

We herewith submit the financial statements of the Corporation for the nine months ended September 30, 2001. In addition, there is a schedule of investments provided along with other financial information.

Net assets of the Corporation at September 30, 2001 were \$24.83 per share, compared with \$32.69 per share at December 31, 2000 on the 20,601,309 shares and 21,053,644 shares outstanding on each respective date. On March 1, 2001, a distribution of \$0.13 per share was paid consisting of \$0.03 from 2000 long-term capital gain, \$0.05 from 2000 short-term capital gain, \$0.04 from 2000 investment income and \$0.01 from 2001 investment income, all taxable in 2001. Regular 2001 investment income dividends of \$0.13 per share were paid on June 1, 2001 and September 1, 2001.

Net investment income for the nine months ended September 30, 2001 amounted to \$8,212,484, compared with \$5,737,251 for the same period in 2000. These earnings are equal to \$0.40 and \$0.27 per share, respectively, on the average number of shares outstanding during each period.

Net capital gain realized on investments for the nine months ended September 30, 2001 amounted to \$17,975,164, the equivalent of \$0.87 per share.

In concert with the S&P 500, the Fund's performance suffered during the third quarter. The initial decline in energy stocks during the quarter reflected expectations that global economic weakness would lower petroleum demands with a resultant sharp decline in oil prices and industry profitability. After the tragic events of September 11, investor concern over these factors intensified, producing a further drop in both the overall stock market and energy equities. Energy prices are likely to remain volatile during the current military action. However, within the various energy sectors, the companies represented in our portfolio are some of the strongest in the industry. As the economy stabilizes and the energy markets rebalance, we believe that the portfolio is positioned to do well.

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. 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 13 of this report.

We are pleased to announce the addition of Mr. Edward J. Kelly, III to the Board of Directors of the Corporation, effective October 1, 2001. Mr. Kelly is President and Chief Executive Officer of Mercantile Bankshares Corporation, a multi-bank holding company based in Baltimore, Maryland with assets of approximately \$9 billion. Mr. Kelly was previously a Managing Director of J.P. Morgan Chase in New York where he was the head of that bank's Global Financial Institutions Division. He brings a wealth of investment knowledge and experience to the Board of Directors.

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

October 19, 2001

STATEMENT OF ASSETS AND LIABILITIES

September 30, 2001
(unaudited)

Assets

Investments* at value:

Common stocks and convertible securities (cost \$276,110,505)	\$457,762,053	
Short-term investments (cost \$48,219,587)	48,191,687	\$505,953,740

Cash		48,262
Securities lending collateral		18,494,796
Receivables:		
Investment securities sold		4,240,224
Dividends and interest		578,467
Prepaid expenses and other assets		1,982,627
<i>Total Assets</i>		531,298,116

Liabilities

Open written option contracts at value (proceeds \$98,497)		67,000
Obligations to return securities lending collateral		18,494,796
Accrued expenses		1,135,663
<i>Total Liabilities</i>		19,697,459

Net Assets	\$511,600,657
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Net Assets

Common Stock at par value \$1.00 per share, authorized 50,000,000 shares; issued and outstanding 20,601,309 shares	\$ 20,601,309
Additional capital surplus	289,629,955
Undistributed net investment income	1,807,492
Undistributed net realized gain on investments	17,906,756
Unrealized appreciation on investments	181,655,145

Net Assets Applicable to Common Stock	\$511,600,657
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Net Asset Value per Share of Common Stock	\$24.83
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* See Schedule of Investments on pages 9 and 10.

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

*Nine Months Ended September 30, 2001
(unaudited)*

Investment Income

Income:	
Dividends	\$ 8,486,380
Interest and other income	981,532
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<i>Total income</i>	9,467,912
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Expenses:	
Investment research	268,954
Administration and operations	274,064
Directors' fees	144,250
Reports and stockholder communications	169,978
Transfer agent, registrar and custodian expenses	133,707
Auditing and accounting services	55,422
Legal services	10,618
Occupancy and other office expenses	72,675
Travel, telephone and postage	49,188
Other	76,572
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<i>Total expenses</i>	1,255,428
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Net Investment Income	8,212,484
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Realized Gain and Change in Unrealized Appreciation on Investments	
Net realized gain on security transactions	17,975,164
Change in unrealized appreciation on investments	(183,488,987)
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Net Loss on Investments	(165,513,823)
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Change in Net Assets Resulting from Operations	\$(157,301,339)

