

# PETROLEUM & RESOURCES CORPORATION

## Board of Directors

|  |                                       |
|--|---------------------------------------|
| Enrique R. Arzac <sup>2,4</sup>        | Roger W. Gale <sup>2,4</sup>          |
| Phyllis O. Bonanno <sup>2,4</sup>      | Thomas H. Lenagh <sup>2,3</sup>       |
| Kenneth J. Dale <sup>3,4</sup>         | Kathleen T. McGahran <sup>1,3,5</sup> |
| Daniel E. Emerson <sup>1,3,5</sup>     | Douglas G. Ober <sup>1</sup>          |
| Frederic A. Escherich <sup>1,4,5</sup> | Craig R. Smith <sup>1,3,5</sup>       |

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         | <i>Chairman, President and<br/>Chief Executive Officer</i> |
| Nancy J.F. Prue         | <i>Executive Vice President</i>                            |
| David D. Weaver         | <i>Executive Vice President</i>                            |
| Lawrence L. Hooper, Jr. | <i>Vice President, General<br/>Counsel and Secretary</i>   |
| Brian S. Hook           | <i>Treasurer</i>   |
| Christine M. Sloan      | <i>Assistant Treasurer</i>                                 |
| Geraldine H. Paré       | <i>Assistant Secretary</i>                                 |

## Stock Data

|                           |          |
|---------------------------|----------|
| Market Price (3/31/10)    | \$ 23.83 |
| Net Asset Value (3/31/10) | \$ 27.12 |
| Discount:                 | 12.1%    |

New York Stock Exchange ticker symbol: PEO

NASDAQ Mutual Fund Quotation Symbol: XPEOX

Newspaper stock listings are generally under the abbreviation: PeteRes

## Distributions in 2010

|   |               |
|---|---------------|
| From Investment Income (paid or declared) | \$0.13        |
| From Net Realized Gains                   | 0.07          |
| Total                                     | <u>\$0.20</u> |

## 2010 Dividend Payment Dates

March 1, 2010

June 1, 2010

September 1, 2010\*

December 28, 2010\*

\*Anticipated

## CHANGING DYNAMICS, A STEADY FOCUS

FIRST QUARTER REPORT | MARCH 31, 2010



Petroleum  
& Resources  
Corporation

We are pleased to present summary financial information of Petroleum & Resources Corporation (the Corporation) for the three months ended March 31, 2010.

Net assets of the Corporation at March 31, 2010 were \$27.12 per share on 24,339,368 shares outstanding, compared with \$26.75 per share at December 31, 2009 on 24,327,307 shares outstanding. On March 1, 2010, a distribution of \$0.10 per share was paid, consisting of \$0.02 from 2009 long-term capital gain, \$0.05 from 2009 short-term capital gain, \$0.01 from 2009 investment income, and \$0.02 from 2010 investment income, all taxable in 2010. On April 7, 2010, an investment income dividend of \$0.10 per share was declared to stockholders of record May 14, 2010, payable June 1, 2010.

Net investment income for the three months ended March 31, 2010 amounted to \$1,953,692, compared with \$1,416,778 for the same three month period in 2009. These earnings are equal to \$0.08 and \$0.06 per share, respectively.

Net capital gain realized on investments for the three months ended March 31, 2010 amounted to \$2,630,937, or \$0.11 per share.

For the three months ended March 31, 2010, the total return on net asset value (with dividends and capital gains reinvested) of shares of the Corporation was 1.8%. The total return on the market value of the Corporation's shares for the period was 0.8%. These compare to a 0.5% total return for the Dow Jones U.S. Oil and Gas Index, a 6.7% total return for the Dow Jones U.S. Basic Materials Index, and a 5.4% total return for the Standard & Poor's 500 Composite Stock Index ("S&P 500") over the same time period.

For the twelve months ended March 31, 2010, the Corporation's total return on net asset value was 40.8% and on market value was 38.2%. Comparable figures for the Dow Jones U.S. Oil & Gas Index, the Dow Jones U.S. Basic Materials Index, and the S&P 500 were 31.7%, 84.5%, and 49.8%, respectively.

The Annual Meeting was held on March 23, 2010 in Baltimore, Maryland. The results of the voting at the Annual Meeting are shown on page 7.

We are pleased to announce that on March 23, 2010, Mr. David D. Weaver was elected by the Board of Directors to the position of Executive Vice President and has now joined our portfolio management team. Mr. Weaver is also President of the Corporation's non-controlling affiliate, The Adams Express Company, where he has served on the portfolio management team since 2008 and as a research analyst since 2004.

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Current and potential stockholders 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, on our website at [www.peteres.com](http://www.peteres.com). Also available on the website are a brief history of the Corporation, historical financial information, and other useful content.

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By order of the Board of Directors,



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

April 7, 2010

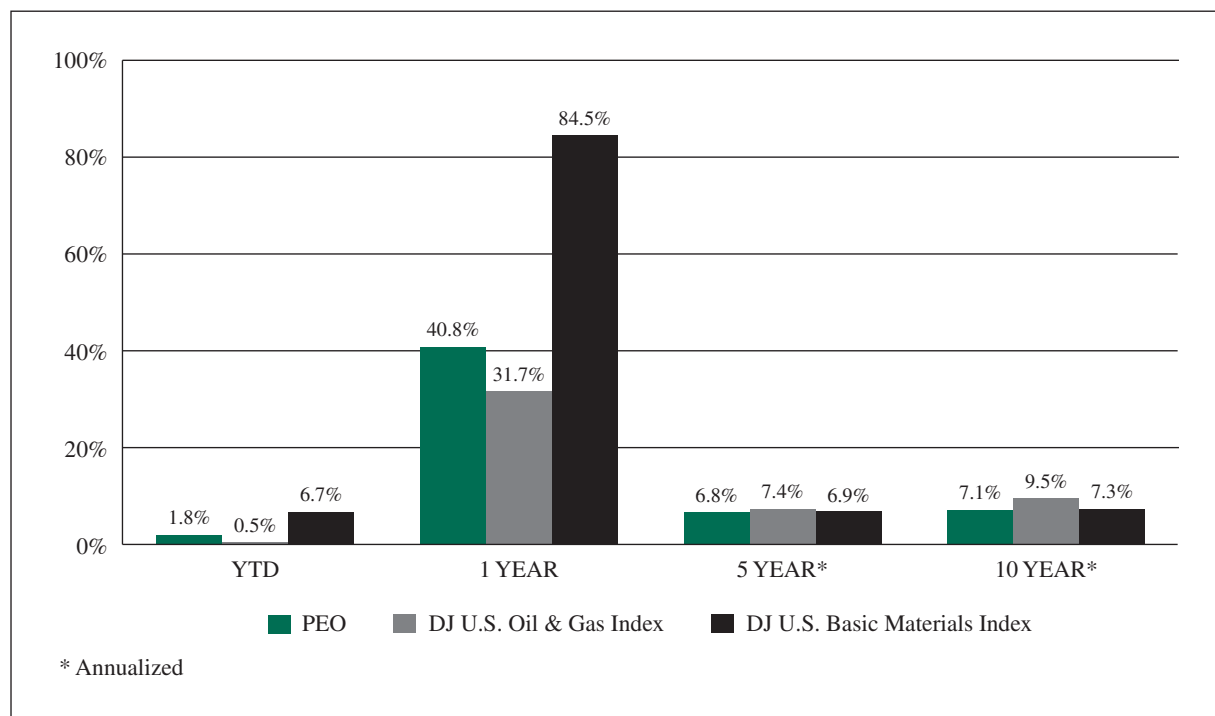
**S U M M A R Y F I N A N C I A L I N F O R M A T I O N**

*Three Months Ended March 31  
(unaudited)*

|  | <u>2010</u> | <u>2009</u> |
|--|-------------|-------------|
| Net asset value per share . . . . .                                | \$ 27.12    | \$ 20.45    |
| Total net assets . . . . .   | 660,138,236 | 486,815,581 |
| Unrealized appreciation . . . . .                                  | 260,911,474 | 101,779,900 |
| Net investment income . . . . .                                    | 1,953,692   | 1,416,778   |
| Net realized gain . . . . .  | 2,630,937   | 2,363,004   |
| Market price per share . . . . .                                   | 23.83       | 18.31       |
| Shares outstanding . . . . .                                       | 24,339,368  | 23,805,938  |
| Shares repurchased . . . . .                                       | —           | 164,401     |
| Total return (based on market price) . . . . .                     | 0.8%        | (4.9)%      |
| Total return (based on net asset value) . . . . .                  | 1.8%        | (8.4)%      |
| Key ratios:  |             |             |
| Net investment income to average net assets (annualized) . . . . . | 1.22%       | 1.12%       |
| Expenses to average net assets (annualized) . . . . .              | 0.58%       | 0.95%       |
| Portfolio turnover . . . . .                                       | 4.03%       | 1.07%       |
| Net cash & short-term investments to net assets . . . . .          | 1.4%        | 8.0%        |

**R E T U R N S O N N E T A S S E T V A L U E**

*As of March 31, 2010  
(unaudited)*



**FIVE YEAR DISTRIBUTION HISTORY**

*(unaudited)*

|            | <u>Income<br/>Dividends<br/>Per Share</u> | <u>Short-Term<br/>Capital Gains<br/>Per Share</u> | <u>Long-Term<br/>Capital Gains<br/>Per Share</u> | <u>Total<br/>Distributions<br/>Per Share</u> | <u>Dividend<br/>Yield*</u> | <u>Annual Rate of<br/>Distribution**</u> |
|------------|---|---|--|--|----------------------------|--|
| 2005 ..... | \$0.56                                    | \$0.16  | \$1.06   | \$1.78                                       | 1.9%                       | 5.9%                                     |
| 2006 ..... | 0.47                                      | 0.34  | 2.99   | 3.80   | 1.4                        | 11.3                                     |
| 2007 ..... | 0.49                                      | 0.04  | 3.78   | 4.31   | 1.3                        | 11.6                                     |
| 2008 ..... | 0.38                                      | 0.04  | 2.57   | 2.99   | 1.1                        | 8.9                                      |
| 2009 ..... | 0.37                                      | 0.14  | 0.89   | 1.40   | 1.7                        | 6.6                                      |
|            |   |   |  | Average:                                     | 1.5%                       | 8.9%                                     |

\* The dividend yield is the total income dividends during the year divided by the average daily market price of the Corporation's Common Stock.

\*\*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.

**C H A N G E S   I N   P O R T F O L I O   S E C U R I T I E S**

*During the Three Months Ended March 31, 2010  
(unaudited)*

|  | <u>Shares</u>    |                   |                                |
|--|------------------|-------------------|--------------------------------|
|  | <u>Additions</u> | <u>Reductions</u> | <u>Held<br/>March 31, 2010</u> |
| Cliffs Natural Resources Inc. ....       | 94,260           |                   | 127,860                        |
| Freeport-McMoRan Copper & Gold Inc. .... | 13,000           |                   | 235,000                        |
| Newfield Exploration Co. ....            | 50,000           |                   | 50,000                         |
| Pioneer Natural Resources Co. ....       | 10,000           |                   | 140,000                        |
| Praxair, Inc. ....                       | 196,508          |                   | 196,508                        |
| Schlumberger Ltd. ....                   | 250,000          |                   | 250,000                        |
| Southwestern Energy Co. ....             | 30,000           |                   | 124,400                        |
| Complete Production Services, Inc. ....  |                  | 400,500           | —                              |
| ConocoPhillips ....                      |                  | 61,891            | 350,000                        |
| Energen Corp. ....                       |                  | 30,000            | 250,000                        |
| EQT Corp. ....                           |                  | 48,800            | 300,000                        |
| Massey Energy Co. ....                   |                  | 20,000            | 160,000                        |
| Noble Corp. ....                         |                  | 135,000           | 640,000                        |
| Northwest Natural Gas Co. ....           |                  | 40,000            | —                              |
| WGL Holdings, Inc. ....                  |                  | 100,625           | 222,275                        |
| XTO Energy Inc. ....                     |                  | 40,000            | 426,500                        |

