

We are pleased to submit the financial statements of the Corporation for the three months ended March 31, 2000. In addition, there is a schedule of investments provided along with other financial information.

Net assets of the Corporation at March 31, 2000 were \$43.85 per share, compared with \$39.48 per share at December 31, 1999, on the 13,916,380 shares and 14,314,180 shares outstanding on each respective date. On March 1, 2000, a distribution of \$0.20 per share was paid consisting of \$0.13 from 1999 long-term capital gain, \$0.03 from 1999 investment income and \$0.04 from 2000 investment income, all taxable in 2000. A 2000 investment income dividend of \$0.20 per share has been declared to shareholders of record May 19, 2000, payable June 1, 2000.

Net investment income for the three months ended March 31, 2000 amounted to \$1,056,548, compared with \$1,984,605 for the same period in 1999. These earnings are equal to \$0.08 and \$0.14 per share, respectively, on the average number of shares outstanding during each period.

Net capital gain realized on investments for the three months ended March 31, 2000 amounted to \$6,521,959, the equivalent of \$0.47 per share.

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We are pleased to announce the election of Dr. Susan C. Schwab to the Board of Directors, effective January 13, 2000. Dr. Schwab is currently the Dean of the School of Public Affairs at the University of Maryland, College Park, Maryland.

The Annual Meeting, held on March 28, 2000 in Palm Beach, Florida, was well attended by shareholders. Upon conclusion of the formal segment of the meeting, management reviewed the portfolio's performance in 1999 and discussed the outlook for the future. The results of the voting at the Annual Meeting are shown on page 10.

Current and potential shareholders can find information about the Corporation, including the daily net asset value (NAV) per share, the market price, and the discount/premium to the NAV, at its site on the Internet. The address for the site is [www.peteres.com](http://www.peteres.com). Also available at the website are a brief history of the Corporation, historical financial information, and more general industry material. Further information regarding shareholder services is located on page 11 of this report.

The Corporation is an internally-managed equity fund emphasizing petroleum and other natural resource investments. The investment policy of the fund is based on the primary objectives of preservation of capital, the attainment of reasonable income from investments and, in addition, an opportunity for capital appreciation.

By order of the Board of Directors,



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



Richard F. Koloski,  
*President*

April 21, 2000

**STATEMENT OF ASSETS AND LIABILITIES**

*March 31, 2000  
(unaudited)*

**Assets**

Investments\* at value:

    Common stocks and convertible securities

        (cost \$310,226,999)

\$594,160,970

    Short-term investments (cost \$17,049,986)

17,049,986   \$611,210,956

Cash

11,051

Securities lending collateral

23,804,997

Receivables:

    Investment securities sold

36,361

    Dividends and interest

586,691

Prepaid expenses

1,756,504

*Total Assets*

637,406,560

**Liabilities**

Investment securities purchased

687,448

Open option contracts at value (proceeds \$259,069)

193,750

Obligations to return securities lending collateral

23,804,997

Accrued expenses

2,507,533

*Total Liabilities*

27,193,728

**Net Assets**

\$610,212,832

**Net Assets**

Common Stock at par value \$1.00 per share, authorized

    50,000,000 shares; issued and outstanding 13,916,380 shares

\$ 13,916,380

Additional capital surplus

305,239,521

Undistributed net investment income

533,022

Undistributed net realized gain on investments

6,524,619

Unrealized appreciation on investments

283,999,290

**Net Assets Applicable to Common Stock**

\$610,212,832

**Net Asset Value per Share of Common Stock**

\$43.85

\* See Schedule of Investments on pages 7 and 8.

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

S T A T E M E N T   O F   O P E R A T I O N S

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*Three Months Ended March 31, 2000*  
*(unaudited)*

**Investment Income**

Income:	
Dividends	\$ 2,026,273
Interest	212,830
<hr/>	
<i>Total income</i>	2,239,103
<hr/>	
Expenses:	
Investment research	681,266
Administration and operations	249,537
Directors' fees	52,500
Reports and stockholder communications	80,009
Transfer agent, registrar and custodian expenses	33,292
Auditing services	11,778
Legal services	12,224
Occupancy and other office expenses	21,536
Travel, telephone and postage	14,983
Other	25,430
<hr/>	
<i>Total expenses</i>	1,182,555
<hr/>	
<b>Net Investment Income</b>	1,056,548
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<b>Realized Gain and Change in Unrealized Appreciation on Investments</b>	
Net realized gain on security transactions	6,521,959
Change in unrealized appreciation on investments	53,533,337
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<b>Net Gain on Investments</b>	60,055,296
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<b>Change in Net Assets Resulting from Operations</b>	\$61,111,844

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

S T A T E M E N T   O F   C H A N G E S   I N   N E T   A S S E T S

	Three Months ended March 31, 2000 <i>(unaudited)</i>	Year ended December 31, 1999
<b>From Operations:</b>		
Net investment income	\$ 1,056,548	\$ 9,806,876
Net realized gain on investments	6,521,959	22,803,830
Change in unrealized appreciation on investments	53,533,337	75,425,708
<hr/>		
<i>Increase in net assets resulting from operations</i>	61,111,844	108,036,414
<hr/>		
<b>Dividends to Stockholders from:</b>		
Net investment income	(983,821)	(9,965,792)
Net realized gain from investment transactions	(1,827,096)	(22,284,614)
<hr/>		
<i>Decrease in net assets from distributions</i>	(2,810,917)	(32,250,406)
<hr/>		
<b>From Capital Share Transactions:</b>		
Value of common shares issued in payment of optional distributions	—0—	15,851,054
Cost of common shares purchased (note 4)	(13,163,096)	(1,383,179)
<hr/>		
<i>Change in net assets from capital share transactions</i>	(13,163,096)	14,467,875
<hr/>		
<b>Total Increase in Net Assets</b>	45,137,831	90,253,883
<hr/>		
<b>Net Assets:</b>		
Beginning of period	565,075,001	474,821,118
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End of period (including undistributed net investment income of \$533,022 and \$460,295, respectively)	\$610,212,832	\$565,075,001

N O T E S   T O   F I N A N C I A L   S T A T E M E N T S   ( U N A U D I T E D )

**1. SIGNIFICANT ACCOUNTING POLICIES**

Petroleum & Resources Corporation (the Corporation) is registered under the Investment Company Act of 1940 as a diversified investment company. On March 28, 2000, the Corporation received shareholder approval to change its registration to a non-diversified investment company. The Corporation's investment objectives as well as the nature and risk of its investment transactions are set forth in the Corporation's registration statement.

**Security Valuation**—Investments in securities traded on national security 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 are valued at amortized cost. 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, including options, at March 31, 2000 was \$327,440,910, and net unrealized appreciation aggregated \$284,029,115, of which the related gross unrealized appreciation and depreciation were \$307,519,120 and \$23,490,005, respectively.

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.

### 3. INVESTMENT TRANSACTIONS

Purchases and sales of portfolio securities, other than options and short-term investments, during the three months ended March 31, 2000 were \$5,625,673 and \$22,943,120, respectively. 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. Option transactions comprised an insignificant portion of operations during the period ended March 31, 2000. All investment decisions are made by a committee, and no one person is primarily responsible for making recommendations to that committee.

### 4. CAPITAL STOCK

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. During the three months ended March 31, 2000, the Corporation purchased 403,300 shares of common stock at a total cost of \$13,163,096 and a weighted average discount from net asset value of 16.3%. At March 31, 2000, the Corporation held a total of 441,000 shares of its common stock.

The Corporation has 5,000,000 unissued preferred shares without par value.

The Corporation has an employee incentive stock option and stock appreciation rights plan which provides for the issuance of options and stock appreciation rights for the purchase of up to 815,000 shares of the Corporation's common stock at 100% of the fair market value at date of grant. Options are exercisable beginning not less than one year after the date of grant and extend and vest over ten years from the date of grant. Stock appreciation rights are exercisable beginning not less than two years after the date of grant and extend over the period during which the option is exercisable. The stock appreciation rights allow the holders to surrender their rights to exercise their options and receive cash or shares in an amount equal to the difference between the option price and the fair market value of the common stock at the date of surrender.

Under the plan, the exercise price of the options and related stock appreciation rights is reduced by the per share amount of capital gain paid by the Corporation during subsequent years. At the beginning of 2000, there were 148,916 options outstanding at a weighted average exercise price of \$22.4389 per share. During the three months ended March 31, 2000, the Corporation granted options including stock appreciation rights for 15,223 shares of common stock with an exercise price of \$30.1875. During the period stock appreciation rights relating to 1,094 stock option shares were exercised at a weighted average market price of \$34.75 per share and the stock options relating to these rights, which had a weighted average exercise price of \$27.7125 were

cancelled. At March 31, 2000, there were outstanding exercisable options to purchase 53,431 common shares at \$13.815-33.625 (weighted average price of \$18.428) per share and unexercisable options to purchase 109,614 common shares at \$18.2125-33.6250 per share (weighted average price of \$25.6841). The weighted average remaining contractual life of outstanding exercisable and unexercisable options was 4.0793 years and 7.0044 years, respectively. The total compensation expense for stock options and stock appreciation rights recognized for the three months ended March 31, 2000 was \$459,089. At March 31, 2000, there were 320,907 shares available for future option grants.

### 5. RETIREMENT PLANS

The Corporation provides retirement benefits for its employees under a non-contributory qualified defined benefit pension plan. The benefits are based on years of service and compensation during the last 36 months of employment. The Corporation's current funding policy is to contribute annually to the plan only those amounts that can be deducted for federal income tax purposes. The plan assets consist primarily of investments in individual stocks and bonds and mutual funds.

The actuarially computed net pension cost credit for the three months ended March 31, 2000 was \$37,206, and consisted of service cost of \$21,758, interest cost of \$48,874, expected return on plan assets of \$89,299, and net amortization credit of \$18,539.

In determining the actuarial present value of the projected benefit obligation, the interest rate used for the weighted average discount rate was 8.0%, the expected rate of annual salary increases was 7.0%, and the long-term expected rate of return on plan assets was 8.0%.

On January 1, 2000, the projected benefit obligation for service rendered to date was \$2,480,710. During the three months ended March 31, 2000, the projected benefit obligation increased due to service cost and interest cost of \$21,758 and \$48,874, respectively, and decreased due to benefit payments in the amount of \$18,499. The projected benefit obligation at March 31, 2000 was \$2,532,843.

On January 1, 2000, the actual fair value of plan assets was \$4,501,921. During the three months ended March 31, 2000, the fair value of plan assets increased due to the expected return on plan assets of \$89,299 and decreased due to benefit payments in the amount of \$18,499. At March 31, 2000, the projected fair value of plan assets amounted to \$4,572,721, which resulted in excess plan assets of \$2,039,878. The remaining components of prepaid pension cost at March 31, 2000 included \$762,382 in un-

recognized net gain, \$320,597 in unrecognized prior service cost and \$64,923 is the remaining portion of the unrecognized net asset existing at January 1, 1987, which is being amortized over 15 years. Prepaid pension cost included in other assets at March 31, 2000 was \$1,533,170.

In addition, the Corporation has a nonqualified benefit plan which provides employees with defined retirement benefits to supplement the qualified plan. The Corporation does not provide postretirement medical benefits.

#### 6. EXPENSES

The cumulative amount of accrued expenses at March 31, 2000 for employees and former employees of the Corporation was \$2,096,818. Aggregate remuneration paid or accrued during the three months ended March 31, 2000 to officers and directors amounted to \$759,674.

Research, accounting and other office services provided by and reimbursed to The Adams Express Company, an

investment company which owns 8.7% of the Corporation's common stock, amounted to \$125,083 for the three months ended March 31, 2000.

#### 7. PORTFOLIO SECURITIES LOANED

The Corporation makes loans of securities to brokers, secured by cash deposits, 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 by collateral of at least 102%, at all times, of the fair value of the securities loaned plus accrued interest. Gain or loss in the fair value of securities loaned that may occur during the term of the loan will be for the account of the Corporation. At March 31, 2000, the Corporation had outstanding loans of \$23,167,619 and held collateral of \$23,804,997.

