

PETROLEUM & RESOURCES CORP  
Form DEF 14A  
February 16, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No.    )**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14A-6(E)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to (s) 240.14a-11(c) or (s) 240.14a-12

**PETROLEUM & RESOURCES CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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Notes:

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**PETROLEUM & RESOURCES CORPORATION**

Seven St. Paul Street  
Baltimore, Maryland 21202

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

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February 16, 2007

Notice is hereby given that the Annual Meeting of Stockholders of PETROLEUM & RESOURCES CORPORATION, a Maryland corporation (the Corporation), will be held at The Maryland Club, One East Eager Street, Baltimore, Maryland 21202, on Tuesday, March 27, 2007, at 11:00 a.m., for the following purposes:

(1) to elect directors as identified in the Proxy Statement for the ensuing year;

(2) to consider and vote upon the ratification of the selection of the independent registered public accounting firm of PricewaterhouseCoopers LLP to audit the books and accounts of the Corporation for or during the year ending December 31, 2007;

(3) to transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on February 9, 2007, as the record date for the determination of the stockholders entitled to notice of and to vote at this meeting.

By order of the Board of Directors,

LAWRENCE L. HOOPER, JR.

*Vice President, General Counsel*

*and Secretary*

Baltimore, MD

**Note: Stockholders who do not expect to attend the meeting are requested to fill in, sign, date and return the accompanying proxy in the enclosed envelope without delay. Telephone and Internet voting are also offered.**

## PETROLEUM & RESOURCES CORPORATION

Seven St. Paul Street

Baltimore, Maryland 21202

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### Proxy Statement

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#### INTRODUCTION

The Annual Meeting of Stockholders of Petroleum & Resources Corporation, a Maryland corporation (the Corporation), will be held Tuesday, March 27, 2007, at 11:00 a.m. at The Maryland Club, One East Eager Street, Baltimore, Maryland 21202, for the purposes set forth in the accompanying Notice of Annual Meeting and also set forth below. This statement is furnished in connection with the solicitation by the Board of Directors of proxies to be used at the meeting and at any and all adjournments thereof and is first being sent to stockholders on or about February 16, 2007.

At the Annual Meeting, action is to be taken on (1) the election of a Board of Directors; (2) the ratification of the selection of an independent registered public accounting firm; and (3) the transaction of such other business as may properly come before the meeting.

#### How You May Vote and Voting By Proxy

You can vote in person at the Annual Meeting or by proxy. To vote by proxy, please date, execute and mail the enclosed proxy card, or authorize a proxy by using telephone or internet options as instructed in the proxy card. Except for Proposals (1) and (2) referred to above, the proxies confer discretionary authority on the persons named therein or their substitutes with respect to any business that may properly come before the meeting. Stockholders retain the right to revoke executed proxies at any time before they are voted by written notice to the Corporation, by executing a later dated proxy, or by appearing and voting at the meeting. All shares represented at the meeting by proxies in the accompanying form will be voted, provided that such proxies are properly signed. In cases where a choice is indicated, the shares represented will be voted in accordance with the specifications so made. In cases where no specifications are made, the shares represented will be voted **FOR** the election of directors and **FOR** Proposal (2).

If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record that you must follow in order to vote your shares. If your shares are not registered in your own name and you plan to vote your shares in person at the Annual Meeting, you should contact your broker or agent to obtain a broker's proxy card and bring it with you to the Annual Meeting in order to vote.

#### Who May Vote

Only stockholders of record at the close of business February 9, 2007, may vote at the Annual Meeting. The total number of shares of Common Stock of the Corporation outstanding and entitled to be voted on the record date was 22,116,970. Each share is entitled to one vote. The Corporation has no other class of security outstanding.

**Vote Requirement**

For Proposal (1), referred to above, directors shall be elected by a plurality of the votes cast at the meeting. Proposal (2), referred to above, requires the affirmative vote of a majority of the votes cast at the meeting. Unless otherwise required by the Corporation's Articles of Incorporation or By-laws, or by applicable Maryland law, any other matter properly presented for a vote at the meeting will require the affirmative vote of a majority of the votes cast at the meeting.

### **Quorum Requirement**

A quorum is necessary to hold a valid meeting. If stockholders entitled to cast a majority of all the votes entitled to be cast at the Annual Meeting are present in person or by proxy, a quorum will exist. Proxies received by the Corporation that are marked "withhold authority" or abstain, or that constitute a broker non-vote, are counted as present for purposes of establishing a quorum. A broker non-vote occurs when a broker returns a valid proxy but does not vote on a particular matter because the broker does not have the discretionary voting power for that matter and has not received instructions from the beneficial owner. Proxies marked "withhold authority", abstentions and broker non-votes do not count as votes cast with respect to any proposal, and therefore, such proxies would have no effect on the outcome of Proposals (1) and (2), above.

### **Appraisal Rights**

Under Maryland law, there are no appraisal or other dissenter rights with respect to any matter to be voted on at the Annual Meeting that is described herein.

### **Other Matters**

The Corporation will pay all costs of soliciting proxies in the accompanying form. See "Other Matters and Annual Report" below. Solicitation will be made by mail, and officers, regular employees, and agents of the Corporation may also solicit proxies by telephone or personal interview. The Corporation expects to request brokers and nominees who hold stock in their names to furnish this proxy material to their customers and to solicit proxies from them, and will reimburse such brokers and nominees for their out-of-pocket and reasonable clerical expenses in connection therewith.

## **(1) ELECTION OF DIRECTORS**

Unless contrary instructions are given by the stockholder signing a proxy, it is intended that each proxy in the accompanying form will be voted at the Annual Meeting for the election of the following nominees to the Board of Directors for the ensuing year, all of whom have consented to serve if elected:

Enrique R. Arzac  
Phyllis O. Bonanno  
Daniel E. Emerson

Frederic A. Escherich  
Roger W. Gale  
Thomas H. Lenagh

Kathleen T. McGahran  
Douglas G. Ober\*  
Craig R. Smith

If for any reason one or more of the nominees above named shall become unable or unwilling to serve when the election occurs, proxies in the accompanying form will, in the absence of contrary instructions, be voted for the election of the other nominees above named and may be voted for substitute nominees in the discretion of the persons named as proxies in the accompanying form. As an alternative to proxies being voted for substitute nominees, the size of the Board of Directors may be reduced so that there are no vacancies caused by a nominee above named becoming unable or unwilling to serve. The directors elected will serve until the next annual meeting or until their successors are elected, except as otherwise provided in the By-laws of the Corporation.



**Information as to Nominees for Election as Directors (as of December 31, 2006)**

Set forth below with respect to each nominee for director are his or her name and age, any positions held with the Corporation, other principal occupations during the past five years, other directorships and business affiliations, the year in which he or she first became a director, and the number of shares of Common Stock beneficially owned by him or her. Also set forth below is the number of shares of Common Stock beneficially owned by all directors and officers of the Corporation as a group. A separate table is provided showing the dollar value range of the shares beneficially owned by each director.

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\* Mr. Ober is an interested person, as defined by the Investment Company Act of 1940, because he is an officer of the Corporation.

Name, Age, Positions with the Corporation, Other Principal Occupations and Other Directorships	Has been a Director since	Shares of Common Stock Beneficially Owned (a)(b)(c)(d)
<b>Independent Directors</b>		
Enrique R. Arzac, Ph.D., 65, Professor of Finance and Economics, formerly Vice Dean of Academic Affairs of the Graduate School of Business, Columbia University. Director of The Adams Express Company(1), Credit Suisse Asset Management Funds (24 funds) (investment companies), and Epoch Management Corporation (asset management).	1987	4,318
Phyllis O. Bonanno, 63, President & Chief Executive Officer of International Trade Solutions, Inc. (consultants). Formerly, President of Columbia College, Columbia, South Carolina, and Vice President of Warnaco Inc. (apparel). Director of Borg-Warner Inc. (industrial), Mohawk Industries, Inc. (carpet and flooring), and The Adams Express Company(1).	2003	1,427
Daniel E. Emerson, 82, Retired Executive Vice President of NYNEX Corporation (communications), retired Chairman of the Board of both NYNEX Information Resources Co. and NYNEX Mobile Communications Co. Previously, Executive Vice President and Director of New York Telephone Company. Director of The Adams Express Company(1).	1987	12,511
Frederic A. Escherich, 54, Private Investor. Formerly, Managing Director and head of Mergers and Acquisitions Research and the Financial Advisory Department with J. P. Morgan. Director of The Adams Express Company(1).	2006	1,400
Roger W. Gale, Ph.D., 59, President & CEO of GF Energy, LLC (consultants to electric power companies). Formerly, member of management group, PA Consulting Group (energy consultants). Director of The Adams Express Company(1), Ormat Technologies, Inc. (geothermal and renewable energy), and U.S. Energy Association.	2005	845
Thomas H. Lenagh, 88, Financial Advisor. Formerly, Chairman of the Board and Chief Executive Officer of Greiner Engineering Inc. (formerly Systems Planning Corp.) (consultants). Formerly, Treasurer and Chief Investment Officer of the Ford Foundation (charitable foundation). Director of Cornerstone Funds, Inc. (2 funds) (investment companies), The Adams Express Company(1), and Photonics Product Group (crystals).	1987	3,454
Kathleen T. McGahran, Ph.D., J.D., C.P.A., 56, Principal & Director of Pelham Associates, Inc. (executive education) and Adjunct Associate Professor, Columbia Executive Education, Graduate School of Business, Columbia University. Formerly, Associate Dean and Director of Executive Education and Associate Professor, Columbia University. Director of The Adams Express Company(1).	2003	2,745
Craig R. Smith, M.D., 60, President, Williston Consulting LLC (consultants to the pharmaceutical and biotechnology industries). Formerly Chairman, President & CEO of Guilford Pharmaceuticals (pharmaceutical and biotechnology). Director of The Adams Express Company(1), La Jolla Pharmaceutical Company, and Depomed, Inc. (specialty pharmaceuticals).	2005	1,289

