

PETROLEUM & RESOURCES CORPORATION

Board of Directors

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Phyllis O. Bonanno ^{1,3}	Douglas G. Ober ¹
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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, President and Chief Executive Officer</i>
Joseph M. Truta	<i>Executive Vice President</i>
Lawrence L. Hooper, Jr.	<i>Vice President, General Counsel and Secretary</i>
Maureen A. Jones	<i>Vice President, Chief Financial Officer and Treasurer</i>
Nancy J.F. Prue	<i>Vice President—Research</i>
Christine M. Sloan	<i>Assistant Treasurer</i>
Geraldine H. Paré	<i>Assistant Secretary</i>

Stock Data

Market Price (6/30/04)	\$23.81
Net Asset Value (6/30/04)	\$26.22
Discount:	9.2%

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 2004

From Investment Income (paid or declared)	\$0.30
From Net Realized Gains	0.09
Total	<u>\$0.39</u>

2004 Dividend Payment Dates

March 1, 2004
June 1, 2004
September 1, 2004
December 27, 2004*

*Anticipated

Petroleum
& Resources
Corporation®

1929
Our 75th Anniversary
2004

Semi-Annual Report

June 30, 2004

investing in resources for the future®

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

We submit herewith the audited financial statements of the Corporation for the six months ended June 30, 2004. In addition, there is a report of the independent registered public accounting firm, and a schedule of investments, along with other financial information.

Net assets of the Corporation at June 30, 2004 were \$26.22 per share on 21,682,327 shares outstanding, compared with \$24.06 per share at December 31, 2003 on 21,736,777 shares outstanding. On March 1, 2004, a distribution of \$0.13 per share was paid, consisting of \$0.07 from 2003 long-term capital gain, \$0.02 from 2003 short-term capital gain, \$0.03 from 2003 investment income and \$0.01 from 2004 investment income, all taxable in 2004. A 2004 investment income dividend of \$0.13 per share was paid on June 1, 2004 and another \$0.13 investment income dividend has been declared to shareholders of record August 17, 2004, payable on September 1, 2004.

Net investment income for the six months ended June 30, 2004 amounted to \$4,645,489, compared with \$3,942,668 for the same period in 2003. These earnings are equal to \$0.21 and \$0.18 per share on the average number of shares outstanding during each period.

Net capital gain realized on investments for the six months ended June 30, 2004 amounted to \$7,452,675, the equivalent of \$0.34 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 website 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 Corporation is based on the primary objectives of preservation of capital, the attainment of reasonable income from investments, and an opportunity for capital appreciation.

By order of the Board of Directors,



Douglas G. Ober,
*Chairman, President and
Chief Executive Officer*

July 23, 2004

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2004

Assets

Investments* at value:

Common stocks and convertible securities (cost \$279,204,690)	\$504,988,223	
Short-term investments (cost \$62,369,605)	62,369,605	
Securities lending collateral (cost \$38,883,142)	38,883,142	\$606,240,970

Cash		349,511
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Receivables:

Investment securities sold		2,028,244
Dividends and interest		502,505

Prepaid expenses and other assets		1,594,418
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<i>Total Assets</i>		610,715,648
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Liabilities

Investment securities purchased		126,241
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Open written option contracts at value (proceeds \$403,747)		718,740
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Obligations to return securities lending collateral		38,883,142
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Accrued expenses		2,479,421
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<i>Total Liabilities</i>		42,207,544
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Net Assets		\$568,508,104
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Net Assets

Common Stock at par value \$1.00 per share, authorized 50,000,000 shares; issued and outstanding 21,682,327 shares		\$ 21,682,327
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Additional capital surplus		311,592,198
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Undistributed net investment income		2,450,993
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Undistributed net realized gain on investments		7,314,046
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Unrealized appreciation on investments		225,468,540
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Net Assets Applicable to Common Stock		\$568,508,104
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Net Asset Value Per Share of Common Stock		\$26.22
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* See Schedule of Investments on pages 8 and 9.

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, 2004

Investment Income

Income:		
Dividends		\$ 5,687,944
Interest and other income		313,352
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<i>Total income</i>		6,001,296
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Expenses:		
Investment research		401,917
Administration and operations		290,809
Directors' fees		153,375
Reports and stockholder communications		121,899
Transfer agent, registrar and custodian expenses		78,419
Auditing and accounting services		37,281
Legal services		47,793
Occupancy and other office expenses		94,143
Travel, telephone and postage		27,101
Other		103,070
<hr/>		
<i>Total expenses</i>		1,355,807
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Net Investment Income		4,645,489
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Realized Gain and Change in Unrealized Appreciation on Investments		
Net realized gain on security transactions		7,452,675
Change in unrealized appreciation on investments		40,395,990
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Net Gain on Investments		47,848,665
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Change in Net Assets Resulting from Operations		\$52,494,154

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

S T A T E M E N T S O F C H A N G E S I N N E T A S S E T S

	<u>Six Months Ended June 30, 2004</u>	<u>Year Ended December 31, 2003</u>
From Operations:		
Net investment income	\$ 4,645,489	\$ 8,134,186
Net realized gain on investments	7,452,675	17,219,079
Change in unrealized appreciation on investments	40,395,990	66,291,943
<i>Change in net assets resulting from operations</i>	52,494,154	91,645,208
Distributions to Stockholders from:		
Net investment income	(3,695,248)	(8,108,325)
Net realized gain from investment transactions	(1,956,308)	(17,260,893)
<i>Decrease in net assets from distributions</i>	(5,651,556)	(25,369,218)
From Capital Share Transactions:		
Value of shares issued in payment of distributions	—	9,783,141
Cost of shares purchased (Note 4)	(1,275,773)	(4,393,315)
<i>Change in net assets from capital share transactions</i>	(1,275,773)	5,389,826
Total Increase in Net Assets	45,566,825	71,665,816
Net Assets:		
Beginning of period	522,941,279	451,275,463
End of period (including undistributed net investment income of \$2,450,993 and \$1,500,752, respectively)	\$568,508,104	\$522,941,279

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

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 (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, 2004 was \$381,146,354, and net unrealized appreciation aggregated \$225,498,363, of which the related gross unrealized appreciation and depreciation were \$238,194,052 and \$12,695,689, respectively.

Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. Accordingly, annual reclassifications are made within the Corporation's capital accounts to reflect income and gains available for distribution under income tax regulations.

3. INVESTMENT TRANSACTIONS

The Corporation's investment decisions are made by a committee, and recommendations to that committee are made by the research staff.

Purchases and sales of portfolio securities, other than options and short-term investments, during the six months ended June 30, 2004 were \$31,652,370 and \$34,228,421, respectively. Options may be written (sold) or purchased by

the Corporation. The Corporation, as writer of an option, bears the risk of possible illiquidity of the option markets and from movements in security values. The risk associated with purchasing an option is limited to the premium originally paid. A schedule of outstanding option contracts as of June 30, 2004 can be found on page 10.

Transactions in written covered call and collateralized put options during the six months ended June 30, 2004 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2003	550	\$ 62,932	350	\$ 36,992
Options written	2,765	354,677	1,822	217,628
Options terminated in closing purchase transactions	(300)	(31,949)		
Options expired	(540)	(66,210)	(700)	(72,398)
Options exercised	(675)	(81,932)	(150)	(15,993)
Options outstanding, June 30, 2004	1,800	\$237,518	1,322	\$166,229

4. CAPITAL STOCK

The Corporation has 5,000,000 authorized and unissued preferred shares without par value.

On December 27, 2003, the Corporation issued 450,110 shares of its Common Stock at a price of \$21.735 per share (the average market price on December 8, 2003) to stockholders of record on November 24, 2003 who elected to take stock in payment of the distribution from 2003 capital gain and investment income.

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 2004 and 2003 were as follows:

	Shares		Amount	
	Six months ended June 30, 2004	Year ended December 31, 2003	Six months ended June 30, 2004	Year ended December 31, 2003
Shares issued in payment of dividends	—	450,110	\$ —	\$ 9,783,141
Shares purchased (at a weighted average discount from net asset value of 8.1% and 8.2%, respectively)	(54,450)	(223,400)	(1,275,773)	(4,393,315)
Net change	(54,450)	226,710	\$(1,275,773)	\$ 5,389,826

On June 30, 2004, the Corporation held a total of 54,450 shares of its Common Stock at a cost of \$1,275,773. There were no shares held by the Corporation at December 31, 2003.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 2004, there were 129,447 options outstanding at a weighted average exercise price of \$18.35 per share. During the six months ended June 30, 2004, the Corporation granted options including stock appreciation rights for 19,241 shares of Common Stock with an original weighted average exercise price of \$22.86. During the six months ended June 30, 2004, stock appreciation rights relating to 9,941 stock option shares were exercised at a weighted average market price of \$23.99 per share and the stock options relating to these rights with a weighted average exercise price of \$13.06 per share were cancelled. At June 30, 2004, there were outstanding exercisable options to purchase 52,264 common shares at \$10.83-\$24.44 per share (weighted average price of \$17.95) and unexercisable options to purchase 86,483 common shares at \$15.05-\$24.44 per share (weighted average price of \$19.87). The weighted average remaining contractual life of outstanding exercisable and unexercisable options was 5.25 years and 6.68 years, respectively. The total compensation expense for stock options and stock appreciation rights recognized for the six months ended June 30, 2004 was \$118,744. At June 30, 2004, there were 260,373 shares available for future option grants.

5. RETIREMENT PLANS

The Corporation's non-contributory qualified defined benefit pension plan covers all full-time employees with at least one year of service. Benefits are based on length of service and compensation during the last five years of employment. The Corporation's policy is to contribute annually to the plan those amounts that can be deducted for federal income tax purposes, plus additional amounts as the Corporation deems appropriate in order to provide assets sufficient to

meet benefits to be paid to plan participants. During the six months ended June 30, 2004, the Corporation contributed \$590,000 to the plan. The Corporation does not anticipate making additional contributions to the plan in 2004.

In addition, the Corporation has a nonqualified defined benefit plan which provides eligible employees with retirement benefits to supplement the qualified plan.

The following table aggregates the components of the plans' net periodic pension cost for the six months ended June 30:

	June 30, 2004
Service Cost	\$ 68,540
Interest Cost	122,711
Expected return on plan assets	(108,398)
Amortization of prior service cost	28,926
Amortization of net loss	66,365
Net periodic pension cost	\$ 178,144

The Corporation also sponsors a defined contribution plan that covers substantially all employees. For the six months ended June 30, 2004, the Corporation expensed contributions of \$26,491. The Corporation does not provide postretirement medical benefits.

6. EXPENSES

The cumulative amount of accrued expenses at June 30, 2004 for employees and former employees of the Corporation was \$1,176,367. Aggregate remuneration paid or accrued during the six months ended June 30, 2004 to directors and key employees amounted to \$607,413.

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 at all times by collateral of approximately 102% 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, 2004, the Corporation had securities on loan of \$38,176,460 and held collateral of \$38,883,142, consisting of repurchase agreements and commercial paper.

FINANCIAL HIGHLIGHTS

	Six Months Ended		Year Ended December 31				
	June 30, 2004	June 30, 2003	2003	2002	2001	2000	1999
Per Share Operating Performance*							
Net asset value, beginning of period	\$24.06	\$20.98	\$20.98	\$24.90	\$32.69	\$26.32	\$22.87
Net investment income	0.21	0.18	0.38	0.42	0.49	0.37	0.48
Net realized gains and change in un-realized appreciation	2.20	1.44	3.89	(3.20)	(6.81)	7.67	4.67
Total from investment operations	2.41	1.62	4.27	(2.78)	(6.32)	8.04	5.15
Less distributions							
Dividends from net investment income	(0.17)	(0.17)	(0.38)	(0.43)	(0.43)	(0.39)	(0.48)
Distributions from net realized gains	(0.09)	(0.09)	(0.81)	(0.68)	(1.07)	(1.35)	(1.07)
Total distributions	(0.26)	(0.26)	(1.19)	(1.11)	(1.50)	(1.74)	(1.55)
Capital share repurchases	0.01	0.02	0.02	0.01	0.06	0.28	0.01
Reinvestment of distributions	—	—	(0.02)	(0.04)	(0.03)	(0.21)	(0.16)
Total capital share transactions	0.01	0.02	0.00	(0.03)	0.03	0.07	(0.15)
Net asset value, end of period	\$26.22	\$22.36	\$24.06	\$20.98	\$24.90	\$32.69	\$26.32
Per share market price, end of period	\$23.81	\$20.60	\$23.74	\$19.18	\$23.46	\$27.31	\$21.50
Total Investment Return							
Based on market price	1.4%	8.8%	30.8%	(13.7)%	(8.7)%	36.1%	13.3%
Based on net asset value	10.2%	7.9%	21.2%	(11.1)%	(19.0)%	33.1%	23.8%
Ratios/Supplemental Data							
Net assets, end of period (in 000's)	\$568,508	\$476,545	\$522,941	\$451,275	\$526,492	\$688,173	\$565,075
Ratio of expenses to average net assets	0.50%†	0.84%†	0.74%	0.49%	0.35%	0.59%	0.43%
Ratio of net investment income to average net assets	1.73%†	1.74%†	1.75%	1.84%	1.67%	1.24%	1.86%
Portfolio turnover	13.31%†	4.68%†	10.20%	9.69%	6.74%	7.68%	11.89%
Number of shares outstanding at end of period (in 000's)*	21,682	21,313	21,737	21,510	21,148	21,054	21,471

*Prior years have been adjusted to reflect the 3-for-2 stock split effected in October 2000. Certain prior year amounts have been reclassified to conform to current year presentation.

†Ratios presented on an annualized basis.

SCHEDULE OF INVESTMENTS

June 30, 2004

	Prin. Amt. or Shares	Value (A)		Prin. Amt. or Shares	Value (A)
Stocks And Convertible Securities — 88.8%					
Energy — 74.2%					
Internationals — 25.4%					
Schlumberger Ltd.	280,000	\$ 17,782,800			
BP plc ADR	600,000	\$ 32,142,000	Weatherford International, Ltd. (B)(C)	205,000	9,220,900
ChevronTexaco Corp.	270,000	25,409,700			<u>70,612,330</u>
Exxon Mobil Corp.	1,050,000	46,630,500			
Royal Dutch Petroleum Co. ADR	400,000	20,668,000			
“Shell” Transport and Trading Co., plc ADR (B)	135,000	6,034,500			
Total S.A. ADR (B)	140,000	13,451,200			
		<u>144,335,900</u>			
Domestics — 8.9%					
Amerada Hess Corp. (B)	125,000	9,898,750			
ConocoPhillips	300,000	22,887,000			
Kerr McGee Corp. (B)	177,153	9,525,517			
Murphy Oil Corp.	65,000	4,790,500			
Unocal Capital Trust \$3.125 Conv. Pfd.	72,540	3,776,614			
		<u>50,878,381</u>			
Producers — 13.8%					
Apache Corp.	190,000	8,274,500			
Burlington Resources Inc.	266,800	9,652,824			
Devon Energy Corp.	198,720	13,115,520			
EOG Resources, Inc.	200,000	11,942,000			
Noble Energy, Inc.	141,000	7,191,000			
Occidental Petroleum Corp.	200,000	9,682,000			
Pioneer Natural Resources Co. (B)(C)	316,000	11,085,280			
XTO Energy Inc.	250,000	7,447,500			
		<u>78,390,624</u>			
Distributors — 13.7%					
AGL Resources Inc.	250,000	7,262,500			
Duke Energy Corp.	217,624	4,415,591			
Energen Corp.	200,000	9,598,000			
Equitable Resources Inc.	250,000	12,927,500			
Keyspan Corp.	220,000	8,074,000			
MDU Resources Group, Inc.	300,000	7,209,000			
National Fuel Gas Co.	200,000	5,000,000			
New Jersey Resources Corp.	277,500	11,538,450			
Questar Corp.	200,000	7,728,000			
Williams Companies, Inc. 9.0% FELINE PACS due 2005	120,000	1,653,600			
Williams Companies, Inc.	200,000	2,380,000			
		<u>77,786,641</u>			
Services — 12.4%					
Baker Hughes, Inc.	130,000	4,894,500			
BJ Services Co. (C)	370,000	16,960,800			
GlobalSantaFe Corp.	200,000	5,300,000			
Grant Prideco Inc. (B)(C)	308,000	5,685,680			
Nabors Industries Ltd. (C)	125,000	5,652,500			
Noble Corp. (C)	135,000	5,115,150			
Basic Industries — 14.6%					
Basic Materials & Other — 10.5%					
Air Products and Chemicals, Inc.	125,000	6,556,250			
Albemarle Corp.	48,450	1,533,443			
Aqua America, Inc.	322,500	6,466,125			
Arch Coal Inc. (B)	250,000	9,147,500			
du Pont (E.I.) de Nemours and Co.	175,000	7,773,500			
General Electric Co.	454,800	14,735,520			
Ingersoll-Rand Co. Ltd.	76,400	5,218,882			
Rohm & Haas Co.	200,000	8,316,000			
		<u>59,747,220</u>			
Paper and Forest Products — 4.1%					
Boise Cascade Corp. 7.5%					
ACES due 2004	51,000	2,690,250			
Boise Cascade Corp.	205,000	7,716,200			
Smurfit-Stone Container Corp. (C)	278,668	5,559,427			
Temple-Inland Inc.	105,000	7,271,250			
		<u>23,237,127</u>			
Total Stocks And Convertible Securities (Cost \$279,204,690) (D)					
					<u>504,988,223</u>
Short-Term Investments — 11.0%					
U.S. Government Obligations — 1.8%					
U.S. Treasury Bills, 0.96%, due 8/19/04					
	\$10,000,000	9,986,933			
Certificates of Deposit — 1.0%					
Mercantile-Safe Deposit & Trust Co., 0.90%, due 9/7/04					
	\$5,550,000	5,550,000			
Commercial Paper — 8.2%					
American General Finance Corp., 1.05-1.16%, due 7/13/04-7/22/04					
	\$7,000,000	6,996,840			
ChevronTexaco Funding Corp., 1.01-1.23%, due 7/6/04-8/5/04					
	\$6,850,000	6,845,524			
Coca-Cola Corp., 1.25%, due 8/3/04					
	\$745,000	744,146			
Coca-Cola Enterprises Inc., 1.18%, due 7/29/04					
	\$3,300,000	3,296,971			
General Electric Capital Corp., 1.13 - 1.23%, due 7/15/04 - 8/3/04					
	\$4,445,000	4,441,278			

SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2004

	Prin. Amt.	Value (A)		Value (A)
General Electric Capital Services Corp., 1.22 - 1.26%, due 7/29/04 - 8/5/04	\$2,400,000	\$ 2,397,564	Securities Lending Collateral — 6.8% <i>Repurchase Agreements</i> Daiwa Securities America Inc., 1.65%, due 7/1/04 Commercial Paper Citi Corp., 1.38%, due 8/3/04 Giro Balanced Funding Corp., 1.29%, due 7/15/04 Total Securities Lending Collateral (Cost \$38,883,142) Total Investments — 106.6% (Cost \$380,457,437) Cash, receivables and other assets, less liabilities — (6.6)% Net Assets — 100.0%	\$ 6,385,709
GMAC New Center Asset Trust, 1.08%, due 7/8/04	5,450,000	5,448,856		1,498,044
Pfizer Inc., 1.07%, due 7/27/04	5,325,000	5,320,885		999,389
Proctor & Gamble Co., 1.24%, due 8/5/04	4,750,000	4,744,274		<u>38,883,142</u>
Toyota Motor Credit Corp., 1.03 - 1.18%, due 7/15/04 - 7/20/04	6,600,000	6,596,334		606,240,970
		<u>46,832,672</u>		<u>(37,732,866)</u>
Total Short-Term Investments (Cost \$62,369,605)		<u>\$62,369,605</u>		<u>\$568,508,104</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) Some or all of these securities are on loan. See note 7 to financial statements.
- (C) Presently non-dividend paying.
- (D) The aggregate market value of stocks held in escrow at June 30, 2004 covering open call option contracts written was \$11,644,950. In addition, the aggregate market value of securities segregated by the Corporation's custodian required to collateralize open put option contracts written was \$5,372,500.

SCHEDULE OF OUTSTANDING OPTION CONTRACTS

<i>June 30, 2004</i>				
<u>Contracts (100 shares each)</u>	<u>Security</u>	<u>Strike Price</u>	<u>Contract Expiration Date</u>	<u>Appreciation/ (Depreciation)</u>
COVERED CALLS				
150	Amerada Hess Corp.	\$ 65	Aug 04	\$(201,676)
250	Boise Cascade Corp.	40	Aug 04	(8,251)
250	Boise Cascade Corp.	40	Nov 04	(22,001)
200	ConocoPhillips	80	Aug 04	7,199
200	EOG Resources, Inc.	50	Jul 04	(165,602)
100	Ingersoll-Rand Co. Ltd.	70	Jul 04	1,200
250	Temple-Inland Inc.	70	Aug 04	(22,001)
150	Temple-Inland Inc.	70	Nov 04	(19,951)
150	Total S.A.	100	Aug 04	(7,850)
<u>100</u>	Total S.A.	105	Nov 04	<u>2,200</u>
<u>1,800</u>				<u>(436,733)</u>
COLLATERALIZED PUTS				
100	BP plc	45	Jul 04	13,199
200	Baker Hughes, Inc.	30	Oct 04	12,549
150	ConocoPhillips	65	Aug 04	18,300
150	du Pont (E.I.) de Nemours and Co.	37.50	Oct 04	9,300
200	Murphy Oil Corp.	55	July 04	16,849
72	Murphy Oil Corp.	50	Oct 04	3,744
200	Pioneer Natural Resources Co.	30	Sep 04	24,399
100	Schlumberger Ltd.	50	Nov 04	14,100
<u>150</u>	Smurfit-Stone Container Corp.	15	Aug 04	<u>9,300</u>
<u>1,322</u>				<u>121,740</u>
				<u>\$(314,993)</u>

CHANGES IN PORTFOLIO SECURITIES

*During the Three Months Ended June 30, 2004
(unaudited)*

	Shares		Held June 30, 2004
	Additions	Reductions	
BP plc ADR	10,000		600,000
Burlington Resources Inc.	133,400 ⁽¹⁾		266,800
ConocoPhillips	15,000		300,000
Duke Energy Corp.	102,624 ⁽²⁾		217,624
du Pont (E.I.) de Nemours and Co.	175,000		175,000
Pioneer Natural Resources Co.	20,000		316,000
Smurfit-Stone Container Corp.	80,993		278,668
XTO Energy Inc.	31,100		250,000
Albemarle Corp.		151,550	48,450
Aqua America, Inc.		7,500	322,500
ChevronTexaco Corp.		20,000	270,000
Duke Energy Corp. 8.25% Conv. Pfd, due 2004		160,000 ⁽²⁾	—
Ingersoll-Rand Co. Ltd.		1,600	76,400
Kinder Morgan, Inc.		77,300	—
Royal Dutch Petroleum Co. ADR		10,000	400,000
Stone Energy Corp.		104,300	—
TECO Energy, Inc.		200,000	—

⁽¹⁾ By stock split.

⁽²⁾ By conversion.

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.

**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, 2004, 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 the standards of the Public Company Accounting

Oversight Board (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, 2004 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
July 8, 2004

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

<u>December 31</u>	<u>Value of Net Assets</u>	<u>Shares Outstanding*</u>	<u>Net Asset Value per Share*</u>	<u>Dividends from Net Investment Income per Share*</u>	<u>Distributions from Net Realized Gains per Share*</u>
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	556,452,549	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
2001	526,491,798	21,147,563	24.90	.43	1.07
2002	451,275,463	21,510,067	20.98	.43	.68
2003	522,941,279	21,736,777	24.06	.38	.81
June 30, 2004	568,508,104	21,682,327	26.22	.30†	.09†

* 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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(410) 752-5900 or (800) 638-2479

Website: www.peteres.com

E-mail: contact@peteres.com

Counsel: Chadbourne & Parke L.L.P.

Independent Registered Public Accounting Firm: PricewaterhouseCoopers LLP

Transfer Agent & Registrar: American Stock Transfer & Trust Co.

Custodian of Securities: The Bank of New York

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.

INVESTORS CHOICE

INVESTORS CHOICE is a direct stock purchase and sale plan, as well as a dividend reinvestment plan, sponsored and administered by our transfer agent, American Stock Transfer & Trust Company (AST). The plan provides registered stockholders and interested first time investors an affordable alternative for buying, selling, and reinvesting in Petroleum & Resources shares.

The costs to participants in administrative service fees and brokerage commissions for each type of transaction are listed below.

Initial Enrollment and	
Optional Cash Investments	
Service Fee	\$2.50 per investment
Brokerage Commission	\$0.05 per share
Reinvestment of Dividends**	
Service Fee	2% 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	\$7.50
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 INVESTORS CHOICE as well as an enrollment form may be obtained by contacting AST.

For Non-Registered Shareholders

For shareholders whose stock is held by a broker in “street” name, the AST INVESTORS CHOICE Direct Stock Purchase and Sale 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 AST’s Plan or contact AST.

The Corporation

Petroleum & Resources Corporation

Lawrence L. Hooper, Jr.
Vice President, General Counsel and Secretary
Seven St. Paul Street, Suite 1140, Baltimore, MD 21202
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Website: www.peteres.com
E-mail: contact@peteres.com

The Transfer Agent

American Stock Transfer & Trust Company

Address Shareholder Inquiries to:
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New York, NY 10038
(866) 723-8330

Website: www.amstock.com
E-mail: info@amstock.com

Investors Choice Mailing Address:

Attention: Dividend Reinvestment
P.O. Box 922
Wall Street Station
New York, NY 10269

Website: www.InvestPower.com
E-mail: info@InvestPower.com

*The year-end dividend and capital gain distribution will usually be made in newly issued shares of common stock. There will be no fees or commissions in connection with this dividend and capital gain distribution when made in newly issued shares.