MARTIN MIDSTREAM PARTNERS LP
Form 10-Q
October 24, 2018

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us-gaap:FairValueMeasurementsNonrecurringMember 2018-09-30 0001176334 mmlp:SeniorNotes2021Member
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us-gaap:CarryingReportedAmountFairValueDisclosureMember
us-gaap:FairValueMeasurementsNonrecurringMember 2017-12-31 0001176334 mmlp:SeniorNotes2021Member
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2018

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to ____________

Commission File Number
000-50056

MARTIN MIDSTREAM PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware	**05-0527861**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

4200 Stone Road
Kilgore, Texas 75662
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: **(903) 983-6200**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o
Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o
Emerging growth company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x
The number of the registrant's Common Units outstanding at October 24, 2018, was 39,036,237.

PART I – FINANCIAL INFORMATION
Item 1.Financial Statements
MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED AND CONDENSED BALANCE SHEETS
(Dollars in thousands)

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets		
Cash	$ 3,186	$ 27
Accounts and other receivables, less allowance for doubtful accounts of $347 and $314, respectively	72,280	107,242
Product exchange receivables	185	29
Inventories (Note 6)	134,059	97,252
Due from affiliates	22,933	23,668
Other current assets	4,921	4,866
Assets held for sale (Note 4)	6,152	9,579
Total current assets	243,716	242,663
Property, plant and equipment, at cost	1,279,365	1,253,065
Accumulated depreciation	(465,079)	(421,137)
Property, plant and equipment, net	814,286	831,928
Goodwill	17,296	17,296
Investment in WTLPG (Note 7)	—	128,810
Other assets, net (Note 9)	25,751	32,801
Total assets	$ 1,101,049	$ 1,253,498
Liabilities and Partners' Capital		
Trade and other accounts payable	$ 71,176	$ 92,567
Product exchange payables	9,647	11,751
Due to affiliates	3,651	3,168
Income taxes payable	448	510
Fair value of derivatives (Note 10)	2,968	72
Other accrued liabilities (Note 9)	18,876	26,340
Total current liabilities	106,766	134,408
Long-term debt, net (Note 8)	698,680	812,632
Other long-term obligations	10,718	8,217
Total liabilities	816,164	955,257
Commitments and contingencies (Note 15)		
Partners' capital (Note 11)	284,885	298,241
Total partners' capital	284,885	298,241
Total liabilities and partners' capital	$ 1,101,049	$ 1,253,498

See accompanying notes to consolidated and condensed financial statements.

MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars and units in thousands, except per unit amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Terminalling and storage *	$24,354	$25,752	$72,508	$75,105
Marine transportation *	12,727	11,407	36,920	36,661
Natural gas services*	11,232	14,253	40,392	43,756
Sulfur services	2,787	2,850	8,361	8,550
Product sales: *				
Natural gas services	101,919	83,831	351,725	284,154
Sulfur services	27,981	24,174	98,565	95,728
Terminalling and storage	38,047	30,861	111,351	96,421
	167,947	138,866	561,641	476,303
Total revenues	219,047	193,128	719,822	640,375
Costs and expenses:				
Cost of products sold: (excluding depreciation and amortization)				
Natural gas services *	99,346	77,368	329,945	255,745
Sulfur services *	21,363	19,716	73,998	65,406
Terminalling and storage *	33,801	27,372	99,967	85,398
	154,510	124,456	503,910	406,549
Expenses:				
Operating expenses *	32,628	43,552	95,592	109,478
Selling, general and administrative *	9,257	9,085	27,339	27,816
Depreciation and amortization	18,741	20,286	58,842	65,948
Total costs and expenses	215,136	197,379	685,683	609,791
Other operating loss	(384)	(187)	(876)	(327)
Operating income (loss)	3,527	(4,438)	33,263	30,257
Other income (expense):				
Interest expense, net	(13,140)	(12,538)	(39,591)	(34,677)
Other, net	18	55	18	605
Total other expense	(13,122)	(12,483)	(39,573)	(34,072)
Net loss before taxes	(9,595)	(16,921)	(6,310)	(3,815)
Income tax expense	(91)	(108)	(372)	(301)
Loss from continuing operations	(9,686)	(17,029)	(6,682)	(4,116)
Income from discontinued operations, net of income taxes	49,132	743	51,700	2,402
Net income (loss)	39,446	(16,286)	45,018	(1,714)
Less general partner's interest in net (income) loss	(789)	325	(900)	34
Less (income) loss allocable to unvested restricted units	(27)	38	(29)	—
Limited partners' interest in net income (loss)	$38,630	$(15,923)	$44,089	$(1,680)

See accompanying notes to consolidated and condensed financial statements.
*Related Party Transactions Shown Below

MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars and units in thousands, except per unit amounts)

*Related Party Transactions Included Above

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Revenues:*				
Terminalling and storage	$19,619	$21,910	$60,151	$61,945
Marine transportation	4,009	4,098	11,727	12,610
Natural gas services	—	4	—	122
Product Sales	180	828	1,248	2,982
Costs and expenses:*				
Cost of products sold: (excluding depreciation and amortization)				
Natural gas services	2,856	3,033	10,273	14,836
Sulfur services	4,337	3,555	13,208	10,997
Terminalling and storage	7,392	4,817	21,959	14,003
Expenses:				
Operating expenses	14,051	15,858	41,774	48,686
Selling, general and administrative	6,834	6,495	21,053	20,563

See accompanying notes to consolidated and condensed financial statements.

MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars and units in thousands, except per unit amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Allocation of net income (loss) attributable to:				
Limited partner interest:				
Continuing operations	$(9,486)	$(16,649)	$(6,544)	$(4,034)
Discontinued operations	48,116	726	50,633	2,354
	$38,630	$(15,923)	$44,089	$(1,680)
General partner interest:				
Continuing operations	$(193)	$(340)	$(134)	$(82)
Discontinued operations	982	15	1,034	48
	$789	$(325)	$900	$(34)
Net income (loss) per unit attributable to limited partners:				
Basic:				
Continuing operations	$(0.24)	$(0.44)	$(0.17)	$(0.10)
Discontinued operations	1.24	0.02	1.30	0.06
	$1.00	$(0.42)	$1.13	$(0.04)
Weighted average limited partner units - basic	38,712	38,357	38,877	38,016
Diluted:				
Continuing operations	$(0.24)	$(0.44)	$(0.17)	$(0.10)
Discontinued operations	1.24	0.02	1.30	0.06
	$1.00	$(0.42)	$1.13	$(0.04)
Weighted average limited partner units - diluted	38,738	38,357	38,889	38,016

See accompanying notes to consolidated and condensed financial statements.

MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED AND CONDENSED STATEMENTS OF CAPITAL
(Unaudited)
(Dollars in thousands)

	Partners' Capital Common Limited		General Partner Amount	Total
	Units	Amount		
Balances - January 1, 2017	35,452,062	$304,594	$7,412	$312,006
Net income	—	(1,680)	(34)	(1,714)
Issuance of common units, net	2,990,000	51,061	—	51,061
Issuance of restricted units	12,000	—	—	—
Forfeiture of restricted units	(5,750)	—	—	—
General partner contribution	—	—	1,098	1,098
Cash distributions	—	(56,177)	(1,146)	(57,323)
Unit-based compensation	—	518	—	518
Purchase of treasury units	(200)	(4)	—	(4)
Excess purchase price over carrying value of acquired assets	—	(7,887)	—	(7,887)
Reimbursement of excess purchase price over carrying value of acquired assets	—	1,125	—	1,125
Balances - September 30, 2017	38,448,112	$291,550	$7,330	$298,880
Balances - January 1, 2018	38,444,612	$290,927	$7,314	$298,241
Net income	—	44,118	900	45,018
Issuance of common units, net of issuance related costs	—	(118)	—	(118)
Issuance of restricted units	633,425	—	—	—
Forfeiture of restricted units	(23,000)	—	—	—
Cash distributions	—	(57,653)	(1,176)	(58,829)
Unit-based compensation	—	872	—	872
Excess purchase price over carrying value of acquired assets	—	(26)	—	(26)
Purchase of treasury units	(18,800)	(273)	—	(273)
Balances - September 30, 2018	39,036,237	$277,847	$7,038	$284,885

See accompanying notes to consolidated and condensed financial statements.

MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED AND CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Nine Months Ended September 30,	
	2018	**2017**
Cash flows from operating activities:		
Net income (loss)	$45,018	$(1,714)
Less: Income from discontinued operations, net of income taxes	(51,700)	(2,402)
Net loss from continuing operations	(6,682)	(4,116)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	58,842	65,948
Amortization of deferred debt issuance costs	2,563	2,170
Amortization of premium on notes payable	(230)	(230)
Loss on sale of property, plant and equipment	876	327
Derivative loss	198	2,392
Net cash received (paid) for commodity derivatives	2,698	(6,429)
Unit-based compensation	872	518
Change in current assets and liabilities, excluding effects of acquisitions and dispositions:		
Accounts and other receivables	35,191	16,381
Product exchange receivables	(156)	173
Inventories	(37,147)	(48,022)
Due from affiliates	735	(1,917)
Other current assets	556	(411)
Trade and other accounts payable	(18,230)	2,222
Product exchange payables	(2,104)	1,910
Due to affiliates	483	(5,169)
Income taxes payable	(62)	(420)
Other accrued liabilities	(9,726)	(3,766)
Change in other non-current assets and liabilities	610	1,941
Net cash provided by continuing operating activities	29,287	23,502
Net cash provided by discontinued operating activities	3,254	4,055
Net cash provided by operating activities	32,541	27,557
Cash flows from investing activities:		
Payments for property, plant and equipment	(31,497)	(30,014)
Acquisitions	—	(19,533)
Payments for plant turnaround costs	(879)	(1,583)
Proceeds from sale of property, plant and equipment	1,269	1,604
Proceeds from repayment of Note receivable - affiliate	—	15,000
Other	—	(900)
Net cash used in continuing investing activities	(31,107)	(35,426)
Net cash provided by (used in) discontinuing investing activities	177,256	(145)
Net cash provided by (used in) investing activities	146,149	(35,571)
Cash flows from financing activities:		
Payments of long-term debt	(460,000)	(242,000)

Proceeds from long-term debt	345,000	262,000
Proceeds from issuance of common units, net of issuance related costs	(118)	51,061
General partner contribution	—	1,098
Purchase of treasury units	(273)	(4)
Payment of debt issuance costs	(1,285)	(56)
Excess purchase price over carrying value of acquired assets	(26)	(7,887)
Reimbursement of excess purchase price over carrying value of acquired assets	—	1,125
Cash distributions paid	(58,829)	(57,323)
Net cash (used in) provided by financing activities	(175,531)	8,014
Net increase in cash	3,159	—
Cash at beginning of period	27	15
Cash at end of period	$ 3,186	$ 15
Non-cash additions to property, plant and equipment	$ 938	$ 1,367

See accompanying notes to consolidated and condensed financial statements.

MARTIN MIDSTREAM PARTNERS L.P.
NOTES TO CONSOLIDATED AND CONDENSED FINANCIAL STATEMENTS
(Dollars in thousands, except where otherwise indicated)
September 30, 2018
(Unaudited)

NOTE 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Martin Midstream Partners L.P. (the "Partnership") is a publicly traded limited partnership with a diverse set of operations focused primarily in the United States ("U.S.") Gulf Coast region. Its four primary business lines include: natural gas services, including liquids transportation and distribution services and natural gas storage; terminalling and storage services for petroleum products and by-products including the refining of naphthenic crude oil, blending and packaging of finished lubricants; sulfur and sulfur-based products processing, manufacturing, marketing and distribution; and marine transportation services for petroleum products and by-products.