**Interested Director**

Douglas G. Ober, 60, Chairman of the Board, and Chief Executive Officer of the Corporation since April 1, 1991, and President since April 1, 2003. Director, Chairman of the Board and Chief Executive Officer of The Adams Express Company.	1989	52,474(e)
Directors and executive officers of the Corporation as a group.(2)		141,306

- (1) Non-controlling affiliate of the Corporation.
- (2) Mr. John J. Roberts, a current director of the Corporation, is not standing for reelection to the Board. Mr. Roberts beneficially owns 2,434 shares of Common Stock, which shares are included in the total for the group.

The address for each director is the Corporation's office, Seven St. Paul Street, Suite 1140, Baltimore, MD 21202.

- (a) To the Corporation's knowledge, other than shares referred to in footnote (c) below, each director had sole investment and voting power with respect to the shares shown opposite his or her name.
- (b) Of the amounts shown as beneficially owned by the directors and executive officers as a group, 33,843 shares were held by the Trustee under the Employee Thrift Plan of the Corporation and the Employee Thrift Plan of The Adams Express Company.
- (c) The amounts shown include shares subject to options under the Corporation's Stock Option Plan (see Stock Option Plan below) and restricted stock under the Corporation's 2005 Equity Incentive Compensation Plan (see 2005 Plan below) held by Mr. Ober (30,318 shares), restricted stock units held by each director (each director holds 400 units except for Mr. Escherich, who holds 800 units), and by directors and executive officers as a group (79,761 shares). Mr. Ober and the other officers with shares subject to options all disclaim beneficial ownership of those shares.
- (d) Calculated on the basis of 22,180,867 shares of Common Stock outstanding on December 31, 2006, each director owned less than 1.0% of the Common Stock outstanding. The directors and executive officers as a group owned less than 1.0% of the Common Stock outstanding.
- (e) Of the amounts shown, 21,830 shares beneficially owned by Mr. Ober were held by the Trustee under the Employee Thrift Plan of the Corporation.

**Independent Directors**

**Dollar Value of Shares Owned(1)**

Enrique R. Arzac	greater than \$100,000
Phyllis O. Bonanno	\$10,001-\$50,000
Daniel E. Emerson	greater than \$100,000
Frederic A. Escherich	\$10,001-\$50,000
Roger W. Gale	\$10,001-\$50,000
Thomas H. Lenagh	greater than \$100,000
Kathleen T. McGahran	\$50,001-\$100,000
John J. Roberts*	\$50,001-\$100,000
Craig R. Smith	\$10,001-\$50,000

**Interested Director**

Douglas G. Ober	greater than \$100,000
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(1) The valuation date used in calculating the dollar value of shares owned is December 31, 2006.

In 2004, the Board adopted equity ownership requirements for the directors and senior staff. Under these equity ownership requirements, the Chief Executive Officer, portfolio managers, research analysts, and other executive officers must own, within 5 years of the requirement's adoption, a certain percentage of equity in the Corporation equal to a multiple of his or her annual salary, and non-employee directors must own, within 5 years, at least \$50,000 of Common Stock of the Corporation.

The nominees identified above are also nominees for election to the Board of Directors of The Adams Express Company ( Adams ), the Corporation's largest stockholder (see Principal Stockholder on page 6).

\* Mr. Roberts is not standing for reelection to the Board.

