

**Internal Revenue Service**

Department of the Treasury

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Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

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Date:

February 08, 2008

Partnership =

State=

Dear \_\_\_\_\_ :

This letter responds to a letter dated August 9, 2007, submitted on behalf of X, requesting a ruling concerning the qualifying income exception to the publicly traded partnership rules of § 7704 of the Internal Revenue Code.

X is a limited partnership organized under the laws of State. X intends to become publicly traded within the meaning of § 7704(b). X earns income for providing services to customers engaged in the exploration for, and the development, and production of oil and natural gas through affiliated operating limited partnerships, limited liability companies or disregarded entities. X has also entered into preliminary agreements to acquire additional oilfield service companies. X is and will continue to be paid fees for providing certain services with respect to “fracturing.” Fracturing is a technique by which fluids are pumped into an oil or gas well at high pressure to fracture geologic formations and open up pathways for the oil or gas to flow to an oil or gas well. To this end, X supplies fluid appropriate for the fracturing process to oil and gas wells. Additionally, X removes production fluid and flowback generated in the fracturing process from oil and gas wells. X will treat the production fluid and flowback so that it can be reused in a fracturing process or be disposed of consistent with environmental regulations. Personnel of X will be present at the site of the fracture process to assist with the implementation of the process. X also earns and will continue to earn income from fees paid for removing and disposing of, or recycling, fluids generated by oil and gas production at oil and gas wells that do not utilize fracturing.

Section 7704(a) provides that a publicly traded partnership shall be treated as a corporation.

Section 7704(b) provides that the term "publicly traded partnership" means any partnership if (1) interests in that partnership are traded on an established securities market, or (2) interests in that partnership are readily tradable on a secondary market (or substantial equivalent thereof).

Section 7704(c)(1) provides that section 7701(a) shall not apply to any publicly traded partnership for any taxable year if such partnership met the gross income requirements of section 7704(c)(2) for such taxable year and each preceding taxable year beginning after December 31, 1987, during which the partnership (or any predecessor) was in existence.

Section 7704(c)(2) explains that a partnership meets the gross income requirements of section 7704(c) for any taxable year if 90 percent or more of the gross income of such partnership for such taxable year is qualifying income.

Section 7704(d)(1)(E) provides that the term "qualifying income" means income or gains derived from the exploration, development, mining or production, processing, refining, transportation (including pipelines transporting gas, oil, or products thereof), or the marketing of any mineral or natural resource (including fertilizer, geothermal energy or timber).

Based solely on the facts submitted and representations made, we conclude that income derived by X from fees paid for providing services with respect to fracturing and fees paid for removing, disposing of, or recycling fluids generated by oil and gas wells is qualifying income within the meaning of § 7704(d)(1)(E).

Except as specifically provided, no opinion is expressed or implied as to the federal tax consequences of any aspect of any transaction or item discussed or referenced in this letter. In particular, no opinion is expressed as to whether X meets the 90 percent gross income requirement in § 7704(c)(1).

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Pursuant to a power of attorney on file with this office, a copy of this letter is being sent to Partnership's authorized representative.

Sincerely,

Melissa C. Liquerman  
Senior Technician Reviewer, Branch 2  
Associate Chief Counsel  
(Passthroughs & Special Industries)

Enclosures: 2  
Copy of this letter  
Copy for ' 6110 purposes

cc: