Petroleum & Resources Corporation

INVESTMENTS IN GLOBAL ENERGY AND NATURAL RESOURCES

Petroleum & Resources Corporation – Annual Report 2007

THE CORPORATION

- a closed-end equity investment company emphasizing natural resources stocks
- objectives: preservation of capital
  reasonable income
  opportunity for capital gain
- internally-managed
- low expense ratio
- low turnover

STOCK DATA (12/31/07)

NYSE Symbol	PEO
Market Price	$38.66
52-Week Range	$31.12–$42.43
Discount	10.1%
Shares Outstanding	22,768,250

SUMMARY FINANCIAL INFORMATION

	Year Ended December 31	
	2007	**2006**
Net asset value per share	$ 42.99	$ 36.61
Total net assets	978,919,829	812,047,239
Unrealized appreciation	606,901,290	462,398,019
Net investment income	10,070,758	9,844,108
Total realized gain	82,692,239	69,700,053
Total return (based on market value)	28.9%	15.3%
Total return (based on net asset value)	31.0%	15.7%
Expense ratio	0.54%	0.60%

2007 DIVIDENDS AND DISTRIBUTIONS

Paid	**Amount (per share)**	**Type**
March 1, 2007	$0.07	Long-term capital gain
March 1, 2007	0.03	Short-term capital gain
March 1, 2007	0.03	Investment income
June 1, 2007	0.13	Investment income
September 1, 2007	0.13	Investment income
December 27, 2007	3.71	Long-term capital gain
December 27, 2007	0.01	Short-term capital gain
December 27, 2007	0.20	Investment income
	$4.31	

2008 ANNUAL MEETING OF STOCKHOLDERS

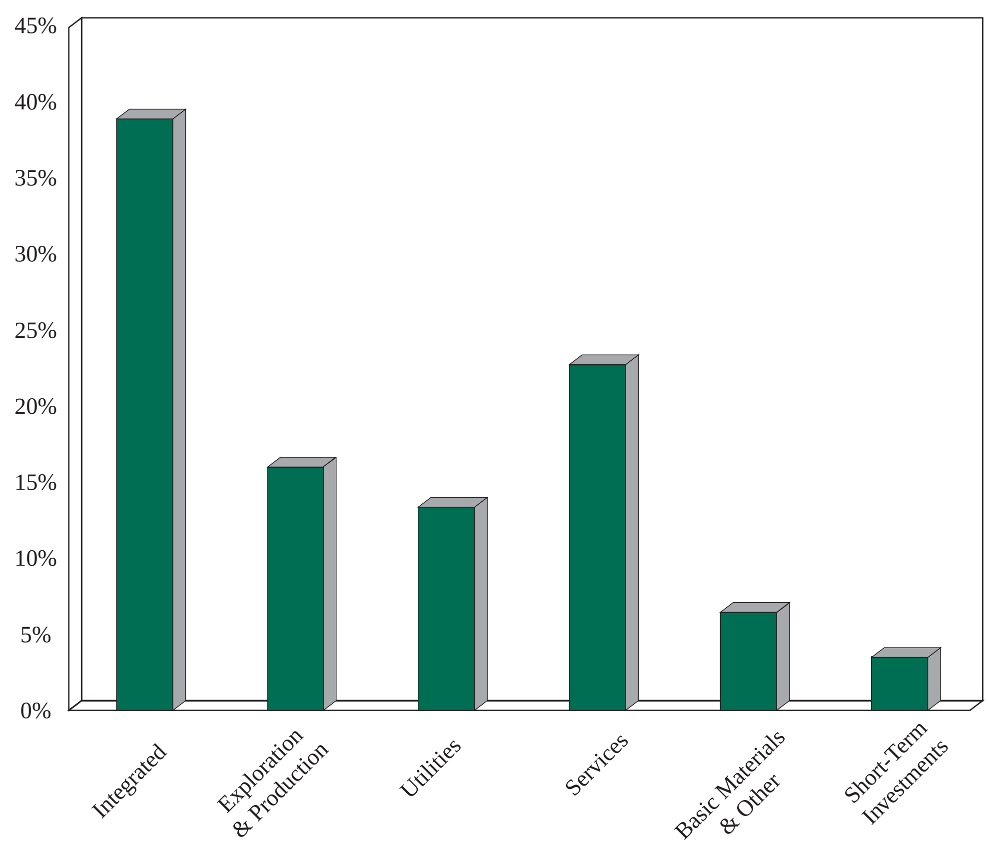
Location: The Tremont Grand, Baltimore, Maryland
Date: March 13, 2008
Time: 9:45 a.m.

(unaudited)

TEN LARGEST PORTFOLIO HOLDINGS (12/31/07)

	Market Value	*% of Net Assets*
Exxon Mobil Corp.	$116,644,050	11.9
Chevron Corp.	66,730,950	6.8
Schlumberger Ltd.	55,087,200	5.6
ConocoPhillips	49,173,475	5.0
Noble Corp.	33,906,000	3.5
Weatherford International Ltd.	33,858,216	3.5
Total S.A. ADR	32,214,000	3.3
Occidental Petroleum Corp.	30,796,000	3.2
Valero Energy Corp.	29,762,750	3.0
Devon Energy Corp.	29,340,300	3.0
Total	$477,512,941	48.8%

SECTOR WEIGHTINGS (12/31/07)