The Partnership’s unaudited consolidated and condensed financial statements have been prepared in accordance with the requirements of Form 10-Q and U.S. Generally Accepted Accounting Principles ("U.S. GAAP") for interim financial reporting. Accordingly, these financial statements have been condensed and do not include all of the information and footnotes required by U.S. GAAP for annual audited financial statements of the type contained in the Partnership’s annual reports on Form 10-K. In the opinion of the management of the Partnership’s general partner, all adjustments and elimination of significant intercompany balances necessary for a fair presentation of the Partnership’s financial position, results of operations, and cash flows for the periods shown have been made. All such adjustments are of a normal recurring nature. Results for such interim periods are not necessarily indicative of the results of operations for the full year. These financial statements should be read in conjunction with the Partnership’s audited consolidated financial statements and notes thereto included in the Partnership’s annual report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission (the "SEC") on February 16, 2018, as amended by Amendment No. 1 on Form 10-K/A for the year ended December 31, 2017 filed on March 29, 2018.

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated and condensed financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates.

Divestiture of WTLPG Partnership Interest. On July 31, 2018, the Partnership completed the sale of its 20 percent non-operating interest in West Texas LPG Pipeline L.P. ("WTLPG") to ONEOK, Inc. (“ONEOK”). WTLPG owns an approximate 2,300 mile common-carrier pipeline system that primarily transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. A wholly-owned subsidiary of ONEOK, Inc. is the operator of the assets. The Partnership has concluded the disposition represents a strategic shift and will have a major effect on its financial results going forward. As a result, the Partnership has presented the results of operations and cash flows relating to its equity method investment in WTLPG as discontinued operations for the three and nine months ended September 30, 2018 and 2017. See Note 4 for more information.

Correction of Immaterial Error. The third quarter and year to date amounts for 2017 have been revised to reflect a reclassification in the presentation of certain expenses associated with the manufacturing and shipping of product related to a location in the Partnership's Terminalling and Storage operating segment. The reclassification resulted in a decrease in operating expenses from $45,072 to $43,552 and an increase in cost of products sold from $122,936 to $124,456 for the three months ended September 30, 2017, and a decrease in operating expenses from $114,564 to $109,478 and an increase in cost of products sold from $401,463 to $406,549 for the nine months ended September

30, 2017.

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaced most existing revenue recognition guidance in U.S. GAAP. The new standard is effective for the Partnership on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Partnership adopted the new standard utilizing the cumulative effect method which will result in the cumulative effect of the adoption being recorded as of January 1, 2018. The Partnership adopted ASU 2014-09 on January 1, 2018 and did not identify any significant changes in the timing of revenue recognition when considering the amended accounting guidance. Additional disclosures related to revenue recognition appear in "Note 5. Revenue."

In February 2016, the FASB issued ASU 2016-02, *Leases*, which introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. Lessor accounting under the new standard is substantially unchanged and the Partnership believes substantially all of our leases will continue to be classified as operating leases under the new standard. Additional qualitative and quantitative disclosures, including significant judgments made by management, will be required. The update is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those reporting periods, with early adoption permitted. The original guidance required application on a modified retrospective basis with the earliest period presented. In August 2018, the FASB issued ASU 2018-11, *Targeted Improvements to ASC 842*, which includes an option to not restate comparative periods in transition and elect to use the effective date of ASC 842, Leases, as the date of initial application of transition. Based on the effective date, this guidance will apply and the Partnership will adopt this ASU beginning on January 1, 2019 and plans to elect the transition option provided under ASU 2018-11. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

The new standard provides a number of optional practical expedients in transition. The Partnership expects to elect the "package of practical expedients", which permits the Partnership not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs.

The Partnership expects that this standard will have a material impact on its financial statements. While the Partnership continues to assess all of the effects of adoption, including evaluating its population of leases, the Partnership believes the most significant effects relate to (1) the recognition of a material amount of right-of-use ("ROU") assets and lease liabilities on its consolidated balance sheet and (2) providing significant new disclosures about the Partnership's leasing activities. Refer to Note 9 - Leases of the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for information about the Partnership's lease obligations.

The new standard also provides practical expedients for an entity's ongoing accounting. The Partnership expects to elect the short-term lease recognition exemption for all leases that qualify. This means, for those assets that qualify, the Partnership will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition.

NOTE 3. ACQUISITIONS

Acquisition of Terminalling Assets. On February 22, 2017, the Partnership acquired 100% of the membership interests of MEH South Texas Terminals LLC ("MEH"), a subsidiary of Martin Resource Management, for a purchase price of $27,420 (the "Hondo Acquisition"), which was funded with borrowings under the Partnership's revolving credit facility. At the date of acquisition, MEH was in the process of constructing an asphalt terminal facility in Hondo, Texas (the "Hondo Terminal"), to serve the asphalt market in San Antonio, Texas and surrounding areas. This acquisition is considered a transfer of net assets between entities under common control. The acquisition of these assets was recorded at the historical carrying value of the assets at the acquisition date. The excess of the purchase price over the carrying value of the assets of $7,887 was recorded as an adjustment to "Partners' capital" during the nine months ended September 30, 2017. During 2018, the Partnership paid an additional $26 related to a purchase price true-up, which was recorded as a further adjustment to "Partners' capital" for the nine months ended September 30, 2018.

Original purchase price	$27,420
Purchase price true-up	26
Historical carrying value of assets allocated to "Property, plant and equipment"	19,533
Excess purchase price over carrying value of acquired assets	$7,913

As no individual line item of the historical financial statements of the acquired assets was in excess of 3% of the Partnership's relative consolidated financial statement captions, the Partnership elected not to retrospectively recast the historical financial information to include these assets.

MARTIN MIDSTREAM PARTNERS L.P.
NOTES TO CONSOLIDATED AND CONDENSED FINANCIAL STATEMENTS
(Dollars in thousands, except where otherwise indicated)
September 30, 2018
(Unaudited)

NOTE 4. DIVESTITURES AND DISCONTINUED OPERATIONS

Discontinued Operations

Divestiture of WTLPG Partnership Interest. On July 31, 2018, the Partnership completed the sale of its 20 percent non-operating interest in WTLPG to ONEOK. WTLPG owns an approximate 2,300 mile common-carrier pipeline system that primarily transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. A wholly-owned subsidiary of ONEOK, Inc. is the operator of the assets. In consideration for the sale of these assets, the Partnership received cash proceeds of $193,705, after transaction fees and expenses. The proceeds from the sale were used to reduce outstanding borrowings under the Partnership's revolving credit facility. The Partnership has concluded the disposition represents a strategic shift and will have a major effect on its financial results going forward. As a result, the Partnership has presented the results of operations and cash flows relating to its equity method investment in WTLPG as discontinued operations for the three and nine months ended September 30, 2018 and 2017.

The operating results, which are included in income from discontinued operations, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Total costs and expenses and other, net, excluding depreciation and amortization	$(89)	$(44)	$(247)	$(143)
Other operating income[1]	48,564	—	48,564	—
Equity in earnings	657	787	3,383	2,545
Income from discontinued operations before income taxes	49,132	743	51,700	2,402
Income tax expense	—	—	—	—
Income from discontinued operations, net of income taxes	$49,132	$743	$51,700	$2,402

[1] These expenses represent direct operating expenses as a result of the Partnership's ownership interest in WTLPG.

[2] Other operating income represents the gain on the disposition of the investment in WTLPG.

Long-Lived Assets Held for Sale

At September 30, 2018 and December 31, 2017, certain terminalling and storage and marine transportation assets met the criteria to be classified as held for sale in accordance with ASC 360-10 and are presented at the lower of the assets' carrying amount or fair value less cost to sell by segment in current assets as follows:

	September 30, 2018	**December 31, 2017**
Terminalling and storage	$ 3,552	$ 4,152
Marine transportation	2,600	5,427
Assets held for sale	$ 6,152	$ 9,579

These assets are considered non-core assets to the Partnership's operations and did not qualify for discontinued operations presentation under the guidance of ASC 205-20.

MARTIN MIDSTREAM PARTNERS L.P.
NOTES TO CONSOLIDATED AND CONDENSED FINANCIAL STATEMENTS
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NOTE 5. REVENUE

The following table disaggregates our revenue by major source:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Terminalling and storage segment				
Lubricant product sales	$38,047	$30,861	$111,351	$96,421
Throughput and storage	24,354	25,752	72,508	75,105
	$62,401	$56,613	$183,859	$171,526
Natural gas services segment				
Natural gas liquids product sales	$101,919	$83,831	$351,725	$284,154
Natural gas storage	11,232	14,253	40,392	43,756
	$113,151	$98,084	$392,117	$327,910
Sulfur service segment				
Sulfur product sales	$13,932	$10,740	$36,248	$35,013
Fertilizer product sales	14,049	13,434	62,317	60,715
Sulfur services	2,787	2,850	8,361	8,550
	$30,768	$27,024	$106,926	$104,278
Marine transportation segment				
Inland transportation	$11,338	$10,208	$32,236	$32,521
Offshore transportation	1,389	1,199	4,684	4,140
	$12,727	$11,407	$36,920	$36,661

Revenue is measured based on a consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties where the Partnership is acting as an agent. The Partnership recognizes revenue when the Partnership satisfies a performance obligation, which typically occurs when the Partnership transfers control over a product to a customer or as the Partnership delivers a service.

The following is a description of the principal activities - separated by reportable segments - from which the Partnership generates revenue.

Terminalling and Storage Segment

Revenue is recognized for storage contracts based on the contracted monthly tank fixed fee. For throughput contracts, revenue is recognized based on the volume moved through the Partnership’s terminals at the contracted rate. For the Partnership’s tolling agreement, revenue is recognized based on the contracted monthly reservation fee and throughput volumes moved through the facility. When lubricants and drilling fluids are sold by truck or rail, revenue is recognized when title is transfered, which is either upon delivering product to the customer or when the product leaves the Partnership's facility, depending on the specific terms of the contract. Delivery of product is invoiced as the transaction occurs and is generally paid within a month.

Natural Gas Services Segment

Natural Gas Liquids ("NGL") distribution revenue is recognized when product is delivered by truck, rail, or pipeline to the Partnership's NGL customers. Revenue is recognized on title transfer of the product to the customer. Delivery of product is invoiced as the transaction occurs and are generally paid within a month. Natural gas storage revenue is recognized when the service is provided to the customer. The performance of the service is invoiced as the transaction occurs and is generally paid within a month.

MARTIN MIDSTREAM PARTNERS L.P.
NOTES TO CONSOLIDATED AND CONDENSED FINANCIAL STATEMENTS
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Sulfur Services Segment

Revenue from sulfur product sales is recognized when the customer takes title to the product. Delivery of product is invoiced as the transaction occurs and are generally paid within a month. Revenue from sulfur services is recognized as services are performed during each monthly period. The performance of the service is invoiced as the transaction occurs and is generally paid within a month.

Marine Transportation Segment

Revenue is recognized for time charters based on a per day rate. For contracted trips, revenue is recognized upon completion of the particular trip. The performance of the service is invoiced as the transaction occurs and is generally paid within a month.

The table includes estimated minimum revenue expected to be recognized in the future related to performance obligations that are unsatisfied at the end of the reporting period. The Partnership applies the practical expedient in ASC 606-10-50-14(a) and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

	2018	**2019**	**2020**	**2021**	**2022**	**Thereafter**	**Total**
Terminalling and storage							
Throughput and storage	$12,569	$50,629	$49,330	$46,022	$41,505	$ 393,700	$593,755
Natural gas services							
Natural gas storage	9,483	33,648	28,015	25,389	24,615	10,107	131,257
Sulfur services							
Sulfur product sales	4,199	16,796	4,898	1,181	295	—	27,369
Marine transportation							
Offshore transportation	1,564	6,205	6,069	—	—	—	13,838
Total	$27,815	$107,278	$88,312	$72,592	$66,415	$ 403,807	$766,219

NOTE 6. INVENTORIES

Components of inventories at September 30, 2018 and December 31, 2017 were as follows:

	September 30, 2018	**December 31, 2017**
Natural gas liquids	$ 88,475	$ 47,462
Sulfur	8,340	8,436
Fertilizer	11,588	18,674
Lubricants	23,140	20,086
Other	2,516	2,594
	$ 134,059	$ 97,252

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MARTIN MIDSTREAM PARTNERS L.P.
NOTES TO CONSOLIDATED AND CONDENSED FINANCIAL STATEMENTS
(Dollars in thousands, except where otherwise indicated)
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NOTE 7. INVESTMENT IN WEST TEXAS LPG PIPELINE L.P.

