

Petroleum & Resources Corporation

Seven St. Paul Street
Baltimore, MD 21202

January 18, 2002

2001 TAX INFORMATION

Please Read Carefully

To our Stockholders:

This letter, showing the investment income dividends and the capital gain distributions paid by the Corporation during the calendar year 2001, is sent to assist you in preparing your federal income tax return. The dates and amounts of the payments are as follows:

<u>Date Paid</u> <u>2001</u>	<u>Common Stock</u>			
	<u>(I)</u> <u>Investment</u> <u>Income</u> <u>Dividends</u> <u>(Per share)</u>	<u>(a)</u> <u>Percentage Entitled</u> <u>To Corporate</u> <u>Dividend Deduction</u>	<u>(II)</u> <u>Short-Term</u> <u>Capital Gain</u> <u>Distribution</u> <u>(Per share)</u>	<u>(III)</u> <u>Long-Term</u> <u>Capital Gain</u> <u>Distribution</u> <u>(Per share)</u>
March 1.....	\$0.05	7.9%	\$0.05	\$0.03
June 1	0.13	86.0%	—	—
September 1	0.13	86.0%	—	—
December 27	0.12*	86.0%	0.05*	0.94*
Totals	<u>\$0.43</u>		<u>\$0.10</u>	<u>\$0.97</u>

*These payments are taxable whether taken in shares of the Corporation's stock or in cash. The cost, for income tax purposes, of full shares received is \$22.725 per share.

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

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

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

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

The Corporation had 2.8% of income derived from U.S. Government Obligations in 2001.

The capital gain distributions for 2001 were derived from securities sold within the holding periods noted below. Because several states provide reduced rates or deductions for capital gains, depending on the holding period of the underlying asset, the table below may assist shareholders in determining their state personal income tax liability.

<u>Holding Periods for Securities Sold</u>	<u>Percentage of Capital Gain Distributions</u>
• Held for more than one year but less than or equal to two years	14%
• Held for more than two years but less than or equal to three years	0%
• Held for more than three years but less than or equal to four years	0%
• Held for more than four years but less than or equal to five years	1%
• Held for more than five years but less than or equal to six years	8%
• Held for more than six years	<u>77%</u>
	100%

Capital gain distributions for 2001 derived from securities held for 1 year or longer were 100%.

Recent federal tax legislation makes some shareholders eligible for a reduced capital gain tax rate for capital gain distributions on securities held more than 5 years by the Corporation. For those shareholders who are eligible, the qualified 5-year gain is 100% of the total capital distributions for 2001. Please note that due to different rules, the federal and state percentage for 5 year gain may differ.

The information above is provided to assist you in preparing your federal and state tax returns. **Please consult your tax adviser regarding your individual tax situation. Retain this letter for tax purposes.**

PETROLEUM & RESOURCES CORPORATION

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