

DIVISION OF TOTAL COSTS OF ALL PRODUCTS BETWEEN REFINERY AND
MARKETING OPERATIONS

A division of total costs of all products between refinery and marketing operations was made upon the basis of direct charges to the refinery up to the point of shipment and direct charges to the marketing operations covering all subsequent costs.

General Administration charges in the form of head office overhead were distributed between refinery and marketing operations, directly as far as practicable and the balance on the basis of the estimated proportion of the time or expense involved as between the two operating departments.

DIVISION OF REFINERY AND MARKETING COSTS BETWEEN GASOLINE AND
OTHER PRODUCTS

The allocation of refinery costs between gasoline and other products was based upon the Federal Trade Commission method of computing costs of petroleum products supplemented by the process method to the extent that such items as Casinghead gasoline were charged direct to gasoline; compounding material was charged direct to compounded oils; ingredients for grease were charged direct to grease; supplies for candles such as wicking were charged to candle production.

An extract from the Report of the Federal Trade Commission on the Pacific Coast Petroleum Industry issued on the 7th of April, 1921, under the heading of "Allocation of Costs to Products" is as follows:—

The Commission has adopted the method of allocating costs to the various products on the basis of sales value. This method, as already stated, was generally approved by representatives of the petroleum refining business, as the fairest and most satisfactory method of computing such a cost for the purpose of considering the reasonableness of prices.

This method of allocating the cost elements to the different products shows the highest cost for the most valuable and the lowest cost for the lowest priced product, and gives to each the same percentage of profit or loss. Table 77 shows the combined cost of each important petroleum product for the five large refining companies in California for the first six months of 1919, according to this method:—

TABLE 77.—ALLOCATION OF REFINING COST TO PRINCIPAL PRODUCTS, FOR FIVE
LARGE REFINING COMPANIES, FIRST SIX MONTHS 1919

Product	Average yield from a bbl. of crude oil in gallons	Average f.o.b. Refinery price per gallon	Refinery realization per bbl. of crude oil	Percentage of realization	Total cost of quantity secured from a barrel of crude oil (1)	Cost per gallon
Gasoline.....	4-1496	\$0-1516	\$0-62908	27-6408	\$0-3481	\$0-084
Engine Distillate.....	1-4196	0-0811	0-11513	5-0586	0-0637	0-045
Kerosene.....	3-0240	0-0522	0-15785	6-9357	0-0874	0-029
Fuel and Gas Oil.....	29-9166	0-0347	1-03811	45-6130	0-5744	0-019
Lubricating Oil.....	0-9282	0-2052	0-19047	8-3690	0-1054	0-114
Asphaltum.....	0-4536	0-0707	0-03207	1-4091	0-0177	0-038
Other Products.....	1-1928	0-0949	0-11320	4-9738	0-0626	0-053
Total Products.....	41-0844					
Refining Loss.....	0-9156					
	42-0000	0-0542	2-27591	100-0000	1-2593 (2)	0-031