As discussed in Note 4, on July 31, 2018, the Partnership completed the sale of its 20 percent non-operating interest in WTLPG. Prior to the sale, the Partnership owned a 19.8% limited partnership and 0.2% general partnership interest in West Texas LPG Pipeline L.P. ("WTLPG"). A wholly-owned subsidiary of ONEOK, Inc. is the operator of the assets. WTLPG owns an approximate 2,300 mile common-carrier pipeline system that primarily transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. The Partnership recognized its 20% interest in WTLPG as "Investment in WTLPG" on its Consolidated and Condensed Balance Sheets. The Partnership accounted for its ownership interest in WTLPG under the equity method of accounting. As discussed in Note 4, the Partnership sold its 20% non-operating partnership interest to ONEOK on July 31, 2018.

Selected financial information for WTLPG during the period of ownership is as follows:

	As of July 31,			One Month Ended July 31,		Seven Months Ended July 31,	
2018	**Total Assets**	**Long-Term Debt**	**Members' Equity**	**Revenues**	**Net Income**	**Revenues**	**Net Income**
WTLPG	$928,349	$ —	$868,894	$9,104	$3,283	$55,534	$16,642

	As of December 31,			Three Months Ended September 30,		Nine Months Ended September 30,	
2017	**Total Assets**	**Long-Term Debt**	**Members' Equity**	**Revenues**	**Net Income**	**Revenues**	**Net Income**
WTLPG	$837,163	$ —	$787,426	$22,009	$3,945	$63,148	$12,734

NOTE 8. LONG-TERM DEBT

At September 30, 2018 and December 31, 2017, long-term debt consisted of the following:

	September 30, 2018	**December 31, 2017**
$664,444 Revolving credit facility at variable interest rate (5.19%[1] weighted average at September 30, 2018), due March 2020 secured by substantially all of the Partnership's assets, including, without limitation, inventory, accounts receivable, vessels, equipment, fixed assets and the interests in the Partnership's operating subsidiaries and equity method investees, net of unamortized debt issuance costs of $4,221 and $4,986, respectively[2]	$ 325,779	$ 440,014
$400,000 Senior notes, 7.25% interest, net of unamortized debt issuance costs of $1,625 and $2,138, respectively, including unamortized premium of $726 and $956, respectively, issued $250,000 February 2013 and $150,000 April 2014, $26,200 repurchased during 2015, due February 2021, unsecured[2,3]	372,901	372,618
Total long-term debt, net	$ 698,680	$ 812,632

[1] Interest rate fluctuates based on the LIBOR rate plus an applicable margin set on the date of each advance. The margin above LIBOR is set every three months. Indebtedness under the credit facility bears interest at LIBOR plus an applicable margin or the base prime rate plus an applicable margin. All amounts outstanding at September 30, 2018 and December 31, 2017 were at LIBOR plus an applicable margin. The applicable margin for revolving loans that are LIBOR loans ranges from 2.00% to 3.00% and the applicable margin for revolving loans that are base prime rate loans ranges from 1.00% to 2.00%. The applicable margin for existing LIBOR borrowings at September 30, 2018 is 3.00%. The credit facility contains various covenants which limit the Partnership’s ability to make certain investments and acquisitions; enter into certain agreements; incur indebtedness; sell assets; and make certain amendments to the Partnership's omnibus agreement with Martin Resource Management (the "Omnibus Agreement"). The Partnership is permitted to make quarterly distributions so long as no event of default exists.

[2] The Partnership is in compliance with all debt covenants as of September 30, 2018 and December 31, 2017, respectively.

MARTIN MIDSTREAM PARTNERS L.P.
NOTES TO CONSOLIDATED AND CONDENSED FINANCIAL STATEMENTS
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[3] The 2021 indenture restricts the Partnership's ability to sell assets; pay distributions or repurchase units or redeem or repurchase subordinated debt; make investments; incur or guarantee additional indebtedness or issue preferred units; and consolidate, merge or transfer all or substantially all of its assets.

The Partnership paid cash interest, net of capitalized interest, in the amount of $20,551 and $18,578 for the three months ended September 30, 2018 and 2017, respectively. The Partnership paid cash interest, net of capitalized interest, in the amount of $45,506 and $41,087 for the nine months ended September 30, 2018 and 2017, respectively. Capitalized interest was $158 and $130 for the three months ended September 30, 2018 and 2017, respectively. Capitalized interest was $486 and $575 for the nine months ended September 30, 2018 and 2017, respectively.

NOTE 9. SUPPLEMENTAL BALANCE SHEET INFORMATION

Components of "Other assets, net" were as follows:

	September 30, 2018	**December 31, 2017**
Customer contracts and relationships, net	$ 19,976	$ 25,252
Other intangible assets	1,408	1,752
Other	4,367	5,797
	$ 25,751	$ 32,801

Accumulated amortization of intangible assets was $46,825 and $39,462 at September 30, 2018 and December 31, 2017, respectively.

Components of "Other accrued liabilities" were as follows:

	September 30, 2018	**December 31, 2017**
Accrued interest	$ 3,980	$ 11,726
Asset retirement obligations	3,342	5,429
Property and other taxes payable	7,688	5,638
Accrued payroll	3,840	3,385
Other	26	162
	$ 18,876	$ 26,340

MARTIN MIDSTREAM PARTNERS L.P.
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(Dollars in thousands, except where otherwise indicated)
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The schedule below summarizes the changes in our asset retirement obligations:

	September 30, 2018
Beginning asset retirement obligations	$ 13,512
Revisions to existing liabilities[1]	4,756
Accretion expense	375
Liabilities settled	(4,921)
Ending asset retirement obligations	13,722
Current portion of asset retirement obligations[2]	(3,342)
Long-term portion of asset retirement obligations[3]	$ 10,380

[1]Several factors are considered in the annual review process, including inflation rates, current estimates for removal cost, discount rates, and the estimated remaining useful life of the assets. The 2018 revisions reflect changes in removal cost estimates and the estimated remaining useful life of assets.

[2]The current portion of asset retirement obligations is included in "Other current liabilities" on the Partnership's Consolidated and Condensed Balance Sheets.

[3]The non-current portion of asset retirement obligations is included in "Other long-term obligations" on the Partnership's Consolidated and Condensed Balance Sheets.

NOTE 10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Partnership’s revenues and cost of products sold are materially impacted by changes in NGL prices. Additionally, the Partnership's results of operations are materially impacted by changes in interest rates. In an effort to manage its exposure to these risks, the Partnership periodically enters into various derivative instruments, including commodity and interest rate hedges. All derivatives and hedging instruments are non-hedge derivatives and are included on the balance sheet as an asset or a liability measured at fair value and changes in fair value are recognized as gains and losses in earnings of the periods in which they occur.

(a) Commodity Derivative Instruments

The Partnership from time to time has used derivatives to manage the risk of commodity price fluctuation. Commodity risk is the adverse effect on the value of a liability or future purchase that results from a change in commodity price. The Partnership has established a hedging policy and monitors and manages the commodity market risk associated with potential commodity risk exposure. In addition, the Partnership has focused on utilizing counterparties for these transactions whose financial condition is appropriate for the credit risk involved in each specific transaction. The Partnership has entered into hedging transactions as of September 30, 2018 to protect a portion of its commodity price risk exposure. These hedging arrangements are in the form of swaps for NGLs. The Partnership has instruments totaling a gross notional quantity of 485 barrels settling during the period from October 1, 2018 through December 31, 2018. At December 31, 2017, the Partnership had instruments totaling a gross notional quantity of 145 barrels settling during the period from January 31, 2018 through February 28, 2018. These instruments settle against the applicable pricing source for each grade and location.

(b) Interest Rate Derivative Instruments

The Partnership is exposed to market risks associated with interest rates. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. We minimize this market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. From time to time, the Partnership enters into interest rate swaps to manage interest rate risk associated with the Partnership's variable rate credit

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facility and its fixed rate senior unsecured notes. At September 30, 2018 and 2017, the Partnership did not have any outstanding interest rate derivative instruments.

For information regarding gains and losses on interest rate derivative instruments, see "Tabular Presentation of Gains and Losses on Derivative Instruments" below.

(c) Tabular Presentation of Gains and Losses on Derivative Instruments

The following table summarizes the fair value and classification of the Partnership’s derivative instruments in its Consolidated and Condensed Balance Sheets:

	Fair Values of Derivative Instruments in the Consolidated and Condensed Balance Sheets					
	Derivative Assets			**Derivative Liabilities**		
		Fair Values			**Fair Values**	
	Balance Sheet Location	**September 30, 2018**	**December 31, 2017**	**Balance Sheet Location**	**September 30, 2018**	**December 31, 2017**
Derivatives not designated as hedging instruments:	Current:					
Commodity contracts	Fair value of derivatives	$ —	$ —	Fair value of derivatives	$ 2,968	$ 72
Total derivatives not designated as hedging instruments		$ —	$ —		$ 2,968	$ 72

Effect of Derivative Instruments on the Consolidated and Condensed Statements of Operations
For the Three Months Ended September 30, 2018 and 2017

	Location of Gain (Loss) Recognized in Income on Derivatives	**Amount of Gain (Loss) Recognized in Income on Derivatives**	
		2018	**2017**
Derivatives not designated as hedging instruments:			
Commodity contracts	Cost of products sold	$ (2,267)	$ —
Total effect of derivatives not designated as hedging instruments		$ (2,267)	$ —

Effect of Derivative Instruments on the Consolidated and Condensed Statements of Operations
For the Nine Months Ended September 30, 2018 and 2017

	Location of Gain (Loss) Recognized in Income on Derivatives	**Amount of Gain (Loss) Recognized in**

		Income on Derivatives	
		2018	2017
Derivatives not designated as hedging instruments:			
Commodity contracts	Cost of products sold	$(198)	$(2,392)
Total effect of derivatives not designated as hedging instruments		$(198)	$(2,392)

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NOTE 11. PARTNERS' CAPITAL

As of September 30, 2018, Partners’ capital consisted of 39,036,237 common limited partner units, representing a 98% partnership interest, and a 2% general partner interest. Martin Resource Management, through subsidiaries, owns 6,114,532 of the Partnership's common limited partner units representing approximately 15.7% of the Partnership's outstanding common limited partner units. Martin Midstream GP LLC ("MMGP"), the Partnership's general partner, owns the 2% general partnership interest. Martin Resource Management controls the Partnership's general partner, by virtue of its 51% voting interest in MMGP Holdings, LLC ("Holdings"), the sole member of the Partnership's general partner.

The partnership agreement of the Partnership (the "Partnership Agreement") contains specific provisions for the allocation of net income and losses to each of the partners for purposes of maintaining their respective partner capital accounts.

Issuance of Common Units

On February 22, 2017, the Partnership completed a public offering of 2,990,000 common units at a price of $18.00 per common unit, before the payment of underwriters' discounts, commissions and offering expenses (per unit value is in dollars, not thousands). Total proceeds from the sale of the 2,990,000 common units, net of underwriters' discounts, commissions and offering expenses, were $51,061. Additionally, the Partnership's general partner contributed $1,098 in cash to the Partnership in conjunction with the issuance in order to maintain its 2.0% general partner interest in the Partnership. All of the net proceeds were used to pay down outstanding amounts under the Partnership's revolving credit facility.