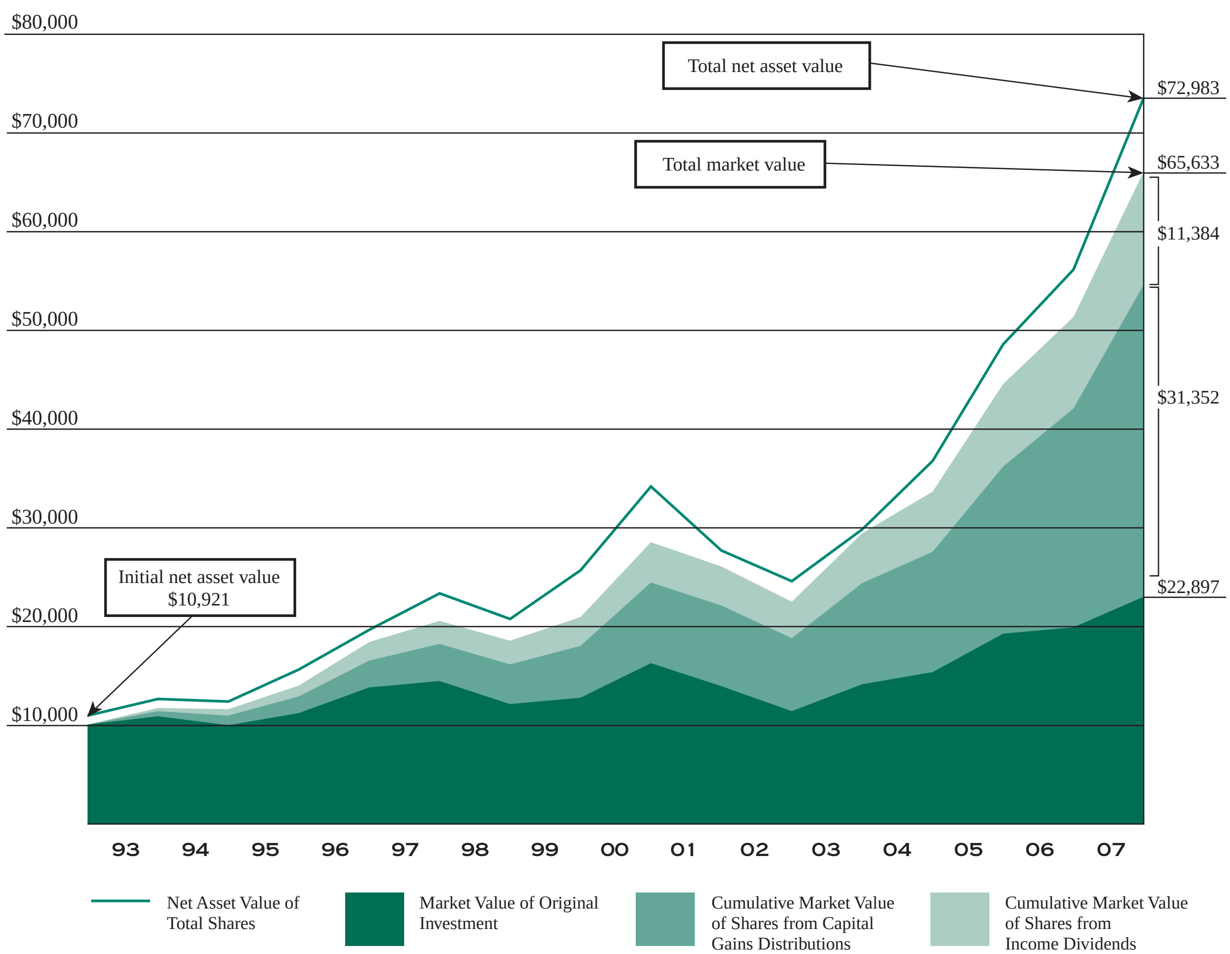


Calendar year end	Market value of original shares	Cumulative market value of capital gains distributions taken in shares	Cumulative market value of income dividends taken in shares	Total market value	Total net asset value
1993	$10,856	$ 520	$ 311	$11,687	$12,599
1994	9,968	983	644	11,595	12,328
1995	11,152	1,683	1,127	13,962	15,577
1996	13,723	2,754	1,832	18,309	19,539
1997	14,410	3,704	2,325	20,439	23,220
1998	12,094	3,968	2,356	18,418	20,615
1999	12,734	5,213	2,902	20,849	25,523
2000	16,175	8,092	4,096	28,363	33,950
2001	13,895	8,094	3,915	25,904	27,493
2002	11,360	7,360	3,629	22,349	24,446
2003	14,060	10,169	4,988	29,217	29,611
2004	15,269	12,136	6,011	33,416	36,500
2005	19,154	16,773	8,273	44,200	48,164
2006	19,817	21,920	9,196	50,933	55,728
2007	22,897	31,352	11,384	65,633	72,983

ILLUSTRATION OF AN ASSUMED 15 YEAR INVESTMENT OF $10,000

(unaudited)

Investment income dividends and capital gains distributions are taken in additional shares. This chart covers the years 1993–2007. Fees for the reinvestment of interim dividends are assumed as 2% of the amount reinvested (maximum of $2.50) and commissions of $0.05 per share. There is no charge for reinvestment of year-end distributions. No adjustment has been made for any income taxes payable by stockholders on income dividends or on capital gains distributions or the sale of any shares. These results should not be considered representative of the dividend income or capital gain or loss which may be realized in the future.



We are pleased to report another outstanding year for Petroleum & Resources Corporation. The Fund realized a total return on net assets of 31% for the year, nearly twice that of 2006 and only slightly below the 33% increase in the Dow Jones Oil and Gas Index (DJOGI). The 80% of the portfolio which is comprised of energy stocks (not including utilities) returned over 35% for the year. The utility segment of the portfolio, mostly gas pipelines and distribution companies, also had a strong year, with a 22% return, well ahead of the utility sector of the S&P 500 Index, which returned 19%. Our non-energy holdings (primarily chemicals) returned approximately 15%, well ahead of the broader S&P 500 Index return of 5.5% for the year. Below, we summarize events driving our performance in 2007 and our perspective on energy markets in 2008.

Douglas G. Ober,
Chairman, President and Chief Executive Officer

A REVIEW OF 2007

Oil prices fluctuated in a range of $50-$60 per barrel for most of the first quarter as a relatively mild winter kept a lid on heating oil demand in this country and the OPEC production cut of late 2006 stabilized inventory levels. Modest growth in general economic activity here and abroad also served to slow the growth in worldwide demand for crude oil. Late in the quarter, however, a number of factors pushed the price of oil upward. Economic activity picked up. Gasoline demand jumped as the driving season kicked off. The slide of the dollar relative to other currencies picked up speed. OPEC production cuts resulted in declining inventories worldwide, and the U.S. troop surge in Iraq began. In addition, speculative interest in oil futures contracts, already significant, grew larger. The net result was that the oil price rose steadily to $70 a barrel by the end of the second quarter and oil stocks had one of their best quarters ever, with the DJOGI up over 14%. The runup continued through the end of the year, with the price of oil touching $98 a barrel in late December. Stocks did not follow suit, however, as the U.S. economy showed signs of weakening and concerns arose about refining margins and demand both here and overseas.

2007 was not as exciting for natural gas as it was for oil. The mild winter weather mentioned earlier resulted in less gas being taken out of storage than normal and a higher level of storage going into the spring. While demand from gas-fired power plants was good during the warm summer, strong domestic production growth and increased liquefied natural gas (LNG) imports kept prices in the $6-$8 per thousand cubic feet range for most of the year. Natural gas in storage was at record levels going into this winter, but the colder weather has resulted in larger drawdowns than in the prior winter. While plenty of gas remains, the level of demand has pushed prices up since the change in season to $8 per thousand cubic feet and above.

Coal has been in significant oversupply for some period of time, though speculative interests drove the price up when a series of new coal-fired power plant construction projects were announced early in the year. Many of these were subsequently cancelled and prices fell back. Numerous smaller mines have closed due to increased costs of operations and safety mandates, but there is still excess production capacity for thermal coal in the U.S. Even so, steam coal experienced a surge in prices late in the year due to improved international demand. Until some competitive form of clean-coal technology can be developed, the pollution associated with coal burning will constrain demand growth. Producers of metallurgical coal for steelmaking fared somewhat better in 2007 as steel demand was strong and Australian producers of such coal had difficulty exporting their production due to shipping bottlenecks.

The energy sector had a very strong year in 2007, buoyed by rising prices throughout the period. The best-performing group within the DJOGI was the exploration and production group, which was up by 43% for the year. Our holdings, led by Noble Energy and Apache Corp., rose 44% due to their strong production growth and drilling programs. The oil service segment had the second best increase of the year, with that portion of the DJOGI up 41%, partially due to consolidation in the rig companies and other service providers. The Fund's service names were up by 30% as GlobalSantaFe was bought out by Transocean, Weatherford was up 64% and Schlumberger, our largest holding in the service segment, rose 56%.

The difference between the Fund's return and that of the service segment of the DJOGI can largely be attributed to National Oilwell and Smith International, the fourth and eighth largest companies in the group, neither of which were held by the Fund. On the other hand, the performance of the Fund's integrated companies was very strong, with our investments up 28%, led by Hess, up 103%, and Murphy, which was up 67% on the ramp-up of production at the Kikeh field off Malaysia. The DJOGI integrated companies, in contrast, were up 26%. The index-beating return came despite our holdings in Royal Dutch Shell and Total, which are not represented in the index and did not perform as well as the rest of the group in 2007. As noted above, our utility holdings, mostly gas distribution companies and pipeline operators, did very well, with a 22% return. Within the DJOGI, the gas pipelines returned 14% and the distribution companies returned 4%, while the broader S&P Utility sector returned 19%.

INVESTMENT RESULTS

Net assets of the Corporation on December 31, 2007 were $978,919,829 or $42.99 per share on 22,768,250 shares outstanding. This compares with $812,047,239 or $36.61 per share on 22,180,867 shares outstanding a year earlier.

Net investment income for 2007 was $10,070,758 compared to $9,844,108 for 2006. These earnings are equivalent to $0.46 and $0.47 per share, respectively, on the average number of shares outstanding throughout each year. Our 0.54% expense ratio (expenses to average net assets) was once again at a low level compared to the industry.

Net realized gains amounted to $82,692,239 during the year, while the unrealized appreciation on investments increased from $462,398,019 at December 31, 2006 to $606,901,290 at year end.

