

PETROLEUM & RESOURCES CORP  
Form N-30B-2  
October 14, 2009

**PETROLEUM & RESOURCES CORPORATION**

**Board of Directors**

Enrique R. Arzac<sup>2,4</sup>

Phyllis O. Bonanno<sup>2,4</sup>

Kenneth J. Dale<sup>3,4</sup>

Daniel E. Emerson<sup>1,3,5</sup>

Frederic A. Escherich<sup>2,3</sup>

1. *Member of Executive Committee*

2. *Member of Audit Committee*

3. *Member of Compensation Committee*

4. *Member of Retirement Benefits Committee*

5. *Member of Nominating and Governance Committee*

Roger W. Gale<sup>1,4,5</sup>

Thomas H. Lenagh<sup>2,3</sup>

Kathleen T. McGahran<sup>1,3,5</sup>

Douglas G. Ober<sup>1</sup>

Craig R. Smith<sup>1,4,5</sup>

**Officers**

Douglas G. Ober

Nancy J.F. Prue

Lawrence L. Hooper, Jr.

Brian S. Hook

Christine M. Sloan

Geraldine H. Paré

*Chairman, President and Chief Executive Officer*

*Executive Vice President*

*Vice President, General Counsel and Secretary*

*Treasurer*

*Assistant Treasurer*

*Assistant Secretary*

**Stock Data**

|                           |          |
|---------------------------|----------|
| Market Price (9/30/09)    | \$ 23.26 |
| Net Asset Value (9/30/09) | \$ 26.17 |
| Discount:                 | 11.1%    |

New York Stock Exchange ticker symbol: PEO

NASDAQ Mutual Fund Quotation Symbol: XPEOX

Newspaper stock listings are generally under the abbreviation: PeteRes

**Distributions in 2009**

|                         |                |
|-------------------------|----------------|
| From Investment Income  | \$ 0.31        |
| From Net Realized Gains | 0.05           |
| <b>Total</b>            | <b>\$ 0.36</b> |

**2009 Dividend Payment Dates**

March 1, 2009

June 1, 2009

September 1, 2009

December 28, 2009\*

\*Anticipated

**LETTER TO STOCKHOLDERS**

We are pleased to present summary financial information of Petroleum & Resources Corporation (the Corporation) for the nine months ended September 30, 2009.

Net assets of the Corporation at September 30, 2009 were \$26.17 per share on 23,746,411 shares outstanding, compared with \$22.49 per share at December 31, 2008 on 23,958,656 shares outstanding. On March 1, 2009, a distribution of \$0.13 per share was paid, consisting of \$0.05 from 2008 long-term capital gain, \$0.06 from 2008 investment income, and \$0.02 from 2009 investment income, all taxable in 2009. A 2009 investment income dividend of \$0.13 per share was paid June 1, 2009, and \$0.10 per share investment income dividend was paid September 1, 2009.

Net investment income for the nine months ended September 30, 2009 amounted to \$5,317,500, compared with \$7,104,615 for the same nine month period in 2008. These earnings are equal to \$0.22 and \$0.31 per share, respectively.

Net capital gain realized on investments for the nine months ended September 30, 2009 amounted to \$19,622,972, or \$0.83 per share.

For the nine months ended September 30, 2009, the total return on net asset value (with dividends and capital gains reinvested) of shares of the Corporation was 18.5%. The total return on the market value of the Corporation's shares for the period was 22.0%. These compare to a 12.1% total return in the Dow Jones U.S. Oil and Gas Index, a 50.6% total return in the Dow Jones U.S. Basic Materials Index, and a 19.3% total return for the Standard & Poor's 500 Composite Stock Index ( S&P 500 ) over the same time period.

For the twelve months ended September 30, 2009, the Corporation's total return on net asset value was (13.4)% and on market value was (8.7)%. Comparable figures for the Dow Jones U.S. Oil & Gas Index, the Dow Jones U.S. Basic Materials Index, and the S&P 500 were (13.0)%, (2.0)%, and (6.9)%, respectively.

You will note that we have changed the format and content of this quarterly report in an effort to improve the usefulness of our communications with you. We are trying to reduce the cost of these reports while continuing to provide you with the most pertinent information about the Corporation's position. You will find a complete list of the Corporation's portfolio holdings as well as the changes made in the portfolio, but we have not included complete financial statements or the associated several pages of footnotes that have accompanied them. It is our intention to present future reports for the first and third quarters in this or a similar format, and we welcome your comments about these changes. We will continue to provide complete financial statements with our annual and semi-annual reports.

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Current and potential stockholders 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, on our website at [www.peteres.com](http://www.peteres.com). Also available on the website are a brief history of the Corporation, historical financial information, and other useful content. Further information regarding stockholder services is located on page 7 of this report.