Incentive Distribution Rights

MMGP holds a 2% general partner interest and certain incentive distribution rights ("IDRs") in the Partnership. IDRs are a separate class of non-voting limited partner interest that may be transferred or sold by the general partner under the terms of the Partnership Agreement, and represent the right to receive an increasing percentage of cash distributions after the minimum quarterly distribution and any cumulative arrearages on common units once certain target distribution levels have been achieved. The Partnership is required to distribute all of its available cash from operating surplus, as defined in the Partnership Agreement. The general partner was allocated no incentive distributions during the three or nine months ended September 30, 2018 and 2017.

The target distribution levels entitle the general partner to receive 2% of quarterly cash distributions from the minimum of $0.50 per unit up to $0.55 per unit, 15% of quarterly cash distributions in excess of $0.55 per unit until all unitholders have received $0.625 per unit, 25% of quarterly cash distributions in excess of $0.625 per unit until all unitholders have received $0.75 per unit and 50% of quarterly cash distributions in excess of $0.75 per unit.

Distributions of Available Cash

The Partnership distributes all of its available cash (as defined in the Partnership Agreement) within 45 days after the end of each quarter to unitholders of record and to the general partner. Available cash is generally defined as all cash and cash equivalents of the Partnership on hand at the end of each quarter less the amount of cash reserves its general partner determines in its reasonable discretion is necessary or appropriate to: (i) provide for the proper conduct of the Partnership's business; (ii) comply with applicable law, any debt instruments or other agreements; or (iii) provide funds for distributions to unitholders and the general partner for any one or more of the next four quarters, plus all cash on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter.

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Net Income per Unit

The Partnership follows the provisions of the FASB ASC 260-10 related to earnings per share, which addresses the application of the two-class method in determining income per unit for master limited partnerships having multiple classes of securities that may participate in partnership distributions accounted for as equity distributions. Undistributed earnings are allocated to the general partner and limited partners utilizing the contractual terms of the Partnership Agreement. Distributions to the general partner pursuant to the IDRs are limited to available cash that will be distributed as defined in the Partnership Agreement. Accordingly, the Partnership does not allocate undistributed earnings to the general partner for the IDRs because the general partner's share of available cash is the maximum amount that the general partner would be contractually entitled to receive if all earnings for the period were distributed. When current period distributions are in excess of earnings, the excess distributions for the period are to be allocated to the general partner and limited partners based on their respective sharing of income and losses specified in the Partnership Agreement. Additionally, as required under FASB ASC 260-10-45-61A, unvested share-based payments that entitle employees to receive non-forfeitable distributions are considered participating securities, as defined in FASB ASC 260-10-20, for earnings per unit calculations.

For purposes of computing diluted net income per unit, the Partnership uses the more dilutive of the two-class and if-converted methods. Under the if-converted method, the weighted-average number of subordinated units outstanding for the period is added to the weighted-average number of common units outstanding for purposes of computing basic net income per unit and the resulting amount is compared to the diluted net income per unit computed using the two-class method. The following is a reconciliation of net income from continuing operations and net income from discontinued operations allocated to the general partner and limited partners for purposes of calculating net income attributable to limited partners per unit:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Continuing operations:				
Loss from continuing operations	$(9,686)	$(17,029)	$(6,682)	$(4,116)
Less general partner’s interest in net income (loss):				
Distributions payable on behalf of IDRs	—	—	—	—
Distributions payable on behalf of general partner interest	(96)	410	(175)	2,825
General partner interest in undistributed loss	(97)	(750)	41	(2,907)
Less income (loss) allocable to unvested restricted units	(7)	(40)	(4)	—
Limited partners’ interest in net loss	$(9,486)	$(16,649)	$(6,544)	$(4,034)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Discontinued operations:				
Income from discontinued operations	$49,132	$743	$51,700	$2,402
Less general partner’s interest in net income (loss):				

Distributions payable on behalf of IDRs	—	—	—	—
Distributions payable on behalf of general partner interest	488	(18)	1,352	(1,648)
General partner interest in undistributed loss	494	33	(318)	1,696
Less income (loss) allocable to unvested restricted units	34	2	33	—
Limited partners’ interest in net income	$48,116	$726	$50,633	$2,354

The Partnership allocates the general partner's share of earnings between continuing and discontinued operations as a proportion of net income from continuing and discontinued operations to total net income.

The following are the unit amounts used to compute the basic and diluted earnings per limited partner unit for the periods presented:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Basic weighted average limited partner units outstanding	38,711,515	38,357,171	38,876,783	38,015,704
Dilutive effect of restricted units issued	26,586	—	12,298	—
Total weighted average limited partner diluted units outstanding	38,738,101	38,357,171	38,889,081	38,015,704

All outstanding units were included in the computation of diluted earnings per unit and weighted based on the number of days such units were outstanding during the periods presented. All common unit equivalents were antidilutive for the three and nine months ended September 30, 2017 because the limited partners were allocated a net loss in this period.

NOTE 12. UNIT BASED AWARDS

The Partnership recognizes compensation cost related to unit-based awards to employees in its consolidated financial statements in accordance with certain provisions of ASC 718. The Partnership recognizes compensation costs related to unit-based awards to directors under certain provisions of ASC 505-50-55 related to equity-based payments to non-employees. Amounts recognized in selling, general, and administrative expense in the consolidated and condensed financial statements with respect to these plans are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Employees	$326	$85	$767	$426
Non-employee directors	26	28	105	92
Total unit-based compensation expense	$352	$113	$872	$518

All of the Partnership's outstanding awards at September 30, 2018 met the criteria to be treated under equity classification.

Long-Term Incentive Plans

The Partnership's general partner has a long-term incentive plan for employees and directors of the general partner and its affiliates who perform services for the Partnership.

On May 26, 2017, the unitholders of the Partnership approved the Martin Midstream Partners L.P. 2017 Restricted Unit Plan (the "2017 LTIP"). The plan currently permits the grant of awards covering an aggregate of 3,000,000 common units, all of which can be awarded in the form of restricted units. The plan is administered by the compensation committee of the general partner’s board of directors (the "Compensation Committee").

A restricted unit is a unit that is granted to grantees with certain vesting restrictions, which may be time-based and/or performance-based. Once these restrictions lapse, the grantee is entitled to full ownership of the unit without restrictions. The Compensation Committee may determine to make grants under the plan containing such terms as the Compensation Committee shall determine under the plan. With respect to time-based restricted units ("TBRU's"), the Compensation Committee will determine the time period over which restricted units granted to employees and directors will vest. The Compensation Committee may also award a percentage of restricted units with vesting requirements based upon the achievement of specified pre-established performance targets ("Performance Based Restricted Units" or "PBRU's"). The performance targets may include, but are not limited to, the following: revenue and income measures, cash flow measures, net income before interest expense and income tax expense ("EBIT"), net income before interest expense, income tax expense, and depreciation and amortization ("EBITDA"), distribution coverage metrics, expense measures, liquidity measures, market measures, corporate sustainability metrics, and other measures related to acquisitions, dispositions, operational objectives and succession planning objectives. PBRU's are earned only upon our achievement of an objective performance measure for the performance period.

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PBRU's which vest are payable in common units. Unvested units granted under the 2017 LTIP may or may not participate in cash distributions depending on the terms of each individual award agreement.

The restricted units issued to directors generally vest in equal annual installments over a four-year period. Restricted units issued to employees generally vest in equal annual installments over three years of service.

On February 20, 2018, the Partnership issued 4,650 TBRU's to each of the Partnership's three independent directors under the 2017 LTIP. These restricted common units vest in equal installments of 1,162.5 units on January 24, 2019, 2020, 2021, and 2022.

On March 1, 2018, the Partnership issued 301,550 TBRU's and 317,925 PBRU's to certain employees of Martin Resource Management. The TBRU's vest in equal installments over a three-year service period. The PBRU's will vest at the conclusion of a three-performance period based on certain performance targets. In addition, the PBRU's awarded on March 1, 2018 that are achieved will only vest if the grantee is employed by Martin Resource Management on March 31, 2021. As of September 30, 2018, the Partnership is unable to ascertain if the performance conditions will be achieved and, as such, has not recognized compensation expense for the vesting of the units. The Partnership will record compensation expense for the vested portion of the units once the achievement of the performance condition is deemed probable.

The restricted units are valued at their fair value at the date of grant which is equal to the market value of common units on such date. A summary of the restricted unit activity for the nine months ended September 30, 2018 is provided below:

	Number of Units	Weighted Average Grant-Date Fair Value Per Unit
Non-vested, beginning of period	98,750	$ 24.80
Granted (TBRU)	315,500	$ 13.89
Granted (PBRU)	317,925	$ 13.89
Vested	(80,550)	$ 27.71
Forfeited	(23,000)	$ 13.90
Non-Vested, end of period	628,625	$ 13.91
Aggregate intrinsic value, end of period	$ 7,292	

A summary of the restricted units' aggregate intrinsic value (market value at vesting date) and fair value of units vested (market value at date of grant) during the nine months ended September 30, 2018 and 2017 is provided below:

	Three Months Ended September	Nine Months Ended September

	30, 2018	2017	30, 2018	2017
Aggregate intrinsic value of units vested	$ —	$ —	$1,188	$135
Fair value of units vested	—	—	2,232	190

As of September 30, 2018, there was $3,519 of unrecognized compensation cost related to non-vested restricted units. That cost is expected to be recognized over a weighted-average period of 2.59 years.

NOTE 13. RELATED PARTY TRANSACTIONS

As of September 30, 2018, Martin Resource Management owns 6,114,532 of the Partnership's common units representing approximately 15.7% of the Partnership's outstanding limited partner units. Martin Resource Management controls the Partnership's general partner by virtue of its 51% voting interest in Holdings, the sole member of the Partnership's general partner. The Partnership's general partner, MMGP, owns a 2% general partner interest in the Partnership and the

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Partnership's IDRs. The Partnership's general partner's ability, as general partner, to manage and operate the Partnership, and Martin Resource Management's ownership as of September 30, 2018, of approximately 15.7% of the Partnership's outstanding limited partner units, effectively gives Martin Resource Management the ability to veto some of the Partnership's actions and to control the Partnership's management.

The following is a description of the Partnership's material related party agreements and transactions:

Omnibus Agreement

Omnibus Agreement. The Partnership and its general partner are parties to the Omnibus Agreement dated November 1, 2002, with Martin Resource Management that governs, among other things, potential competition and indemnification obligations among the parties to the agreement, related party transactions, the provision of general administration and support services by Martin Resource Management and the Partnership's use of certain Martin Resource Management trade names and trademarks. The Omnibus Agreement was amended on November 25, 2009, to include processing crude oil into finished products including naphthenic lubricants, distillates, asphalt and other intermediate cuts. The Omnibus Agreement was amended further on October 1, 2012, to permit the Partnership to provide certain lubricant packaging products and services to Martin Resource Management.

Non-Competition Provisions. Martin Resource Management has agreed for so long as it controls the general partner of the Partnership, not to engage in the business of:

- providing terminalling and storage services for petroleum products and by-products including the refining, blending and packaging of finished lubricants;
- providing marine transportation of petroleum products and by-products;
- distributing NGLs; and
- manufacturing and selling sulfur-based fertilizer products and other sulfur-related products.

This restriction does not apply to:

- the ownership and/or operation on the Partnership's behalf of any asset or group of assets owned by it or its affiliates;
- any business operated by Martin Resource Management, including the following:

providing land transportation of various liquids;

distributing fuel oil, marine fuel and other liquids;

providing marine bunkering and other shore-based marine services in Texas, Louisiana, Mississippi, Alabama, and Florida;

operating a crude oil gathering business in Stephens, Arkansas;

providing crude oil gathering, refining, and marketing services of base oils, asphalt, and distillate products in Smackover, Arkansas;

providing crude oil marketing and transportation from the well head to the end market;

operating an environmental consulting company;

operating an engineering services company;

supplying employees and services for the operation of the Partnership's business; and

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operating, solely for the Partnership's account, the asphalt facilities in Omaha, Nebraska, Port Neches, Texas, Hondo, Texas, and South Houston, Texas.

