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LEGAL PROCESSING DIVISION
PUBLICATION & REGULATIONS BRANCH

AUG 2 4 2015

August 7, 2015

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 Code Section 7704 Proposed Regulations (REG -- 132634 -- 14)

Dear Sir or Madam:

Riverstone Holdings LLC appreciates the opportunity to submit this letter in response to the request for comments on the proposed regulations (REG – 132634 – 14) (the "Proposed Regulations") under section 7704(d)(1)(E) of the Internal Revenue Code of 1986, as amended (the "Code"), relating to qualifying income from the exploration, development, mining or production, processing, refining, transportation and marketing of minerals or natural resources.

We manage investments in the exploration & production, midstream, oilfield services, power, and renewable sectors of the energy industry, including investments in several publicly traded partnerships. Because publicly traded partnerships have been a very important source of capital for domestic energy asset growth, we believe it is important that the proposed regulations be carefully considered before they are finalized. We commend the Treasury Department and the Internal Revenue Service in providing guidance as to the meaning of Code Section 7704(d)(1)(E) and believe the Internal Revenue Service has generally provided helpful guidance. Our concerns are limited to the manner in which the proposed regulations approach the meaning of the terms "processing" and "refining."

Neither section 7704 nor its legislative history defines the terms "processing" and "refining." Accordingly, those terms must be given their ordinary meanings. The proposed regulations define the simple terms used in section 7704(d)(1)(E) narrowly. The definition of "refining and processing" imposes a number of restrictions and limitations on the meanings of those terms. We have found no support in Section 7704(d)(1)(E) or its legislative history for those limitations. Moreover, the limitations differ for different types of minerals and natural resources. Nothing in section 7704 or its legislative history suggests that the terms "processing" and "refining" have different meanings depending on the type of mineral or natural resource being processed or refined.

Further, the proposed regulations set forth an exclusive list of qualifying activities. We do not believe it is possible to list all qualifying activities because such activities are very numerous and constantly evolving. Any such list would almost certainly omit some activity that Congress intended to be a qualifying activity. Instead, we believe that any list of specific qualifying activities in the final regulations should consist of examples illustrating the relevant definitions and should not be an exclusive list.

Any final regulations must conform to the words of section 7704(d)(1)(E) and the intent of Congress as expressed in the legislative history. Section 7704(d)(1)(E) treats processing and refining as separate activities, separated by commas. The final regulations should provide a separate definition for each of those terms. Instead of an exclusive list of activities, the final regulations should provide clear definitions of the terms "processing" and "refining" each of which is consistent with the plain meaning of those terms. We believe the definition proposed by Vinson & Elkins LLP in its comment letter submitted on June 19, 2015 captures the plain meaning of each of those terms and fleshes out that plain meaning in a clear and administrable manner. Moreover, the definitions are consistent with definitions elsewhere in the Code of terms used in Section 7704(d)(1)(E).

Further, the final regulations should not impose any limitations on the general definition of "processing and refining" that do not find support in Section 7704 or its legislative history. We have carefully reviewed the statute and legislative history and cannot find any support for the following limitations and requirements:

- the requirement that a partnership must use an appropriate class life under the Modified Accelerated Cost Recover System (MACRS) for its processing and refining assets,

- the general exclusion (subject to certain exceptions) of activities that cause a substantial physical or chemical change to a mineral or natural resource, or transform the mineral or natural resource into a different product or a manufactured product,

- the narrower scope of qualifying activities involving natural gas than those involving crude oil,

- the general limitation that processing and refining of oil and gas must focus on fuel production,

- the exclusion of activities involving the processing of natural resources or products thereof into chemical feedstocks like oelfins, and

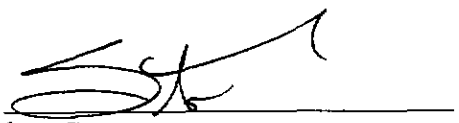
- the requirement that certain activities must take place in a traditional refinery.

As stated in the comment letter submitted by Vinson & Elkins dated June 19, 2015, section 7704 and the legislative history make clear that only minerals and natural resources or products thereof can be processed and refined. In other words, the source material for the processing or refining activity must be a mineral or natural resource or product thereof. The statute and the legislative history make clear that certain products of processing and refining continue to be classified as minerals or natural resources, and may be further processed and refined. If the product is not a mineral or natural resource, however, any further activity with respect to the product is not processing or refining and therefore is not a qualifying activity. We agree that this is the point where the line should be drawn between processing or refining and non-qualifying activities.

We appreciate the opportunity to comment on the proposed regulations. If we can, we would end with one thought, interpreting Code Section 7704(d)(1)(E) is a legal matter.

Respectfully submitted,

Riverstone Holdings LLC



By: _____
Stephen Coats
General Counsel