### FINANCIAL HIGHLIGHTS

	Three Months Ended		Year Ended December 31				
	(unaudited)						
	March 31, 2000	March 31, 1999	1999	1998	1997	1996	1995
<b>Per Share Operating Performance</b>							
Net asset value, beginning of period	\$39.48	\$34.30	\$34.30	\$41.46	\$37.09	\$31.51	\$26.84
Net investment income	0.08	0.14	0.72	0.82	0.77	0.79	0.86
Net realized gains and change in unrealized appreciation (depreciation) and other changes	4.49	1.34	6.79	(5.69)	5.93	6.93	5.90
Total from investment operations	4.57	1.48	7.51	(4.87)	6.70	7.72	6.76
Less distributions							
Dividends from net investment income	(0.07)	(0.10)	(0.72)	(0.78)	(0.77)	(0.82)	(0.87)
Distributions from net realized gains	(0.13)	(0.10)	(1.61)	(1.51)	(1.56)	(1.32)	(1.22)
Total distributions	(0.20)	(0.20)	(2.33)	(2.29)	(2.33)	(2.14)	(2.09)
Net asset value, end of period	\$43.85	\$35.58	\$39.48	\$34.30	\$41.46	\$37.09	\$31.51
Per share market price, end of period	\$36.00	\$32.625	\$32.25	\$30.625	\$36.50	\$34.75	\$28.25
<b>Total Investment Return</b>							
Based on market price	12.3%	7.3%	13.3%	(10.0)%	11.7%	31.2%	20.5%
Based on net asset value	11.7%	4.4%	23.8%	(11.1)%	18.9%	25.5%	26.5%
<b>Ratios/Supplemental Data</b>							
Net assets, end of period (in 000's)	\$610,213	\$492,537	\$565,075	\$474,821	\$556,453	\$484,589	\$401,405
Ratio of expenses to average net assets	0.84% †	0.54% †	0.43%	0.31%	0.47%	0.63%	0.57%
Ratio of net investment income to average net assets	0.75% †	1.72% †	1.86%	2.13%	1.91%	2.31%	2.89%
Portfolio turnover	4.08% †	9.33% †	11.89%	12.70%	13.09%	15.50%	15.86%
Number of shares outstanding at end of period (in 000's)	13,916	13,841	14,314	13,841	13,423	13,066	12,739

†Ratios presented on an annualized basis.

**SCHEDULE OF INVESTMENTS**

March 31, 2000

(unaudited)