By order of the Board of Directors,

Douglas G. Ober,

*Chairman, President and*

*Chief Executive Officer*

October 9, 2009

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**SUMMARY FINANCIAL INFORMATION**

*Nine Months Ended September 30*

*(unaudited)*

|  | <b>2009</b> | <b>2008</b> |
|--|-------------|-------------|
| Net asset value per share                                | \$ 26.17    | \$ 35.07    |
| Total net assets   | 621,349,170 | 788,906,202 |
| Unrealized appreciation                                  | 220,858,344 | 372,983,042 |
| Net investment income                                    | 5,317,500   | 7,104,615   |
| Net realized gain  | 19,622,972  | 56,097,639  |
| Market price per share                                   | 23.26       | 29.52       |
| Shares outstanding                                       | 23,746,411  | 22,497,869  |
| Shares repurchased                                       | 215,835     | 285,000     |
| Total return (based on market price)                     | 22.0%       | (22.9)%     |
| Total return (based on net asset value)                  | 18.5%       | (17.6)%     |
| <b>Key Ratios:</b>                                       |             |             |
| Net investment income to average net assets (annualized) | 1.30%       | 0.98%       |
| Expenses to average net assets (annualized)              | 0.81%       | 0.49%       |
| Portfolio turnover                                       | 11.61%      | 12.34%      |
| Net cash & short-term investments to net assets          | 9.7%        | 0.7%        |

**RETURNS ON NET ASSET VALUE**

*As of September 30, 2009*

*(unaudited)*

**FIVE YEAR DISTRIBUTION HISTORY***(unaudited)*

|      | <b>Income<br/>Dividends<br/>Per Share</b> | <b>Short-Term<br/>Capital Gains<br/>Per Share</b> | <b>Long-Term<br/>Capital Gains<br/>Per Share</b> | <b>Total<br/>Distributions<br/>Per Share</b> | <b>Dividend<br/>Yield*</b> | <b>Annual Rate of<br/>Distribution**</b> |
|------|---|---|--|--|----------------------------|--|
| 2004 | \$0.44                                    | \$0.02  | \$0.86   | \$1.32                                       | 1.8%                       | 5.4%                                     |
| 2005 | 0.56                                      | 0.16  | 1.06   | 1.78   | 1.9                        | 5.9                                      |
| 2006 | 0.47                                      | 0.34  | 2.99   | 3.80   | 1.4                        | 11.3                                     |
| 2007 | 0.49                                      | 0.04  | 3.78   | 4.31   | 1.3                        | 11.6                                     |
| 2008 | 0.38                                      | 0.04  | 2.57   | 2.99   | 1.1                        | 8.9                                      |
|      |   |   |  | <b>Average:</b>                              | 1.5%                       | 8.6%                                     |

\*The dividend yield is the total income dividends during the year divided by the average daily market price of the Corporation's Common Stock.

\*\*The annual rate of distribution is the total dividends and capital gain distributions during the year divided by the average daily market price of the Corporation's Common Stock.

**CHANGES IN PORTFOLIO SECURITIES***During the Three Months Ended September 30, 2009**(unaudited)*

|                            | <b>Shares</b>    |                   | <b>Held<br/>September 30, 2009</b> |
|----------------------------|------------------|-------------------|------------------------------------|
|                            | <b>Additions</b> | <b>Reductions</b> |                                    |
| Occidental Petroleum Corp. | 40,000           |                   | 440,000                            |
| Royal Dutch Shell plc ADR  | 47,700           |                   | 312,700                            |
| Southwestern Energy Co.    | 10,000           |                   | 24,400                             |
| Devon Energy Corp.         |                  | 110,000           | 130,000                            |
| Energen Corp.              |                  | 20,000            | 280,000                            |
| EOG Resources, Inc.        |                  | 50,000            | 150,000                            |
| Hercules Offshore, Inc.    |                  | 300,000           |                                    |
| Noble Energy, Inc.         |                  | 60,000            | 280,000                            |
| Southwest Gas Corp.        |                  | 102,930           | 77,070                             |



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**PORTFOLIO SUMMARY***September 30, 2009**(unaudited)***TEN LARGEST PORTFOLIO HOLDINGS**

|                            | <i>Market Value</i> | <i>% of Net Assets</i> |
|----------------------------|---------------------|------------------------|
| Exxon Mobil Corp.          | \$ 69,982,200       | 11.3%                  |
| Chevron Corp.              | 64,443,450          | 10.4                   |
| Occidental Petroleum Corp. | 34,496,000          | 5.5                    |
| Noble Corp.                | 29,419,000          | 4.7                    |
| Transocean Ltd.            | 26,339,220          | 4.2                    |
| XTO Energy Inc.            | 20,143,500          | 3.2                    |
| Halliburton Co.            | 18,984,000          | 3.1                    |
| ConocoPhillips             | 18,600,998          | 3.0                    |
| Noble Energy, Inc.         | 18,468,800          | 3.0                    |
| Apache Corp.               | 18,366,000          | 3.0                    |
| Total                      | \$ 319,243,168      | 51.4%                  |

**SECTOR WEIGHTINGS**



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**SCHEDULE OF INVESTMENTS**

September 30, 2009

(unaudited)

|   | Shares    | Value (A)     |
|---|-----------|---------------|
| <b>Stocks 90.3%</b>                       |           |               |
| <b>Energy 85.4%</b>                       |           |               |
| <b>Integrated 31.6%</b>                   |           |               |
| Chevron Corp.                             | 915,000   | \$ 64,443,450 |
| ConocoPhillips                            | 411,891   | 18,600,998    |
| Exxon Mobil Corp. (F)                     | 1,020,000 | 69,982,200    |
| Hess Corp.                                | 250,000   | 13,365,000    |
| Royal Dutch Shell plc ADR                 | 312,700   | 17,883,313    |
| Total S.A. ADR                            | 200,000   | 11,852,000    |
|   |           | 196,126,961   |
| <b>Exploration &amp; Production 20.1%</b> |           |               |
| Anadarko Petroleum Corp. (B)              | 150,000   | 9,409,500     |
| Apache Corp.                              | 200,000   | 18,366,000    |
| Devon Energy Corp. (E)                    | 130,000   | 8,752,900     |
| EOG Resources, Inc. (B)(E)                | 150,000   | 12,526,500    |
| Forest Oil Corp. (C)                      | 69,477    | 1,359,665     |
| Noble Energy, Inc. (E)                    | 280,000   | 18,468,800    |
| Occidental Petroleum Corp.                | 440,000   | 34,496,000    |
| Southwestern Energy Co. (C)               | 24,400    | 1,041,392     |
| XTO Energy Inc.                           | 487,500   | 20,143,500    |
|   |           | 124,564,257   |
| <b>Services 17.4%</b>                     |           |               |
| Baker Hughes, Inc. (B)                    | 105,000   | 4,479,300     |
| Complete Production Services, Inc. (C)    | 400,500   | 4,525,650     |
| Halliburton Co.                           | 700,000   | 18,984,000    |
| Nabors Industries Ltd. (B)(C)             | 520,000   | 10,868,000    |
| National Oilwell Varco, Inc. (B)(C)       | 138,538   | 5,975,144     |
| Noble Corp.                               | 775,000   | 29,419,000    |
| Transocean Ltd. (C)                       | 307,953   | 26,339,220    |
| Weatherford International, Ltd. (C)       | 370,000   | 7,670,100     |
|   |           | 108,260,414   |
| <b>Utilities 16.3%</b>                    |           |               |
| AGL Resources Inc.                        | 165,000   | 5,819,550     |
| Energen Corp.                             | 280,000   | 12,068,000    |
| EQT Corp.                                 | 398,800   | 16,988,880    |
| MDU Resources Group, Inc.                 | 375,000   | 7,818,750     |
| National Fuel Gas Co. (B)                 | 200,000   | 9,162,000     |
| New Jersey Resources Corp. (B)            | 300,000   | 10,893,000    |
| Northeast Utilities                       | 200,000   | 4,748,000     |
| Northwest Natural Gas Co.                 | 40,000    | 1,666,400     |

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|                          |         |            |
|--------------------------|---------|------------|
| Questar Corp.            | 240,000 | 9,014,400  |
| Southwest Gas Corp.      | 77,070  | 1,971,451  |
| Spectra Energy Corp.     | 108,812 | 2,060,899  |
| WGL Holdings, Inc. (B)   | 332,900 | 10,700,906 |
| Williams Companies, Inc. | 450,000 | 8,041,500  |

100,953,736

**Basic Industries 4.9%**  
**Basic Materials & Other 4.9%**

|                                       |           |            |
|---------------------------------------|-----------|------------|
| CONSOL Energy Inc. (E)                | 125,000   | 5,638,750  |
| du Pont (E.I.) de Nemours and Co.     | 242,500   | 7,793,950  |
| International Coal Group, Inc. (B)(C) | 3,000,000 | 12,090,000 |
| Massey Energy Co. (B)(E)              | 180,000   | 5,020,200  |