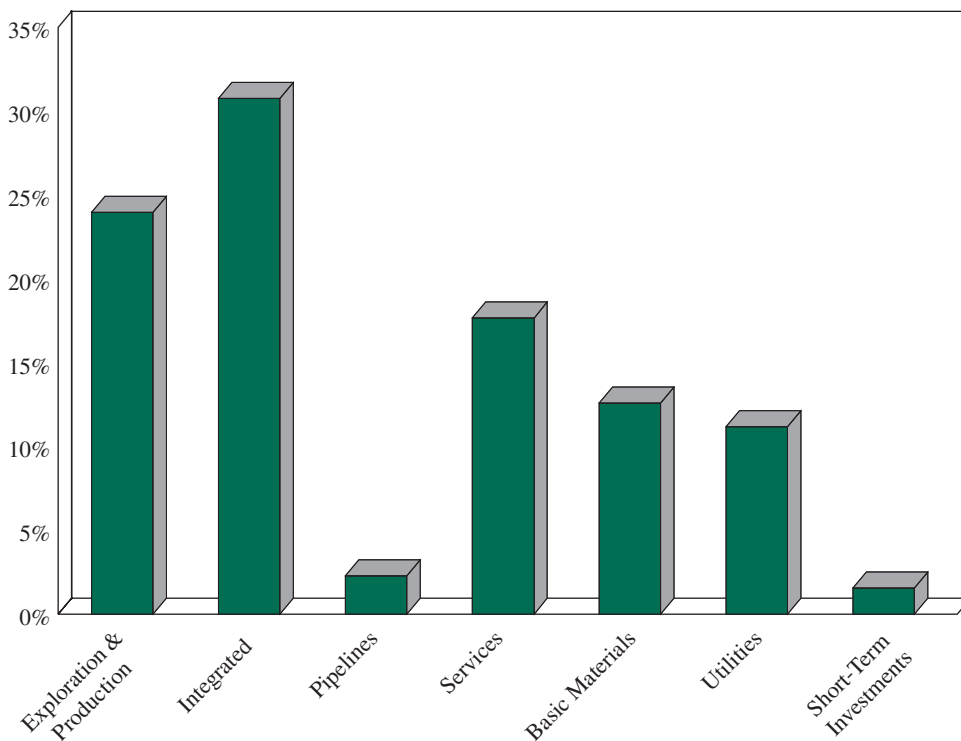
**P O R T F O L I O   S U M M A R Y**

March 31, 2010  
(unaudited)

**TEN LARGEST PORTFOLIO HOLDINGS**

|                                     | <i>Market Value</i>  | <i>% of Net Assets</i> |
|-------------------------------------|----------------------|------------------------|
| Chevron Corp.                       | \$ 71,280,200        | 10.8%                  |
| Exxon Mobil Corp.                   | 68,319,600           | 10.3                   |
| Occidental Petroleum Corp.          | 37,197,600           | 5.6                    |
| Noble Corp.                         | 26,764,800           | 4.1                    |
| Transocean Ltd.                     | 26,600,980           | 4.0                    |
| Halliburton Co.                     | 21,091,000           | 3.2                    |
| Apache Corp.                        | 20,300,000           | 3.1                    |
| XTO Energy Inc.                     | 20,122,270           | 3.0                    |
| Freeport-McMoRan Copper & Gold Inc. | 19,631,900           | 3.0                    |
| Noble Energy, Inc.                  | 18,980,000           | 2.9                    |
| Total                               | <u>\$330,288,350</u> | <u>50.0%</u>           |

**SECTOR WEIGHTINGS**



**SCHEDULE OF INVESTMENTS**

March 31, 2010  
(unaudited)