### **Process for Stockholders to Communicate with Board**

The Board of Directors has implemented a process for stockholders of the Corporation to send communications to the Board. Any stockholder desiring to communicate with the Board, or with specific individual directors, may so do by writing to the Secretary of the Corporation, at Petroleum & Resources Corporation, Seven St. Paul Street, Suite 1140, Baltimore, MD 21202. The Secretary has been instructed by the Board to promptly forward all such communications to the addressees indicated thereon.

### **Policy on Board of Directors Attendance of Annual Meetings**

The Corporation's policy with regard to attendance by the Board of Directors at Annual Meetings is that all directors are expected to attend, absent unusual and extenuating circumstances that prohibit attendance. The number of directors who attended the 2006 Annual Meeting was 9 (out of 10 directors).

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Each director and officer of the Corporation who is subject to Section 16 of the Securities Exchange Act of 1934 is required to report to the Securities and Exchange Commission by a specified date his or her beneficial ownership of or transactions in the Corporation's securities. Based upon a review of filings with the Commission and written representations that no other reports are required, the Corporation has no reason to believe that any such director or officer failed to file all requisite reports with the Commission on a timely basis during 2006, except as noted herein. The following directors failed to timely file a report on Form 4 disclosing the receipt of shares of the Corporation's Common Stock that they received upon the vesting of restricted stock units that were granted to them in 2005 and vested in 2006: Messrs. Arzac, Emerson, Gale, Lenagh, Smith and Roberts\*, and Meses. Bonanno and McGahran; the following directors failed to timely file four reports on Form 4 disclosing the receipt of deferred stock units and dividend equivalents thereon that were issued to them based upon their election to receive deferred stock units in lieu of receiving cash for the retainers paid to them quarterly for their service on the Board and its committees: Messrs. Arzac and Emerson, and Ms. McGahran. All of these transactions have since been reported.

### **Information as to Other Executive Officers**

Set forth below are the names, ages and positions with the Corporation of all executive officers of the Corporation other than those who also serve as directors. Executive officers serve as such until the election of their successors.

Mr. Lawrence L. Hooper, Jr., 54, has served as the Chief Compliance Officer since April 8, 2004, Vice President since March 30, 1999, and as General Counsel and Secretary since April 1, 1997. Prior thereto, he was a partner in Tydings & Rosenberg L.L.P., a Baltimore, Maryland law firm.

Ms. Maureen A. Jones, 59, has served as Chief Financial Officer since March 26, 2002, as Vice President since January 1, 1998, and as Treasurer since January 1, 1993.

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Mr. Joseph M. Truta, 62, has served as Executive Vice President since January 1, 1986.

\* Mr. Roberts is not standing for reelection to the Board.

Name	Shares of
	Common Stock
	Beneficially Owned
	(b)(c)(d)(e)
Lawrence L. Hooper, Jr.	13,282
Maureen A. Jones	13,417
Joseph M. Truta	31,336

- (a) As of December 31, 2006, share ownership of directors and executive officers as a group is shown in the table beginning on page 3 and footnotes thereto.
- (b) To the Corporation's knowledge, each officer had sole investment and voting power with respect to the shares shown opposite his or her name above other than shares referred to in footnote (d) below.
- (c) Of the amounts shown, the following shares beneficially owned by the respective officer were held by the Trustee under the Employee Thrift Plan of the Corporation and the Employee Thrift Plan of Adams: Mr. Hooper (2,326 shares), Ms. Jones (2,834 shares), and Mr. Truta (6,853 shares).
- (d) The amounts shown include shares subject to options under the Corporation's Stock Option Plan (see Stock Option Plan below), held by Mr. Hooper (9,015 shares), Ms. Jones (9,015 shares), and Mr. Truta (21,740 shares). These officers disclaim beneficial ownership of those shares.
- (e) The amounts shown include unvested shares of restricted stock under the Corporation's 2005 Equity Incentive Compensation Plan (see 2005 Plan below) held by Mr. Hooper (1,811 shares), Ms. Jones (1,448 shares), and Mr. Truta (2,414 shares).
- (f) Calculated on the basis of 22,180,867 shares of Common Stock outstanding on December 31, 2006, each of the officers listed above owned less than 1.0% of the Common Stock outstanding.

#### Principal Stockholder

At December 31, 2006, only one person or group of persons was known by the Corporation to own beneficially more than five percent of any class of the Corporation's voting securities.