30,542,900

**Total Stocks** (Cost \$339,428,019) 560,448,268

**Short-Term Investments 10.4%**

**Money Market Funds 10.4%**

|  |            |            |
|--|------------|------------|
| Fidelity Institutional Money Market - Government Portfolio, 0.10% (D)    | 13,629,478 | 13,629,478 |
| Fidelity Institutional Money Market - Treasury Only Portfolio, 0.08% (D) | 1,841      | 1,841      |
| Fidelity Institutional Money Market - Treasury Portfolio, 0.06% (D)      | 2,679      | 2,679      |
| RBC U.S. Government Money Market (Institutional Class I), 0.12% (D)      | 20,024,086 | 20,024,086 |
| Vanguard Admiral Treasury Money Market, 0.08% (D)                        | 1,485      | 1,485      |
| Vanguard Federal Money Market, 0.14% (D)                                 | 10,851,184 | 10,851,184 |
| Western Asset Institutional Government Money Market (Class I), 0.17% (D) | 20,000,000 | 20,000,000 |

**Total Short-Term Investments**  
(Cost \$64,510,753) 64,510,753

**Total Securities Lending Collateral 6.5%**

(Cost \$40,143,319)

**Money Market Funds 6.5%**

|  |            |            |
|--|------------|------------|
| Invesco Aim Short-Term Investment Trust-Liquid Assets Portfolio (Institutional Class), 0.28% (D) | 40,143,319 | 40,143,319 |
|--|------------|------------|

**Total Investments 107.2%**

(Cost \$444,082,091) 665,102,340

Cash, receivables, prepaid expenses and other assets, less liabilities (7.2)% (43,753,170)

**Net Assets 100%** \$ 621,349,170

Notes:

- (A) Securities are listed on the New York Stock Exchange or the NASDAQ and are valued at the last reported sale price on the day of valuation.
- (B) A portion of shares held are on loan.
- (C) Presently non-dividend paying.
- (D) Rate presented is as of period-end and represents the annualized yield earned over the previous seven days.
- (E) All or a portion of this security is pledged to cover open written call option contracts. Aggregate market value of such pledged securities is \$6,631,100.
- (F) All or a portion of this security is pledged to cover open written put option contracts with an aggregate market value to deliver upon exercise of \$680,000.

## OTHER INFORMATION

### STATEMENT ON QUARTERLY FILING OF COMPLETE PORTFOLIO SCHEDULE

In addition to publishing its complete schedule of portfolio holdings in the First and Third Quarter Reports to stockholders, the Corporation files its complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Corporation's Forms N-Q are available on the Commission's website at [www.sec.gov](http://www.sec.gov). The Corporation's Forms N-Q may be reviewed and copied at the Commission's Public Reference Room, and information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. The Corporation also posts its Forms N-Q on its website at: [www.petres.com](http://www.petres.com) under the headings Investment Information, Financial Reports and then SEC Filings.

### PROXY VOTING POLICIES AND RECORD

A description of the policies and procedures that the Corporation uses to determine how to vote proxies relating to portfolio securities owned by the Corporation and information as to how the Corporation voted proxies relating to portfolio securities during the 12 month period ended June 30, 2009 are available (i) without charge, upon request, by calling the Corporation's toll free number at (800) 638-2479; (ii) on the Corporation's website by clicking on About Petroleum & Resources and Corporate Information headings on the website; and (iii) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

### PRIVACY POLICY

In order to conduct its business, the Corporation, through its transfer agent, currently American Stock Transfer & Trust Company, collects and maintains certain nonpublic personal information about our stockholders of record with respect to their transactions in shares of our securities. This information includes the stockholder's address, tax identification or Social Security number, share balances, and dividend elections. We do not collect or maintain personal information about stockholders whose shares of our securities are held in street name by a financial institution such as a bank or broker.

We do not disclose any nonpublic personal information about you, our other stockholders or our former stockholders to third parties unless necessary to process a transaction, service an account or as otherwise permitted by law.

To protect your personal information internally, we restrict access to nonpublic personal information about our stockholders to those employees who need to know that information to provide services to our stockholders. We also maintain certain other safeguards to protect your nonpublic personal information.

This report 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 the report. The rates of return will vary and the principal 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.

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**STOCKHOLDER INFORMATION AND SERVICES**
**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<br>(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<br>(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 Stockholders**

For stockholders 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

(800) 638-2479

*Website:* [www.peteres.com](http://www.peteres.com)

*E-mail:* [contact@peteres.com](mailto:contact@peteres.com)

**The Transfer Agent**

**American Stock Transfer & Trust Company**

*Address Stockholder Inquiries to:*

Stockholder Relations Department

59 Maiden Lane

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New York, NY 10038

(866) 723-8330

**Website:** [www.amstock.com](http://www.amstock.com)

**E-mail:** [info@amstock.com](mailto:info@amstock.com)

***Investors Choice Mailing Address:***

Attention: Dividend Reinvestment

P.O. Box 922

Wall Street Station

New York, NY 10269-0560

**Website:** [www.amstock.com](http://www.amstock.com)

**E-mail:** [info@amstock.com](mailto:info@amstock.com)

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