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July 24, 2015

Via Federal eRulemaking Portal

Internal Revenue Service
CC:PA:LPD:PR (REG – 132634 – 14)
Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

RE: Comments on REG-132634-4 Qualifying Income from Activities of Publicly Traded Partnerships with Respect to Minerals or Natural Resources

Dear Sir/Madam:

Sprague Resources LP appreciates the opportunity to submit comments to the U.S. Department of Treasury and the Internal Revenue Service on the proposed regulations related to qualifying income for publicly traded partnerships published on May 5, 2015. In general, we believe the proposed regulations are helpful. We are concerned, however, with the guidance the proposed regulations provide regarding “refining” and “processing.”

We are a publicly traded limited partnership traded on the New York Stock Exchange (NYSE: SRLP). We are engaged in the purchase, storage, distribution and sale of refined petroleum products and natural gas. We also provide storage and handling services for a broad range of materials. Additional information regarding us can be found at www.spragueenergy.com.

Although the proposed regulations do not impact our current operations, they could impact our future investment plans. We are a growth oriented company focused primarily on acquiring or investing in activities that generate qualifying income under Internal Revenue Code Section 7704(d)(1)(E).

We believe that the proposed regulations unnecessarily and inappropriately restrict activities that can generate qualifying income from processing and refining. We have reviewed the comment letter submitted by Vinson & Elkins LLP dated June 19, 2015 and agree in general with their comments and their proposed definition for “processing” and “refining.”

There are several concepts in the proposed regulations which we believe should not be used in finalizing any definitions of processing and refining. The idea that



processing and refining should not in general involve a substantial physical and chemical change is, in our opinion, inconsistent with the generally understood meaning of processing and refining. Most of the oil and gas products we market are the result of activities involving substantial physical and chemical changes.

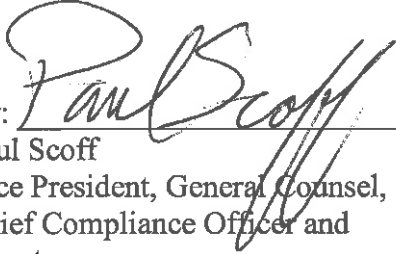
We do not see why the proposed regulations treat the processing or refining of natural gas differently than the processing and refining of crude oil. We do not understand why the processing of ores and minerals would be tied to the definition of mining in the existing Treasury Regulation, why selection of an appropriate class life for an asset would impact whether an activity generates qualifying income, or how it is possible to create a list of all qualifying processing and refining activities.

However, within the proposed regulations, we do value the clarity provided with regard to petroleum coke products produced from the separation of crude oil if it is not combined with other products separated from crude oil, such as petroleum coke from heavy (refinery) residuum, as compared to upgraded petroleum coke (e.g. anode-grade coke).

We agree with Vinson & Elkins that the statute and legislative history should be the guide to final definitions of “processing” and “refining” and that the limiting factor should be what material goes into the activity.

Respectfully submitted,

Sprague Resources LP

By: 
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Chief Compliance Officer and
Secretary