Title of Class	Name and Address of Beneficial Owner	Amount and	Percent of
		Nature of	Class
		Beneficial	
		Ownership	
Common Stock	The Adams Express Company Seven St. Paul Street Baltimore, Maryland 21202	2,186,774 shares held directly	9.9%

#### Board Meetings and Committees of the Board

The Board of Directors held fourteen meetings during 2006, at which overall attendance was approximately 95%. Each Director attended at least 75% of the total of all (i) meetings of the Board and (ii) meetings of committees of the Board on which he or she

served in 2006.

**Audit Committee**

Messrs. Emerson, Escherich, and Smith, and Ms. McGahran, each of whom is an independent director as such is defined by the Rules of the New York Stock Exchange, and none of whom is an



interested person as such is defined in the Investment Company Act of 1940, constitute the membership of the Board's standing Audit Committee, which met five times in 2006. The Board has determined that Ms. McGahran is an audit committee financial expert, as that term is defined in federal regulations. The Board has adopted a written charter under which the Audit Committee operates, which was most recently amended in January 2006. A copy of the Audit Committee Charter ( Charter ) is attached hereto as Attachment A and is also available at the Corporation's website: [www.peteres.com](http://www.peteres.com). Set forth below is the report of the Audit Committee:

### **Audit Committee Report**

The purposes of the Audit Committee are set forth in the Committee's written Charter. As provided in the Charter, the role of the Committee is to assist the Board of Directors in its oversight on matters relating to accounting, financial reporting, internal control, auditing, and regulatory compliance activities, and other matters the Board deems appropriate. The Committee also selects the Corporation's independent registered public accounting firm in accordance with the provisions set out in the charter. Management, however, is responsible for the preparation, presentation and integrity of the Corporation's financial statements, and for the procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm is responsible for planning and carrying out proper audits and reviews.

In fulfilling its responsibilities, the Committee has reviewed and discussed the audited financial statements contained in the 2006 Annual Report of the Corporation with the Corporation's management and the independent registered public accounting firm. In addition, the Committee discussed with the independent registered public accounting firm the matters required to be discussed pursuant to Statement of Auditing Standards No. 61, as modified or supplemented. The Committee has also received from the independent registered public accounting firm the written statement regarding independence as required by Independence Standards Board Standard No. 1, considered whether the provision of nonaudit services by the independent registered public accounting firm is compatible with maintaining the independent registered public accounting firm's independence, and discussed with the independent registered public accounting firm its independence.

In reliance on the reviews and discussions with management and the independent registered public accounting firm referred to above, and subject to the limitations on the responsibilities and role of the Committee set forth in the Charter and discussed above, the Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Corporation's 2006 Annual Report for filing with the Securities and Exchange Commission.

Respectfully submitted on February 8, 2007, by the members of the Audit Committee of the Board of Directors:

Kathleen T. McGahran, Chair

Daniel E. Emerson

Frederic A. Escherich

Craig R. Smith

### **Compensation Committee**

Messrs. Arzac, Emerson, Escherich, Gale, and Roberts\* constitute the membership of the Board's standing Compensation Committee, which met two times during 2006. The Compensation Committee reviews and recommends changes in the salaries of directors, officers, and employees, and advises upon the cash and equity incentive compensation plans in which the executive officers, officers, and employees of the Corporation are eligible to participate.

### **Executive Committee**

Messrs. Arzac, Emerson, Lenagh, Ober\*\*, and Roberts\*, and Ms. Bonanno constitute the membership of the Board's standing Executive Committee, which met two times during 2006. The Committee has the authority of the Board of Directors between meetings of the Board except as limited by law, the Corporation's By-laws, or Board resolution. The Executive Committee, minus Mr. Ober, also performs the duties of a nominating committee, as discussed below.

### **Nominating Committee**

The Corporation does not have a separate standing nominating committee. Instead, certain members of the Executive Committee perform the functions of a nominating committee for the Board (hereinafter called the Nominating Committee). The Nominating Committee is comprised of the directors who serve on the Corporation's Executive Committee, minus Mr. Ober, who is an interested person as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940. Thus, Messrs. Arzac, Gale, Lenagh, and Roberts\*, and Ms. Bonanno, each of whom is an independent director as such is defined in the Rules of the New York Stock Exchange and none of whom is an interested person of the Corporation, constitute the Nominating Committee. The Executive Committee, minus Mr. Ober, acting as the Nominating Committee, met once during 2006. The Board has adopted a written charter under which the Nominating Committee operates, a copy of which is available to stockholders at the Corporation's website: [www.peteres.com](http://www.peteres.com).

