

We are pleased to submit the financial statements of the Corporation for the three months ended March 31, 2001. In addition, there is a schedule of investments provided along with other financial information.

Net assets of the Corporation at March 31, 2001 were \$30.80 per share, compared with \$32.69 per share at December 31, 2000 on the 20,780,209 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. A 2001 investment income dividend of \$0.13 per share has been declared to shareholders of record May 18, 2001, payable June 1, 2001.

Net investment income for the three months ended March 31, 2001 amounted to \$1,990,619, compared with \$1,056,548 for the same period in 2000. These earnings are equal to \$0.09 and \$0.05 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, 2001 amounted to \$14,015,288, the equivalent of \$0.67 per share.

The Annual Meeting, held on March 27, 2001 in Baltimore, Maryland, was well attended by shareholders. Upon conclusion of the formal segment of the meeting, management reviewed the portfolio's performance in 2000 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. 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 20, 2001

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2001
(unaudited)

Assets

Investments* at value:

Common stocks and convertible securities

(cost \$304,314,063)

\$613,996,932

Short-term investments (cost \$25,651,171)

25,651,171

\$639,648,103

Cash

34,244

Securities lending collateral

74,547,592

Receivables:

Investment securities sold

21,899

Dividends and interest

725,171

Prepaid expenses and other assets

2,005,428

Total Assets

716,982,437

Liabilities

Investment securities purchased

417,750

Open option contracts at value (proceeds \$216,620)

172,243

Obligations to return securities lending collateral

74,547,592

Accrued expenses

1,900,939

Total Liabilities

77,038,524

Net Assets

\$639,943,913

Net Assets

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

50,000,000 shares; issued and outstanding 20,780,209 shares

\$ 20,780,209

Additional capital surplus

294,538,516

Undistributed net investment income

950,822

Undistributed net realized gain on investments

13,947,120

Unrealized appreciation on investments

309,727,246

Net Assets Applicable to Common Stock

\$639,943,913

Net Asset Value per Share of Common Stock

\$30.80

* 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

*Three Months Ended March 31, 2001
(unaudited)*

Investment Income

Income:		
Dividends		\$ 2,280,226
Interest		371,143
<hr/>		
<i>Total income</i>		2,651,369
<hr/>		
Expenses:		
Investment research		211,078
Administration and operations		158,178
Directors' fees		54,250
Reports and stockholder communications		91,862
Transfer agent, registrar and custodian expenses		43,086
Auditing and accounting services		18,809
Legal services		8,025
Occupancy and other office expenses		18,961
Travel, telephone and postage		14,961
Other		41,540
<hr/>		
<i>Total expenses</i>		660,750
<hr/>		
Net Investment Income		1,990,619
<hr/>		
Realized Gain and Change in Unrealized Appreciation on Investments		
Net realized gain on security transactions		14,015,288
Change in unrealized appreciation on investments		(55,416,886)
<hr/>		
Net Loss on Investments		(41,401,598)
<hr/>		
Change in Net Assets Resulting from Operations		\$(39,410,979)

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

STATEMENT OF CHANGES IN NET ASSETS

	Three Months ended March 31, 2001 (unaudited)	Year ended December 31, 2000
From Operations:		
Net investment income	\$ 1,990,619	\$ 7,671,089
Net realized gain on investments	14,015,288	27,333,550
Change in unrealized appreciation on investments	(55,416,886)	134,678,179
<i>Change in net assets resulting from operations</i>	(39,410,979)	169,682,818
Dividends to Stockholders from:		
Net investment income	(1,043,632)	(8,104,080)
Net realized gain from investment transactions	(1,669,810)	(27,598,975)
<i>Decrease in net assets from distributions</i>	(2,713,442)	(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)	(6,104,533)	(29,714,391)
<i>Change in net assets from capital share transactions</i>	(6,104,533)	(10,881,897)
Total Increase (Decrease) in Net Assets	(48,228,954)	123,097,866
Net Assets:		
Beginning of period	688,172,867	565,075,001
End of period (including undistributed net investment income of \$950,822 and \$3,835, respectively)	\$639,943,913	\$688,172,867

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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 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, 2001 was \$330,107,651, and net unrealized appreciation aggregated \$309,757,072, of which the related gross unrealized appreciation and depreciation were \$321,820,076 and \$12,063,004, 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, 2001 were \$23,268,590 and \$26,168,392, 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, 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.

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, 2001, the Corporation purchased 217,550 shares of its common stock at a total cost of \$6,104,533 and a weighted average discount from net asset value of 10.5%, compared to purchases of 403,300 shares at a total cost of \$13,163,096 and a weighted average discount from net asset value of 16.3% for the same period in 2000.

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 three months ended March 31, 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 68,929 stock option shares were exercised at a weighted average market price of \$28.4724

per share and the stock options relating to these rights, which had a weighted average exercise price of \$11.3069, were cancelled. At March 31, 2001, there were outstanding exercisable options to purchase 35,463 common shares at \$8.8467-\$21.0667 (weighted average price of \$14.3118) per share and unexercisable options to purchase 128,996 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 5.2454 years and 6.7436 years, respectively. The total compensation expense for stock options and stock appreciation rights recognized for the three months ended March 31, 2001 was \$4,008. At March 31, 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 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, bonds and mutual funds.

The actuarially computed net pension cost credit for the three months ended March 31, 2001 was \$12,899, and consisted of service cost of \$26,183, interest cost of \$54,318 expected return on plan assets of \$89,898 and net amortization credit of \$3,502.

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 three months ended March 31, 2001, the projected benefit obligation increased due to service cost and interest cost of \$26,183 and \$54,318, respectively, and decreased due to benefit payments in the amount of \$19,367. The projected benefit obligation at March 31, 2001 was \$2,996,823.

On January 1, 2001, the actual fair value of plan assets was \$4,533,648. During the three months ended March 31, 2001, the fair value of plan assets increased due to the expected return on plan assets of \$89,898 and decreased due to benefit payments in the amount of \$19,367. At March 31, 2001, the projected fair value of plan assets amounted to \$4,604,179, which resulted in excess plan assets of \$1,607,356. The remaining components of prepaid pension cost at March 31, 2001 included \$197,083 in un-

recognized net gain, \$275,237 in unrecognized prior service cost and \$27,823 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, 2001 was \$1,657,687.

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, 2001 for employees and former employees of the Corporation was \$1,528,994. Aggregate remuneration paid or accrued during the three months ended March 31, 2001 to officers and directors amounted to \$183,988.

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, 2001, the Corporation had outstanding loans of \$72,283,327 and held collateral of \$74,547,592.

FINANCIAL HIGHLIGHTS

	Three Months Ended		Year Ended December 31				
	(unaudited)						
	March 31, 2001	March 31, 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	0.09	0.05	0.37	0.48	0.55	0.51	0.53
Net realized gains and change in unrealized appreciation (depreciation) and other changes	(1.88)	2.87	7.46	4.51	(3.79)	3.95	4.62
Total from investment operations	(1.79)	2.92	7.83	4.99	(3.24)	4.46	5.15
Capital share repurchases	0.03	0.12	0.28	0.01	—	—	—
Less distributions							
Dividends from net investment income	(0.05)	(0.05)	(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	(0.13)	(0.13)	(1.74)	(1.55)	(1.53)	(1.55)	(1.43)
Net asset value, end of period	\$30.80	\$29.23	\$32.69	\$26.32	\$22.87	\$27.64	\$24.73
Per share market price, end of period	\$27.20	\$24.00	\$27.31	\$21.50	\$20.42	\$24.33	\$23.17
Total Investment Return							
Based on market price	0.5%	12.3%	36.1%	13.3%	(10.0)%	11.7%	31.2%
Based on net asset value	(5.4)%	11.7%	33.1%	23.8%	(11.1)%	18.9%	25.5%
Ratios/Supplemental Data							
Net assets, end of period (in 000's)	\$639,944	\$610,213	\$688,173	\$565,075	\$474,821	\$556,453	\$484,589
Ratio of expenses to average net assets	0.40%†	0.84%†	0.59%	0.43%	0.31%	0.47%	0.63%
Ratio of net investment income to average net assets	1.21%†	0.75%†	1.24%	1.86%	2.13%	1.91%	2.31%
Portfolio turnover	14.65%†	4.08%†	7.68%	11.89%	12.70%	13.09%	15.50%
Number of shares outstanding at end of period (in 000's)*	20,780	20,875	21,054	21,471	20,762	20,134	19,599

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

†Ratios presented on an annualized basis.

SCHEDULE OF INVESTMENTS

March 31, 2001
(unaudited)

	<u>Shares</u>	<u>Value (A)</u>		<u>Shares</u>	<u>Value (A)</u>
Stocks And Convertible Securities — 96.0%			Services — 14.1%		
Energy — 87.6%			BJ Services Co. (B)(C) 200,000 \$ 14,240,000		
Internationals — 25.6%			Core Laboratories (B) 209,400 3,930,438		
BP Amoco plc ADR	482,000	\$ 23,916,840	Diamond Offshore Drilling, Inc. (C) 96,800 3,809,080		
Chevron Corp.	150,000	13,170,000	ENSCO International, Inc. 120,000 4,200,000		
Exxon Mobil Corp.	607,231	49,185,711	Global Industries Ltd. (B) 200,000 2,912,500		
Petrobras ADS (B)(C)	120,000	2,856,000	Grant Prideco Inc. (B) 275,000 4,730,000		
Royal Dutch Petroleum Co.	850,000	47,124,000	Halliburton Co. 150,000 5,512,500		
“Shell” Transport and Trading Co., plc ADR	240,000	11,215,200	Nabors Industries, Inc. (B) 200,000 10,368,000		
Texaco Inc.	120,000	7,968,000	Petroleum Geo-Services ASA ADR (B)(C) 250,000 2,237,500		
TotalFinaElf ADR	125,000	8,493,750	Santa Fe International Corp. 180,000 5,850,000		
		163,929,501	Schlumberger Ltd. 229,400 13,215,734		
			Transocean Sedco Forex Inc. 230,000 9,970,500		
			Weatherford International, Inc. (B)(C) 190,000 9,376,500		
			90,352,752		
Domestics — 8.2%			Electrical Power — 11.5%		
Amerada Hess Corp.	100,000	7,812,000	Calpine Capital Trust 5.75% Conv. Pfd. HIGH TIDES 87,500 17,128,125		
Conoco Inc. Class B	300,000	8,475,000	Calpine Corp. (B)(C) 50,000 2,753,500		
Kerr McGee Corp.	181,253	11,763,320	Dynegy, Inc. Class A (C) 165,000 8,416,650		
Murphy Oil Corp.	110,000	7,323,800	Enron Corp. \$27.30 Conv Pfd. Ser. J (C) 20,000 31,722,600		
Tesoro Petroleum Corp. (B)	300,000	3,735,000	Mirant Corp. (B)(C) 149,000 5,289,500		
Unocal Capital Trust \$3.125 Conv. Pfd.	72,540	3,450,184	Mirant Trust 6.25% Conv. Pfd. Ser. A 8,000 596,000		
Unocal Corp.	150,000	5,185,500	Orion Power Holdings, Inc. 250,000 7,675,000		
Valero Energy Corp.	125,000	4,437,500	73,581,375		
		52,182,304	Basic Industries — 8.4%		
			Basic Materials & Other — 5.7%		
Producers — 10.4%			Arch Coal Inc. 55,000 1,648,900		
Anadarko Petroleum Corp. (C)	297,746	18,692,511	Engelhard Corp. 300,000 7,758,000		
Apache Corp.	130,000	7,489,300	General Electric Co. 570,000 23,860,200		
Devon Energy Corp (C)	122,500	7,129,500	Newpark Resources, Inc. 370,000 3,326,300		
EOG Resources, Inc. (C)	225,000	9,276,750	36,593,400		
Noble Affiliates Inc.	125,000	5,216,250	Paper and Forest Products — 2.7%		
Occidental Petroleum Corp.	175,000	4,331,250	Boise Cascade Corp. 205,000 6,437,000		
Ocean Energy, Inc. (B)	550,000	9,102,500	Mead Corp. 210,000 5,268,900		
Stone Energy Corp. (B)	104,300	5,138,861	Temple-Inland, Inc. 120,000 5,310,000		
		66,376,922	17,015,900		
Distributors — 17.8%			Total Stocks And Convertible Securities		
Atmos Energy Corp.	225,000	5,355,000	(Cost \$304,314,063) (D) 613,996,932		
Duke Energy Corp. 8.25% Conv. Pfd. due 2004	160,000	4,360,000			
Duke Energy Corp.	77,200	3,299,528			
El Paso Corp.	356,000	23,246,800			
Energen Corp.	250,000	8,825,000			
Equitable Resources Inc.	180,500	12,454,500			
Keyspan Corp.	200,000	7,626,000			
Kinder Morgan, Inc. 8.25% PEPS Units due 2001	130,000	9,022,000			
National Fuel Gas Co.	100,000	5,358,000			
New Jersey Resources, Inc.	185,000	7,612,750			
Northwestern Corp.	200,000	4,900,000			
Questar Corp.	268,000	7,343,200			
TECO Energy, Inc.	200,000	5,992,000			
Williams Companies, Inc.	200,000	8,570,000			
		113,964,778			

SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2001
(unaudited)

	<u>Prin. Amt.</u>	<u>Value (A)</u>		<u>Value (A)</u>
Short-Term Investments — 4.0%			Total Short-Term Investments	
U.S. Government Obligations — 1.1%			(Cost \$25,651,171)	\$ 25,651,171
U.S. Treasury Bills, 4.85%, due 5/24/01	\$7,000,000	\$ 6,949,446	Total Investments	
			(Cost \$329,965,234)	639,648,103
Commercial Paper — 2.9%			Cash, receivables and other assets, less liabilities	295,810
Chevron USA, 4.95%, due 4/10/01	3,745,000	3,740,366	Net Assets—100.0%	<u>\$639,943,913</u>
Ford Motor Credit Corp., 4.85%, due 4/19/01	4,500,000	4,489,087		
General Electric Capital Corp., 4.83%-4.9%, due 4/5/01-4/10/01	5,480,000	5,475,005		
Texaco, Inc., 4.92%, due 4/5/01	5,000,000	4,997,267		
		<u>18,701,725</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) All or a portion of these securities is on loan. See Note 7 to Financial Statements.
- (D) The aggregate market value of stocks held in escrow at March 31, 2001 covering open call option contracts written was \$3,841,500. In addition, the aggregate market value of securities segregated by the custodian required to collateralize open put option contracts written was \$2,950,000.

HISTORICAL FINANCIAL STATISTICS

<u>December 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>
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
March 31, 2001 (unaudited)	639,943,913	20,780,209	30.80	.18†	.08

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

† Paid or declared.

During the Three Months Ended March 31, 2001 (unaudited)

	Shares		
	Additions	Reductions	Held March 31, 2001
Arch Coal Inc.	55,000		55,000
Duke Energy Corp. 8.25% Conv. Pfd. due 2004	160,000		160,000
Duke Energy Corp.	112,000 ⁽¹⁾	122,800	77,200
El Paso Corp.	246,000 ⁽²⁾		356,000
Grant Prideco Inc.	50,000		275,000
Keyspan Corp.	200,000		200,000
Orion Power Holdings, Inc.	120,000		250,000
TECO Energy, Inc.	200,000		200,000
Calpine Corp.		50,000	50,000
Coastal Corp.		200,000 ⁽²⁾	—
Dover Corp.		140,000	—
Enron Corp. \$27.30 Conv. Pfd. Ser. J.		3,000	20,000
Tosco Corp.		185,200	—

⁽¹⁾ Purchased 12,000 shares and received 100,000 shares by stock split.

⁽²⁾ Received 1.23 shares of El Paso Corp. in exchange for each share of Coastal Corp. held.

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

Website: www.peteres.com

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 27, 2001. For those nominated, the following votes were cast for directors:

	<u>votes for</u>	<u>votes withheld</u>
(A) Enrique R. Arzac:	18,418,322	232,561
(B) Daniel E. Emerson:	18,444,785	206,098
(C) Thomas H. Lenagh:	18,310,786	340,097
(D) W.D. MacCallan:	18,436,917	213,966
(E) W. Perry Neff:	18,397,388	253,495
(F) Douglas G. Ober:	18,484,257	166,626
(G) Landon Peters:	18,473,103	177,780
(H) John J. Roberts:	18,394,064	256,819
(I) Susan C. Schwab:	18,441,496	209,387
(J) Robert J.M. Wilson:	18,409,795	241,038

A proposal to approve and ratify the selection of PricewaterhouseCoopers LLP as the firm of independent accountants of the Corporation for 2001 was approved with 18,452,878 votes for, 94,423 votes against, and 101,582 votes abstaining.

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.

BuyDIRECTSM*

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

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

Stock Data

Price (3/31/01)	\$27.20
Net Asset Value (3/31/01)	\$30.80
Discount:	11.7%

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 (paid or declared)	\$0.18
From Net Realized Gains	<u>0.08</u>
Total	<u>\$0.26</u>

2001 Dividend Payment Dates

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

*Anticipated

Petroleum
& Resources
Corporation

®

FIRST QUARTER REPORT

March 31, 2001

investing in resources
for the future[®]