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August 4, 2015

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

CC: Tim Fenn, Latham & Watkins LLP

RE: Comments on proposed regulations under IRS code section 7704(d)(1)(E) related to qualifying income.

Dear Sir or Madam:

Siluria Technologies, Inc. ("Siluria") submits these comments in response to the proposed regulations (the "Proposed Regulations") related to qualifying income for publicly traded partnerships (REG-132634-14) issued by the Internal Revenue Service ("IRS") and the Department of Treasury ("Treasury"). We are concerned with the guidance the proposed regulation provide with respect to the processing and refining of natural resources—specifically the processing and refining of natural gas.

Siluria is a fuels and chemicals start-up company headquartered in San Francisco, California that is developing unique technology and advanced processes to convert natural gas into liquid transportation fuel and other high-value products, including ethylene. Siluria has been operating multiple pilot facilities in California since early 2012. Earlier this year, Siluria announced the successful startup of its demonstration plant located in La Porte, Texas. This facility represents the final scale-up of the company's process technology and paves the way for the deployment of commercial-scale plants within the next several years.

Siluria's technology could help America capitalize more fully on its domestic natural gas supply, which has experienced a renaissance in the past decade. Natural gas is less expensive and more widely available than crude oil. It is also inherently cleaner and more environmentally friendly. Despite these advantages, natural gas is not commonly refined into the variety of products produced from crude oil (e.g., fuels, building materials, plastics, and electronics) because of a lack of commercial pathways to convert methane—the principal component of natural gas—into longer-chain hydrocarbons. So today, most natural gas is burned to produce heat.

Siluria intends to change this picture. Our innovative process uses breakthrough catalysts to transform methane into an ingredient for making liquid fuels, chemicals, and plastics in an efficient, cost-effective, scalable manner. At the core of Siluria's technology is a unique catalyst that enables a chemical process called the Oxidative Coupling of Methane ("OCM"). This process converts methane into ethylene, the world's most common and versatile chemical intermediate. *See* figure 1. The ethylene from the OCM reaction can be purified using conventional separations methods, resulting in petrochemical grade ethylene ready for use in downstream production of chemical end products or derivatives. Optionally, the ethylene molecules can be combined to produce long-chain hydrocarbons that form liquid fuels such as gasoline, diesel, or jet fuel. The resulting fuel and chemical products are chemically indistinguishable from their petroleum-derived counterparts and are fully compatible with today's existing infrastructure.

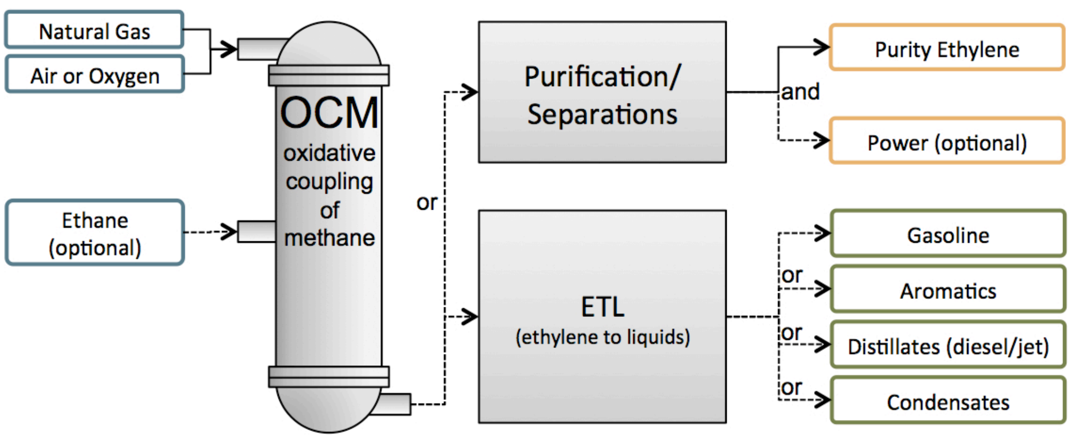

Figure 1: The conversion of natural gas into ethylene and liquid fuels using Oxidative Coupling of Methane

Although Siluria does not currently operate as a publicly traded partnership, Siluria believes that the Proposed Regulations will have a detrimental impact on the commercialization of its technology going forward. Siluria has invested over \$100 million to date and continues to invest in its technology. This investment in part relied on the regulatory structure in place, including the previous Internal Revenue Service rulings that concluded that the processing of natural gas liquids ("NGLs") into olefins produced qualifying income under Internal Revenue Code Section 7704(d)(1)(E). These changes effectively limit Siluria's opportunities to efficiently raise public capital through the use of a master limited partnership, and indeed, place Siluria at a competitive disadvantage as compared to other master limited partnerships who have previously obtained a private letter ruling treating the processing of NGLs into olefins as qualifying income. This competitive disadvantage could dramatically inhibit the commercialization of this important technology and its ability to meet national energy demands with abundant, cheap natural gas.

Siluria believes that the Proposed Regulations improperly restrict the definitions of "processing" and "refining" and draw unnecessary distinctions between the processing or refining of crude oil and the processing or refining of natural gas. Siluria has reviewed the comment letter submitted by Westlake Chemical Partners ("Westlake") and agrees in general with the comments therein. Specifically, Siluria would like to re-emphasize and build upon several important points raised by Westlake.

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"Processing" and "refining" are statutorily distinct activities under Code Section 7704(d)(1)(E). Congress, in enacting Code Section 7704(d)(1)(E), intended for certain separate and distinct stages of the natural resource value chain to produce qualifying income. Congress plainly meant each of the activities, separated by commas, to be given distinct meaning because it listed them separately. The Proposed Regulations give the same meaning to the terms "processing" and "refining," and thus render portions of the Congressionally enacted statute inoperative.

The Proposed Regulations improperly differentiate between hydrocarbon sources. The Proposed Regulations make clear that the conversion of methane into liquid fuels in an integrated process generates qualifying income. This is part of the product mix of Siluria, as described above. However, Example 3 of the Proposed Regulations states that the sale of intermediate products produced as a result of such integrated processes do not generate qualifying income. Nonetheless, Example 2 of the Proposed Regulations makes clear that the production of ethylene as a by-product of the catalytic cracking of crude oil does give rise to qualifying income. Thus, Siluria's ethylene, produced through the processing of natural gas is seen as distinct from ethylene produced through the processing of crude oil. Such a result is supported by neither Code Section 7704(d)(1)(E) or its legislative history.

To further highlight the absurdity of this result, a number of existing master limited partnerships engage in the transportation, storage and marketing of olefins. These partnerships would be required to identify the source of otherwise fungible products in order to determine whether their transportation, storage or marketing generates qualifying income. In some cases, this could require a master limited partnership to look beyond its immediate supplier, depending on the commercial relationships in place. This result cannot have been intended by the Congress in enacting Code Section 7704(d)(1)(E).

Thank you for your time and consideration.

Sincerely,

Jeffrey P. Wood

Jeff Wood
Executive Vice President &
Chief Financial Officer
Siluria Technologies, Inc.