Your team runs a gas station in Panamint Valley, California, an isolated small town on the way to Death Valley National Park. The nearest other gas station is fifty miles away. The question is: what price should your charge for your gas (regular)?

The fixed cost for your station is $500 per day. That covers your rent, employees and other business expenses.

The gas you sell costs $5.00 per gallon for delivery to this out of the way location.

On the accompanying sheet is the demand curve for gas at this location.

What price should you charge?

1. $6.00 per gallon
2. $6.50 per gallon
3. $7.00 per gallon
4. $7.50 per gallon
5. $8.00 per gallon