|   | Shares    | Value (A)     |  | Shares     | Value (A)     |
|---|-----------|---------------|--|------------|---------------|
| <b>Stocks — 98.6%</b>                       |           |               |  |            |               |
| <b>Energy — 74.8%</b>                       |           |               |  |            |               |
| <b>Exploration &amp; Production — 24.0%</b> |           |               |  |            |               |
| Anadarko Petroleum Corp.                    | 190,000   | \$ 13,837,700 |  |            |               |
| Apache Corp.                                | 200,000   | 20,300,000    |  |            |               |
| Devon Energy Corp. (E)                      | 110,000   | 7,087,300     |  |            |               |
| Energen Corp.                               | 250,000   | 11,632,500    |  |            |               |
| EOG Resources, Inc.                         | 120,000   | 11,152,800    |  |            |               |
| Forest Oil Corp. (B)(C)                     | 89,477    | 2,310,296     |  |            |               |
| Newfield Exploration Co. (C)                | 50,000    | 2,602,500     |  |            |               |
| Noble Energy, Inc.                          | 260,000   | 18,980,000    |  |            |               |
| Occidental Petroleum Corp. (E)              | 440,000   | 37,197,600    |  |            |               |
| Pioneer Natural Resources Co. (B)           | 140,000   | 7,884,800     |  |            |               |
| Southwestern Energy Co. (C)                 | 124,400   | 5,065,568     |  |            |               |
| XTO Energy Inc.                             | 426,500   | 20,122,270    |  |            |               |
|   |           | 158,173,334   |  |            |               |
| <b>Integrated — 30.8%</b>                   |           |               |  |            |               |
| Chevron Corp.                               | 940,000   | 71,280,200    |  |            |               |
| ConocoPhillips                              | 350,000   | 17,909,500    |  |            |               |
| Exxon Mobil Corp. (F)                       | 1,020,000 | 68,319,600    |  |            |               |
| Hess Corp.                                  | 250,000   | 15,637,500    |  |            |               |
| Royal Dutch Shell plc ADR                   | 322,700   | 18,671,422    |  |            |               |
| Total S.A. ADR                              | 200,000   | 11,604,000    |  |            |               |
|   |           | 203,422,222   |  |            |               |
| <b>Pipelines — 2.3%</b>                     |           |               |  |            |               |
| Spectra Energy Corp. (B)                    | 208,812   | 4,704,534     |  |            |               |
| Williams Companies, Inc.                    | 450,000   | 10,395,000    |  |            |               |
|   |           | 15,099,534    |  |            |               |
| <b>Services — 17.7%</b>                     |           |               |  |            |               |
| Baker Hughes, Inc. (B)                      | 105,000   | 4,918,200     |  |            |               |
| Halliburton Co.                             | 700,000   | 21,091,000    |  |            |               |
| Nabors Industries Ltd. (C)                  | 520,000   | 10,207,600    |  |            |               |
| National Oilwell Varco, Inc.                | 138,538   | 5,621,872     |  |            |               |
| Noble Corp.                                 | 640,000   | 26,764,800    |  |            |               |
| Schlumberger Ltd. (B)                       | 250,000   | 15,865,000    |  |            |               |
| Transocean Ltd. (C)                         | 307,953   | 26,600,980    |  |            |               |
| Weatherford International, Ltd. (C)         | 370,000   | 5,868,200     |  |            |               |
|   |           | 116,937,652   |  |            |               |
| <b>Basic Materials — 12.6%</b>              |           |               |  |            |               |
| Cliffs Natural Resources Inc. (E)           | 127,860   | 9,071,667     |  |            |               |
| CONSOL Energy Inc. (E)                      | 125,000   | 5,332,500     |  |            |               |
| Freeport-McMoRan Copper & Gold Inc.         | 235,000   | 19,631,900    |  |            |               |
| International Coal Group, Inc. (C)(E)       | 3,000,000 | 13,710,000    |  |            |               |
| Massey Energy Co.                           | 160,000   | 8,366,400     |  |            |               |
|   |           | 46,112,467    |  |            |               |
|   |           | 158,173,334   |  |            |               |
|   |           |               | Potash Corporation of Saskatchewan Inc. (E)  | 90,000     | \$ 10,741,500 |
|   |           |               | Praxair, Inc.  | 196,508    | 16,310,164    |
|   |           |               |  |            | 83,164,131    |
|   |           |               |  |            |               |
|   |           |               | <b>Utilities — 11.2%</b>   |            |               |
|   |           |               | AGL Resources Inc.   | 165,000    | 6,377,250     |
|   |           |               | EQT Corp. (B)  | 300,000    | 12,300,000    |
|   |           |               | MDU Resources Group, Inc.  | 375,000    | 8,092,500     |
|   |           |               | National Fuel Gas Co.  | 200,000    | 10,110,000    |
|   |           |               | New Jersey Resources Corp. (B)   | 300,000    | 11,268,000    |
|   |           |               | Northeast Utilities  | 200,000    | 5,528,000     |
|   |           |               | Questar Corp.  | 240,000    | 10,368,000    |
|   |           |               | Southwest Gas Corp.  | 77,070     | 2,305,934     |
|   |           |               | WGL Holdings, Inc. (B)   | 222,275    | 7,701,829     |
|   |           |               |  |            | 74,051,513    |
|   |           |               | <b>Total Stocks</b> (Cost \$390,109,291)   |            | 650,848,386   |
|   |           |               | <b>Short-Term Investments — 1.6%</b>   |            |               |
|   |           |               | <b>Money Market Funds — 1.6%</b>   |            |               |
|   |           |               | Fidelity Institutional Money Market - Government Portfolio, 0.04% (D)                            | 143,434    | 143,434       |
|   |           |               | RBC U.S. Government Money Market (Institutional Class I), 0.09% (D)                              | 9,759,763  | 9,759,763     |
|   |           |               | Vanguard Federal Money Market, 0.01% (D)   | 18,649     | 18,649        |
|   |           |               | Western Asset Institutional Government Money Market (Class I), 0.05% (D)                         | 379,685    | 379,685       |
|   |           |               | <b>Total Short-Term Investments</b> (Cost \$10,301,531)  |            | 10,301,531    |
|   |           |               | <b>Total Securities Lending Collateral — 1.9%</b> (Cost \$12,931,057)                            |            |               |
|   |           |               | <b>Money Market Funds — 1.9%</b>   |            |               |
|   |           |               | Invesco Aim Short-Term Investment Trust-Liquid Assets Portfolio (Institutional Class), 0.13% (D) | 12,931,057 | 12,931,057    |
|   |           |               | <b>Total Investments — 102.1%</b> (Cost \$413,341,879)   |            | 674,080,974   |
|   |           |               | Cash, receivables, prepaid expenses and other assets, less liabilities — (2.1)%                  |            | (13,942,738)  |
|   |           |               | <b>Net Assets — 100%</b>   |            | \$660,138,236 |

