

Petroleum & Resources Corporation

Seven St. Paul Street
Baltimore, MD 21202

January 14, 2000

1999 TAX INFORMATION

Please Read Carefully

To our Stockholders:

This letter, showing the investment income dividends and the capital gain distributions paid by the Corporation during the calendar year 1999, is sent to assist you in preparing your federal income tax return. The dates and amounts of the payments are as follows:

<u>Date Paid</u> <u>1999</u>	<u>Common Stock</u>			
	<u>(I)</u> <u>Investment</u> <u>Income</u> <u>Dividends</u> <u>(Per share)</u>	<u>(a)</u> <u>Percentage Entitled</u> <u>To Corporate</u> <u>Dividend Deduction</u>	<u>(II)</u> <u>Short-Term</u> <u>Capital Gain</u> <u>Distribution</u> <u>(Per share)</u>	<u>(III)</u> <u>Long-Term</u> <u>Capital Gain</u> <u>Distribution</u> <u>(Per share)</u>
March 1.....	\$.10	62.3%	—	\$.10
June 120	69.0%	—	—
September 120	69.0%	—	—
December 2722	69.0%	\$0.11	1.40
Totals	<u>\$0.72</u>		<u>\$0.11</u>	<u>\$1.50</u>

*These payments are taxable whether taken in shares of the Corporation's stock or in cash. The cost, for income tax purposes, of full shares received is \$30.7188 per share.

The Corporation has qualified as a "regulated investment company" as defined in the applicable provisions of the Internal Revenue Code of 1986, as amended. Stockholders who were entitled to receive the investment income dividends and capital gain distributions, described above, should report them for federal income tax purposes as follows:

I. *The investment income dividends* should be reported as ordinary dividend income. The enclosed Form 1099, "U.S. Information Return," shows the total amount of dividends distributed to you. Column (a) indicates the percentage of each investment income dividend that qualifies for the 70% dividends received deduction allowed certain corporations, with respect to dividends received from domestic corporations.

II. *The short-term capital gain distribution*, whether received in stock or cash, should be reported as ordinary dividend income. This amount is included in your enclosed Form 1099, "U.S. Information Return," under dividend income. Column (a) indicates the percentage of each short-term capital gain distribution that qualifies for the 70% dividends received deduction allowed certain corporations, with respect to short-term capital gain distributions received from domestic corporations.

III. *The long-term capital gain distribution*, whether received in stock or in cash, should be reported as a "capital gain dividend" and treated by you as a long-term capital gain regardless of the length of time you have held the shares. Capital gain dividends do not qualify for the dividends received deduction described in paragraphs (I) and (II) above.

The long-term capital gain distribution of \$1.50 per share is taxable at the 20% capital gain tax rate.

The taxability under state law of optional investment income dividends and capital gain distributions to stockholders paid by investment companies varies state by state. Stockholders should consult their state tax advisors as to the manner of reporting these distributions.

The Corporation had \$0.03 per share in reportable interest income from U.S. Government Obligations in 1999.

PETROLEUM & RESOURCES CORPORATION

LAWRENCE L. HOOPER, JR.
Vice President, Secretary & General Counsel