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

STATEMENT OF CHANGES IN NET ASSETS

	Nine Months ended September 30, 2001 (unaudited)	Year ended December 31, 2000
From Operations:		
Net investment income	\$ 8,212,484	\$ 7,671,089
Net realized gain on investments	17,975,164	27,333,550
Change in unrealized appreciation on investments	(183,488,987)	134,678,179
<i>Change in net assets resulting from operations</i>	(157,301,339)	169,682,818
Dividends to Stockholders from:		
Net investment income	(6,408,827)	(8,104,080)
Net realized gain from investment transactions	(1,670,050)	(27,598,975)
<i>Decrease in net assets from distributions</i>	(8,078,877)	(35,703,055)
From Capital Share Transactions:		
Value of shares issued in payment of distributions	—0—	18,901,062
Cash in lieu of fractional shares issued in payment of 3-for-2 stock split	—0—	(68,568)
Cost of shares purchased (Note 4)	(11,191,994)	(29,714,391)
<i>Change in net assets from capital share transactions</i>	(11,191,994)	(10,881,897)
Total Increase (Decrease) in Net Assets	(176,572,210)	123,097,866
Net Assets:		
Beginning of period	688,172,867	565,075,001
End of period (including undistributed net investment income of \$1,807,492 and \$3,835, respectively)	\$ 511,600,657	\$688,172,867

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'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 (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, including options, at September 30, 2001 was \$324,367,267, and net unrealized appreciation aggregated \$181,684,970, of which the related gross unrealized appreciation and depreciation were \$202,486,713 and \$20,801,743, 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 nine months

ended September 30, 2001 were \$31,532,096 and \$66,102,945, respectively. Options may be written 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 options is limited to the premium originally paid. Option transactions comprised an insignificant portion of operations during the period ended September 30, 2001. 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 has 5,000,000 unissued preferred shares without par value.

On October 19, 2000, the Corporation effected a 3-for-2 stock split. All references to the number of outstanding shares and per share amounts have been adjusted retroactively to reflect the stock split.

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 2001 and 2000 were as follows:

	Shares		Amount	
	Nine months ended September 30, 2001	Year ended December 31, 2000	Nine months ended September 30, 2001	Year ended December 31, 2000
Shares issued in payment of dividends		760,799		\$ 18,901,062
Shares issued for 3-for-2 stock split		6,827,415		—
Cash in lieu of fractional shares issued in payment of 3-for-2 stock split				(68,568)
Total increase	—	7,588,214	—	18,832,494
Shares purchased (at an average discount from net asset value of 9.9% and 16.5%, respectively)	(396,350)	(848,750)	\$(11,191,994)	(29,714,391)
Total decrease	(396,350)	(848,750)	(11,191,994)	(29,714,391)
Net change	(396,350)	6,739,464	\$(11,191,994)	\$(10,881,897)

The Corporation held a total of 589,086 shares and 192,736 shares at September 30, 2001 and December 31, 2000, respectively. The total cost of these shares amounted to \$15,521,668 and \$4,329,674 on each respective date.

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 895,522 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 2001, there were 212,694 options outstanding at a weighted average exercise price of \$14.7283 per share. During the nine months ended September 30, 2001, the Corporation granted options including stock appreciation rights for 20,664 shares of common stock with an exercise price of \$27.0938. During the period stock appreciation rights relating to 84,361 stock option shares were exercised at a weighted average market price of \$28.2398 per share and the stock options relating to these rights, which had a weighted average exercise price of \$11.5078, were cancelled. At September 30, 2001, there were outstanding exercisable options to purchase 20,031 common shares at \$10.7917-\$20.8967 (weighted average price of \$15.7808) per share and unexercisable options to purchase 128,966 common shares at \$10.7917-\$27.0138 per share (weighted average price of \$18.5114). The weighted average remaining contractual life of outstanding exercisable and unexercisable options was 5.5410 years and 6.2436 years, respectively. The total compensation expense for stock options and stock appreciation rights recognized for the nine months ended September 30, 2001 was \$(275,508). At September 30, 2001, there were 298,698 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 five years 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, bonds and mutual funds.

The actuarially computed net pension cost credit for the nine months ended September 30, 2001 was \$38,697, and consisted of service cost of \$78,548, interest cost of \$162,954 expected return on plan assets of \$269,695 and net amortization credit of \$10,504.

In determining the actuarial present value of the projected benefit obligation, the interest rate used for the weighted average discount rate was 7.5%, 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, 2001, the projected benefit obligation for service rendered to date was \$2,935,689. During the nine months ended September 30, 2001, the projected benefit obligation increased due to service cost and interest cost of \$78,548 and \$162,954, respectively, and decreased due to benefit payments in the amount of \$58,100. The projected benefit obligation at September 30, 2001 was \$3,119,091.