DIVIDENDS AND DISTRIBUTIONS

Total dividends and distributions paid in 2007 were $4.31 per share compared to $3.80 in 2006. The table on page 19 shows the history of our dividends and distributions over the past fifteen years, including the annual rate of distribution as a percentage of the average daily market price of the Corporation's Common Stock. In 2007, the annual rate of distribution was 11.61% compared to 11.26% in 2006. As announced on November 8, 2007, a year-end distribution consisting of investment income of $0.20 per share and capital gains of $3.72 per share was made on December 27, 2007, both realized and taxable in 2007. On January 10, 2008, an additional distribution of $0.13 per share was declared to shareholders of record February 14, 2008, payable March 1, 2008, representing undistributed net investment income earned in 2007 and an initial distribution from 2008 net investment income, taxable to shareholders in 2008.

OUTLOOK FOR 2008

Though the oil price briefly touched $100 per barrel early in January, it has subsequently retreated to below $90 as crude inventories rose more than anticipated on lower refinery runs. Price volatility is expected to continue to be high as supplies remain tight and demand depends greatly on world economic growth. Any impact on supply, whether from the U.S. urging the Saudis for more oil, unrest in Nigeria, a further decline in the relative value of the dollar, or a host of other geopolitical reasons, will be reflected in the price almost instantly. Estimates of the portion of the price representing non-economic factors, including speculative interests, range from $20 to $40 per barrel. These are unlikely to go away any time soon, so we expect to see a wide price range of $75 to $100 per barrel, with possible spikes up or down beyond that range. This makes it difficult to generate reliable earnings estimates for the oil companies. With an expected range of oil prices greater than the 2007 average of $72.23, however, we expect that the companies will show earnings growth in the 5-7% range. This is likely to be somewhat better than the average growth of companies in the S&P 500 Index. With the current valuations of energy companies at the low end of their ranges, we think the oils can outperform the market again in 2008.

The outlook for natural gas is increasingly a function of the weather, both hot and cold. With demand by industrial users shrinking, power generation and home heating have become the primary users of natural gas. Demand growth over the longer term, however, is likely to be more a function of the better environmental characteristics of the fuel. On the supply side, many of the new wells coming on stream, largely from more complex geologies, have slower depletion rates after the first year of production than older wells, and result in gradually improved supply levels. LNG imports are a modest swing factor, but are still a very small part of the available supply in this country. Our expectation is that the growth in demand over time will be increasingly difficult to satisfy and prices will gradually rise, making the exploration and production companies an attractive area for investment.

A recession in this country of any length or depth, with repercussions overseas, would bring demand down sufficiently to take oil prices lower than the $75 to $100 range and adversely impact earnings. The stocks would then probably not perform as well as the market. Regardless of what happens in the short term, the outlook for the energy industry over the longer term is good. The world will need oil and natural gas for many years to come, regardless of technical advances and legislation in favor of alternative fuels. Our broad exposure to the many segments of the industry provides stockholders with a stable platform for investment in this complex sector as well as an attractive cash flow.

SHARE REPURCHASE PROGRAM

On December 13, 2007, the Board of Directors authorized the repurchase by management of up to 5% of the outstanding shares of the Corporation over the ensuing year. The repurchase program is subject to the restriction that shares can only be repurchased when the discount of the market price of the shares from the net asset value is 6.5% or greater.

From the beginning of 2008 through January 25, 2008, 30,000 shares have been repurchased at a total cost of $1,015,147 and a weighted average discount from net asset value of 11.4%.

At its meeting in December, the Board of Directors promoted Robert E. Sullivan to the position of Executive Vice President, effective January 1, 2008. As such, he becomes a member of the Investment Committee and an integral part of the portfolio management team for the Fund. In his three and a half years at the Fund, he has demonstrated strong stock selection skills and a thorough knowledge of the energy industry.

We are pleased to announce that Mr. Kenneth J. Dale was appointed to the Board of Directors of the Corporation, effective January 10, 2008. Mr. Dale is Senior Vice President and Chief Financial Officer of The Associated Press. Prior to joining the AP he was an investment banker for J. P. Morgan & Company, Inc., advising clients on capital structure, equity offerings, debt issuances, and mergers and acquisitions activity. His extensive investment background combined with his global perspective make him a valuable addition to the Board of Directors.

This Annual Report, along with the proxy statement for the Annual Meeting of Stockholders to be held in Baltimore on March 13, 2008, are expected to be mailed on or about February 19, 2008.

By order of the Board of Directors,

Douglas G. Ober,

Chairman, President and
Chief Executive Officer

January 30, 2008

December 31, 2007

Assets		
Investments* at value:		
Common stocks and convertible securities		
(cost $342,181,463)	$948,962,546	
Short-term investments (cost $32,963,306)	32,963,306	
Securities lending collateral (cost $37,129,937)	37,129,937	$1,019,055,789
Cash		342,762
Dividends receivable		627,541
Prepaid expenses and other assets		565,035
Total Assets		1,020,591,127
Liabilities		
Investment securities purchased		632,501
Open written option contracts at value (proceeds $156,682)		36,475
Obligations to return securities lending collateral		37,129,937
Accrued pension liabilities		1,996,775
Accrued expenses and other liabilities		1,875,610
Total Liabilities		41,671,298
Net Assets		$ 978,919,829

Net Assets	
Common Stock at par value $0.001 per share, authorized 50,000,000 shares; issued and outstanding 22,768,250 shares (includes 24,724 restricted shares, 3,200 restricted stock units and 2,238 deferred stock units) (Note 6)	$ 22,768
Additional capital surplus	372,785,978
Accumulated other comprehensive income (Note 5)	(2,056,892)
Undistributed net realized gain on investments	1,266,685
Unrealized appreciation on investments	606,901,290
Net Assets Applicable to Common Stock	$ 978,919,829
Net Asset Value Per Share of Common Stock	$42.99

* See schedule of investments on pages 14 through 16.

The accompanying notes are an integral part of the financial statements.

Year Ended December 31, 2007

Investment Income	
Income:	
Dividends	$ 12,001,948
Interest and other income	2,977,967
Total income	14,979,915
Expenses:	
Investment research	2,239,077
Administration and operations	1,259,685
Directors' fees	348,787
Reports and stockholder communications	249,870
Transfer agent, registrar and custodian expenses	145,497
Auditing and accounting services	129,340
Legal services	37,592
Occupancy and other office expenses	222,444
Travel, telephone and postage	80,892
Other	195,973
Total expenses	4,909,157
Net Investment Income	10,070,758
Other Comprehensive Income (Note 5)	(89,917)
Realized Gain and Change in Unrealized Appreciation on Investments	
Net realized gain on security transactions	82,692,239
Change in unrealized appreciation on investments	144,503,271
Net Gain on Investments	227,195,510
Change in Net Assets Resulting from Operations	$237,176,351

The accompanying notes are an integral part of the financial statements.

	For the Year Ended	
	Dec. 31, 2007	Dec. 31, 2006
From Operations:		
Net investment income	$ 10,070,758	$ 9,844,108
Net realized gain on investments	82,692,239	69,700,053
Change in unrealized appreciation on investments	144,503,271	33,586,674
Change in accumulated other comprehensive income (Note 5)	(89,917)	(1,966,975)
Change in net assets resulting from operations	237,176,351	111,163,860
Distributions to Stockholders From:		
Net investment income	(10,678,823)	(9,928,393)
Net realized gain from investment transactions	(82,870,511)	(69,654,826)
Decrease in net assets from distributions	(93,549,334)	(79,583,219)
From Capital Share Transactions:		
Value of shares issued in payment of distributions	41,992,828	46,212,047
Cost of shares purchased (Note 4)	(19,224,514)	(28,033,719)
Deferred compensation (Notes 4, 6)	477,259	374,618
Change in net assets from capital share transactions	23,245,573	18,552,946
Total Increase in Net Assets	166,872,590	50,133,587
Net Assets:		
Beginning of year	812,047,239	761,913,652
End of year (including undistributed net investment income of $0 in 2007 and 2006)	$978,919,829	$812,047,239

The accompanying notes are an integral part of the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Petroleum & Resources Corporation (the Corporation) is registered under the Investment Company Act of 1940 as a non-diversified investment company. The Corporation is an internally-managed fund emphasizing petroleum and other natural resource investments. The investment objectives of the Corporation are preservation of capital, the attainment of reasonable income from investments, and an opportunity for capital appreciation.

