

PETROLEUM & RESOURCES CORP

Form N-30B-2

October 21, 2011



---

**LETTER TO STOCKHOLDERS**

We submit herewith the summary financial information of Petroleum & Resources Corporation (the Corporation) for the nine months ended September 30, 2011.

Net assets of the Corporation at September 30, 2011 were \$25.67 per share on 24,802,996 shares outstanding, compared with \$30.73 per share at December 31, 2010 on 24,789,698 shares outstanding. On March 1, 2011, a distribution of \$0.10 per share was paid, consisting of \$0.05 from 2010 long-term capital gain, \$0.01 from 2010 short-term capital gain, \$0.03 from 2010 investment income, and \$0.01 from 2011 investment income, all taxable in 2011. A 2011 investment income dividend of \$0.10 per share was paid June 1, 2011, and another \$0.10 per share investment income dividend was paid September 1, 2011.

Net investment income for the nine months ended September 30, 2011 amounted to \$7,388,963, compared with \$6,244,046 for the same nine month period in 2010. These earnings are equal to \$0.30 and \$0.26 per share, respectively.

Net capital gain realized on investments for the nine months ended September 30, 2011 amounted to \$42,974,722, or \$1.73 per share.

Performance comparisons for the Corporation, relevant benchmarks, and a Lipper peer group are as follows:

<b>Performance Comparisons</b>	<b>YTD</b>	<b>1 Year</b>	<b>5 Year*</b>
Petroleum & Resources:			
NAV	(15.6)%	1.6%	2.0%
Market price	(15.4)%	2.5%	2.1%
Dow Jones U.S. Oil and Gas Index	(11.9)%	6.7%	3.6%
Dow Jones Basic Materials Index	(26.0)%	(10.8)%	3.3%
Lipper Global Natural Resources Funds Index	(24.7)%	(11.4)%	0.6%
S&P 500 Index	(8.7)%	1.1%	(1.2)%

\* Annualized

For the twelve months ended September 30, 2011, the annual distribution rate (total dividends and distributions as a percentage of the average month-end market price of the Corporation's Common Stock) was 4.5%. The table on page 3 shows the annual distribution rate over the past five years.

## Edgar Filing: PETROLEUM & RESOURCES CORP - Form N-30B-2

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, links for electronic delivery of stockholder reports, and other useful content.

By order of the Board of Directors,

Douglas G. Ober

*Chairman, President and*

*Chief Executive Officer*

October 13, 2011

---

**SUMMARY FINANCIAL INFORMATION**
*(unaudited)*

	<b>2011</b>	<b>2010</b>
<i>At September 30:</i>		
Net asset value per share	\$ 25.67	\$ 26.48
Market price per share	22.62	23.13
Shares outstanding	24,802,996	24,339,480
Total net assets	636,729,099	644,597,577
Unrealized appreciation	183,830,825	231,539,537
<i>For the nine months ended September 30:</i>		
Net investment income	7,388,963	6,244,046
Net realized gain	42,974,722	16,804,328
Total return (based on market price)	(15.4)%	(1.2)%
Total return (based on net asset value)	(15.6)%	0.4%
<i>Key ratios:</i>		
Net investment income to average net assets (annualized)	1.22%	1.34%
Expenses to average net assets (annualized)	0.53%	0.62%
Portfolio turnover	12.25%	14.34%
Net cash & short-term investments to net assets	0.6%	4.3%

**RETURNS ON NET ASSET VALUE***As of September 30, 2011**(unaudited)*

2

---

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

<b>Year</b>	<b>Income Dividends Per Share</b>	<b>Short-Term Capital Gains Per Share</b>	<b>Long-Term Capital Gains Per Share</b>	<b>Total Distributions Per Share</b>	<b>Dividend Yield*</b>	<b>Annual Distribution Rate**</b>
2006	\$0.47	\$0.34	\$2.99	\$3.80	1.4%	11.2%
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
2009	0.37	0.14	0.89	1.40	1.7	6.6
2010	0.32	0.19	0.76	1.27	1.4	5.5
				<b>Average:</b>	1.4%	8.8%

