

L E T T E R T O S T O C K H O L D E R S

We are pleased to submit the financial statements of the Corporation for the six months ended June 30, 2000. In addition, there is a report of independent accountants and a schedule of investments provided along with other financial information.

Net assets of the Corporation at June 30, 2000 were \$45.41 per share, compared with \$39.48 per share at December 31, 1999, on the 13,710,130 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 was paid June 1, 2000, and another \$0.20 investment income dividend has been declared to shareholders of record August 18, 2000, payable September 1, 2000.

Net investment income for the six months ended June 30, 2000 amounted to \$3,774,929, compared with \$4,641,864 for the same period in 1999. These earnings are equal to \$0.27 and \$0.34 per share, respectively, on the average number of shares outstanding during each period.

Net capital gain realized on investments for the six months ended June 30, 2000 amounted to \$12,260,401, the equivalent of \$0.89 per share.

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

July 21, 2000

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2000

Assets

Investments* at value:

Common stocks and convertible securities (cost \$306,235,619)	\$604,351,946	
Short-term investments (cost \$18,343,088)	18,343,088	\$622,695,034

Cash		37,813
Securities lending collateral		53,010,336
Receivables:		
Investment securities sold		12,988
Dividends and interest		611,926
Prepaid expenses		1,817,851
<i>Total Assets</i>		678,185,948

Liabilities

Open option contracts at value (proceeds \$228,318)		271,250
Obligations to return securities lending collateral		53,010,336
Accrued expenses		2,337,943
<i>Total Liabilities</i>		55,619,529

Net Assets		\$622,566,419
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Net Assets

Common Stock at par value \$1.00 per share, authorized 50,000,000 shares; issued and outstanding 13,710,130 shares	\$ 13,710,130
Additional capital surplus	298,019,215
Undistributed net investment income	499,239
Undistributed net realized gain on investments	12,264,440
Unrealized appreciation on investments	298,073,395
Net Assets Applicable to Common Stock	\$622,566,419
Net Asset Value per Share of Common Stock	\$45.41

* 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

Six Months Ended June 30, 2000

Investment Income

Income:	
Dividends	\$ 5,097,604
Interest	435,498
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<i>Total income</i>	5,533,102
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Expenses:	
Investment research	933,228
Administration and operations	340,170
Directors' fees	97,250
Reports and stockholder communications	125,133
Transfer agent, registrar and custodian expenses	69,493
Auditing services	23,548
Legal services	33,320
Occupancy and other office expenses	42,202
Travel, telephone and postage	36,041
Other	57,788
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<i>Total expenses</i>	1,758,173
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Net Investment Income	3,774,929
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Realized Gain and Change in Unrealized Appreciation on Investments	
Net realized gain on security transactions	12,260,401
Change in unrealized appreciation on investments	67,607,442
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Net Gain on Investments	79,867,843
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Change in Net Assets Resulting from Operations	\$83,642,772

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

STATEMENT OF CHANGES IN NET ASSETS

	Six Months ended June 30, 2000	Year ended December 31, 1999
From Operations:		
Net investment income	\$ 3,774,929	\$ 9,806,876
Net realized gain on investments	12,260,401	22,803,830
Change in unrealized appreciation on investments	67,607,442	75,425,708
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<i>Increase in net assets resulting from operations</i>	83,642,772	108,036,414
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Dividends to Stockholders from:		
Net investment income	(3,735,985)	(9,965,792)
Net realized gain from investment transactions	(1,825,717)	(22,284,614)
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<i>Decrease in net assets from distributions</i>	(5,561,702)	(32,250,406)
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From Capital Share Transactions:		
Value of common shares issued in payment of optional distributions	—0—	15,851,054
Cost of common shares purchased (note 4)	(20,589,652)	(1,383,179)
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<i>Change in net assets from capital share transactions</i>	(20,589,652)	14,467,875
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Total Increase in Net Assets	57,491,418	90,253,883
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Net Assets:		
Beginning of period	565,075,001	474,821,118
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End of period (including undistributed net investment income of \$499,239 and \$460,295, respectively)	\$622,566,419	\$565,075,001

NOTES TO 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 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 June 30, 2000 was \$324,820,132, and net unrealized appreciation aggregated \$298,103,220, of which the related gross unrealized appreciation and depreciation were \$317,809,231 and \$19,706,011, 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 six months ended June 30, 2000 were \$22,833,352 and \$49,493,588, 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 June 30, 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. At the beginning of 2000, the Corporation had purchased and was holding 43,200 shares of common stock at a total cost of \$1,383,179 and a weighted average discount from net asset value of 17.8%. During the six months ended June 30, 2000, the Corporation purchased 604,050 shares of common stock at a total cost of \$20,589,652 and a weighted average discount from net asset value of 17.3%. At June 30, 2000, the Corporation held a total of 647,250 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 six months ended June 30, 2000, the Corporation granted options including stock appreciation rights for 15,223 shares of common stock with an exercise price of \$33.50. During the period stock appreciation rights relating to 3,094 stock option shares were exer-

cised at a weighted average market price of \$36.5716 per share and the stock options relating to these rights, which had a weighted average exercise price of \$18.7115 were cancelled. At June 30, 2000, there were outstanding exercisable options to purchase 55,407 common shares at \$13.815-33.625 (weighted average price of \$19.3135) per share and unexercisable options to purchase 105,638 common shares at \$18.2125-33.6250 per share (weighted average price of \$25.5801). The weighted average remaining contractual life of outstanding exercisable and unexercisable options was 4.3203 years and 6.6511 years, respectively. The total compensation expense for stock options and stock appreciation rights recognized for the six months ended June 30, 2000 was \$633,815. At June 30, 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 six months ended June 30, 2000 was \$74,412, and consisted of service cost of \$43,516, interest cost of \$97,748, expected return on plan assets of \$178,597, and net amortization credit of \$37,079.

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 six months ended June 30, 2000, the projected benefit obligation increased due to service cost and interest cost of \$43,516 and \$97,748, respectively, and decreased due to benefit payments in the amount of \$36,997. The projected benefit obligation at June 30, 2000 was \$2,584,977.

On January 1, 2000, the actual fair value of plan assets was \$4,501,921. During the six months ended June 30, 2000, the fair value of plan assets increased due to the expected return on plan assets of \$178,597 and decreased due to benefit payments in the amount of \$36,997. At June 30, 2000, the projected fair value of plan assets amounted to \$4,643,521, which resulted in excess plan assets of \$2,058,544. The remaining components of prepaid pension cost at June 30, 2000 included \$741,777 in unrecognized

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

net gain, \$309,257 in unrecognized prior service cost and \$55,648 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 June 30, 2000 was \$1,570,376.

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 June 30, 2000 for employees and former employees of the Corporation was \$2,239,429. Aggregate remuneration paid or accrued during the six months ended June 30, 2000 to officers and directors amounted to \$1,128,235.

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

investment company which owns 8.8% of the Corporation's common stock, amounted to \$125,083 for the six months ended June 30, 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 June 30, 2000, the Corporation had outstanding loans of \$50,141,068 and held collateral of \$53,010,336.

FINANCIAL HIGHLIGHTS

	Six Months Ended		Year Ended December 31				
	June 30, 2000	June 30, 1999	1999	1998	1997	1996	1995
	Per Share Operating Performance						
Net asset value, beginning of period	\$39.48	\$34.30	\$34.30	\$41.46	\$37.09	\$31.51	\$26.84
Net investment income	0.27	0.34	0.72	0.82	0.77	0.79	0.86
Net realized gains and change in unrealized appreciation (depreciation) and other changes	6.06	6.32	6.79	(5.69)	5.93	6.93	5.90
Total from investment operations	6.33	6.66	7.51	(4.87)	6.70	7.72	6.76
Less distributions							
Dividends from net investment income	(0.27)	(0.30)	(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	(0.40)	(0.40)	(2.33)	(2.29)	(2.33)	(2.14)	(2.09)
Net asset value, end of period	\$45.41	\$40.56	\$39.48	\$34.30	\$41.46	\$37.09	\$31.51
Per share market price, end of period	\$36.75	\$34.75	\$32.25	\$30.625	\$36.50	\$34.75	\$28.25
Total Investment Return							
Based on market price	15.3%	14.9%	13.3%	(10.0)%	11.7%	31.2%	20.5%
Based on net asset value	16.3%	19.8%	23.8%	(11.1)%	18.9%	25.5%	26.5%
Ratios/Supplemental Data							
Net assets, end of period (in 000's)	\$622,566	\$561,346	\$565,075	\$474,821	\$556,453	\$484,589	\$401,405
Ratio of expenses to average net assets	0.60% †	0.55% †	0.43%	0.31%	0.47%	0.63%	0.57%
Ratio of net investment income to average net assets	1.28% †	1.85% †	1.86%	2.13%	1.91%	2.31%	2.89%
Portfolio turnover	6.02% †	9.93% †	11.89%	12.70%	13.09%	15.50%	15.86%
Number of shares outstanding at end of period (in 000's)	13,710	13,841	14,314	13,841	13,423	13,066	12,739

†Ratios presented on an annualized basis.

SCHEDULE OF INVESTMENTS

June 30, 2000

	<u>Shares</u>	<u>Value (A)</u>		<u>Shares</u>	<u>Value (A)</u>
Stocks And Convertible Securities — 97.1%					
Energy — 82.7%					
Internationals — 27.6%					
BP Amoco plc ADR	482,000	\$ 27,263,125			
Chevron Corp.	150,000	12,721,875			
Exxon Mobil Corp.	607,231	47,667,630			
Royal Dutch Petroleum Co.	850,000	52,328,125			
“Shell” Transport and Trading Co., plc ADR	240,000	11,985,000			
Texaco Inc.	186,775	9,945,769			
TotalFinaElf ADR	125,000	9,601,563			
		171,513,087			
Domestics — 8.7%					
Amerada Hess Corp.	100,000	6,175,000			
Conoco Inc. Class B	300,000	7,368,750			
Kerr McGee Corp.	181,253	10,682,599			
Murphy Oil Corp.	110,000	6,538,125			
Phillips Petroleum Co.	60,000	3,041,250			
Tesoro Petroleum Corp. (B)	300,000	3,037,500			
TOSCO Corp.	175,000	4,954,688			
Unocal Capital Trust \$3.125 Conv. Pfd.	72,540	3,373,110			
Unocal Corp.	150,000	4,968,750			
Valero Energy Corp.	125,000	3,968,750			
		54,108,522			
Producers — 9.6%					
Anadarko Petroleum Corp.	195,000	9,615,938			
Apache Corp.	130,000	7,645,625			
Devon Energy Corp.	120,000	6,742,500			
EOG Resources Inc.	290,000	9,715,000			
Noble Affiliates Inc.	91,855	3,421,599			
Occidental Petroleum Corp.	175,000	3,685,938			
Ocean Energy Inc. (B)	550,000	7,803,125			
Stone Energy Corp. (B)	104,300	6,231,925			
Union Pacific Resources Group, Inc.	225,816	4,967,952			
		59,829,602			
Distributors — 20.7%					
Atmos Energy Corp.	200,000	3,500,000			
Coastal Corp.	220,000	13,392,500			
Columbia Energy Group	100,000	6,562,500			
Dynegy, Inc. Class A	100,000	6,831,250			
El Paso Energy Corp.	110,000	5,603,125			
Energen Corp.	353,900	7,719,444			
Enron Corp. \$27.30 Conv. Pfd. Ser. J	23,000	40,499,550			
Equitable Resources Inc.	180,500	8,709,125			
		91,140,544			
Kinder Morgan, Inc. 8.25% PEPS Units due 2001	130,000	\$ 6,175,000			
National Fuel Gas Co.	100,000	4,875,000			
New Jersey Resources, Inc.	185,000	7,041,563			
Northwestern Corp.	200,000	4,625,000			
Questar Corp.	268,000	5,192,500			
Williams Companies, Inc.	200,000	8,337,500			
		129,064,057			
Services — 16.1%					
BJ Services Co. (B)	200,000	12,500,000			
Core Laboratories (B)	155,000	4,495,000			
Diamond Offshore Drilling, Inc.	96,800	3,400,100			
ENSCO International, Inc.	120,000	4,297,500			
Global Industries Ltd. (B)	243,400	4,594,175			
Grant Prideco Inc. (B)	139,000	3,475,000			
Halliburton Co.	150,000	7,078,125			
Nabors Industries, Inc. (B)	245,000	10,182,813			
Petroleum Geo-Services ASA ADR (B)	250,000	4,265,625			
Santa Fe International Corp.	180,000	6,288,750			
Schlumberger Ltd.	229,400	17,118,975			
Transocean Sedco Forex Inc.	274,411	14,663,838			
Weatherford International, Inc. (B)	190,000	7,564,375			
		99,924,276			
Basic Industries — 14.4%					
Basic Materials — 2.6%					
Avery Dennison Corp.	26,600	1,785,525			
Engelhard Corp.	250,000	4,265,625			
Freepoint-McMoRan Copper & Gold Inc. Ser. A (B)	127,603	1,164,377			
Newpark Resources, Inc. (B)	370,000	3,491,875			
Southdown, Inc.	100,000	5,775,000			
		16,482,402			
Capital Goods & Other — 8.3%					
Calpine Capital Trust 5.75% Conv. Pfd. HIGH TIDES	87,500	10,390,625			
Calpine Corp. (B)	80,000	5,260,000			
Dover Corp.	140,000	5,678,750			
General Electric Co.	570,000	30,210,000			
		51,539,375			
Paper and Forest Products — 3.5%					
Boise Cascade Corp.	205,000	5,304,375			
Fort James Corp.	270,000	6,243,750			
Mead Corp.	210,000	5,302,500			
Temple-Inland, Inc.	120,000	5,040,000			
		21,890,625			
Total Stocks And Convertible Securities					
(Cost \$306,235,619) (C)					604,351,946

SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2000

	<u>Prin. Amt.</u>	<u>Value (A)</u>		<u>Prin. Amt.</u>	<u>Value (A)</u>
Short-Term Investments — 2.9%			GE Capital Corp,		
U.S. Government Obligations — 0.9%			6.53-6.75%, due		
U.S. Treasury Bills, 5.77%, due 8/24/00	\$6,000,000	\$5,948,070	7/6/00-7/13/00	\$4,170,000	\$ 4,162,745
Commercial Paper — 2.0%			Total Short-Term Investments		18,343,088
Chevron USA, 6.52%, due 7/6/00	5,000,000	4,995,472	(Cost \$18,343,088)		
Ford Motor Credit Corp., 6.55-6.56%, due 7/11/00-7/18/00	3,245,000	3,236,801	Total Investments		622,695,034
			(Cost \$324,578,707)		
			Cash, receivables and other assets, less liabilities		(128,615)
			Net Assets—100.0%		\$622,566,419

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 June 30, 2000 covering open call option contracts written was \$1,315,000. In addition, the aggregate market value of securities segregated by the custodian required to collateralize open put option contracts written was \$4,600,000.

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
June 30, 2000	622,566,419	13,710,130	45.41	.47*	.13

* Paid or declared

P R I N C I P A L 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 June 30, 2000
(unaudited)*

	Shares		Held June 30, 2000
	Additions	Reductions	
BP Amoco plc ADR	82,000 ⁽¹⁾		482,000
Calpine Corp.	40,000 ⁽²⁾		80,000
Core Laboratories	155,000		155,000
Chevron Corp.	20,000		150,000
Devon Energy Corp.	50,000		120,000
Dynegy, Inc. Class A	100,000		100,000
General Electric Co.	380,000 ⁽²⁾		570,000
Grant Prideco Inc.	139,000 ⁽³⁾		139,000
Owens Illinois Inc.	9,000	234,000	—
Weatherford International, Inc.	51,000		190,000
Atlantic Richfield Co.		50,000 ⁽¹⁾	—
Avery Dennison Corp.		73,400	26,600
Burlington Resources, Inc.		130,000	—
Vastar Resources Inc.		125,000	—
Western Gas Resources Inc.		186,000	—

- (1) Received 1.64 shares of BP Amoco plc ADR for each share of Atlantic Richfield Co.
(2) By stock split.
(3) Received one share of Grant Prideco Inc. for each share of Weatherford International, Inc. held.

Common Stock

Listed on the New York Stock Exchange
and the Pacific Exchange

Petroleum & Resources Corporation

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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

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New York, NY 10286

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

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**To the Board of Directors and Stockholders of
Petroleum & Resources Corporation:**

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Petroleum & Resources Corporation (hereafter referred to as the “Corporation”) at June 30, 2000, and the results of its operations, the changes in its net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Corporation’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States which require

that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at June 30, 2000 by correspondence with the custodian and brokers, provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Baltimore, Maryland
July 12, 2000

<p>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.</p>

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
A one-time fee for new accounts who are not currently registered holders.

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
To transfer shares to another participant or to a new participant

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

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 Lawrence L. Hooper, Jr.,
 Vice President, Secretary and
 General Counsel
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 (800) 638-2479
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www.peteres.com
 E-mail:
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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 ^{1,4}	Douglas G. Ober ¹
Daniel E. Emerson ^{2,4}	Landon Peters ^{2,4}
Thomas H. Lenagh ^{2,3}	John J. Roberts ^{1,4}
W.D. MacCallan ^{1,3}	Susan C. Schwab ^{1,3}
W. Perry Neff ^{1,2}	Robert J.M. Wilson ^{3,4}

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 (6/30/00)	\$36.75
Net Asset Value (6/30/00)	\$45.41
Discount:	19.1%

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)	\$0.47
From Net Realized Gains	<u>0.13</u>
Total	<u>\$0.60</u>

2000 Dividend Payment Dates

March 1, 2000
June 1, 2000
September 1, 2000
December 27, 2000*

*Anticipated

**Petroleum
& Resources
Corporation**

Semi-Annual Report

June 30, 2000

investing in resources
for the future®