



**PETRO
MARINE**

a division of **Petro 49, Inc.**

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October 29, 2018

Mr. Stephen Giesbrecht
Borough Manager
PO Box 329
Petersburg, AK 99833

Dear Mr. Giesbrecht and Borough Assembly Members:

Petro 49, Inc. (Petro) has submitted a request to the Petersburg Borough for a land exchange, as described in the attached Land Disposal Application dated June 5, 2018 (the "Application"). This letter is submitted in support of Petro's application and to provide additional information to the Petersburg Borough, (the "Borough").

Petro currently owns improved land located at 703 Nordic Drive S (Parcel ID#01010137-42, Lots 1-7A) and as further described in the Application, ("Petro Property"). The improvements on the Petro Property include a small warehouse, covered loading dock and office. The land and improvements are not needed for Petro's business.

Petro currently leases land from the Borough, located at 100 Dock St and 902 S Nordic Drive (Parcel ID#s 01010050 and 01010051) and as further described in the Application, ("Borough Property"). The Borough Property is in close proximity to Petro's offices. Improvements on the Borough Property include a warehouse and gas station that is subleased. Petro has a current business use for the Borough Property.

Petro proposes exchanging the Petro Property for the Borough Property, based upon the current appraised value of each parcel and a payment of the difference in value to the party who receives the property with the lower appraised value. Based on previous appraisals of both properties, it is anticipated that the Petro Property has a higher appraised value than the Borough Property.


Petro proposes that if the land exchange results in Petro receiving title to the Borough Property and additional cash, Petro will pledge the net proceeds from the land exchange towards the construction by the Petersburg Borough of a berthing dolphin adjacent to the fuel dock (the "Berthing Dolphin Project"). It is likely that the construction costs of the Berthing Dolphin Project would exceed the amount of net funds that Petro receives from the land exchange, so other funding sources would be required to fully fund the berthing Dolphin Project and those funds would be the responsibility of the Petersburg Borough to secure. The Petersburg Borough would also be responsible for the planning, construction, supervision and completion of the Berthing Dolphin Project. The Berthing Dolphin Project would allow larger vessels, like cruise ships, to partially rest against the dock face and the dolphin. This would allow for Petro to continue to fuel other commercial vessels at the open space of the dock face. Currently, when large vessels are tied up at the dock, there is insufficient space for fueling smaller vessels.

This transaction will provide mutual benefits to the Borough and Petro and will improve the dock area. Petro looks forward to working with the Borough on this transaction. Petro's proposal is subject to finalization of legally binding agreements with the Borough.

If, after 30 months from closing the land exchange, the Berthing Dolphin Project has not achieved full funding, Petro would request that the net proceeds be applied to its remaining lease payments (Parcel 1, Parcel C&D upland easement, Parcel C&D submerged easement) with the Borough until exhausted.

We welcome any comments, questions or feedback and will wait to hear back from you regarding the next steps.

Best Regards,


Jason Werner
C.F.O.