	<u>Shares</u>	<u>Value (A)</u>		<u>Shares</u>	<u>Value (A)</u>
<b>Stocks And Convertible Securities — 97.4%</b>					
<b>Energy — 81.4%</b>					
<b>Internationals — 26.3%</b>					
BP Amoco plc ADR	400,000	\$ 21,225,000	Kinder Morgan, Inc. 8.25% PEPS		
Chevron Corp.	130,000	12,016,875	Units due 2001	130,000	\$ 6,142,500
Exxon Mobil Corp.	607,231	47,250,201	National Fuel Gas Co.	100,000	4,456,250
Royal Dutch Petroleum Co.	850,000	48,928,126	New Jersey Resources, Inc.	185,000	7,908,750
“Shell” Transport and Trading Co., plc ADR	240,000	11,775,000	Northwestern Corp.	200,000	4,125,000
Texaco Inc.	186,775	10,015,810	Questar Corp.	268,000	4,974,750
TotalFinaElf ADR	125,000	9,203,125	Western Gas Resources Inc.	186,000	2,952,750
			Williams Companies, Inc.	200,000	8,787,500
		<u>160,414,137</u>			<u>123,851,700</u>
<b>Domestics — 9.7%</b>					
Amerada Hess Corp.	100,000	6,462,500	<b>Services — 15.2%</b>		
Atlantic Richfield Co.	50,000	4,249,999	BJ Services Co. (B)	200,000	14,775,000
Conoco Inc. Class B	300,000	7,687,500	Diamond Offshore Drilling, Inc.	96,800	3,865,950
Kerr McGee Corp.	181,253	10,467,361	ENSCO International, Inc.	120,000	4,335,000
Murphy Oil Corp.	110,000	6,338,750	Global Industries Ltd. (B)	243,400	3,559,725
Phillips Petroleum Co.	60,000	2,775,000	Halliburton Co.	150,000	6,150,000
Tesoro Petroleum Corp. (B)	300,000	3,450,000	Nabors Industries, Inc. (B)	245,000	9,509,063
TOSCO Corp.	175,000	5,326,562	Petroleum Geo-Services ASA ADR (B)	250,000	4,328,125
Unocal Capital Trust \$3.125 Conv. Pfd.	72,540	3,844,620	Santa Fe International Corp.	180,000	6,660,000
Unocal Corp.	150,000	4,462,500	Schlumberger Ltd.	229,400	17,549,100
Valero Energy Corp.	125,000	3,828,125	Transocean Sedco Forex Inc.	274,411	14,080,758
		<u>58,892,917</u>	Weatherford International, Inc. (B)	139,000	8,192,313
<b>Producers — 9.9%</b>					
Anadarko Petroleum Corp.	195,000	7,544,063			<u>93,005,034</u>
Apache Corp.	130,000	6,467,500	<b>Basic Industries — 16.0%</b>		
Burlington Resources, Inc.	130,000	4,810,000	<b>Basic Materials — 3.3%</b>		
Devon Energy Corp.	70,000	3,399,375	Avery Dennison Corp.	100,000	6,106,250
EOG Resources Inc.	290,000	6,144,375	Engelhard Corp.	250,000	3,781,250
Noble Affiliates Inc.	91,855	3,013,992	Freeport-McMoRan Copper & Gold Inc. Ser. A (B)	127,603	1,419,583
Occidental Petroleum Corp.	175,000	3,631,250	Newpark Resources, Inc. (B)	370,000	2,960,000
Ocean Energy Inc. (B)	550,000	7,906,250	Southdown, Inc.	100,000	5,900,000
Stone Energy Corp. (B)	104,300	5,136,775			<u>20,167,083</u>
Union Pacific Resources Group, Inc.	225,816	3,274,332	<b>Capital Goods &amp; Other — 8.5%</b>		
Vastar Resources, Inc.	125,000	9,289,062	Calpine Capital Trust 5.75% Conv. Pfd. HIGH TIDES	87,500	8,028,125
		<u>60,616,974</u>	Calpine Corp. (B)	40,000	3,760,000
<b>Distributors — 20.3%</b>					
Atmos Energy Corp.	200,000	3,275,000	Dover Corp.	140,000	6,702,500
Coastal Corp.	220,000	10,120,000	General Electric Co.	190,000	29,485,625
Columbia Energy Group	100,000	5,925,000	Owens-Illinois, Inc. (B)	225,000	3,796,875
El Paso Energy Corp.	110,000	4,441,250			<u>51,773,125</u>
Engen Corp.	353,900	5,640,281	<b>Paper and Forest Products — 4.2%</b>		
Enron Corp. \$27.30 Conv. Pfd. Ser. J	23,000	47,014,013	Boise Cascade Corp.	205,000	7,123,750
Equitable Resources Inc.	180,500	8,088,656	Fort James Corp.	250,000	5,500,000
			Mead Corp.	210,000	7,336,875
			Temple-Inland, Inc.	110,000	5,479,375
					<u>25,440,000</u>
			<b>Total Stocks And Convertible Securities</b>		
			(Cost \$310,226,999) (C)		
					<u>594,160,970</u>

**SCHEDULE OF INVESTMENTS (CONTINUED)**

March 31, 2000

(unaudited)

	<u>Prin. Amt.</u>	<u>Value (A)</u>		<u>Prin. Amt.</u>	<u>Value (A)</u>
<b>Short-Term Investments — 2.8%</b>			Ford Motor Credit Corp.,		
<i>U.S. Government Obligations — 1.2%</i>			5.84-6.04%, due		
U.S. Treasury Bills, 5.70%, due 5/25/00	\$7,500,000	\$7,436,535	4/14/00-4/18/00	\$4,495,000	\$ 4,487,807
					<u>9,613,451</u>
<i>Commercial Paper — 1.6%</i>			<b>Total Short-Term Investments</b>		
Chevron USA 6.00-6.05%, due 4/11/00-4/13/00	5,135,000	5,125,644	(Cost \$17,049,986)		<u>17,049,986</u>
			<b>Total Investments</b>		
			(Cost \$327,276,985)		611,210,956
			Cash, receivables and other assets, less liabilities		<u>(998,124)</u>
			<b>Net Assets—100.0%</b>		<u><u>\$610,212,832</u></u>

Notes:

- (A) See note 1 to financial statements. Securities are listed on the New York Stock Exchange, the American Stock Exchange, or the NASDAQ.
- (B) Presently non-dividend paying.
- (C) The aggregate market value of stocks held in escrow at March 31, 2000 covering open call option contracts written was \$4,170,625. In addition, the aggregate market value of securities segregated by the custodian required to collateralize open put option contracts written was \$2,945,000.