- any business that Martin Resource Management acquires or constructs that has a fair market value of less than $5,000;

- any business that Martin Resource Management acquires or constructs that has a fair market value of $5,000 or more if the Partnership has been offered the opportunity to purchase the business for fair market value and the Partnership declines to do so with the concurrence of the conflicts committee of the board of directors of the general partner of the Partnership (the "Conflicts Committee"); and

- any business that Martin Resource Management acquires or constructs where a portion of such business includes a restricted business and the fair market value of the restricted business is $5,000 or more and represents less than 20% of the aggregate value of the entire business to be acquired or constructed; provided that, following completion of the acquisition or construction, the Partnership will be provided the opportunity to purchase the restricted business.

Services. Under the Omnibus Agreement, Martin Resource Management provides the Partnership with corporate staff, support services, and administrative services necessary to operate the Partnership’s business. The Omnibus Agreement requires the Partnership to reimburse Martin Resource Management for all direct expenses it incurs or payments it makes on the Partnership’s behalf or in connection with the operation of the Partnership’s business. There is no monetary limitation on the amount the Partnership is required to reimburse Martin Resource Management for direct expenses. In addition to the direct expenses, under the Omnibus Agreement, the Partnership is required to reimburse Martin Resource Management for indirect general and administrative and corporate overhead expenses.

Effective January 1, 2018, through December 31, 2018, the Conflicts Committee approved an annual reimbursement amount for indirect expenses of $16,416. The Partnership reimbursed Martin Resource Management for $4,104 and $4,104 of indirect expenses for the three months ended September 30, 2018 and 2017, respectively. The Partnership reimbursed Martin Resource Management for $12,312 and $12,312 of indirect expenses for the nine months ended September 30, 2018 and 2017, respectively. The Conflicts Committee will review and approve future adjustments in the reimbursement amount for indirect expenses, if any, annually.

These indirect expenses are intended to cover the centralized corporate functions Martin Resource Management provides for the Partnership, such as accounting, treasury, clerical, engineering, legal, billing, information technology, administration of insurance, general office expenses and employee benefit plans and other general corporate overhead functions the Partnership shares with Martin Resource Management retained businesses. The provisions of the Omnibus Agreement regarding Martin Resource Management’s services will terminate if Martin Resource Management ceases to control the general partner of the Partnership.

Related Party Transactions. The Omnibus Agreement prohibits the Partnership from entering into any material agreement with Martin Resource Management without the prior approval of the Conflicts Committee. For purposes of the Omnibus Agreement, the term "material agreements" means any agreement between the Partnership and Martin Resource Management that requires aggregate annual payments in excess of the then-applicable agreed upon reimbursable amount of indirect general and administrative expenses. Please read "Services" above.

License Provisions. Under the Omnibus Agreement, Martin Resource Management has granted the Partnership a nontransferable, nonexclusive, royalty-free right and license to use certain of its trade names and marks, as well as the trade names and marks used by some of its affiliates.

Amendment and Termination. The Omnibus Agreement may be amended by written agreement of the parties; provided, however, that it may not be amended without the approval of the Conflicts Committee if such amendment would adversely affect the unitholders. The Omnibus Agreement was first amended on November 25, 2009, to permit the Partnership to provide refining services to Martin Resource Management. The Omnibus Agreement was amended further on October 1, 2012, to permit the Partnership to provide certain lubricant packaging products and services to Martin Resource Management. Such amendments were approved by the Conflicts Committee. The Omnibus Agreement, other than the indemnification provisions and the provisions limiting the amount for which the Partnership will reimburse Martin Resource

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Management for general and administrative services performed on its behalf, will terminate if the Partnership is no longer an affiliate of Martin Resource Management.

Motor Carrier Agreement

Motor Carrier Agreement. The Partnership is a party to a motor carrier agreement effective January 1, 2006, as amended, with Martin Transport, Inc.("MTI"), a wholly owned subsidiary of Martin Resource Management through which Martin Transport, Inc. operates its land transportation operations. Under the agreement, Martin Transport, Inc. agreed to transport the Partnership's NGLs as well as other liquid products.

Term and Pricing. The agreement has an initial term that expired in December 2007 but automatically renews for consecutive one year periods unless either party terminates the agreement by giving written notice to the other party at least 30 days prior to the expiration of the then-applicable term. The Partnership has the right to terminate this agreement at any time by providing 90 days prior notice. These rates are subject to any adjustments which are mutually agreed upon or in accordance with a price index. Additionally, during the term of the agreement, shipping charges are also subject to fuel surcharges determined on a weekly basis in accordance with the U.S. Department of Energy’s national diesel price list.

Indemnification. MTI has indemnified the Partnership against all claims arising out of the negligence or willful misconduct of MTI and its officers, employees, agents, representatives and subcontractors. The Partnership has indemnified MTI against all claims arising out of the negligence or willful misconduct of the Partnership and its officers, employees, agents, representatives and subcontractors. In the event a claim is the result of the joint negligence or misconduct of MTI and the Partnership, indemnification obligations will be shared in proportion to each party’s allocable share of such joint negligence or misconduct.

Marine Agreements

Marine Transportation Agreement. The Partnership is a party to a marine transportation agreement effective January 1, 2006, as amended, under which the Partnership provides marine transportation services to Martin Resource Management on a spot-contract basis at applicable market rates. Effective each January 1, this agreement automatically renews for consecutive one year periods unless either party terminates the agreement by giving written notice to the other party at least 60 days prior to the expiration of the then applicable term. The fees the Partnership charges Martin Resource Management are based on applicable market rates.

Marine Fuel. The Partnership is a party to an agreement with Martin Resource Management dated November 1, 2002, under which Martin Resource Management provides the Partnership with marine fuel from its locations in the Gulf of Mexico at a fixed rate in excess of the Platt’s U.S. Gulf Coast Index for #2 Fuel Oil. Under this agreement, the Partnership agreed to purchase all of its marine fuel requirements that occur in the areas serviced by Martin Resource Management.

Terminal Services Agreements

Diesel Fuel Terminal Services Agreement. Effective January 1, 2016, the Partnership entered into a second amended and restated terminalling services agreement under which the Partnership provides terminal services to Martin Resource Management for marine fuel distribution. At such time, the per gallon throughput fee the Partnership charged under this agreement was increased when compared to the previous agreement and may be adjusted annually based on a price index. This agreement was further amended on January 1, 2017 and October 1, 2017 to modify its minimum throughput requirements and throughput fees. This agreement, as amended, continues until September 30, 2018 and thereafter on a month to month basis until terminated by either party by giving 60 days' written notice.

Miscellaneous Terminal Services Agreements. The Partnership is currently party to several terminal services agreements and from time to time the Partnership may enter into other terminal service agreements for the purpose of providing terminal services to related parties. Individually, each of these agreements is immaterial but when considered in the aggregate they could be deemed material. These agreements are throughput based with a minimum volume commitment. Generally, the fees due under these agreements are adjusted annually based on a price index.

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Other Agreements

Cross Tolling Agreement. The Partnership is a party to an amended and restated tolling agreement with Cross Oil Refining and Marketing, Inc. ("Cross") dated October 28, 2014, under which the Partnership processes crude oil into finished products, including naphthenic lubricants, distillates, asphalt and other intermediate cuts for Cross. The tolling agreement expires November 25, 2031. Under this tolling agreement, Cross agreed to process a minimum of 6,500 barrels per day of crude oil at the facility at a fixed price per barrel. Any additional barrels are processed at a modified price per barrel. In addition, Cross agreed to pay a monthly reservation fee and a periodic fuel surcharge fee based on certain parameters specified in the tolling agreement. All of these fees (other than the fuel surcharge) are subject to escalation annually based upon the greater of 3% or the increase in the Consumer Price Index for a specified annual period. In addition, on the third, sixth and ninth anniversaries of the agreement, the parties can negotiate an upward or downward adjustment in the fees subject to their mutual agreement.

Sulfuric Acid Sales Agency Agreement. The Partnership was previously a party to a third amended and restated sulfuric acid sales agency agreement dated August 2, 2017 but effective October 1, 2017, under which a successor in interest to the agreement from Martin Resource Management, Saconix LLC ("Saconix"), a limited liability company in which Martin Resource Management held a minority equity interest, purchased and marketed the sulfuric acid produced by the Partnership's sulfuric acid production plant at Plainview, Texas, that was not consumed by the Partnership's internal operations. This agreement, as amended, was to remain in place until September 30, 2020 and automatically renew year to year thereafter until either party provided 90 days' written notice of termination prior to the expiration of the then existing term. Under this agreement, the Partnership sold all of its excess sulfuric acid to Saconix, who then marketed and sold such acid to third-parties. The Partnership shared in the profit of such sales. Effective May 31, 2018, Martin Resource Management no longer holds an equity interest in Saconix. These transactions are reported below as related party transactions during the period the equity interest was held. Transactions subsequent to Martin Resource Management's disposition of the equity interest will be reported as third party transactions.

Other Miscellaneous Agreements. From time to time the Partnership enters into other miscellaneous agreements with Martin Resource Management for the provision of other services or the purchase of other goods.

The tables below summarize the related party transactions that are included in the related financial statement captions on the face of the Partnership's Consolidated and Condensed Statements of Operations. The revenues, costs and expenses reflected in these tables are tabulations of the related party transactions that are recorded in the corresponding captions of the consolidated and condensed financial statements and do not reflect a statement of profits and losses for related party transactions.

The impact of related party revenues from sales of products and services is reflected in the consolidated and condensed financial statements as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Revenues:				

Terminalling and storage	$19,619	$21,910	$60,151	$61,945
Marine transportation	4,009	4,098	11,727	12,610
Natural gas services	—	4	—	122
Product sales:				
Natural gas services	—	101	19	1,043
Sulfur services	7	522	619	1,540
Terminalling and storage	173	205	610	399
	180	828	1,248	2,982
	$23,808	$26,840	$73,126	$77,659

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The impact of related party cost of products sold is reflected in the consolidated and condensed financial statements as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Cost of products sold:				
Natural gas services	$2,856	$3,033	$10,273	$14,836
Sulfur services	4,337	3,555	13,208	10,997
Terminalling and storage	7,392	4,817	21,959	14,003
	$14,585	$11,405	$45,440	$39,836

The impact of related party operating expenses is reflected in the consolidated and condensed financial statements as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Operating expenses:				
Marine transportation	$5,574	$5,794	$16,895	$17,857
Natural gas services	2,202	2,256	6,633	6,724
Sulfur services	1,263	1,391	4,094	4,371
Terminalling and storage	5,012	6,417	14,152	19,734
	$14,051	$15,858	$41,774	$48,686

The impact of related party selling, general and administrative expenses is reflected in the consolidated and condensed financial statements as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Selling, general and administrative:				
Marine transportation	$236	$11	$251	$26
Natural gas services	1,072	1,140	4,351	4,619
Sulfur services	699	648	2,018	1,905
Terminalling and storage	723	592	2,094	1,701
Indirect, including overhead allocation	4,104	4,104	12,339	12,312
	$6,834	$6,495	$21,053	$20,563

Other Related Party Transactions

The Partnership had a $15,000 note receivable from an affiliate of Martin Resource Management which previously bore an annual interest rate of 15% and had a maturity date of August 31, 2026, the balance of which could be prepaid on or after September 1, 2016. On February 14, 2017, the Partnership notified Martin Resource Management that it would be requesting voluntary repayment of the long-term Note Receivable plus accrued interest. During second quarter of 2017, the Note Receivable was fully repaid. The note has historically been recorded in "Note receivable - affiliates" on the Partnership's Consolidated and Condensed Balance Sheets. Interest income for both the three months ended September 30, 2018 and 2017 was $0. Interest income for the nine months ended September 30, 2018 and 2017 was $0 and $943, respectively, and is included in "Interest expense, net" in the Consolidated and Condensed Statements of Operations.

