

Internal Revenue Service

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Date:
March 26, 2008

LEGEND

X =

State =

Equipment =

Companies =

Well Servicing/
Maintenance Services =

Workover Services =

Completion Services =

Specialized Services =

Dear :

This responds to a letter dated September 17, 2007, submitted on behalf of X, requesting a ruling that amounts included in income by X from drilling and related services will be treated as qualifying income under § 7704(d)(1)(E) of the Internal Revenue Code.

FACTS

X is a limited partnership organized under the laws of State. X plans to undertake a public offering of its limited partnership interests. After the public offering, X will be a publicly traded partnership (PTP), as defined in § 7704(b). X will acquire Equipment, which X will use in its business of providing drilling and related services.

X will enter into contracts under which X will provide drilling and related services to Companies. Companies will own the underlying property on which X will provide services. Specifically, X will provide Well Servicing / Maintenance Services, Workover Services, Completion Services, and other Specialized Services.

LAW AND ANALYSIS

Section 7704(a) provides that, except as provided in § 7704(c), a PTP will be treated as a corporation. Section 7704(b) defines a PTP as a partnership if (1) interests in the partnership are traded on an established securities market; or (2) interests in the partnership are readily tradable on a secondary market (or the substantial equivalent thereof).

Section 7704(c)(1) provides that § 7704(a) does not apply to any PTP for any taxable year if the partnership met the gross income requirements of § 7704(c)(2) for the

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) provides that a partnership meets the gross income requirements of § 7704(c)(2) for any taxable year if 90 percent or more of the partnership's gross income for that taxable year is qualifying income.

Section 7704(d)(1)(E) provides that qualifying income includes income and 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, and timber).

CONCLUSION

Based solely on the information submitted and the representations made, we conclude that income derived by X from the drilling and related services described above will be qualifying income within the meaning of § 7704(d)(1)(E).

Except as expressly provided herein, no opinion is expressed or implied concerning the 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 of § 7704(c) in any taxable year.

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.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Dianna K. Miosi

Dianna K. Miosi

Chief, Branch 1

Office of the Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures (2)

Copy of this letter

Copy for § 6110 purposes

cc: