

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, 2001. Also provided are a report of independent accountants, a schedule of investments, and other financial information.

Net assets of the Corporation at June 30, 2001 were \$29.69 per share, compared with \$32.69 per share at December 31, 2000 on the 20,640,909 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 was paid on June 1, 2001 and another \$0.13 investment income dividend has been declared to shareholders of record August 17, 2001, payable September 1, 2001.

Net investment income for the six months ended June 30, 2001 amounted to \$4,874,989, compared with \$3,774,929 for the same period in 2000. These earnings are equal to \$0.23 and \$0.18 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, 2001 amounted to \$16,655,182, the equivalent of \$0.81 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 14 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 20, 2001

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2001

Assets

Investments* at value:

 Common stocks and convertible securities

 (cost \$297,670,929)

\$581,288,054

 Short-term investments (cost \$24,267,847)

24,385,047

\$605,673,101

Cash

49,176

Securities lending collateral

37,142,689

Receivables:

 Investment securities sold

6,710,671

 Dividends and interest

497,286

Prepaid expenses and other assets

1,977,659

Total Assets

652,050,582

Liabilities

Investment securities purchased

3,090

Open written option contracts at value (proceeds \$191,723)

100,800

Obligations to return securities lending collateral

37,142,689

Accrued expenses

1,971,953

Total Liabilities

39,218,532

Net Assets

\$612,832,050

Net Assets

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

 50,000,000 shares; issued and outstanding 20,640,909 shares

\$ 20,640,909

Additional capital surplus

290,630,396

Undistributed net investment income

1,148,723

Undistributed net realized gain on investments

16,586,774

Unrealized appreciation on investments

283,825,248

Net Assets Applicable to Common Stock

\$612,832,050

Net Asset Value per Share of Common Stock

\$29.69

* 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

Six Months Ended June 30, 2001

Investment Income

Income:

Dividends	\$ 5,487,065
Interest and other income	642,484

<i>Total income</i>	6,129,549
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Expenses:

Investment research	452,884
Administration and operations	285,536
Directors' fees	99,000
Reports and stockholder communications	132,634
Transfer agent, registrar and custodian expenses	91,925
Auditing and accounting services	37,475
Legal services	8,043
Occupancy and other office expenses	44,903
Travel, telephone and postage	38,648
Other	63,512

<i>Total expenses</i>	1,254,560
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Net Investment Income	4,874,989
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Realized Gain and Change in Unrealized Appreciation on Investments

Net realized gain on security transactions	16,655,182
Change in unrealized appreciation on investments	(81,318,884)

Net Loss on Investments	(64,663,702)
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Change in Net Assets Resulting from Operations	\$(59,788,713)
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months ended June 30, 2001	Year ended December 31, 2000
From Operations:		
Net investment income	\$ 4,874,989	\$ 7,671,089
Net realized gain on investments	16,655,182	27,333,550
Change in unrealized appreciation on investments	(81,318,884)	134,678,179
<i>Change in net assets resulting from operations</i>	(59,788,713)	169,682,818
Dividends to Stockholders from:		
Net investment income	(3,730,101)	(8,104,080)
Net realized gain from investment transactions	(1,670,050)	(27,598,975)
<i>Decrease in net assets from distributions</i>	(5,400,151)	(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)	(10,151,953)	(29,714,391)
<i>Change in net assets from capital share transactions</i>	(10,151,953)	(10,881,897)
Total Increase (Decrease) in Net Assets	(75,340,817)	123,097,866
Net Assets:		
Beginning of period	688,172,867	565,075,001
End of period (including undistributed net investment income of \$1,148,723 and \$3,835, respectively)	\$612,832,050	\$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 June 30, 2001 was \$322,009,751, and net unrealized appreciation aggregated \$283,855,073, of which the related gross unrealized appreciation and depreciation were \$291,516,781 and \$7,661,708, 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, 2001 were \$26,229,912 and \$38,146,962, 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 June 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	
	Six months ended June 30, 2001	Year ended December 31, 2000	Six months ended June 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 10.1% and 16.5%, respectively)	(356,750)	(848,750)	\$(10,151,953)	(29,714,391)
Total decrease	(356,750)	(848,750)	\$(10,151,953)	(29,714,391)
Net change	(356,750)	6,739,464	\$(10,151,953)	\$(10,881,897)

The Corporation held a total of 549,486 shares and 192,736 shares at June 30, 2001 and December 31, 2000, respectively. The total cost of these shares amounted to \$14,481,627 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 six months ended June 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 72,427 stock option shares were exercised at a weighted average market price of \$28.6323 per share and the stock options relating to these rights, which had a weighted average exercise price of \$11.6282, were cancelled. At June 30, 2001, there were outstanding exercisable options to purchase 31,965 common shares at \$8.8467-\$20.8967 (weighted average price of \$13.9127) 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 4.9300 years and 6.4936 years, respectively. The total compensation expense for stock options and stock appreciation rights recognized for the six months ended June 30, 2001 was \$67,837. At June 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 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 six months ended June 30, 2001 was \$25,798, and consisted of service cost of \$52,365, interest cost of \$108,635 expected return on plan assets of \$179,797 and net amortization credit of \$7,001.

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 six months ended June 30, 2001, the projected benefit obligation increased due to service cost and interest cost of \$52,365 and \$108,635, respectively, and decreased due to benefit payments in the amount of \$38,733. The projected benefit obligation at June 30, 2001 was \$3,057,956.

On January 1, 2001, the actual fair value of plan assets was \$4,533,648. During the six months ended June 30, 2001, the fair value of plan assets increased due to the expected return on plan assets of \$179,797 and decreased due to benefit payments in the amount of \$38,733. At June 30, 2001, the projected fair value of plan assets amounted to \$4,674,712, which resulted in excess plan assets of \$1,616,756. The remaining components of prepaid pension cost at June 30, 2001 included \$191,516 in unrecognized net gain, \$263,896 in unrecognized prior service cost and \$18,550 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, 2001 was \$1,670,586.

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, 2001 for employees and former employees of the Corporation was \$1,639,740. Aggregate remuneration paid or accrued during the six months ended June 30, 2001 to officers and directors amounted to \$507,568.

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, 2001, the Corporation had outstanding loans of \$35,428,976 and held collateral of \$37,142,689.

FINANCIAL HIGHLIGHTS

	Six Months Ended		Year Ended December 31				
	June 30, 2001	June 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	0.23	0.18	0.37	0.48	0.55	0.51	0.53
Net realized gains and change in unrealized appreciation (depreciation) and other changes	(3.02)	3.82	7.46	4.51	(3.79)	3.95	4.62
Total from investment operations	(2.79)	4.00	7.83	4.99	(3.24)	4.46	5.15
Capital share repurchases	0.05	0.21	0.28	0.01	—	—	—
Less distributions							
Dividends from net investment income	(0.18)	(0.18)	(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	(0.26)	(0.26)	(1.74)	(1.55)	(1.53)	(1.55)	(1.43)
Net asset value, end of period	\$29.69	\$30.27	\$32.69	\$26.32	\$22.87	\$27.64	\$24.73
Per share market price, end of period	\$27.25	\$24.50	\$27.31	\$21.50	\$20.42	\$24.33	\$23.17
Total Investment Return							
Based on market price	0.6%	15.3%	36.1%	13.3%	(10.0)%	11.7%	31.2%
Based on net asset value	(8.4)%	16.3%	33.1%	23.8%	(11.1)%	18.9%	25.5%
Ratios/Supplemental Data							
Net assets, end of period (in 000's)	\$612,832	\$622,566	\$688,173	\$565,075	\$474,821	\$556,453	\$484,589
Ratio of expenses to average net assets	0.38%†	0.60%†	0.59%	0.43%	0.31%	0.47%	0.63%
Ratio of net investment income to average net assets	1.48%†	1.28%†	1.24%	1.86%	2.13%	1.91%	2.31%
Portfolio turnover	8.25%†	6.02%†	7.68%	11.89%	12.70%	13.09%	15.50%
Number of shares outstanding at end of period (in 000's)*	20,641	20,565	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

June 30, 2001

	<u>Shares</u>	<u>Value (A)</u>		<u>Shares</u>	<u>Value (A)</u>
Stocks And Convertible Securities — 94.9%			Services — 12.1%		
Energy — 85.0%					
Internationals — 28.2%					
BP plc ADR	482,000	\$ 24,027,700	BJ Services Co. (C)	400,000	\$ 11,352,000
Chevron Corp. (B)	150,000	13,575,000	Core Laboratories (C)	209,400	3,926,250
Exxon Mobil Corp.	607,231	53,041,628	Diamond Offshore Drilling, Inc. (B)	96,800	3,199,240
Petrobras ADS (B)	150,000	3,900,000	ENSCO International, Inc.	120,000	2,808,000
Royal Dutch Petroleum Co.	850,000	49,529,500	Global Industries Ltd. (C)	150,000	1,870,500
“Shell” Transport and Trading Co., plc ADR	240,000	12,081,600	Grant Prideco Inc. (C)	300,000	5,247,000
Texaco Inc.	120,000	7,992,000	Nabors Industries, Inc. (B)(C)	200,000	7,440,000
TotalFinaElf ADR (B)	125,000	8,775,000	Petroleum Geo-Services ASA ADR (C)	250,000	2,527,500
		172,922,428	Santa Fe International Corp.	180,000	5,220,000
			Schlumberger Ltd.	229,400	12,077,910
			Transocean Sedco Forex Inc.	230,000	9,487,500
			Weatherford International, Inc. (B)(C)	190,000	9,120,000
					74,275,900
Domestics — 8.4%			Electrical Power — 9.5%		
Amerada Hess Corp.	80,000	6,464,000	Calpine Capital Trust 5.75% Conv. Pfd. HIGH TIDES	80,000	10,660,000
Conoco Inc. Class B	300,000	8,670,000	Calpine Corp. (C)	40,000	1,512,000
Kerr McGee Corp.	177,153	11,739,929	Dynegey, Inc. Class A	165,000	7,672,500
Murphy Oil Corp. (B)	100,000	7,360,000	Enron Corp. \$27.30 Conv Pfd. Ser. J (B)	20,000	26,754,000
Tesoro Petroleum Corp. (C)	300,000	3,780,000	Mirant Corp. (C)	149,000	5,125,600
Unocal Capital Trust \$3.125 Conv. Pfd.	72,540	3,454,718	Mirant Trust 6.25% Conv. Pfd. Ser. A	8,000	576,000
Unocal Corp.	150,000	5,122,500	Orion Power Holdings, Inc. (B)(C)	250,000	5,952,500
Valero Energy Corp. (B)	125,000	4,597,500			58,252,600
		51,188,647	Basic Industries — 9.9%		
			Basic Materials & Other — 6.8%		
Producers — 9.9%			Arch Coal Inc.	107,000	2,768,090
Anadarko Petroleum Corp.	297,746	16,087,232	Engelhard Corp.	300,000	7,737,000
Apache Corp.	130,000	6,597,500	General Electric Co.	570,000	27,787,500
Devon Energy Corp	122,500	6,431,250	Newpark Resources, Inc.	250,000	2,775,000
EOG Resources, Inc.	225,000	7,998,750	Williams Communications Group, Inc.	164,480	485,215
Noble Affiliates Inc.	125,000	4,418,750			41,552,805
Occidental Petroleum Corp.	175,000	4,653,250	Paper and Forest Products — 3.1%		
Ocean Energy, Inc.	550,000	9,597,500	Boise Cascade Corp.	205,000	7,209,850
Stone Energy Corp. (C)	104,300	4,620,490	Mead Corp.	210,000	5,699,400
		60,404,722	Temple-Inland, Inc.	120,000	6,394,800
					19,304,050
Distributors — 16.9%			Total Stocks And Convertible Securities		
Atmos Energy Corp.	225,000	5,503,500	(Cost \$297,670,929) (D)		
Duke Energy Corp. 8.25% Conv. Pfd. due 2004	160,000	4,104,000			581,288,054
Duke Energy Corp.	77,200	3,011,572			
El Paso Corp.	356,000	18,704,240			
Energen Corp.	250,000	6,900,000			
Equitable Resources Inc.	361,000	12,024,910			
Keyspan Corp.	200,000	7,296,000			
Kinder Morgan, Inc. 8.25% PEPS Units due 2001	130,000	8,476,000			
National Fuel Gas Co.	100,000	5,199,000			
New Jersey Resources, Inc.	185,000	8,362,000			
Northwestern Corp.	200,000	4,480,000			
Questar Corp.	268,000	6,635,680			
TECO Energy, Inc.	200,000	6,100,000			
The Williams Companies, Inc.	200,000	6,590,000			
		103,386,902			

**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, 2001, and the results of its operations, the changes in its net assets and the financial highlights for each of the fiscal periods presented, in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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, 2001 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
July 11, 2001

During the Three Months Ended June 30, 2001

	Shares		
	Additions	Reductions	Held June 30, 2001
Arch Coal Inc.	52,000		107,000
BJ Services Co.	200,000 ⁽¹⁾		400,000
Equitable Resources Inc.	180,500 ⁽¹⁾		361,000
Petrobras ADS	30,000		150,000
Amerada Hess Corp.		20,000	80,000
Calpine Capital Trust 5.75% Conv. Pfd. HIGH TIDES		7,500	80,000
Halliburton Co.		150,000	—
Murphy Oil Corp.		10,000	100,000
Newpark Resources, Inc.		120,000	250,000

⁽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

December 31	Value of Net Assets	Shares Outstanding*	Net Asset Value per Share*	Dividends from Net Investment Income per Share*	Distributions from Net Realized Gains per Share*
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
June 30, 2001	612,832,050	20,640,909	29.69	.31†	.08

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

† Paid or declared.

Common Stock

Listed on the New York Stock Exchange
and the Pacific Exchange

Petroleum & Resources Corporation

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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.

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
(866) 723-8330
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 (6/30/01)	\$27.25
Net Asset Value (6/30/01)	\$29.69
Discount:	8.2%

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)	\$0.31
From Net Realized Gains	<u>0.08</u>
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

®

SEMI-ANNUAL REPORT

June 30, 2001

investing in resources
for the future®