Security Valuation — Investments in securities traded on national securities exchanges are valued at the last reported sale price on the day of valuation. Over-the-counter and listed securities for which a sale price is not available are valued at the last quoted bid price. Short-term investments (excluding purchased options) are valued at amortized cost. Purchased and written options are valued at the last quoted asked price.

Security Transactions and Investment Income — Investment transactions are accounted for on the trade date. Gain or loss on sales of securities and options is determined on the basis of identified cost. Dividend income and distributions to shareholders are recognized on the ex-dividend date, and interest income is recognized on the accrual basis.

2. FEDERAL INCOME TAXES

The Corporation's policy is to distribute all of its taxable income to its shareholders in compliance with the requirements of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required. For federal income tax purposes, the identified cost of securities at December 31, 2007 was $412,244,883, and net unrealized appreciation aggregated $606,810,906, of which the related gross unrealized appreciation and depreciation were $609,881,682 and $3,070,776, respectively. As of December 31, 2007, the tax basis of distributable earnings was $1,506,701 of undistributed ordinary income and $1,110,098 of undistributed long-term capital gain.

Distributions paid by the Corporation during the year ended December 31, 2007 were classified as ordinary income of $11,559,594 and capital gain of $81,989,740. In comparison, distributions paid by the Corporation during the year ended December 31, 2006 were classified as ordinary income of $17,053,276 and capital gain of $62,529,943. The distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. Accordingly, periodic reclassifications are made within the Corporation's capital accounts to reflect income and gains available for distribution under income tax regulations.

Effective June 29, 2007, the Corporation adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, a clarification of FASB Statement No. 109, Accounting for Income Taxes. FIN 48 establishes financial reporting rules regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. The adoption of FIN 48 had no impact on the Corporation's net assets or results of operations.

3. INVESTMENT TRANSACTIONS

The Corporation's investment decisions are made by a committee of management and recommendations to that committee are made by the research staff.

Purchases and sales of portfolio securities, other than options and short-term investments, during the year ended December 31, 2007 were $63,058,310 and $120,120,407, respectively. Options may be written (sold) or purchased by the Corporation. The Corporation, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. The risk associated with purchasing an option is limited to the premium originally paid. A schedule of outstanding option contracts as of December 31, 2007 can be found on page 17.

Transactions in written covered call and collateralized put options during the year ended December 31, 2007 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2006	1,125	$ 242,584	750	$ 85,950
Options written	4,065	499,130	4,555	499,710
Options terminated in closing purchase transactions	(600)	(136,315)	(100)	(14,345)
Options expired	(2,265)	(299,341)	(4,230)	(469,544)
Options exercised	(1,600)	(218,680)	(325)	(32,467)
Options outstanding, December 31, 2007	725	$ 87,378	650	$ 69,304

4. CAPITAL STOCK

The Corporation has 5,000,000 authorized and unissued preferred shares, $0.001 par value.

On December 27, 2006, the Corporation issued 1,369,675 shares of its Common Stock at a price of $33.73 per share (the average market price on December 11, 2006) to stockholders of record November 21, 2006 who elected to take stock in payment of the distribution from 2006 capital gain and investment income. In addition, 376 shares were issued at a weighted average price of $33.76 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Incentive Compensation Plan.

On December 27, 2007, the Corporation issued 1,109,759 shares of its Common Stock at a price of $37.825 per share (the average market price on December 11, 2007) to stockholders of record November 21, 2007 who elected to take stock in payment of the distribution from 2007 capital gain and investment income. In addition, 446 shares were issued at a weighted average price of $36.09 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Incentive Compensation Plan.

The Corporation may purchase shares of its Common Stock from time to time at such prices and amounts as the Board of Directors may deem advisable.

Transactions in Common Stock for 2007 and 2006 were as follows:

	Shares		Amount	
	2007	2006	2007	2006
Shares issued in payment of distributions	1,110,205	1,370,051	$ 41,992,828	$ 46,212,047
Shares purchased (at an average discount from net asset value of 9.9% and 10.1%, respectively)	(538,375)	(827,959)	(19,224,514)	(28,033,719)
Net activity under the 2005 Equity Incentive Compensation Plan	15,553	17,703	477,259	374,618
Net change	587,383	559,795	$ 23,245,573	$ 18,552,946

5. RETIREMENT PLANS

The Corporation's non-contributory qualified defined benefit pension plan covers all employees with at least one year of service. In addition, the Corporation has a non-contributory nonqualified defined benefit plan which provides eligible employees with retirement benefits to supplement the qualified plan. Benefits are based on length of service and compensation during the last five years of employment.

The funded status of the plans is recognized as an asset (overfunded plan) or a liability (underfunded plan) in the Statement of Assets and Liabilities. Changes in the prior service costs and accumulated actuarial gains and losses are recognized as accumulated other comprehensive income, a component of net assets, in the year in which the changes occur.

The Corporation uses a December 31 measurement date for its plans.

	2007	2006
Change in benefit obligation		
Benefit obligation at beginning of year	$6,290,842	$4,947,252
Service cost	348,352	334,876
Interest cost	374,693	327,991
Actuarial loss	86,279	745,184
Benefits paid	(64,461)	(64,461)
Benefit obligation at end of year	$7,035,705	$6,290,842

	2007	2006
Change in plan assets		
Fair value of plan assets at beginning of year	$ 4,673,247	$ 3,963,078
Actual return on plan assets	98,936	343,422
Employer contribution	331,208	431,208
Benefits paid	(64,461)	(64,461)
Fair value of plan assets at end of year	$ 5,038,930	$ 4,673,247
Funded status	$(1,996,775)	$(1,617,595)

Items not yet recognized as a component of net periodic pension cost:

	2007	2006
Prior service cost	$ 76,955	$ 114,672
Net (gain)/loss	1,979,937	1,852,303
Total recognized as a charge to net assets	$2,056,892	$1,966,975

The accumulated benefit obligation for all defined benefit pension plans was $5,642,374 and $4,722,250 at December 31, 2007 and 2006, respectively.

	2007	2006
Components of net periodic pension cost		
Service cost	$ 348,352	$ 334,876
Interest cost	374,693	327,991
Expected return on plan assets	(368,752)	(312,198)
Amortization of prior service cost	37,717	37,717
Amortization of net loss	226,165	225,362
Net periodic pension cost	$ 618,175	$ 613,748

In 2008, the Corporation estimates that $35,904 of prior service cost and $232,159 of net losses, for a total of $268,063, will be amortized from accumulated other comprehensive income into net periodic pension cost.

Assumptions used to determine benefit obligations are:

	2007	2006
Discount rate	6.00%	5.75%
Rate of compensation increase	7.00%	7.00%

The assumptions used to determine net periodic pension cost are:

	2007	2006
Discount rate	5.75%	5.75%
Expected long-term return on plan assets	8.00%	8.00%
Rate of compensation increase	7.00%	7.00%

The assumption for the expected long-term return on plan assets is based on the actual long-term historical returns realized by the plan assets, weighted according to the current asset mix.

The asset allocations at December 31, 2007 and 2006, by asset category, are as follows:

	2007	2006
Asset Category		
Equity Securities & Equity Mutual Funds	42%	66%
Fixed Income Mutual Funds	58%	28%
Cash	—	6%

Equity securities include common stock of The Adams Express Company, the Corporation's non-controlled affiliate, in the amount of $241,170 (5% of total plan assets) and $236,906 (5% of total plan assets) at December 31, 2007 and 2006, respectively.