The Nominating Committee recommends to the full Board nominees for director and leads the search for qualified director candidates.

The Nominating Committee will consider unsolicited recommendations for director candidates from stockholders of the Corporation. Stockholders may recommend candidates for consideration by the Nominating Committee by writing to the Secretary of the Corporation at the office of the Corporation, Seven St. Paul Street, Suite 1140, Baltimore, MD 21202, giving the candidate's name, biographical data and qualifications and stating whether the candidate would be an interested person of the Corporation. A written statement from the candidate, consenting to be named as a candidate, and if nominated and elected, to serve as a director, should accompany any such recommendation.

The process that the Nominating Committee uses for identifying and evaluating nominees for director is as follows: When there is a vacancy on the Board, either through the retirement of a director or the Board's determination that the size of the Board should be increased, nominations to fill that vacancy are made by current, independent directors on the Board. The name of any individual recommended by an independent director is provided to Mr. Ober, who contacts the prospective director nominee and meets with him or her. The members of the Nominating Committee then meet with the prospective director nominee. If a majority of the Nominating Committee members are

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- \* Mr. Roberts is not standing for reelection to the Board.
  - \*\* Mr. Ober is an interested person.

### **Retirement Benefits Committee**

Messrs. Lenagh and Smith, and Meses. Bonanno and McGahran are the director members of the standing Retirement Benefits Committee of the Corporation, which administers the Employees Retirement Plan, Supplemental Retirement Plan and the Employee Thrift Plan of the Corporation. This Committee met once during 2006.

### **Board of Directors Compensation**

During 2006, each director who is not an interested person received an annual retainer fee of \$10,000 and a fee of \$750 for each Board meeting attended. All members of each Committee, except executive officers and/or interested persons, receive an additional annual retainer fee of \$1,500 for each committee membership and a fee of \$500 for each Committee meeting attended; the Chairperson of each committee except for the Executive Committee receives an additional fee of \$500 for each Committee meeting attended. The total amount of fees paid to the independent directors in 2006 was \$233,083. In addition, following each annual meeting of stockholders, each non-employee director who is elected or re-elected at that annual meeting receives 400 restricted stock units.

### **Transactions with Principal Stockholder**

The Corporation shares certain expenses for research, accounting services and other office services (including proportionate salaries and other employee benefits), rent and related expenses, and miscellaneous expenses such as office supplies, postage, subscriptions and travel, with Adams, of which all the above-named nominees are also directors. These expenses were paid by Adams and, on the date the payment was made, the Corporation simultaneously paid to Adams its allocated share, based on either the proportion of the size of the investment portfolios of the two companies, or, where possible, on an actual usage basis. In 2006, the Corporation's share of such expenses was \$758,553.

### **Audit Fees**

The aggregate fees for professional services rendered by its independent registered public accounting firm, PricewaterhouseCoopers LLP, for the audits of the Corporation's annual and semi-annual financial statements for 2006 and 2005 were \$64,160 and \$55,310, respectively.

### **Audit-Related Fees**

There were no audit-related fees in 2006 and 2005.

**Tax Fees**

The aggregate fees to the Corporation for professional services rendered by PricewaterhouseCoopers LLP for the review of the Corporation's excise tax calculations and preparations of federal, state and excise tax returns for 2006 and 2005 were \$9,523 and \$8,900, respectively.

**All Other Fees**

The aggregate fees for services to the Corporation by PricewaterhouseCoopers LLP, other than for the services referenced above, for 2006 and for 2005 were \$6,156 and \$800, respectively. The \$6,156 for services in 2006 related to the review of the Corporation's procedures for calculating the amounts to be paid or granted to the Corporation's officers in accordance with the Corporation's cash incentive plan and the 2005 Equity Incentive Compensation Plan, review of the Corporation's calculations related to those plans, and preparation of a report to the Corporation's Compensation Committee.

The Board's Audit Committee has considered the provision by PricewaterhouseCoopers LLP of the services covered in this **All Other Fees** section and found that they are compatible with maintaining PricewaterhouseCoopers LLP's independence.

**Audit Committee Pre-Approval Policy**

All services to be performed for the Corporation by PricewaterhouseCoopers LLP must be pre-approved by the Audit Committee. All services performed for 2006 were pre-approved by the Committee.