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

## Edgar Filing: PETROLEUM & RESOURCES CORP - Form N-30B-2

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

### CHANGES IN PORTFOLIO SECURITIES

*During the Three Months Ended September 30, 2011*

*(unaudited)*

	Shares		Held September 30, 2011
	Additions	Reductions	
Anadarko Petroleum Corp.	20,000		185,000
Baker Hughes, Inc.	50,000		215,000
Devon Energy Corp.	25,000		135,000
Kinder Morgan Inc.	95,000		250,000
Marathon Oil Corp.	50,000		130,000
Marathon Petroleum Corp.	100,000 <sup>(1)</sup>		100,000
Newfield Exploration Co.	30,000		110,000
Oasis Petroleum, Inc.	20,000	20,000	150,000
Oil States International, Inc.	140,000		140,000
Peabody Energy Corp.	84,000		221,600
Royal Dutch Shell plc (Class A) ADR	4,271 <sup>(2)</sup>		338,783
Alpha Natural Resources, Inc.		102,500	
Cliffs Natural Resources Inc.		48,000	142,000
EOG Resources, Inc.		10,000	110,000
MDU Resources Group, Inc.		20,400	299,000
Nabors Industries Ltd.		125,000	119,000
Pioneer Natural Resources Co.		20,000	120,000

<sup>(1)</sup> Received 0.5 shares for each share of Marathon Oil Corp. held and purchased an additional 60,000 shares.

<sup>(2)</sup> In lieu of cash dividend.

**PORTFOLIO SUMMARY***September 30, 2011**(unaudited)***TEN LARGEST EQUITY PORTFOLIO HOLDINGS**

	<i>Market Value</i>	<i>% of Net Assets</i>
Exxon Mobil Corp.	\$ 98,662,771	15.5%
Chevron Corp.	86,968,800	13.6
Schlumberger Ltd.	34,344,750	5.4
Occidental Petroleum Corp.	25,025,000	3.9
ConocoPhillips	22,162,000	3.5
Royal Dutch Shell plc (Class A) ADR	20,841,930	3.3
Halliburton Co.	16,023,000	2.5
Noble Energy, Inc.	15,930,000	2.5
Freeport-McMoRan Copper & Gold Inc.	15,681,750	2.5
Praxair, Inc.	14,022,000	2.2
<b>Total</b>	<b>\$ 349,662,001</b>	<b>54.9%</b>

**SECTOR WEIGHTINGS**

---

**SCHEDULE OF INVESTMENTS**

*September 30, 2011*

*(unaudited)*

	<b>Shares</b>	<b>Value (A)</b>
<b>Stocks 99.4%</b>		
<b>Energy 77.6%</b>		
<b>Exploration &amp; Production 20.8%</b>		
Anadarko Petroleum Corp.	185,000	\$ 11,664,250
Apache Corp.	150,000	12,036,000
Devon Energy Corp.	135,000	7,484,400
Energen Corp.	185,000	7,564,650
EOG Resources, Inc.	110,000	7,811,100
EQT Corp.	160,000	8,537,600
Forest Oil Corp. (C)	200,000	2,880,000
Marathon Oil Corp.	130,000	2,805,400
Marathon Petroleum Corp.	100,000	2,706,000
Newfield Exploration Co. (C)	110,000	4,365,900
Noble Energy, Inc.	225,000	15,930,000

Edgar Filing: PETROLEUM & RESOURCES CORP - Form N-30B-2

Oasis Petroleum, Inc. (C) (E)	150,000	3,349,500
Occidental Petroleum Corp.	350,000	25,025,000
Pioneer Natural Resources Co. (E)	120,000	7,892,400
QEP Resources, Inc. (with attached rights)	200,000	5,414,000
Southwestern Energy Co. (C) (E)	200,000	6,666,000

132,132,200

***Integrated Oil & Gas 38.0%***

Chevron Corp.	940,000	86,968,800
ConocoPhillips (E)	350,000	22,162,000
Exxon Mobil Corp. (F)	1,358,430	98,662,771
Hess Corp.	250,000	13,115,000
Royal Dutch Shell plc (Class A) ADR	338,783	20,841,930

241,750,501

***Pipelines 3.5%***

Kinder Morgan Inc. (B)	250,000	6,472,500
Spectra Energy Corp.	208,812	5,122,158
Williams Companies, Inc.	450,000	10,953,000

22,547,658

***Services 15.3%***

Baker Hughes, Inc.	215,000	9,924,400
Halliburton Co.	525,000	16,023,000
Nabors Industries Ltd. (C) (E)	119,000	1,458,940
National Oilwell Varco, Inc. (E)	250,000	