The primary objective of the Corporation's pension plan is to provide capital appreciation, current income, and preservation of capital through a diversified portfolio of stocks and fixed income securities.

The Corporation's policy is to contribute annually to the plans those amounts that can be deducted for federal income tax purposes, plus additional amounts as the Corporation deems appropriate in order to provide assets sufficient to meet benefits to be paid to plan participants. The Corporation contributed $331,208 to the plans in 2007 and anticipates contributions of approximately $230,000 in 2008.

The following benefit payments, which reflect expected future service, are expected to be paid:

	Pension Benefits
2008	$ 333,637
2009	331,439
2010	376,156
2011	370,074
2012	363,238
Years 2013-2017	2,303,025

The Corporation also sponsors a defined contribution plan that covers substantially all employees. The Corporation expensed contributions to this plan of $105,301 and $97,787 for the years ended December 31, 2007 and December 31, 2006, respectively. The Corporation does not provide postretirement medical benefits.

6. EQUITY-BASED COMPENSATION

Although the Stock Option Plan of 1985 ("1985 Plan") has been discontinued and no further grants will be made under this plan, unexercised grants of stock options and stock appreciation rights granted in 2004 and prior years remain outstanding. The exercise price of the unexercised options and related stock appreciation rights is the fair market value on date of grant, reduced by the per share amount of capital gains paid by the Corporation during subsequent years. All options and related stock appreciation rights terminate 10 years from date of grant, if not exercised.

A summary of option activity under the 1985 Plan as of December 31, 2007, and changes during the period then ended is presented below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2006	83,914	$16.19	4.46
Exercised	(34,233)	15.91	
Cancelled	—	—	
Outstanding at December 31, 2007	49,681	$11.53	3.68
Exercisable at December 31, 2007	10,991	$ 9.88	1.65

The options outstanding as of December 31, 2007 are set forth below:

Exercise price	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
$5.00-$7.74	3,975	$ 5.89	1.00
$7.75-$10.49	17,707	9.23	3.43
$10.50-$13.24	10,372	12.40	4.00
$13.25-$16.00	17,627	14.61	4.33
Outstanding at December 31, 2007	49,681	$11.53	3.68

Compensation cost resulting from stock options and stock appreciation rights granted under the 1985 Plan is based on the intrinsic value of the award, recognized over the award's vesting period, and remeasured at each reporting date through the date of settlement. The total compensation cost recognized for the year ended December 31, 2007 was $655,474.

The 2005 Equity Incentive Compensation Plan ("2005 Plan"), adopted at the 2005 Annual Meeting, permits the grant of stock options, restricted stock awards and other stock incentives to key employees and all non-employee directors. The 2005 Plan provides for the issuance of up to 872,639 shares of the Corporation's Common Stock, including both performance and nonperformance-based restricted stock. Performance-based restricted stock awards vest at the end of a specified three year period, with the ultimate number of shares earned contingent on achieving certain performance targets. If performance targets are not achieved, all or a portion of the performance-based restricted shares are forfeited and become available for future grants. Nonperformance-based restricted stock awards vest ratably over a three year period and nonperformance-based restricted stock units (granted to non-employee directors) vest over a one year period. It is the current intention that employee grants will be performance-based. The 2005 Plan provides for accelerated vesting in the event of death or retirement. Non-employee directors also may elect to defer a portion of their cash compensation, with such deferred amount to be paid by delivery of deferred stock units. Outstanding awards were granted at fair market value on grant date. The number of shares of Common Stock which remain available for future grants under the 2005 Plan at December 31, 2007 is 830,520 shares.

A summary of the status of the Corporation's awards granted under the 2005 Plan as of December 31, 2007, and changes during the period then ended is presented below:

Awards	Shares/ Units	Weighted Average Grant-Date Fair Value
Balance at December 31, 2006	21,398	$33.16
Granted:		
Restricted stock	10,983	31.34
Restricted stock units	3,200	34.70
Deferred stock units	949	36.47
Vested	(5,542)	31.78
Forfeited	(826)	34.32
Balance at December 31, 2007 (includes 23,182 performance-based awards and 6,980 nonperformance-based awards)	30,162	$32.99

Compensation costs resulting from awards granted under the 2005 Plan are based on the fair value of the award on grant date (determined by the average of the high and low price on grant date) and recognized on a straight-line basis over the requisite service period. For those awards with performance conditions, compensation costs are based on the most probable outcome and, if such goals are not met, compensation cost is not recognized and any previously recognized compensation cost is reversed. The total compensation costs for restricted stock granted to employees for the year ended December 31, 2007 were $288,123. The total compensation costs for restricted stock units granted to non-employee directors for the year ended December 31, 2007 were $114,537. As of December 31, 2007, there were total unrecognized compensation costs of $411,802, a component of additional capital surplus, related to nonvested equity-based compensation arrangements granted under the 2005 Plan. Those costs are expected to be recognized over a weighted average period of 1.48 years. The total fair value of shares vested during the years ended December 31, 2007 and 2006 was $194,677 and $196,956.

7. OFFICER AND DIRECTOR COMPENSATION

The aggregate remuneration paid during the year ended December 31, 2007 to officers and directors amounted to $2,520,806, of which $284,491 was paid as fees to directors who were not officers. These amounts represent the taxable income to the Corporation's officers and directors and therefore differ from the amounts reported in the accompanying Statement of Operations that are recorded and expensed in accordance with generally accepted accounting principles.

8. PORTFOLIO SECURITIES LOANED

The Corporation makes loans of securities to brokers, secured by cash, U.S. Government securities, or bank letters of credit. The Corporation accounts for securities lending transactions as secured financing and receives compensation in the form of fees or retains a portion of interest on the investment of any cash received as collateral. The Corporation also continues to receive interest or dividends on the securities loaned. The loans are secured at all times by collateral of at least 102% of the fair value of the securities loaned plus accrued interest. At December 31, 2007, the Corporation had securities on loan of $35,852,590, and held collateral of $37,129,937, consisting of an investment trust fund which may invest in money market instruments, commercial paper, repurchase agreements, U.S. Treasury Bills, and U.S. agency obligations.

9. NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB released Statement of Financial Accounting Standard No. 157, Fair Value Measurement ("FAS 157"), which provides enhanced guidance for using fair value to measure assets and liabilities. The standard requires companies to provide expanded information about the assets and liabilities measured at fair value and the potential effect of these fair valuations on an entity's financial performance. The standard does not expand the use of fair value in any new circumstances, but provides clarification on acceptable fair valuation methods and applications. Adoption of FAS 157 is required for fiscal years beginning after November 15, 2007. Application of the standard is not expected to materially impact the Corporation's financial statements.

	Year Ended December 31				
	2007	2006	2005	2004	2003
Per Share Operating Performance					
Net asset value, beginning of year	$36.61	$35.24	$28.16	$24.06	$20.98
Net investment income	0.46	0.47	0.53*	0.41	0.38
Net realized gains and increase (decrease) in unrealized appreciation	10.37	4.91	8.29	5.05	3.89
Change in accumulated other comprehensive income	0.00	(0.09)	—	—	—
Total from investment operations	10.83	5.29	8.82	5.46	4.27
Less distributions					
Dividends from net investment income	(0.49)	(0.47)	(0.56)	(0.44)	(0.38)
Distributions from net realized gains	(3.82)	(3.33)	(1.22)	(0.88)	(0.81)
Total distributions	(4.31)	(3.80)	(1.78)	(1.32)	(1.19)
Capital share repurchases	0.10	0.15	0.10	0.01	0.02
Reinvestment of distributions	(0.24)	(0.27)	(0.06)	(0.05)	(0.02)
Total capital share transactions	(0.14)	(0.12)	0.04	(0.04)	0.00
Net asset value, end of year	$42.99	$36.61	$35.24	$28.16	$24.06
Per share market price, end of year	$38.66	$33.46	$32.34	$25.78	$23.74
Total Investment Return					
Based on market price	28.9%	15.3%	32.3%	14.4%	30.8%
Based on net asset value	31.0%	15.7%	32.0%	23.3%	21.2%
Ratios/Supplemental Data					
Net assets, end of year (in 000's)	$978,920	$812,047	$761,914	$618,887	$522,941
Ratio of expenses to average net assets	0.54%	0.60%	0.59%	0.56%	0.74%
Ratio of net investment income to average net assets	1.12%	1.22%	1.61%	1.58%	1.75%
Portfolio turnover	7.36%	9.95%	10.15%	13.44%	10.20%
Number of shares outstanding at end of year (in 000's)	22,768	22,181	21,621	21,980	21,737

