

## The Economics of Oil

1. Exploration and Production
  2. Transportation of oil out to community (pipelines)
  3. Refinery- turns crude oil into products
- Gas is cheap \$2.50 per gal compared to \$0.99 for a pint of water
  - Whales used to be the source of oil
  - 1 barrel is 42 gallons
  - Price of oil has decreased because of better technology
  - 1970's oil embargo with Iran & Iraq caused prices to go up to \$80 a barrel
  - Aera supplies 80 million barrels per year
  - CA oil is molasses like, thick and heavy, we heat it up with steam; this makes our price increase because of more costs to refine. You must burn natural gas to make steam
  - Natural gas is cheaper than gas
  - CA wants everything to burn by natural gas (85 % is imported)
  - Many oil problems are political, fighting in countries such as Iran, Iraq, and Nigeria cause instability in oil production.
  - US storage 800 million barrels, 40 day supply, US uses 18 million a day, at this point we can be wasteful.

OIL IS FOUND WITH GRIT AND ROCK IN IT. You must squeeze out the oil from porous rock.

OIL COMPANY FINDS AND EXTRACTS OIL

REFINERIES PROCESS OIL INTO GAS, PLASTIC, AND RUBBER

GAS, PLASTIC, AND RUBBER IS SENT OUT FROM REFINERIES TO COMPANIES TO PRODUCE BALLS, BACKPACKS, SHOES, PENS, JELLO