Notes:

- (A) Securities are listed on the New York Stock Exchange or the NASDAQ and are valued at the last reported sale price on the day of valuation.
- (B) A portion of shares held are on loan.
- (C) Presently non-dividend paying.
- (D) Rate presented is as of period-end and represents the annualized yield earned over the previous seven days.
- (E) All or a portion of this security is pledged to cover open written call option contracts. Aggregate market value of such pledged securities is \$8,326,380.
- (F) All or a portion of this security is pledged to cover open written put option contracts with an aggregate market value to deliver upon exercise of \$4,550,000.

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 stockholders, the Corporation 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](http://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 (800) SEC-0330. The Corporation also posts its Forms N-Q on its website at: [www.peteres.com](http://www.peteres.com) under the headings "Investment Information," "Financial Reports" and then "SEC Filings".

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, 2009 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

"About Petroleum & Resources" and "Corporate Information" headings on the website; and (iii) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

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.

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This report 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.

The Annual Meeting of Stockholders was held on March 23, 2010. The following votes were cast for directors.

|                       | <u>Votes For</u> | <u>Votes Withheld</u> |
|-----------------------|------------------|-----------------------|
| Enrique R. Arzac      | 19,739,070       | 1,248,767             |
| Phyllis O. Bonanno    | 19,811,873       | 1,175,963             |
| Kenneth J. Dale       | 19,830,281       | 1,157,556             |
| Daniel E. Emerson     | 19,677,234       | 1,310,602             |
| Frederic A. Escherich | 19,825,249       | 1,162,588             |
| Roger W. Gale         | 19,837,701       | 1,150,136             |
| Thomas H. Lenagh      | 19,622,256       | 1,365,581             |
| Kathleen T. McGahran  | 19,850,100       | 1,137,736             |
| Douglas G. Ober       | 19,824,082       | 1,163,754             |
| Craig R. Smith        | 18,972,484       | 2,015,352             |

A proposal to approve and ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Corporation for 2010 was approved with 20,127,270 votes for, 462,926 votes against, and 397,638 shares abstaining.

A proposal to reapprove the 2005 Equity Compensation Plan was approved with 9,966,947 votes for, 1,648,255 votes against, and 616,612 shares abstaining.

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### 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](http://www.peteres.com)

**E-mail:** [contact@peteres.com](mailto:contact@peteres.com)

### The Transfer Agent

#### American Stock Transfer & Trust Company

**Address Stockholder Inquiries to:**

Stockholder Relations Department

59 Maiden Lane

New York, NY 10038

(866) 723-8330

**Website:** [www.amstock.com](http://www.amstock.com)

**E-mail:** [info@amstock.com](mailto:info@amstock.com)

#### **Investors Choice Mailing Address:**

Attention: Dividend Reinvestment

P.O. Box 922

Wall Street Station

New York, NY 10269-0560

**Website:** [www.amstock.com](http://www.amstock.com)

**E-mail:** [info@amstock.com](mailto:info@amstock.com)