* *In 2005 the Fund received dividend income of $3,032,857, or $0.14 per share, as a result of Precision Drilling Corp.'s reorganization.*

December 31, 2007

	Shares	Value (A)
Stocks and Convertible Securities — 96.9%		
Energy — 90.5%		
Integrated — 38.7%		
Chevron Corp.	715,000	$ 66,730,950
ConocoPhillips	556,891	49,173,475
Exxon Mobil Corp.	1,245,000	116,644,050
Hess Corp. (B)	195,000	19,667,700
Marathon Oil Co.	240,000	14,606,400
Murphy Oil Corp.	216,500	18,367,860
Royal Dutch Shell plc ADR	265,000	22,313,000
Suncor Energy (B)	90,000	9,785,700
Total S.A. ADR	390,000	32,214,000
Valero Energy Corp.	425,000	29,762,750
		379,265,885
Exploration & Production — 15.9%		
Apache Corp.	200,000	21,508,000
Devon Energy Corp.	330,000	29,340,300
EOG Resources, Inc.	230,000	20,527,500
Forest Oil Corp. (C)	37,000	1,881,080
Noble Energy, Inc.	340,000	27,036,800
Occidental Petroleum Corp.	400,000	30,796,000
XTO Energy Inc.	487,500	25,038,000
		156,127,680
Utilities — 13.3%		
AGL Resources Inc.	170,000	6,398,800
Duke Energy Corp.	217,624	4,389,476
Energen Corp.	400,000	25,692,000
Equitable Resources, Inc.	450,000	23,976,000
MDU Resources Group, Inc. (B)	375,000	10,353,750
National Fuel Gas Co.	200,000	9,336,000
New Jersey Resources Corp.	200,000	10,004,000
Northeast Utilities	111,000	3,475,410
Questar Corp.	320,000	17,312,000
Spectra Energy Corp.	108,812	2,809,526
Williams Companies, Inc.	450,000	16,101,000
		129,847,962

December 31, 2007

	Shares	Value (A)
Services — 22.6%		
Baker Hughes Inc.	205,000	$ 16,625,500
BJ Services Co.	202,600	4,915,076
ENSCO International, Inc.	209,150	12,469,523
Grant Prideco Inc. (C)	308,000	17,097,080
Hercules Offshore, Inc. (B)(C)	542,320	12,896,370
Nabors Industries Ltd. (C)	520,000	14,242,800
Noble Corp.	600,000	33,906,000
Schlumberger Ltd.	560,000	55,087,200
Transocean Inc. (C)	137,953	19,747,972
Weatherford International Ltd. (C)	493,560	33,858,216
		220,845,737
Basic Industries — 6.4%		
Basic Materials & Other — 6.4%		
Air Products and Chemicals, Inc.	115,000	11,342,450
Aqua America, Inc. (B)	281,000	5,957,200
duPont (E.I.) de Nemours and Co.	157,500	6,944,175
General Electric Co.	328,000	12,158,960
International Coal Group, Inc. (B)(C)	1,644,076	8,812,247
Lubrizol Corp.	135,000	7,311,600
Rohm & Haas Co.	195,000	10,348,650
		62,875,282
Total Stocks and Convertible Securities		
(Cost $342,181,463) (D)		$948,962,546

December 31, 2007

	Prin. Amt.	Value (A)
Short-Term Investments — 3.4%		
U.S. Government Obligations — 1.0%		
U.S. Treasury Bills, 3.40%, due 2/14/08	$10,000,000	$ 9,957,983
Time Deposit — 0.0%		
Bank of America Corp., 2.53%, due 1/2/08		294,141
Commercial Paper — 2.3%		
American Express Credit Corp., 4.28%, due 1/22/08	5,000,000	4,987,516
General Electric Capital Corp., 4.00-4.25%, due 1/3/08-1/15/08	3,800,000	3,796,603
Prudential Funding, LLC, 4.20%, due 1/3/08	5,100,000	5,098,810
United Parcel Service of America, Inc., 4.19-4.20%, due 1/17/08-1/29/08	8,850,000	8,828,253
		22,711,182
Total Short-Term Investments		
(Cost $32,963,306)		32,963,306
Total Securities Lending Collateral — 3.8%		
(Cost $37,129,937)		
Brown Brothers Investment Trust, 5.19%, due 1/2/08		37,129,937
Total Investments — 104.1%		
(Cost $412,274,706)		1,019,055,789
Cash, receivables, prepaid expenses and other assets, less liabilities — (4.1)%		(40,135,960)
Net Assets — 100%		$ 978,919,829

Notes:

(A) See Note 1 to financial statements. Securities are listed on the New York Stock Exchange, the American Stock Exchange, or the NASDAQ, except restricted securities.

(B) All or a portion of these securities are on loan. See Note 8 to Financial Statements.

(C) Presently non-dividend paying.

(D) The aggregate market value of stocks held in escrow at December 31, 2007 covering open call option contracts written was $5,655,900. In addition, the required aggregate market value of securities segregated by the custodian to collaterize open put option contracts written was $4,033,800.

December 31, 2007

Contracts (100 shares each)	Security	Strike Price	Contract Expiration Date	Appreciation/ (Depreciation)
	COVERED CALLS			
100	Air Products and Chemicals, Inc.	$ 110	Jan 08	$ 7,200
200	ConocoPhillips	100	Jan 08	26,721
125	Lubrizol Corp	75	Mar 08	11,632
100	Marathon Oil Co.	70	Jan 08	10,200
100	Rohm & Haas Co.	60	Apr 08	2,700
100	Suncor Energy	135	Mar 08	2,200
725				60,653
	COLLATERALIZED PUTS			
100	Apache Corp.	85	Jan 08	12,310
150	Apache Corp.	70	Apr 08	11,655
100	Hess Corp.	58.38	Jan 08	9,400
100	Occidental Petroleum Corp.	60	Jan 08	8,700
100	Occidental Petroleum Corp.	55	Feb 08	10,200
100	Southwestern Energy Co.	40	Mar 08	7,289
650				59,554
				$120,207

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Petroleum & Resources Corporation:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Petroleum & Resources Corporation (the “Corporation”) at December 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Corporation’s management; our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2007 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Baltimore, Maryland
February 13, 2008

During the Three Months Ended December 31, 2007
(unaudited)

	Shares		
	Additions	**Reductions**	**Held Dec. 31, 2007**
Apache Corp.	41,800		200,000
International Coal Group, Inc.	1,644,076		1,644,076
Lubrizol Corp.	10,000		135,000
Northeast Utilities	11,000		111,000
Transocean Inc.	137,953[(1)]		137,953
XTO Energy Inc.	97,500[(2)]		487,500
BJ Services Co.		37,400	202,600
Bronco Drilling Co., Inc.		240,000	—
General Electric Co.		42,000	328,000
GlobalSantaFe Corp.		290,000[(1)]	—
Newfield Exploration Co.		175,000	—
Rohm & Haas Co.		5,000	195,000
SEMCO Energy, Inc.		670,300[(3)]	—

(1) Received $22.46 and .4757 share for each share of GlobalSantaFe Corp. surrendered.
(2) By stock split.
(3) Tendered for $8.15 per share.

