directly to refineries and then to the consumer market, some of it is held back and sent to the SPR. As of May 24, 2007, the SPR stores about 690 million barrels of oil in underground salt caverns along the Gulf of Mexico [Source: Department of Energy]. Given that the United States imports about half of its oil, the Strategic Petroleum Reserve holds about a 60-day supply of oil if all imports were suddenly and totally cut off.

How is gasoline distributed to retail stations?

After crude oil is refined into gasoline and other petroleum products, the products must be distributed to consumers. Gasoline from different refineries is often combined for shipment by pipeline to storage terminals near consuming areas. After shipment through the pipeline, gasoline is typically held in bulk storage terminals that often service many companies. At these terminals the gasoline is loaded into tanker trucks destined for various retail gas stations. The tanks in these trucks, which can typically hold up to 10,000



gallons, usually have several compartments, enabling them to transport different grades of gasoline or petroleum products. The truck tank is where the special additive packages of gasoline retailers get blended into the gasoline to differentiate one brand from another. When the tanker truck reaches a gas station, the truck operator unloads each grade of gasoline into the appropriate underground tanks at the station. This massive distribution system serves 168,987 retail gasoline stations throughout the U.S.