produces 1,000 barrels a day of oil that flows as a result of gas pressure behind it. In the latter case the production is cheap. As regards the royalty of one-eighth or one-tenth or one-sixth as the case may be—it varies to some extent—which is paid to the farmer, in the case of a well which produces only a few barrels per day, this royalty constitutes a very substantial part of the earnings. In practically no instance is it possible to pay more than 12½ per cent in the way of royalty if the business of producing oil is to be carried on with a profit. A royalty of 12½ per cent is usually regarded as the limit. In some sections where the territory is proven and where there are big gushers they pay higher; but that is the exception and the very rare exception.

Besides getting the oil up to the surface in the way I have described, and in the small number of barrels per well which I have mentioned, the producers must gather the oil and transport it to the refinery. That is largely speaking the situation in that district. Last year the cost in a number of individual operations was calculated with, I believe, a very remarkable degree of accuracy, and these costs were found to run from about $2.40 a barrel to over $3 a barrel. I shall mention the cost in the case of each of a number of wells in the principal sections of that field:

No. of wells pumped—	Average cost
40..	$2 40 a barrel
63..	2 42 "
57..	2 51 "
135..	2 54 "
284..	2 58 "
75..	2 70 "
156..	2 94 "
109..	3 00 "

Mr. CALDWELL: On what basis is the cost figured? Is the interest on the cost of putting down the well included?

Mr. LeSUEUR: I presume the cost would be estimated mainly on the cost of operation and the cost of maintenance. I cannot give a precise opinion on that point, but that I imagine is the basis on which the cost is estimated. Now, the average price this year was about $2.03 at the beginning of the year and it has run to about $2.60 per barrel to-day. The price of oil at Oil Springs—and this is of a slightly better grade—is possibly a cent or two higher; the price will be in that neighbourhood. So that with the price as it is to-day, and when we consider that there appears little prospect of its increasing, it is easily seen that the operators of these wells cannot carry on the business without the bounty that is at present paid. I am dealing with this subject from the practical standpoint of the locality with which I am acquainted, and I sincerely believe that as a practical measure the bounty should be continued. If we reduce it to 26 cents a barrel it can readily be seen, from the figures that have been given, that a great many of the wells must cease operations and go out of business.

There is also this to be considered, that while they are competing with the big fields where the flowing wells enable oil to be produced very cheaply per barrel, they have also to pay duty on a great many of the articles which they use in cleaning out their wells, putting in new casings, and so forth. If at least half of those wells are shut down it is going to disturb the locality very greatly indeed. Practically all the wells to-day ship their oil and by-products to the Imperial Oil Company Limited at Sarnia. The oil is gathered from the wells and taken to a central point, whence it is pumped through a pipe line. There is no question that to-day this pipe line is barely paying its way. If only 60,000 or 70,000 barrels of oil are shipped through that pipe line, which would be the case if half the wells were shut down, the line would have to be closed, which would mean that the remaining operators would have to find a different method of getting their oil to market. There is a refinery in Petrolia, but the operators are shipping their oil to Sarnia. Therefore it would mean a complete reorganization of their transportation in any case, and without the bounty I doubt if it would be worth while for them to attempt this alteration.

If, due to the withdrawal of the bounty, half of the wells cease operating, and as a result the pipe line has to be shut down, the extra cost entailed on the other operators will, I believe, mean the closing down of most of the remaining wells and the practical elimination of the oil industry in that section. As to what that means—and I am dealing with this from the local standpoint—I think there is no question. Petrolia has been and is essentially an oil town. It is a very fine town with all the improvements that make for the convenience of a community. It has a waterworks system, the water being pumped from lake Huron at considerable cost; it has a hydro system, five-eighths of the electricity being used in the operation of the wells, and the town could certainly not support this installation, for with only three-eighths of the current being disposed of the rate would be so great that the use of electricity would be still further restricted. There is a large debenture debt. The town is a centre for the farmers of the