**Compensation of Directors and Executive Officers**

The following table sets forth for each of the persons named below the aggregate compensation received from the Corporation during the fiscal year ended December 31, 2006, for services in all capacities:

<u>Name</u>	<u>Position</u>	<u>Aggregate Compensation (1)(2)(3)(4)</u>	<u>Pension or Retirement Benefits Accrued as Part of Expenses (5)</u>	<u>Stock Awards (7)</u>
Douglas G. Ober	Chairman of the Board and Chief Executive Officer (A)	\$ 331,500	\$ 10,296	\$ 49,975
Joseph M. Truta	Executive Vice President	\$ 186,420	\$ 10,296	\$ 29,155
Nancy J.F. Prue	Vice President	\$ 206,720	\$ 15,960	\$ 26,645
Enrique R. Arzac	Director (A)(C)	\$ 25,000(6)	N/A	\$ 13,677(8)
Phyllis O. Bonanno	Director (A)(D)	\$ 25,500	N/A	\$ 13,677(8)
Daniel E. Emerson	Director (B)(C)	\$ 28,000(6)	N/A	\$ 13,677(8)
Frederic A. Escherich	Director (B)(C)	\$ 21,583	N/A	\$ 22,414(8)
Roger W. Gale	Director (A)(C)	\$ 23,750	N/A	\$ 21,358(8)
Thomas H. Lenagh	Director (A)(D)	\$ 25,500	N/A	\$ 13,677(8)
Kathleen T. McGahran	Director (B)(D)	\$ 29,000(6)	N/A	\$ 13,677(8)
John J. Roberts*	Director (A)(C)	\$ 22,500	N/A	\$ 13,677(8)
Susan C. Schwab**	Director	\$ 0	N/A	\$ 3,607
Craig R. Smith	Director (B)(D)	\$ 24,000	N/A	\$ 21,358(8)
Robert J.M. Wilson***	Director	\$ 7,000	N/A	\$ 4,690

\* Mr. Roberts is not standing for reelection to the Board.

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- \*\* Ms. Schwab resigned from the Board in December 2005. Certain restricted stock units granted to her in 2005 under the 2005 Equity Incentive Compensation Plan vested in February 2006. The amount shown represents the corresponding expense recognized in the Corporation's 2006 financial statements in accordance with FAS 123R.
- \*\*\* Mr. Wilson resigned from the Board in March 2006. Certain restricted stock units granted to him in 2005 under the 2005 Equity Incentive Compensation Plan vested in March 2006. The amount shown represents the corresponding expense recognized in the Corporation's 2006 financial statements in accordance with FAS 123R.

- (A) Member of Executive Committee
  - (B) Member of Audit Committee
  - (C) Member of Compensation Committee
  - (D) Member of Retirement Benefits Committee
- 

- (1) Of the amounts shown, direct salaries paid by the Corporation to Messrs. Ober and Truta, and Ms. Prue were \$179,400, \$113,100, and \$133,000, respectively.
- (2) Of their direct salaries, \$7,800, \$7,800, and \$7,980 were deferred compensation to Messrs. Ober and Truta, and Ms. Prue, respectively, under the Corporation's Employee Thrift Plan. The non-employee Directors do not participate in the Employee Thrift Plan.
- (3) Of the amounts shown, \$152,100, \$73,320, and \$73,720 were incentive compensation accrued for Messrs. Ober and Truta, and Ms. Prue, respectively, in 2006 and paid to them in 2007.
- (4) In addition, the net gain realized by Messrs. Ober and Truta, and Ms. Prue upon the exercise of stock appreciation rights during 2006 granted under the Corporation's Stock Option Plan (see "Stock Option Plan" below) was \$108,598, \$100,937 and \$126,623, respectively. This sum is in addition to the aggregate compensation amounts shown in this summary table.
- (5) Under the Employee Thrift Plan, the Corporation makes contributions to match the contributions made by eligible employees (see "Employee Thrift Plan" below). The amounts shown represent the Corporation's payments made on behalf of Messrs. Ober and Truta, and Ms. Prue during 2006. In addition, during 2006, the Corporation recognized aggregate pension expense of \$613,748 related to all eligible employees and former employees in the Employee Retirement Plans (see "Employee Retirement Plans" below).
- (6) Of the amounts shown, \$13,000 was foregone at the election of the director in favor of receiving 387.97 deferred stock units.
- (7) The amount in this column shows the amount recognized in the Corporation's financial statements for 2006 in connection with grants to Messrs. Ober and Truta, and Ms. Prue, in 2005 and 2006 under the 2005 Equity Incentive Compensation Plan. For the 2006 grants, the restricted shares will vest at the end of three years, but only upon the achievement of specified performance criteria. Certain percentages of the shares will be deemed to have been earned based on achieving performance goals over specified intervening time periods. The first one-sixth of the target number of restricted shares (the target number is shown in the Grants of Plan-Based Awards table on page 12, below) would have been earned if, on January 1, 2007, the Corporation's one year total NAV return met or exceeded the one year total NAV return of a hypothetical portfolio comprised of a 80/20 blend of the Dow Jones Oil and Gas Index and the S&P 500 Index ( "Hypothetical Portfolio" ). Only 52.1% of the first one-sixth of the target number was earned because the Corporation's NAV return trailed that of the Hypothetical Portfolio on that date. For the next one-third of the target number of shares, those shares will be deemed to have been earned if, on January 1, 2008, the Corporation's two year total NAV return meets or exceeds that of the Hypothetical Portfolio, with a lesser percentage or no shares being earned if the Corporation's total NAV return trails that of the Hypothetical Portfolio, depending on the level of underperformance on that date. The remaining 50% of the target shares will be deemed to have been earned if, on January 1, 2009, the Corporation's three year total NAV return meets or exceeds that of the Hypothetical Portfolio, with a lesser percentage or no shares being earned if the Corporation's total NAV return trails that of the Hypothetical Portfolio, depending on the level of underperformance on that date. In addition, if, on