**HISTORICAL FINANCIAL STATISTICS**

<u>Dec. 31</u>	<u>Value of Net Assets</u>	<u>Common Shares Outstanding</u>	<u>Net Asset Value per Share</u>	<u>Dividends from Net Investment Income per Share</u>	<u>Distributions from Net Realized Gains per Share</u>
1990 . . . . .	\$308,599,851	10,793,289	\$28.59	\$1.10	\$1.25
1991 . . . . .	314,024,187	11,185,572	28.07	.92	1.23
1992 . . . . .	320,241,282	11,579,503	27.66	.77	1.23
1993 . . . . .	355,836,592	12,006,671	29.64	.82	1.30
1994 . . . . .	332,279,398	12,380,300	26.84	.92	1.18
1995 . . . . .	401,404,971	12,739,383	31.51	.87	1.22
1996 . . . . .	484,588,990	13,065,819	37.09	.82	1.32
1997 . . . . .	566,452,549	13,422,787	41.46	.77	1.56
1998 . . . . .	474,821,118	13,841,375	34.30	.78	1.51
1999 . . . . .	565,075,001	14,314,180	39.48	.72	1.61
March 31, 2000 (unaudited) . .	610,212,832	13,916,380	43.85	.27*	.13

\* Paid or declared



*During the Three Months Ended March 31, 2000 (unaudited)*

	Shares		
	Additions	Reductions	Held March 31, 2000
Calpine Capital Trust 5.75% Conv. Pfd. HIGH TIDES . . . . .	32,500		87,500
Chevron Corp. . . . .	10,000		130,000
Owens-Illinois, Inc. . . . .	45,000	20,000	225,000
AGL Resources, Inc. . . . .		170,000	—
Barrett Resources Corp. . . . .		70,000	—
Consolidated Papers, Inc. . . . .		275,000	—
ENSCO International, Inc. . . . .		20,000	120,000
El Paso Energy Corp. . . . .		75,000	110,000
General Electric Co. . . . .		10,000	190,000
Ocean Energy, Inc. . . . .		72,450	550,000
Phillips Petroleum Co. . . . .		30,000	60,000
TotalFinaElf ADR . . . . .		15,000	125,000

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**Common Stock**

Listed on the New York Stock Exchange  
and the Pacific Exchange

**Petroleum & Resources Corporation**

Seven St. Paul Street, Suite 1140, Baltimore, MD 21202

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*E-mail:* contact@peteres.com

*Telephone:* (410) 752-5900 or (800) 638-2479

*Counsel:* Chadbourne & Parke L.L.P.

*Independent Accountants:* PricewaterhouseCoopers LLP

**Transfer Agent, Registrar & Custodian of Securities**

The Bank of New York

101 Barclay Street

New York, NY 10286

The Bank's Shareholder Relations Department: (800) 432-8224

E-mail: Shareowner-svcs@bankofny.com

The Annual Meeting of Stockholders was held on March 28, 2000. For those nominated, the following votes were cast for directors:

	<u>votes for</u>	<u>votes withheld</u>
(A) Enrique R. Arzac:	12,286,551	208,211
(B) Daniel E. Emerson:	12,243,420	251,342
(C) Thomas H. Lenagh:	12,197,845	296,917
(D) W.D. MacCallan:	12,274,118	220,644
(E) W. Perry Neff:	12,240,693	254,069
(F) Douglas G. Ober:	12,291,881	202,881
(G) Landon Peters:	12,263,584	231,178
(H) John J. Roberts:	12,197,563	297,199
(I) Susan C. Schwab:	12,242,483	252,279
(J) Robert J.M. Wilson:	12,228,467	266,295

A proposal to approve and ratify the selection of PricewaterhouseCoopers LLP as the firm of independent accountants of the Corporation for 2000 was approved with 12,273,718 votes for, 110,104 votes against, and 110,940 votes abstaining.

A proposal to approve an amendment to Article SIXTH of the Articles of Incorporation to increase the number of authorized shares of Common Stock of the Corporation from 25,000,000 shares to 50,000,000 shares and to remove a class of convertible preferred stock, par value \$25.00 per share, was approved with 11,634,459 votes for, 665,175 votes against, and 195,128 votes abstaining.

A proposal to approve an amendment to the Corporation's investment policy to change the Corporation's subclassification under the Investment Company Act of 1940 from a diversified investment company to a non-diversified investment company was approved with 7,957,752 votes for, 380,811 votes against, and 260,762 votes abstaining.