This report, including the financial statements herein, is transmitted to the stockholders of Petroleum & Resources Corporation for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Corporation or of any securities mentioned in the report. The rates of return will vary and the principal value of an investment will fluctuate. Shares, if sold, may be worth more or less than their original cost. Past performance is not indicative of future investment results.

(unaudited)

Dec. 31	Value of Net Assets	Shares Outstanding*	Net Asset Value Per Share*	Market Value Per Share*	Dividends From Investment Income Per Share*	Distributions From Net Realized Gains Per Share*	Total Dividends and Distributions Per Share*	Annual Rate of Distribution**
1993	$355,836,592	18,010,007	$19.76	$18.33	$.55	$ .87	$1.42	7.55%
1994	332,279,398	18,570,450	17.89	16.83	.61	.79	1.40	7.40
1995	401,404,971	19,109,075	21.01	18.83	.58	.81	1.39	7.57
1996	484,588,990	19,598,729	24.73	23.17	.55	.88	1.43	6.84
1997	556,452,549	20,134,181	27.64	24.33	.51	1.04	1.55	6.37
1998	474,821,118	20,762,063	22.87	20.42	.52	1.01	1.53	6.48
1999	565,075,001	21,471,270	26.32	21.50	.48	1.07	1.55	7.00
2000	688,172,867	21,053,644	32.69	27.31	.39	1.35	1.74	6.99
2001	526,491,798	21,147,563	24.90	23.46	.43	1.07	1.50	5.61
2002	451,275,463	21,510,067	20.98	19.18	.43	.68	1.11	5.11
2003	522,941,279	21,736,777	24.06	23.74	.38	.81	1.19	5.84
2004	618,887,401	21,979,676	28.16	25.78	.44	.88	1.32	5.40
2005	761,913,652	21,621,072	35.24	32.34	.56	1.22	1.78	5.90
2006	812,047,239	22,180,867	36.61	33.46	.47	3.33	3.80	11.26
2007	978,919,829	22,768,250	42.99	38.66	.49	3.82	4.31	11.61

* Adjusted for 3-for-2 stock split effected in October 2000.
** The Annual Rate of Distribution is the total dividends and capital gain distributions during the year divided by the average daily market price of the Corporation's Common Stock.

Common Stock

Listed on the New York Stock Exchange

Petroleum & Resources Corporation

Seven St. Paul Street, Suite 1140, Baltimore, MD 21202
(410) 752-5900 or (800) 638-2479
Website: www.peteres.com
E-mail: contact@peteres.com
Counsel: Chadbourne & Parke L.L.P.
Independent Registered Public Accounting Firm: PricewaterhouseCoopers LLP
Transfer Agent & Registrar: American Stock Transfer & Trust Co.
Custodian of Securities: Brown Brothers Harriman & Co.

STATEMENT ON QUARTERLY FILING OF COMPLETE PORTFOLIO SCHEDULE

In addition to publishing its complete schedule of portfolio holdings in the First and Third Quarter Reports to shareholders, the Corporation also files its complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Corporation's Forms N-Q are available on the Commission's website at *www.sec.gov*. The Corporation's Forms N-Q may be reviewed and copied at the Commission's Public Reference Room, and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Corporation also posts its Forms N-Q on its website at: *www.peteres.com*, under the heading "Financial Reports".

ANNUAL CERTIFICATION

The Corporation's CEO has submitted to the New York Stock Exchange the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

PROXY VOTING POLICIES AND RECORD

A description of the policies and procedures that the Corporation uses to determine how to vote proxies relating to portfolio securities owned by the Corporation and information as to how the Corporation voted proxies relating to portfolio securities during the 12 month period ended June 30, 2007 are available (i) without charge, upon request, by calling the Corporation's toll free number at (800) 638-2479; (ii) on the Corporation's website by clicking on "Corporate Information" heading on the website; and (iii) on the Securities and Exchange Commission's website at *www.sec.gov*.

FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Corporation's actual results are the performance of the portfolio of stocks held by the Corporation, the conditions in the U.S. and international financial, petroleum and other markets, the price at which shares of the Corporation will trade in the public markets, and other factors discussed in the Corporation's periodic filings with the Securities and Exchange Commission.

PRIVACY POLICY

In order to conduct its business, the Corporation, through its transfer agent, currently American Stock Transfer & Trust Company, collects and maintains certain nonpublic personal information about our stockholders of record with respect to their transactions in shares of our securities. This information includes the stockholder's address, tax identification or Social Security number, share balances, and dividend elections. We do not collect or maintain personal information about stockholders whose shares of our securities are held in "street name" by a financial institution such as a bank or broker.

We do not disclose any nonpublic personal information about you, our other stockholders or our former stockholders to third parties unless necessary to process a transaction, service an account or as otherwise permitted by law.

To protect your personal information internally, we restrict access to nonpublic personal information about our stockholders to those employees who need to know that information to provide services to our stockholders. We also maintain certain other safeguards to protect your nonpublic personal information.

WE ARE OFTEN ASKED —

How do I invest in Petroleum & Resources?

Petroleum & Resources Common Stock is listed on the New York Stock Exchange. The stock's ticker symbol is "PEO" and may be bought and sold through registered investment security dealers. Your broker will be able to assist you in this regard. In addition, stock may be purchased through our transfer agent, American Stock Transfer & Trust Company's INVESTORS CHOICE Plan (see page 22).

Where do I get information on the stock's price, trading and/or net asset value?

The *daily* net asset value (NAV) per share and closing market price may be obtained from our website at *www.peteres.com.* The daily NAV is also available on the NASDAQ Mutual Fund Quotation System under the symbol XPEOX. The *week-ending* NAV is published on Saturdays in various newspapers.

Petroleum's daily trading is shown in the stock tables of many daily newspapers, often with the abbreviated form "PetRs." Local newspapers determine, usually by volume of traded shares, which securities to list. If your paper does not carry our listing, please telephone the Corporation at (800) 638-2479 or visit our website.

How do I replace a lost certificate(s) or how do I correct a spelling error on my certificate?

Your Petroleum stock certificates are valuable documents and should be kept in a safe place. For tax purposes, keep a record of each certificate, including the cost or market value of the shares it covers at the time acquired. If a certificate is lost, destroyed or stolen, notify the transfer agent immediately so a "stop transfer" order can be placed on the records to prevent an unauthorized transfer of your certificate. The necessary forms and requirements to permit the issuance of a replacement certificate will then be sent to you. A certificate can be replaced only after the receipt of an affidavit regarding the loss accompanied by an open surety bond, for which a small premium is paid by the stockholder.

In the event a certificate is issued with the holder's name incorrectly spelled, a correction can only be made if the certificate is returned to the transfer agent with instructions for correcting the error. Transferring shares to another name also requires that the certificate be forwarded to the transfer agent with the appropriate assignment forms completed and the signature of the registered owner Medallion guaranteed by a bank or member firm of The New York Stock Exchange, Inc.

Is direct deposit of my dividend checks available?

Yes, our transfer agent offers direct deposit of your interim dividend and year-end distribution checks. You can request direct deposit with American Stock Transfer either on-line or by calling them at the phone number provided on page 22.

Who do I notify of a change of address?

The transfer agent.

We go to Florida (Arizona) every winter. How do we get our mail from Petroleum & Resources?

The transfer agent can program a seasonal address into its system; simply send the temporary address and the dates you plan to be there to the transfer agent.

I want to give shares to my children, grandchildren, etc., as a gift. How do I go about it?

Giving shares of Petroleum is simple and is handled through our transfer agent. The stock transfer rules are clear and precise for most forms of transfer. They will vary slightly depending on each transfer, so write to the transfer agent stating the exact intent of your gift plans and the transfer agent will send you the instructions and forms necessary to effect your transfer.

How do I transfer shares held at American Stock Transfer (AST)?