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NOTE 14. BUSINESS SEGMENTS

The Partnership has four reportable segments: natural gas services, terminalling and storage, sulfur services and marine transportation. The Partnership's reportable segments are strategic business units that offer different products and services. The operating income of these segments is reviewed by the chief operating decision maker to assess performance and make business decisions.

The accounting policies of the operating segments are the same as those described in Note 2 in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 16, 2018, as amended, by Amendment No. 1 on Form 10-K/A filed on March 29, 2018. The Partnership evaluates the performance of its reportable segments based on operating income. There is no allocation of administrative expenses or interest expense.

Three Months Ended September 30, 2018	Operating Revenues	Intersegment Revenues Eliminations	Operating Revenues after Eliminations	Depreciation and Amortization	Operating Income (Loss) after Eliminations	Capital Expenditures and Plant Turnaround Costs
Terminalling and storage	$ 64,002	$ (1,601)	$ 62,401	$ 9,311	$ 3,734	$ 4,372
Natural gas services	113,151	—	113,151	5,316	289	948
Sulfur services	30,768	—	30,768	2,113	2,130	1,489
Marine transportation	13,570	(843)	12,727	2,001	1,762	2,119
Indirect selling, general and administrative	—	—	—	—	(4,388)	—
Total	$ 221,491	$ (2,444)	$ 219,047	$ 18,741	$ 3,527	$ 8,928

Three Months Ended September 30, 2017	Operating Revenues	Intersegment Revenues Eliminations	Operating Revenues after Eliminations	Depreciation and Amortization	Operating Income (Loss) after Eliminations	Capital Expenditures and Plant Turnaround Costs
Terminalling and storage	$ 57,805	$ (1,192)	$ 56,613	$ 10,192	$ (7,047)	$ 8,634
Natural gas services	98,310	(226)	98,084	6,274	7,072	4,383
Sulfur services	27,024	—	27,024	2,020	(546)	862
Marine transportation	12,400	(993)	11,407	1,800	474	1
Indirect selling, general and administrative	—	—	—	—	(4,391)	—
Total	$ 195,539	$ (2,411)	$ 193,128	$ 20,286	$ (4,438)	$ 13,880

Nine Months Ended September 30, 2018	Operating Revenues	Intersegment Revenues Eliminations	Operating Revenues after Eliminations	Depreciation and Amortization	Operating Income (Loss) after Eliminations	Capital Expenditures and Plant Turnaround Costs
Terminalling and storage	$ 188,299	$ (4,440)	$ 183,859	$ 31,160	$ 8,195	$ 8,964
Natural gas services	392,117	—	392,117	15,921	21,585	4,000
Sulfur services	106,926	—	106,926	6,263	12,170	4,003
Marine transportation	38,766	(1,846)	36,920	5,498	4,278	12,247
Indirect selling, general and administrative	—	—	—	—	(12,965)	—

Total	$ 726,108	$ (6,286)	$ 719,822	$ 58,842	$ 33,263	$ 29,214

MARTIN MIDSTREAM PARTNERS L.P.
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Nine Months Ended September 30, 2017	Operating Revenues	Intersegment Revenues Eliminations	Operating Revenues after Eliminations	Depreciation and Amortization	Operating Income (Loss) after Eliminations	Capital Expenditures and Plant Turnaround Costs
Terminalling and storage	$ 175,944	$ (4,418)	$ 171,526	$ 35,996	$ (5,896)	$ 21,859
Natural gas services	328,136	(226)	327,910	18,640	29,868	6,580
Sulfur services	104,278	—	104,278	6,083	16,516	1,593
Marine transportation	38,958	(2,297)	36,661	5,229	2,852	1,113
Indirect selling, general and administrative	—	—	—	—	(13,083)	—
Total	$ 647,316	$ (6,941)	$ 640,375	$ 65,948	$ 30,257	$ 31,145

The Partnership's assets by reportable segment as of September 30, 2018 and December 31, 2017, are as follows:

	September 30, 2018	December 31, 2017
Total assets:		
Terminalling and storage	$ 314,124	$ 326,920
Natural gas services	567,912	704,524
Sulfur services	111,689	120,790
Marine transportation	107,324	101,264
Total assets	$ 1,101,049	$ 1,253,498

NOTE 15. COMMITTMENTS AND CONTINGENCIES

Contingencies

From time to time, the Partnership is subject to various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Partnership.

Pursuant to a Purchase Price Reimbursement Agreement between the Partnership and Martin Resource Management related to the Partnership's acquisition of the Redbird Gas Storage LLC ("Redbird") Class A interests on October 2, 2012, beginning in the second quarter of 2015, Martin Resource Management has reimbursed the Partnership $750 per quarter for four consecutive quarters as a reduction in the purchase price of the Redbird Class A interests. These payments were the result of Cardinal Gas Storage Partners LLC ("Cardinal") not achieving certain financial targets set forth in the Purchase Price Reimbursement Agreement. These payments were considered to be a reduction of the excess of the purchase price over the carrying value of the assets transferred to the Partnership from Martin Resource Management and were recorded as an adjustment to "Partners' capital" in each quarter in which the payments were made. The agreement further provided for purchase price reimbursements of up to $4,500 in 2016 in the event certain financial conditions were not met. For the nine months ended September 30, 2017, the Partnership received $1,125, related to the Purchase Price Reimbursement Agreement. The amount received in the first quarter of 2017 represented the final payment under the Purchase Price Reimbursement Agreement.

In 2015, the Partnership was named as a defendant in the cause J. A. Davis Properties, LLC v. Martin Operating Partnership L.P., in the 38th Judicial District Court, Cameron Parish, Louisiana. The plaintiff alleged that the Partnership breached a lease agreement by failing to perform work to the plaintiff's property as required under the lease agreement. The plaintiff originally sought to evict the Partnership from the leased property and to recover damages. Prior to trial, this matter was settled for a confidential amount in September of 2017. The Partnership's financial statements reflect the terms of the settlement and all amounts have been accrued as asset retirement obligations.

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On December 31, 2015, the Partnership received a demand from a customer in its lubricants packaging business for defense and indemnity in connection with lawsuits filed against it in various United States District Courts, which generally allege that the customer engaged in unlawful and deceptive business practices in connection with its marketing and advertising of its private label motor oil. The Partnership disputes that it has any obligation to defend or indemnify the customer for its conduct. Accordingly, on January 7, 2016, the Partnership filed a Complaint for Declaratory Judgment in the Chancery Court of Davidson County, Tennessee requesting a judicial determination that the Partnership does not owe the customer the demanded defense and indemnity obligations. The lawsuits against the customer have been transferred to the United States District Court for the Western District of Missouri for consolidated pretrial proceedings. On March 1, 2017, at the request of the parties, the Chancery Court of Davidson County, Tennessee administratively closed the Partnership's lawsuit pending rulings in the United States District Court for the Western District of Missouri. In the event that either party moves the Chancery Court of Davidson County, Tennessee to reopen the case, we expect the Court would grant such motion and reopen the case. If the case is reopened, we are currently unable to determine the exposure we may have in this matter, if any.

Commitments

The Partnership has non-cancelable revenue arrangements that are not under the scope of ASC 606 whereby we have committed certain terminalling and storage assets in exchange for a minimum fee. Future minimum revenues the Partnership expects to receive under these non-cancelable arrangements as of September 30, 2018, are as follows: 2018 - $6,282; 2019 - $18,547; 2020 - $15,207; 2021 - $12,479; 2022 - $12,479; subsequent years - $71,241.

NOTE 16. FAIR VALUE MEASUREMENTS

The Partnership uses a valuation framework based upon inputs that market participants use in pricing certain assets and liabilities. These inputs are classified into two categories: observable inputs and unobservable inputs. Observable inputs represent market data obtained from independent sources. Unobservable inputs represent the Partnership's own market assumptions. Unobservable inputs are used only if observable inputs are unavailable or not reasonably available without undue cost and effort. The two types of inputs are further prioritized into the following hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that reflect the entity's own assumptions and are not corroborated by market data.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Level 2	
	September 30, 2018	**December 31, 2017**
Commodity derivative contracts, net	$ (2,968)	$ (72)

The Partnership is required to disclose estimated fair values for its financial instruments. Fair value estimates are set forth below for these financial instruments. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- Accounts and other receivables, trade and other accounts payable, accrued interest payable, other accrued liabilities, income taxes payable and due from/to affiliates: The carrying amounts approximate fair value due to the short maturity and highly liquid nature of these instruments, and as such these have been excluded from the table below. There is negligible credit risk associated with these instruments.

- Note receivable and long-term debt: The carrying amount of the revolving credit facility approximates fair value due to the debt having a variable interest rate and is in Level 2. The Partnership has not had any indicators which represent a change in the market spread associated with its variable interest rate debt. The estimated fair value of the senior unsecured notes is considered Level 1, as the fair value is based on quoted market prices in active markets.

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	September 30, 2018		**December 31, 2017**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
2021 Senior unsecured notes	$372,901	$375,583	$372,618	$381,657

NOTE 17. CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Partnership's operations are conducted by its operating subsidiaries as it has no independent assets or operations. Martin Operating Partnership L.P. (the "Operating Partnership"), the Partnership's wholly-owned subsidiary, and the Partnership's other operating subsidiaries have issued in the past, and may issue in the future, unconditional guarantees of senior or subordinated debt securities of the Partnership. The guarantees that have been issued are full, irrevocable and unconditional and joint and several. In addition, the Operating Partnership may also issue senior or subordinated debt securities which, if issued, will be fully, irrevocably and unconditionally guaranteed by the Partnership. Substantially all of the Partnership's operating subsidiaries are subsidiary guarantors of its outstanding senior unsecured notes and any subsidiaries other than the subsidiary guarantors are minor.

NOTE 18. IMPAIRMENTS AND OTHER CHARGES

Hurricane Impact

On August 25, 2017, Hurricane Harvey made landfall as a Category 4 hurricane. The storm lingered over Texas and Louisiana for days producing over 50 inches of rain in some areas, resulting in widespread flooding and damage. The Partnership experienced an impact from Hurricane Harvey in its Terminalling and Storage and Sulfur Services segments, where damages were suffered to the Partnership's property, plant, and equipment at its Neches, Stanolind, Galveston, and Harbor Island terminals located along the Texas gulf coast. The damage incurred did not exceed the insurance deductible at these locations and therefore the Partnership does not expect to receive any insurance proceeds resulting from the damages caused by Hurricane Harvey. For the three months ended September 30, 2017, the Partnership recorded $982 related to actual repairs made to assets damaged by Hurricane Harvey. Additionally, the Partnership recorded an accrual for $3,725 in estimated repairs to be made to assets damaged by Hurricane Harvey. As a result of the damage sustained by Hurricane Harvey, the Partnership recorded a write-off in the amount of $186 related to assets damaged. Hurricane Harvey impacted the Partnership's operations in our Terminalling segments, where the Partnership experienced an estimated reduction in net income and cash flow of approximately $1,082 from lost volume and downtime due to the hurricane.

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NOTE 19. SUBSEQUENT EVENTS

Martin Transport Inc. Stock Purchase Agreement. On October 22, 2018, the Operating Partnership entered into a stock purchase agreement (the “Stock Purchase Agreement”) with Martin Resource Management Corporation (“MRMC”) to acquire all of the issued and outstanding equity of Martin Transport, Inc. (“MTI”), a wholly-owned subsidiary of MRMC which operates a trucking company that transports petroleum products, liquid petroleum gas, chemicals, sulfur and other products for total consideration of $135,000 with a $10,000 earn-out based on certain performance thresholds, subject to certain post-closing adjustments. The transaction is expected to close in January of 2019. The Stock Purchase Agreement contains customary representations and warranties.

Quarterly Distribution. On October 18, 2018, the Partnership declared a quarterly cash distribution of $0.50 per common unit for the third quarter of 2018, or $2.00 per common unit on an annualized basis, which will be paid on November 14, 2018 to unitholders of record as of November 7, 2018.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

References in this quarterly report on Form 10-Q to "Martin Resource Management" refer to Martin Resource Management Corporation and its subsidiaries, unless the context otherwise requires. You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated and condensed financial statements and the notes thereto included elsewhere in this quarterly report.

Forward-Looking Statements

This quarterly report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements included in this quarterly report that are not historical facts (including any statements concerning plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto), including, without limitation, the information set forth in Management’s Discussion and Analysis of Financial Condition and Results of Operations, are forward-looking statements. These statements can be identified by the use of forward-looking terminology including "forecast," "may," "believe," "will," "expect," "anticipate," "estimate," "continue," or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other "forward-looking" information. We and our representatives may from time to time make other oral or written statements that are also forward-looking statements.

These forward-looking statements are made based upon management’s current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and therefore involve a number of risks and uncertainties. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

Because these forward-looking statements involve risks and uncertainties, actual results could differ materially from those expressed or implied by these forward-looking statements for a number of important reasons, including those discussed under "Item 1A. Risk Factors" of our Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission (the "SEC") on February 16, 2018, as amended, by Amendment No. 1 on Form 10-K/A for the year ended December 31, 2017 filed on March 29, 2018, and in this report.

Overview

We are a publicly traded limited partnership with a diverse set of operations focused primarily in the United States ("U.S.") Gulf Coast region. Our four primary business lines include:

- Natural gas liquids transportation and distribution services and natural gas storage;

- Terminalling and storage services for petroleum products and by-products including the refining of naphthenic crude oil and the blending and packaging of finished lubricants;

- Sulfur and sulfur-based products gathering, processing, marketing, manufacturing and distribution; and

- Marine transportation services for petroleum products and by-products.

The petroleum products and by-products we collect, transport, store and market are produced primarily by major and independent oil and gas companies who often turn to third parties, such as us, for the transportation and disposition of these products. In addition to these major and independent oil and gas companies, our primary customers include independent refiners, large chemical companies, fertilizer manufacturers and other wholesale purchasers of these products. We operate primarily in the U.S. Gulf Coast region. This region is a major hub for petroleum refining, natural gas gathering and processing, and support services for the exploration and production industry.

We were formed in 2002 by Martin Resource Management, a privately-held company whose initial predecessor was incorporated in 1951 as a supplier of products and services to drilling rig contractors. Since then, Martin Resource Management has expanded its operations through acquisitions and internal expansion initiatives as its management identified and capitalized on the needs of producers and purchasers of petroleum products and by-products and other bulk liquids. Martin Resource Management is an important supplier and customer of ours. As of September 30, 2018, Martin Resource Management owned 15.7% of our total outstanding common limited partner units. Furthermore, Martin Resource Management controls Martin Midstream GP LLC ("MMGP"), our general partner, by virtue of its 51% voting interest in MMGP Holdings, LLC ("Holdings"), the sole member of MMGP. MMGP owns a 2.0% general partner interest in us and all of our incentive distribution rights. Martin Resource Management directs our business operations through its ownership interests in and control of our general partner.

We entered into an omnibus agreement dated November 1, 2002, with Martin Resource Management (the "Omnibus Agreement") that governs, among other things, potential competition and indemnification obligations among the parties to the agreement, related party transactions, the provision of general administration and support services by Martin Resource Management and our use of certain of Martin Resource Management's trade names and trademarks. Under the terms of the Omnibus Agreement, the employees of Martin Resource Management are responsible for conducting our business and operating our assets.

Martin Resource Management has operated our business since 2002. Martin Resource Management began operating our natural gas services business in the 1950s and our sulfur business in the 1960s. It began our marine transportation business in the late 1980s. It entered into our fertilizer and terminalling and storage businesses in the early 1990s. In recent years, Martin Resource Management has increased the size of our asset base through expansions and strategic acquisitions.

Significant Recent Developments

Divestiture of WTLPG Partnership Interest. On July 31, 2018, we completed the sale of our 20 percent non-operating interest in West Texas LPG Pipeline L.P. ("WTLPG") to ONEOK, Inc. ("ONEOK"). WTLPG owns an approximate 2,300 mile common-carrier pipeline system that primarily transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. A wholly-owned subsidiary of ONEOK, Inc. is the operator of the assets. In consideration of the sale of these assets, we received cash proceeds of $195.0 million at closing, before transaction fees and expenses. The proceeds from the sale were used to reduce outstanding borrowings under our revolving credit facility. Accordingly, capital expenditures forecasted is reduced due to the sale of WTLPG by approximately $24.2 million for the remainder of 2018. In conjunction with the sale of the WTLPG, we have amended our revolving credit facility which included, among other things, revising our existing leverage covenants. Total Indebtedness to EBITDA and Senior Secured Indebtedness to EBITDA (each as defined in the credit agreement) was amended to 5.25 times and 3.50 times, respectively. No changes were made to the Consolidated Interest Coverage Ratio (as defined in the credit agreement) of 2.50 times.

Credit Facility Amendment. On February 21, 2018, we amended our revolving credit facility in order to achieve two primary objectives, the first of which was to accommodate growth capital expenditures necessary for the previously announced WTLPG expansion project which is discussed in further detail below. Starting in the first quarter of 2018, the amendment will provide short-term (5 quarters) covenant relief by increasing the total leverage ratio to 5.75 to 1.00 (first and second quarters of 2018) with step downs to 5.50 to 1.00 (third and fourth quarters of 2018 and first quarter of 2019) and to 5.25 to 1.00 beginning in the second quarter of 2019. Additionally, the facility was amended to establish an inventory financing sublimit tranche for borrowings related to our NGL (butane) marketing business, which is a part of and not in addition to the already existing commitments under the revolving credit facility. This sublimit is not to exceed $75.0 million, with seasonal step downs to $10.0 million for the months of March through June of each fiscal year. The sublimit is subject to a monthly borrowing base not to exceed 90% of the value of forward sold/hedged inventory.

Subsequent Events

Martin Transport Inc. Stock Purchase Agreement. On October 22, 2018, we entered into a stock purchase agreement (the "Stock Purchase Agreement") with Martin Resource Management to acquire all of the issued and outstanding equity of Martin Transport, Inc. ("MTI"), a wholly-owned subsidiary of Martin Resource Management which operates a trucking company that transports petroleum products, liquid petroleum gas, chemicals, sulfur and other products for total consideration of $135.0 million with a $10.0 million earn-out based on certain performance thresholds, subject to certain post-closing adjustments. The Stock Purchase Agreement contains customary representations and warranties. Martin Resource Management has owned and operated MTI or its predecessor for over 40 years and is integral to our routine movements of sulfur and NGL’s. Based on operational estimates and current transportation market conditions, this drop-down from our general partner will provide strategic long-term growth for the Partnership. We expect this transaction to close in January of 2019.

Quarterly Distribution. On October 18, 2018, we declared a quarterly cash distribution of $0.50 per common unit for the third quarter of 2018, or $2.00 per common unit on an annualized basis, which will be paid on November 14, 2018 to unitholders of record as of November 7, 2018.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on the historical consolidated and condensed financial statements included elsewhere herein. We prepared these financial statements in conformity with United States generally accepted accounting principles ("U.S. GAAP" or "GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances. We routinely evaluate these estimates, utilizing historical experience, consultation with experts and other methods we consider reasonable in the particular circumstances. Our results may differ from these estimates, and any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. Changes in these estimates could materially affect our financial position, results of operations or cash flows. You should also read Note 2, "Significant Accounting Policies" in Notes to Consolidated Financial Statements included within our Annual Report on Form 10-K for the year ended December 31, 2017. The following table evaluates the potential impact of estimates utilized during the periods ended September 30, 2018 and 2017:

Description	**Judgments and Uncertainties**	**Effect if Actual Results Differ from Estimates and Assumptions**
Impairment of Long-Lived Assets We periodically evaluate whether the carrying value of long-lived assets has been impaired when circumstances indicate the carrying value of the assets may not be recoverable. These evaluations are based on undiscounted cash flow projections over the remaining useful life of the asset. The carrying value is not recoverable if it exceeds the sum of the undiscounted cash flows. Any impairment loss is measured as the excess of the asset's carrying value over its fair value.	Our impairment analyses require management to use judgment in estimating future cash flows and useful lives, as well as assessing the probability of different outcomes.	No impairment of long-lived assets was recorded during the three and nine months ended September 30, 2018 or 2017.
Asset Retirement Obligations Asset retirement obligations ("AROs") associated with a contractual or regulatory remediation requirement are recorded at fair value in the period in which the obligation can be reasonably estimated and depreciated over the life of the related asset or contractual term. The liability is determined using a credit-adjusted risk-free interest rate and is accreted over time until the obligation is settled.	Determining the fair value of AROs requires management judgment to evaluate required remediation activities, estimate the cost of those activities and determine the appropriate interest rate.	If actual results differ from judgments and assumptions used in valuing an ARO, we may experience significant changes in ARO balances. The establishment of an ARO has no initial impact on earnings. During the nine months ended September 30, 2018, we made upward revisions to our asset retirement obligations in the amount of $4.8 million.

Our Relationship with Martin Resource Management

Martin Resource Management is engaged in the following principal business activities:

- providing land transportation of various liquids using a fleet of trucks and road vehicles and road trailers;
- distributing fuel oil, ammonia, asphalt, marine fuel and other liquids;
-

providing marine bunkering and other shore-based marine services in Texas, Louisiana, Mississippi, Alabama, and Florida;

- operating a crude oil gathering business in Stephens, Arkansas;

- providing crude oil gathering, refining, and marketing services of base oils, asphalt, and distillate products in Smackover, Arkansas;

- providing crude oil marketing and transportation from the well head to the end market;
- operating an environmental consulting company;
- operating an engineering services company;
- supplying employees and services for the operation of our business; and
- operating, solely for our account, the asphalt facilities in Omaha, Nebraska, Port Neches, Texas, Hondo, Texas, and South Houston, Texas.

We are and will continue to be closely affiliated with Martin Resource Management as a result of the following relationships.

Ownership

Martin Resource Management owns approximately 15.7% of the outstanding limited partner units. In addition, Martin Resource Management controls MMGP, our general partner, by virtue of its 51% voting interest in Holdings, the sole member of MMGP. MMGP owns a 2% general partner interest in us and all of our incentive distribution rights.

Management

Martin Resource Management directs our business operations through its ownership interests in and control of our general partner. We benefit from our relationship with Martin Resource Management through access to a significant pool of management expertise and established relationships throughout the energy industry. We do not have employees. Martin Resource Management employees are responsible for conducting our business and operating our assets on our behalf.

Related Party Agreements

The Omnibus Agreement requires us to reimburse Martin Resource Management for all direct expenses it incurs or payments it makes on our behalf or in connection with the operation of our business. We reimbursed Martin Resource Management for $31.4 million of direct costs and expenses for the three months ended September 30, 2018 compared to $29.7 million for the three months ended September 30, 2017. We reimbursed Martin Resource Management for $95.9 million of direct costs and expenses for the nine months ended September 30, 2018 compared to $96.8 million for the nine months ended September 30, 2017. There is no monetary limitation on the amount we are required to reimburse Martin Resource Management for direct expenses.

In addition to the direct expenses, under the Omnibus Agreement, we are required to reimburse Martin Resource Management for indirect general and administrative and corporate overhead expenses. For both the three months ended September 30, 2018 and 2017, the conflicts committee of the board of directors of the general partner of the Partnership (the "Conflicts Committee") approved reimbursement amounts of $4.1 million. For both the nine months ended September 30, 2018 and 2017, the Conflicts Committee approved reimbursement amounts of $12.3 million. The Conflicts Committee will review and approve future adjustments in the reimbursement amount for indirect expenses, if any, annually. These indirect expenses covered the centralized corporate functions Martin Resource Management provides for us, such as accounting, treasury, clerical, engineering, legal, billing, information technology, administration of insurance, general office expenses and employee benefit plans and other general corporate overhead functions we share with Martin Resource Management’s retained businesses. The Omnibus Agreement also contains significant non-compete provisions and indemnity obligations. Martin Resource Management also licenses certain of its trademarks and trade names to us under the Omnibus Agreement.

The agreements include, but are not limited to, motor carrier agreements, marine transportation agreements, terminal services agreements, a tolling agreement, a sulfuric acid agreement, and various other miscellaneous agreements. Pursuant to the terms of the Omnibus Agreement, we are prohibited from entering into certain material agreements with Martin Resource Management without the approval of the Conflicts Committee.

For a more comprehensive discussion concerning the Omnibus Agreement and the other agreements that we have entered into with Martin Resource Management, please refer to "Item 13. Certain Relationships and Related Transactions, and Director Independence" set forth in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 16, 2018, as amended by Amendment No. 1 on Form 10-K/A filed on March 29, 2018.

Commercial

We have been and anticipate that we will continue to be both a significant customer and supplier of products and services offered by Martin Resource Management. Our motor carrier agreement with Martin Resource Management provides us with access to Martin Resource Management’s fleet of road vehicles and road trailers to provide land transportation in the areas served by Martin Resource Management. Our ability to utilize Martin Resource Management’s land transportation operations is currently a key component of our integrated distribution network.

In the aggregate, the impact of related party transactions included in cost of products sold accounted for approximately 9% of our total cost of products sold during both the three months ended September 30, 2018 and 2017. In the aggregate, the impact of related party transactions included in cost of products sold accounted for approximately 9% and 10% of our total cost of products sold during the nine months ended September 30, 2018 and 2017, respectively. We also purchase marine fuel from Martin Resource Management, which we account for as an operating expense.

Correspondingly, Martin Resource Management is one of our significant customers. Our sales to Martin Resource Management accounted for approximately 11% and 14% of our total revenues for the three months ended September 30, 2018 and 2017, respectively. Our sales to Martin Resource Management accounted for approximately 10% and 12% of our total revenues for the nine months ended September 30, 2018 and 2017, respectively. We have entered into certain agreements with Martin Resource Management pursuant to which we provide terminalling and storage and marine transportation services to its subsidiary, Martin Energy Services, LLC ("MES"), and MES provides terminal services to us to handle lubricants, greases and drilling fluids. Additionally, we have entered into a long-term, fee for services-based tolling agreement with Martin Resource Management where Martin Resource Management agrees to pay us for the processing of its crude oil into finished products, including naphthenic lubricants, distillates, asphalt and other intermediate cuts.

For a more comprehensive discussion concerning the agreements that we have entered into with Martin Resource Management, please refer to "Item 13. Certain Relationships and Related Transactions, and Director Independence" set forth in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 16, 2018, as amended by Amendment No. 1 on Form 10-K/A filed on March 29, 2018.

Approval and Review of Related Party Transactions

If we contemplate entering into a transaction, other than a routine or in the ordinary course of business transaction, in which a related person will have a direct or indirect material interest, the proposed transaction is submitted for consideration to the board of directors of our general partner or to our management, as appropriate. If the board of directors of our general partner is involved in the approval process, it determines whether to refer the matter to the Conflicts Committee of our general partner's board of directors, as constituted under our limited partnership agreement. If a matter is referred to the Conflicts Committee, it obtains information regarding the proposed transaction from management and determines whether to engage independent legal counsel or an independent financial advisor to advise the members of the committee regarding the transaction. If the Conflicts Committee retains such counsel or financial advisor, it considers such advice and, in the case of a financial advisor, such advisor’s opinion as to whether the transaction is fair and reasonable to us and to our unitholders.

How We Evaluate Our Operations

Our management uses a variety of financial and operational measurements other than our financial statements prepared in accordance with U.S. GAAP to analyze our performance. These include: (1) net income before interest expense, income tax expense, and depreciation and amortization ("EBITDA"), (2) adjusted EBITDA and (3) distributable cash flow. Our management views these measures as important performance measures of core profitability for our operations and the ability to generate and distribute cash flow, and as key components of our internal financial reporting. We believe investors benefit from having access to the same financial measures that our management uses.

EBITDA and Adjusted EBITDA. Certain items excluded from EBITDA and adjusted EBITDA are significant components in understanding and assessing an entity's financial performance, such as cost of capital and historical costs of depreciable assets. We have included information concerning EBITDA and adjusted EBITDA because they provide investors and management with additional information to better understand the following: financial performance of our assets without regard to financing methods, capital structure or historical cost basis; our operating performance and return on capital as compared to those of other similarly situated entities; and the viability of acquisitions and capital expenditure projects. Our method of computing adjusted EBITDA may not be the same method used to compute similar measures reported by other entities. The economic substance behind our use of adjusted EBITDA is to measure the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness and make distributions to our unit holders.

Distributable Cash Flow. Distributable cash flow is a significant performance measure used by our management and by external users of our financial statements, such as investors, commercial banks and research analysts, to compare basic cash flows generated by us to the cash distributions we expect to pay our unitholders. Distributable cash flow is also an important financial measure for our unitholders since it serves as an indicator of our success in providing a cash return on investment. Specifically, this financial measure indicates to investors whether or not we are generating cash flow at a level that can sustain or support an increase in our quarterly distribution rates. Distributable cash flow is also a quantitative standard used throughout the investment community with respect to publicly-traded partnerships because the value of a unit of such an entity is generally determined by the unit's yield, which in turn is based on the amount of cash distributions the entity pays to a unitholder.

EBITDA, adjusted EBITDA and distributable cash flow should not be considered alternatives to, or more meaningful than, net income, cash flows from operating activities, or any other measure presented in accordance with U.S. GAAP. Our method of computing these measures may not be the same method used to compute similar measures reported by other entities.

Non-GAAP Financial Measures

The following table reconciles the non-GAAP financial measurements used by management to our most directly comparable GAAP measures for the three and nine months ended September 30, 2018 and 2017.

Reconciliation of EBITDA, Adjusted EBITDA, and Distributable Cash Flow

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2018	**2017**	**2018**	**2017**
	(in thousands)			
Net income (loss)	$39,446	$(16,286)	$45,018	$(1,714)
Less: Income from discontinued operations, net of income taxes	(49,132)	(743)	(51,700)	(2,402)
Loss from continuing operations	(9,686)	(17,029)	(6,682)	(4,116)
Adjustments:				
Interest expense, net	13,140	12,538	39,591	34,677
Income tax expense	91	108	372	301
Depreciation and amortization	18,741	20,286	58,842	65,948
EBITDA	22,286	15,903	92,123	96,810
Adjustments:				
(Gain) loss on sale of property, plant and equipment	384	187	876	327
Unrealized mark-to-market on commodity derivatives	2,396	—	2,896	(4,037)
Hurricane damage repair accrual	—	3,725	—	3,725
Asset retirement obligation revision	—	5,547	—	5,547
Unit-based compensation	352	113	872	518
Adjusted EBITDA	25,418	25,475	96,767	102,890
Adjustments:				
Interest expense, net	(13,140)	(12,538)	(39,591)	(34,677)
Income tax expense	(91)	(108)	(372)	(301)
Amortization of debt premium	(77)	(77)	(230)	(230)
Amortization of deferred debt issuance costs	874	725	2,563	2,170
Payments for plant turnaround costs	(879)	8	(879)	(1,583)
Maintenance capital expenditures	(5,247)	(5,208)	(16,619)	(12,494)
Distributable Cash Flow	$6,858	$8,277	$41,639	$55,775

Results of Operations

The results of operations for the three and nine months ended September 30, 2018 and 2017 have been derived from our consolidated and condensed financial statements.

We evaluate segment performance on the basis of operating income, which is derived by subtracting cost of products sold, operating expenses, selling, general and administrative expenses, and depreciation and amortization expense from revenues. The following table sets forth our operating revenues and operating income by segment for the three and nine months ended September 30, 2018 and 2017. The results of operations for these interim periods are not necessarily indicative of the results of operations which might be expected for the entire year.

Our consolidated and condensed results of operations are presented on a comparative basis below. There are certain items of income and expense which we do not allocate on a segment basis. These items, including equity in earnings (loss) of unconsolidated entities, interest expense, and indirect selling, general and administrative expenses, are discussed following the comparative discussion of our results within each segment.

Three Months Ended September 30, 2018 Compared to the Three Months Ended September 30, 2017

	Operating Revenues	**Intersegment Revenues Eliminations**	**Operating Revenues after Eliminations**	**Operating Income (Loss)**	**Operating Income (Loss) Intersegment Eliminations**	**Operating Income (Loss) after Eliminations**
Three Months Ended September 30, 2018	(in thousands)					
Terminalling and storage	$64,002	$ (1,601)	$ 62,401	$ 4,736	$ (1,002)	$ 3,734
Natural gas services	113,151	—	113,151	(663)	952	289
Sulfur services	30,768	—	30,768	3,092	(962)	2,130
Marine transportation	13,570	(843)	12,727	750	1,012	1,762
Indirect selling, general and administrative	—	—	—	(4,388)	—	(4,388)
Total	$221,491	$ (2,444)	$ 219,047	$ 3,527	$ —	$ 3,527

	Operating Revenues	**Intersegment Revenues Eliminations**	**Operating Revenues after Eliminations**	**Operating Income (Loss)**	**Operating Income (Loss) Intersegment Eliminations**	**Operating Income (Loss) after Eliminations**
Three Months Ended September 30, 2017	(in thousands)					
Terminalling and storage	$57,805	$ (1,192)	$ 56,613	$ (6,455)	$ (592)	$ (7,047)
Natural gas services	98,310	(226)	98,084	6,529	543	7,072
Sulfur services	27,024	—	27,024	567	(1,113)	(546)
Marine transportation	12,400	(993)	11,407	(688)	1,162	474
Indirect selling, general and administrative	—	—	—	(4,391)	—	(4,391)
Total	$195,539	$ (2,411)	$ 193,128	$ (4,438)	$ —	$ (4,438)

Nine Months Ended September 30, 2018 Compared to the Nine Months Ended September 30, 2017

	Operating Revenues	**Intersegment Revenues Eliminations**	**Operating Revenues after Eliminations**	**Operating Income (Loss)**	**Operating Income (Loss) Intersegment Eliminations**	**Operating Income (Loss) after Eliminations**
Nine Months Ended September 30, 2018	(in thousands)					
Terminalling and storage	$188,299	$ (4,440)	$ 183,859	$ 11,104	$ (2,909)	$ 8,195
Natural gas services	392,117	—	392,117	19,090	2,495	21,585
Sulfur services	106,926	—	106,926	14,376	(2,206)	12,170
Marine transportation	38,766	(1,846)	36,920	1,658	2,620	4,278
Indirect selling, general and administrative	—	—	—	(12,965)	—	(12,965)
Total	$726,108	$ (6,286)	$ 719,822	$ 33,263	$ —	$ 33,263

	Operating Revenues	**Intersegment Revenues Eliminations**	**Operating Revenues after Eliminations**	**Operating Income (Loss)**	**Operating Income (Loss) Intersegment Eliminations**	**Operating Income (Loss) after Eliminations**
Nine Months Ended September 30, 2017	(in thousands)					
Terminalling and storage	$175,944	$ (4,418)	$ 171,526	$ (3,220)	$ (2,676)	$ (5,896)
Natural gas services	328,136	(226)	327,910	27,396	2,472	29,868
Sulfur services	104,278	—	104,278	19,173	(2,657)	16,516
Marine transportation	38,958	(2,297)	36,661	(9)	2,861	2,852
Indirect selling, general and administrative	—	—	—	(13,083)	—	(13,083)
Total	$647,316	$ (6,941)	$ 640,375	$ 30,257	$ —	$ 30,257

Terminalling and Storage Segment

Comparative Results of Operations for the Three Months Ended September 30, 2018 and 2017

Three Months Ended September 30,		Variance	Percent Change
2018	2017		
(In thousands, except BBL per day)			