



November 30, 2015

Todd E. Hardiman
Associate Chief Accountant
Division of Corporation Finance
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Email: rule-comments@sec.gov

Re: File Number S7-20-15

Dear Mr. Hardiman:

In connection with the Securities and Exchange Commission's (the "SEC's") request for public comment regarding the financial disclosure requirements in Regulation S-X for certain entities other than a registrant, Cypress Energy Partners, L.P. ("CELP") wishes to submit for your consideration certain potential enhancements to the disclosure requirements that we believe would benefit all registrants.

Background

CELP is a Delaware limited partnership that is publicly traded on the New York Stock Exchange. In connection with its initial public offering in January 2014, CELP made several requests to the staff of the Chief Accountant of the Division of Corporation Finance for preclearance of accounting presentations relating to previously acquired assets and business for which financial information was unavailable. That process illuminated for CELP that certain revisions to Rule 3-05 under Regulation S-X may be beneficial to future registrants without causing any detriment to investors.

Rule 3-05, Financial Statements of Businesses Acquired or to be Acquired

The SEC has held under Section 2065.11, "Unique Considerations for Acquisitions of Oil and Gas Properties – General," of its Financial Reporting Manual that:

An acquisition of an interest in a producing oil or natural gas property is considered by the staff to be the acquisition of a business pursuant to S-X 11-01(d) for which pre-acquisition financial statements are required if significant. If the property acquired represents substantially all of the selling entity's key operating assets, see Section 2065.1. If the property acquired represents less than substantially all of the selling entity's key operating assets, the registrant should provide the carve-out financial statements described in Section 2065.3, except that the staff will accept (i.e., preclearance with CF-OCA is not required) the abbreviated financial statements described in Sections 2065.4 through 2065.8 and in Section 2065.12 if the following three circumstances exist:

- The interest in the acquired oil or natural gas property constitutes only a portion of the assets of the seller and is not a segment or division of an entity or contained in a separate legal entity.
- Separate financial statements for the acquired business have not previously been prepared, and the seller has not maintained the distinct and separate accounts necessary to present the full financial statement of the property
- It is impracticable to prepare the full financial statements required by Regulation S-X.

If abbreviated financial statements are provided, significance should be calculated in accordance with Section 2065.9.

Proposed Revisions to Rule 3-05

We ask that the treatment described above—the presentation of revenues and direct operating expenses in lieu of a traditional Rule 3-05-compliant income statement—be made applicable to all energy infrastructure-related assets rather than limited to exploration and production-related assets. Energy infrastructure-related assets that qualify as acquisitions of businesses are not commonly segregated for accounting purposes because (a) a seller typically considers such operations of such assets as a cost or part of a cost center; and (b) a seller typically does not place such assets in a standalone legal entity or separately track that business for accounting purposes because the assets do not operate as a standalone profit center. Additionally, providing a balance sheet for a seller's related assets and liabilities associated with sold assets is typically irrelevant to the acquirer because (a) the seller's historical cost may or may not capture all costs, betterments, improvements and replacements to the acquired assets over time (as such energy infrastructure-related assets are long-lived, change ownership frequently, and information capture is dependent on componentization of the ownership chain); and (b) the historical cost of the assets acquired and liabilities assumed is not meaningful to a user of the acquirer's financial statements.

Example of Staff Concurrence with Previous CELP Presentation

In its final initial public offering prospectus, dated January 14, 2014, CELP presented on pages F-57 through F-60 a Statement of Revenues and Direct Operating Expenses of certain assets purchased. The transaction resulting in such presentation was CELP's purchase of four commercial salt water disposal wells located in North Dakota and Texas, along with regulatory and utility cash deposits of \$139 thousand, and oil inventory of \$149 thousand, from Moxie

Disposal Systems, LLC and Peach Energy Services, LLC for a total of \$23.9 million in cash, subject to customary purchase price adjustments. The statement of revenues and direct operating expenses (the "Statement") varies from a complete income statement in accordance with accounting principles generally accepted in the United States in that it does not reflect certain expenses that were incurred in connection with the ownership and operation of the acquired assets, such as, general and administrative expenses, interest expenses, and federal and state income tax expenses because those costs had not been separately allocated to the acquired assets. In addition, the allocations, if made using historical general and administrative structures and tax burdens, would not have produced allocations that would have been indicative of the historical performance of the acquired assets had they been CELP's facilities, due to the differing size, structure, operations, and accounting policies of Moxie Disposal Systems, LLC and CELP. The Statement also does not include provisions for depreciation, amortization, and accretion expense associated with asset retirement obligations, as such amounts would not be indicative of the costs that CELP would have incurred upon the allocation of the purchase price paid for the acquired assets. Furthermore, no balance sheet was presented for the acquired assets because their historical cost and related working capital balances were not segregated or easily obtainable. Accordingly, the Statement was presented in lieu of the full financial statements required under Item 3-05.

We appreciate your consideration of this matter. If you have any questions, please do not hesitate to contact the undersigned at [REDACTED].

Respectfully,

A handwritten signature in black ink, appearing to read "Les Austin", written in a cursive style.

Les Austin, Vice President and Chief Financial Officer
Cypress Energy Partners, L.P.