On January 1, 2001, the actual fair value of plan assets was \$4,533,648. During the nine months ended September 30, 2001, the fair value of plan assets increased due to the expected return on plan assets of \$269,695 and decreased due to benefit payments in the amount of \$58,100. At September 30, 2001, the projected fair value of plan assets amounted to \$4,745,243, which resulted in excess plan assets of \$1,626,152. The remaining components of prepaid pension cost at September 30, 2001 included \$185,948 in unrecognized net gain, \$252,556 in unrecognized prior service cost and \$9,275 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 September 30, 2001 was \$1,683,485.

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 September 30, 2001 for employees and former employees of the Corporation was \$1,064,243. Aggregate remuneration paid or accrued during the nine months ended September 30, 2001 to officers and directors amounted to \$279,344, which includes a credit of \$275,508 for stock options and stock appreciation rights.

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 September 30, 2001, the Corporation had outstanding loans of \$17,262,364 and held collateral of \$18,494,796.

FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities and 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.

FINANCIAL HIGHLIGHTS

	Nine Months Ended		Year Ended December 31				
	(unaudited)						
	Sept. 30, 2001	Sept. 30, 2000	2000	1999	1998	1997	1996
Per Share Operating Performance*							
Net asset value, beginning of period	\$32.69	\$26.32	\$26.32	\$22.87	\$27.64	\$24.73	\$21.01
Net investment income	0.40	0.27	0.37	0.48	0.55	0.51	0.53
Net realized gains and change in unrealized appreciation (depreciation) and other changes	(7.93)	7.33	7.46	4.51	(3.79)	3.95	4.62
Total from investment operations	(7.53)	7.60	7.83	4.99	(3.24)	4.46	5.15
Capital share repurchases	0.06	0.24	0.28	0.01	—	—	—
Less distributions							
Dividends from net investment income	(0.31)	(0.31)	(0.39)	(0.48)	(0.52)	(0.51)	(0.55)
Distributions from net realized gains	(0.08)	(0.08)	(1.35)	(1.07)	(1.01)	(1.04)	(0.88)
Total distributions	(0.39)	(0.39)	(1.74)	(1.55)	(1.53)	(1.55)	(1.43)
Net asset value, end of period	\$24.83	\$33.77	\$32.69	\$26.32	\$22.87	\$27.64	\$24.73
Per share market price, end of period	\$22.66	\$28.04	\$27.31	\$21.50	\$20.42	\$24.33	\$23.17
Total Investment Return							
Based on market price	(15.9)%	32.6%	36.1%	13.3%	(10.0)%	11.7%	31.2%
Based on net asset value	(23.0)%	30.4%	33.1%	23.8%	(11.1)%	18.9%	25.5%
Ratios/Supplemental Data							
Net assets, end of period (in 000's)	\$511,601	\$690,715	\$688,173	\$565,075	\$474,821	\$556,453	\$484,589
Ratio of expenses to average net assets	0.27%†	0.60%†	0.59%	0.43%	0.31%	0.47%	0.63%
Ratio of net investment income to average net assets	1.74%†	1.25%†	1.24%	1.86%	2.13%	1.91%	2.31%
Portfolio turnover	7.00%†	8.81%†	7.68%	11.89%	12.70%	13.09%	15.50%
Number of shares outstanding at end of period (in 000's)*	20,601	20,457	21,054	21,471	20,762	20,134	19,599

*Prior year data have been adjusted to reflect the 3-for-2 stock split effected in October, 2000.

†Ratios presented on an annualized basis.

SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2001
(unaudited)

	<u>Prin. Amt.</u>	<u>Value (A)</u>		<u>Prin. Amt. or No. of Contracts</u>	<u>Value (A)</u>
Short-Term Investments — 9.5%					
<i>U.S. Government Obligations — 1.4%</i>					
U.S. Treasury Bills, 3.33%, due 11/23/01	\$7,000,000	\$6,965,683			
<i>Commercial Paper — 8.1%</i>					
BellSouth Corp., 2.54%, due 10/11/01	4,410,000	4,406,888			
Chevron USA, 2.00%, due 10/4/01	3,370,000	3,369,438			
Coca-Cola Corp., 2.68%, due 10/18/01	5,375,000	5,368,198			
Deere & Co., 2.42%, due 10/09/01	5,000,000	4,997,311			
Ford Motor Credit Co., 3.00%, due 10/4/01	5,000,000	4,998,750			
General Electric Capital Corp., 3.00%, due 10/4/01	3,075,000	3,074,231			
Kraft Foods 3.45%, due 10/2/01	5,000,000	4,999,522			
					<u>41,210,004</u>
			<i>Commercial Paper — Continued</i>		
			Texaco Inc., 3.44% due 10/2/01	\$5,000,000	\$ 4,999,522
			Toyota Credit Puerto Rico, 3.47%, due 10/9/01	5,000,000	4,996,144
					<u>16,000</u>
			<i>Purchased Options — 0.0%</i>		
			Murphy Oil Corp. Put, Oct. 2001, Strike Price \$65.00	20,000	16,000
			Total Short-Term Investments (Cost \$48,219,587)		<u>48,191,687</u>
			Total Investments (Cost \$324,330,092)		505,953,740
			Cash, receivables and other assets, less liabilities		<u>5,646,917</u>
			Net Assets—100.0%		<u><u>\$511,600,657</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) All or a portion of these securities is on loan. See Note 7 to Financial Statements.
- (C) Presently non-dividend paying.
- (D) The aggregate market value of stocks held in escrow at September 30, 2001 covering open call option contracts written was \$2,082,200. In addition, the aggregate market value of securities segregated by the custodian required to collateralize open put option contracts written was \$312,000.