January 1, 2009, the Corporation's three year total NAV return exceeds that of the Hypothetical Portfolio, an additional number of shares ( additional shares ) will be earned and vest depending on the level of outperformance. For a discussion of the assumptions used in valuing the stock awards shown in this column, and the related accounting treatment, please see Note 6 to the Corporation's financial statements for 2006. Dividends and capital gains paid on the Corporation's shares of Common Stock ( dividends ) will be paid on all of the target number of shares of restricted stock, when such dividends are paid on the Common Stock, except that no dividends or capital gains will be paid on any shares that are forfeited due to the failure to achieve the performance criteria described above. The dividend rate for dividends paid on the shares of restricted stock is the same rate that is paid on the Common Stock.

- (8) These amounts reflect the dollar amount recognized in the Corporation's financial statements for 2006 for the portion of the 400 restricted stock units granted to each director under the 2005 Equity Incentive Compensation Plan upon election to the Board of Directors at the Corporation's annual meetings in 2006 and in 2005 (except Mr. Escherich); and, in the case of Messrs. Escherich, Gale, and Smith, a portion of the additional 400 restricted stock units granted to them under the 2005 Equity Incentive Compensation Plan upon their initial election to the Board of Directors.

### Grants of Plan-Based Awards under the 2005 Equity Incentive Compensation Plan

The following table presents information regarding grants of equity plan-based awards under the 2005 Equity Incentive Compensation Plan to the three executive officers listed in the Compensation Table above during 2006:

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards (\$) (3)
		Threshold (\$ or #) (2)	Target (#) (2)	Maximum (#) (2)		
Douglas G. Ober	January 12, 2006	0	2,912	3,640	0	124,925
Joseph M. Truta	January 12, 2006	0	1,456	1,820	0	62,462
Nancy J. F. Prue	January 12, 2006	0	1,398	1,747	0	59,957

- (1) For a description of the material terms of these restricted stock grants, see footnote 7 to the Compensation Table, above.
- (2) Threshold refers to the minimum amount payable for a certain level of performance under the Plan. Target refers to the amount payable if the specified performance target(s) are reached. Maximum refers to the maximum payout possible under the Plan.
- (3) This fair value amount assumes that all of the shares shown in the Maximum column herein are earned and vest. See footnote 7 to the Compensation Table, above.

**Outstanding Equity Awards at Fiscal Year-End under the 2005 Equity Incentive Compensation Plan**

The following table presents information regarding outstanding equity awards under the 2005 Equity Incentive Compensation Plan to the three executive officers listed in the Compensation Table above at the end of 2006:

Name	Stock Awards			
	Number of Shares or Units of Stock That Have Not Vested (#) (1)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (3)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) (2)
Douglas G. Ober	847	28,330	3,387	46,982
Joseph M. Truta	721	24,111	1,693	23,487
Nancy J. F. Prue	595	19,922	1,626	22,547

- (1) These shares are scheduled to vest as follows: Mr. Ober, 297 on April 27, 2007, 297 on April 27, 2008, and 253 on January 12, 2009; Mr. Truta, 297 on April 27, 2007, 297 on April 27, 2008, and 127 on January 12, 2009; and Ms. Prue, 237 on April 27, 2007, 237 on April 27, 2008, and 121 on January 12, 2009.