Stockholder proposals to be included in the proxy statement for next year's Annual Meeting must be received at the offices of the Corporation by October 26, 2000. The date stated in the 2000 Proxy Statement was incorrect.

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 this report. The rates of return will vary and the market 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.

## 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.**

### BuyDIRECT<sup>SM</sup>\*

BuyDIRECT is a direct purchase and sale plan, as well as a dividend reinvestment plan, sponsored and administered by our transfer agent, The Bank of New York. The Plan provides registered stockholders and interested first time investors an affordable alternative for buying, selling, and reinvesting in Petroleum & Resources shares. Direct purchase plans are growing in popularity and Petroleum & Resources is pleased to participate in such a plan.

The costs to participants in administrative service fees and brokerage commissions for each type of transaction are listed below. Please note that the fees for the reinvestment of dividends as well as the \$0.05 per share commission for each share purchased under the Plan have not increased since 1973.

Initial Enrollment	\$7.50
<i>A one-time fee for new accounts who are not currently registered holders.</i>	
Optional Cash Investments	
Service Fee	\$2.50 per investment
Brokerage Commission	\$0.05 per share
Reinvestment of Dividends**	
Service Fee	10% 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	Included
Book to Book Transfers	Included
<i>To transfer shares to another participant or to a new participant</i>	

***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 BuyDIRECT as well as an enrollment form may be obtained by contacting The Bank of New York.

### For Non-Registered Shareholders

For shareholders whose stock is held by a broker in “street” name, The Bank of New York’s Automatic Dividend Reinvestment 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 the Plan or contact The Bank of New York about the BuyDIRECT Plan.

#### The Corporation

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

#### The Transfer Agent

The Bank of New York  
Shareholder Relations  
Dept.-8W  
P.O. Box 11258  
Church Street Station  
New York, NY 10286  
(800) 432-8224  
Website:  
http://stock.bankofny.com  
E-mail:  
Shareowner-svcs@  
bankofny.com

\*BuyDIRECT is a service mark of The Bank of New York.

\*\*The year-end dividend and capital gain distribution may be made in newly issued shares of common stock in which event there would be no fees or commissions in connection with this dividend and capital gain distribution.

# PETROLEUM & RESOURCES CORPORATION

## Board of Directors

Enrique R. Arzac <sup>1,4</sup>	Douglas G. Ober <sup>1</sup>
Daniel E. Emerson <sup>2,4</sup>	Landon Peters <sup>2,4</sup>
Thomas H. Lenagh <sup>2,3</sup>	John J. Roberts <sup>1,4</sup>
W.D. MacCallan <sup>1,3</sup>	Susan C. Schwab <sup>1,3</sup>
W. Perry Neff <sup>1,2</sup>	Robert J.M. Wilson <sup>3,4</sup>

1. Member of Executive Committee

2. Member of Audit Committee

3. Member of Compensation Committee

4. Member of Retirement Benefits Committee

## Officers

Douglas G. Ober	<i>Chairman and Chief Executive Officer</i>
Richard F. Koloski	<i>President</i>
Joseph M. Truta	<i>Executive Vice President</i>
Nancy J.F. Prue	<i>Vice President—Research</i>
Lawrence L. Hooper, Jr.	<i>Vice President, Secretary and General Counsel</i>
Maureen A. Jones	<i>Vice President and Treasurer</i>
Christine M. Griffith	<i>Assistant Treasurer</i>
Geraldine H. Stegner	<i>Assistant Secretary</i>

## Stock Data

Price (3/31/00)	\$36.00
Net Asset Value (3/31/00)	\$43.85
Discount:	17.9%

New York Stock Exchange and Pacific Exchange  
ticker symbol: PEO

NASDAQ Mutual Fund Quotation Symbol: XPEOX

Newspaper stock listings are generally under the  
abbreviation: PetRs

## Distributions in 2000

From Investment Income (paid or declared)	\$0.27
From Net Realized Gains	0.13
Total	<u>\$0.40</u>

## 2000 Dividend Payment Dates

March 1, 2000

June 1, 2000

September 1, 2000\*

December 27, 2000\*

\*Anticipated

Petroleum  
& Resources  
Corporation

## FIRST QUARTER REPORT

March 31, 2000



investing in resources  
for the future®