PRINCIPAL CHANGES IN PORTFOLIO SECURITIES

*During the Three Months Ended September 30, 2001
(unaudited)*

	Shares		
	Additions	Reductions	Held September 30, 2001
Arch Coal Inc.	48,000		155,000
Chevron Corp.	10,000		160,000
Exxon Mobil Corp.	607,231 ⁽¹⁾		1,214,462
National Fuel Gas Co.	100,000 ⁽¹⁾		200,000
Philadelphia Suburban Corp.	48,200		48,200
Atmos Energy Corp.		85,500	139,500
Diamond Offshore Drilling Inc.		96,800	—
ENSCO International, Inc.		120,000	—
EOG Resources Inc.		25,000	200,000
General Electric Co.		80,000	490,000
Global Industries Ltd.		150,000	—
Newpark Resources, Inc.		250,000	—
Petrobras ADS		150,000	—
Petroleum Geo-Services ASA ADR		250,000	—
Royal Dutch Petroleum Co.		40,000	810,000
“Shell” Transport and Trading Co., plc ADR		40,000	200,000
Tesoro Petroleum Corp.		300,000	—
Transocean Sedco Forex Inc.		30,000	200,000
Valero Energy Corp.		25,000	100,000

⁽¹⁾ By stock split.

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.

H I S T O R I C A L F I N A N C I A L S T A T I S T I C S

<u>December 31</u>	<u>Value of Net Assets</u>	<u>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>
1991	\$314,024,187	16,778,358	\$18.71	\$.61	\$.82
1992	320,241,282	17,369,255	18.44	.51	.82
1993	355,836,592	18,010,007	19.76	.55	.87
1994	332,279,398	18,570,450	17.89	.61	.79
1995	401,404,971	19,109,075	21.01	.58	.81
1996	484,588,990	19,598,729	24.73	.55	.88
1997	566,452,549	20,134,181	27.64	.51	1.04
1998	474,821,118	20,762,063	22.87	.52	1.01
1999	565,075,001	21,471,270	26.32	.48	1.07
2000	688,172,867	21,053,644	32.69	.39	1.35
September 30, 2001 (unaudited)	511,600,657	20,601,309	24.83	.31	0.08

* Prior years have been adjusted to reflect the 3-for-2 stock split effected in October, 2000.

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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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: (866) 723-8330

E-mail: Shareowner-svcs@bankofny.com

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^{SM*}

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
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*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 ^{2,4}	Douglas G. Ober ¹
Daniel E. Emerson ^{1,4}	Landon Peters ^{3,4}
Edward J. Kelly, III*	John J. Roberts ^{2,4}
Thomas H. Lenagh ^{2,3}	Susan C. Schwab ^{1,3}
W.D. MacCallan ^{1,4}	Robert J.M. Wilson ^{1,3}
W. Perry Neff ^{1,2}	

1. Member of Executive Committee
2. Member of Audit Committee
3. Member of Compensation Committee
4. Member of Retirement Benefits Committee

* Effective October 1, 2001

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. Sloan	<i>Assistant Treasurer</i>
Geraldine H. Stegner	<i>Assistant Secretary</i>

Stock Data

Price (9/30/01)	\$22.66
Net Asset Value (9/30/01)	\$24.83
Discount:	8.7%

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 2001

From Investment Income	\$0.31
From Net Realized Gains	0.08
Total	<u>\$0.39</u>

2001 Dividend Payment Dates

March 1, 2001
June 1, 2001
September 1, 2001
December 27, 2001*

*Anticipated

Petroleum
& Resources
Corporation

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THIRD QUARTER REPORT

September 30, 2001

investing in resources
for the future®