There are many circumstances that require the transfer of shares to new registrations, e.g., marriage, death, a child reaching the age of maturity, or giving shares as a gift. Each situation requires different forms of documentation to support the transfer. You may obtain transfer instructions and download the necessary forms from our transfer agent's website: www.amstock.com. Click on Shareholder Services, then General Shareholder Information and Transfer Instructions.

DIVIDEND PAYMENT SCHEDULE

The Corporation presently pays dividends four times a year, as follows: (a) three interim distributions on or about March 1, June 1, and September 1 and (b) a "year-end" distribution, payable in late December, consisting of the estimated balance of the net investment income for the year and the net realized capital gain earned through October 31. Stockholders may elect to receive the year-end distribution in stock or cash. In connection with this distribution, all **stockholders of record** are sent a dividend announcement notice and an election card in mid-November.

Stockholders holding shares in "street" or brokerage accounts may make their elections by notifying their brokerage house representative.

INVESTORS CHOICE

INVESTORS CHOICE is a direct stock purchase and sale plan, as well as a dividend reinvestment plan, sponsored and administered by our transfer agent, American Stock Transfer & Trust Company (AST). The plan provides registered stockholders and interested first time investors an affordable alternative for buying, selling, and reinvesting in Petroleum & Resources shares.

The costs to participants in administrative service fees and brokerage commissions for each type of transaction are listed below.

Initial Enrollment and Optional Cash Investments	
Service Fee	$2.50 per investment
Brokerage Commission	$0.05 per share
Reinvestment of Dividends*	
Service Fee	2% of amount invested (maximum of $2.50 per investment)
Brokerage Commission	$0.05 per share
Sale of Shares	
Service Fee	$10.00
Brokerage Commission	$0.05 per share
Deposit of Certificates for safekeeping (waived if sold)	$7.50
Book to Book Transfers	Included

To transfer shares to another participant or to a new participant

Fees are subject to change at any time.

Minimum and Maximum Cash Investments

Initial minimum investment (non-holders)	$500.00
Minimum optional investment (existing holders)	$50.00
Electronic Funds Transfer (monthly minimum)	$50.00
Maximum per transaction	$25,000.00
Maximum per year	NONE

A brochure which further details the benefits and features of INVESTORS CHOICE as well as an enrollment form may be obtained by contacting AST.

For Non-Registered Stockholders

For stockholders whose stock is held by a broker in "street" name, the AST INVESTORS CHOICE Direct Stock Purchase and Sale Plan remains available through many registered investment security dealers. If your shares are currently held in a "street" name or brokerage account, please contact your broker for details about how you can participate in AST's Plan or contact AST.

The Corporation

Petroleum & Resources Corporation
Lawrence L. Hooper, Jr.
Vice President, General Counsel and Secretary
Seven St. Paul Street, Suite 1140, Baltimore, MD 21202
(800) 638-2479
Website: www.peteres.com
E-mail: contact@peteres.com

The Transfer Agent

American Stock Transfer & Trust Company
Address Stockholder Inquiries to:
Shareholder Relations Department
59 Maiden Lane
New York, NY 10038
(866) 723-8330
Website: www.amstock.com
E-mail: info@amstock.com

Investors Choice Mailing Address:
Attention: Dividend Reinvestment
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*The year-end dividend and capital gain distribution will usually be made in newly issued shares of common stock. There are no fees or commissions in connection with this dividend and capital gain distribution when made in newly issued shares.

Personal Information	Position Held with the Fund	Term of Office	Length of Time Served	Principal Occupations During the Last 5 Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships
Independent Directors						
Enrique R. Arzac, Ph.D. 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 66	Director	One Year	Since 1987	Professor of Finance and Economics, formerly, Vice Dean of Academic Affairs of the Graduate School of Business, Columbia University.	Two	Director of The Adams Express Company and Credit Suisse Asset Management Funds (28 funds) (investment companies), and Epoch Holdings Corporation (asset management).
Phyllis O. Bonanno 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 64	Director	One Year	Since 2003	President & CEO of International Trade Solutions, Inc. (consultants). Formerly, President of Columbia College, Columbia, South Carolina, and Vice President of Warnaco Inc. (apparel).	Two	Director of The Adams Express Company (investment company), Borg-Warner Inc. (industrial), Mohawk Industries, Inc. (carpets and flooring).
Daniel E. Emerson 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 83	Director	One Year	Since 1987	Retired Executive Vice President of NYNEX Corp. (communications), retired Chairman of the Board of both NYNEX Information Resources Co. and NYNEX Mobile Communications Co. Previously Executive Vice President and Director of New York Telephone Company.	Two	Director of The Adams Express Company (investment company).
Frederic A. Escherich 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 55	Director	One Year	Since 2006	Private Investor. Formerly, Managing Director and head of Mergers and Acquisitions Research and the Financial Advisory Department with J.P. Morgan.	Two	Director of The Adams Express Company (investment company).
Roger W. Gale 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 61	Director	One Year	Since 2005	President & CEO of GF Energy, LLC (consultants to electric power companies). Formerly, member of management group, PA Consulting Group (energy consultants).	Two	Director of The Adams Express Company (investment company), Ormat Technologies, Inc. (geothermal and renewable energy), and U.S. Energy Association.
Thomas H. Lenagh 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 89	Director	One Year	Since 1987	Financial Advisor. Formerly, Chairman of the Board and CEO of Greiner Engineering Inc. (formerly Systems Planning Corp.) (consultants). Formerly, Treasurer and Chief Investment Officer of the Ford Foundation (charitable foundation).	Two	Director of The Adams Express Company, Cornerstone Funds, Inc. (3 funds) (investment companies), and Photonics Product Group (crystals).

Personal Information	Position Held with the Fund	Term of Office	Length of Time Served	Principal Occupations During the Last 5 Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships
Independent Directors (continued)						
Kathleen T. McGahran, Ph.D., J.D., C.P.A 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 57	Director	One Year	Since 2003	Principal & Director of Pelham Associates, Inc. (executive education), Adjunct Associate Professor, Columbia Executive Education, Graduate School of Business, Columbia University. Formerly, Associate Dean and Director of Executive Education, and Associate Professor, Columbia University.	Two	Director of The Adams Express Company (investment company).
Craig R. Smith, M.D. 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 61	Director	One Year	Since 2005	President, Williston Consulting LLC (consultants to pharmaceutical and biotechnology industries), and Chief Operating Officer and Director of Algenol Biofuels Inc. (ethanol manufacturing). Formerly, Chairman, President & CEO of Guilford Pharmaceuticals (pharmaceuticals and biotechnology).	Two	Director of The Adams Express Company (investment company), LaJolla Pharmaceutical Company, and Depomed, Inc. (specialty pharmaceuticals).
Interested Director						
Douglas G. Ober 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 61	Director, Chairman, President and CEO	One Year	Director since 1989; Chairman of the Board since 1991	Chairman & CEO of the Corporation and The Adams Express Company.	Two	Director of The Adams Express Company (investment company).

Board Of Directors

Enrique R. Arzac[1,4,5]
Phyllis O. Bonanno[1,4,5]
Daniel E. Emerson[1,3,5]
Frederic A. Escherich[2,3]
Roger W. Gale[1,3,5]
Thomas H. Lenagh[2,3]
Kathleen T. McGahran[2,4]
Douglas G. Ober[1]
Craig R. Smith[2,4]

1. Member of Executive Committee
2. Member of Audit Committee
3. Member of Compensation Committee
4. Member of Retirement Benefits Committee
5. Member of Nominating and Governance Committee

Officers

Douglas G. Ober	*Chairman, President and Chief Executive Officer*
Robert E. Sullivan	*Executive Vice President*
Joseph M. Truta	*Executive Vice President*
Lawrence L. Hooper, Jr.	*Vice President, General Counsel and Secretary*
Maureen A. Jones	*Vice President, Chief Financial Officer and Treasurer*
Nancy J.F. Prue	*Vice President*
Christine M. Sloan	*Assistant Treasurer*
Geraldine H. Paré	*Assistant Secretary*

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