

PETROLEUM & RESOURCES CORP  
Form N-Q  
October 22, 2010

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT  
COMPANY

Investment Company Act file number: 811-02736

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PETROLEUM & RESOURCES CORPORATION

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(Exact name of registrant as specified in charter)

7 Saint Paul Street, Suite 1140, Baltimore, Maryland 21202

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(Address of principal executive offices)

Lawrence L. Hooper, Jr.  
Petroleum & Resources Corporation  
7 Saint Paul Street, Suite 1140  
Baltimore, Maryland 21202

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(Name and address of agent for service)

Registrant's telephone number, including area code:

(410) 752-5900

**Date of fiscal year end:** December 31

**Date of reporting period:** September 30, 2010

Item 1. Schedule of Investments.

## SCHEDULE OF INVESTMENTS

September 30, 2010

(unaudited)

	Shares	Value (A)
<b>Stocks 95.7%</b>		
<b>Energy 71.9%</b>		
<b>Exploration &amp; Production 21.6%</b>		
Anadarko Petroleum Corp.	165,000	\$ 9,413,250
Apache Corp.	175,000	17,108,000
Devon Energy Corp.	110,000	7,121,400
Energen Corp.	250,000	11,430,000
EOG Resources, Inc.	120,000	11,156,400
Forest Oil Corp. (B)	130,000	3,861,000
Newfield Exploration Co. (B)	50,000	2,872,000
Noble Energy, Inc. (D)	260,000	19,523,400
Oasis Petroleum, Inc. (B)	200,000	3,874,000
Occidental Petroleum Corp.	393,700	30,826,710
Pioneer Natural Resources Co.	140,000	9,104,200
QEP Resources, Inc. (with attached rights)	220,000	6,630,800
Southwestern Energy Co. (B)	200,000	6,688,000
		139,609,160
<b>Integrated 33.5%</b>		
Chevron Corp.	940,000	76,187,000
ConocoPhillips	350,000	20,100,500
Exxon Mobil Corp. (E)	1,268,430	78,376,290
Hess Corp.	250,000	14,780,000
Royal Dutch Shell plc (Class A) ADR	322,700	19,458,810
Total S.A. ADR (D)	142,000	7,327,200
		216,229,800
<b>Pipelines 2.1%</b>		
Spectra Energy Corp.	208,812	4,708,711
Williams Companies, Inc.	450,000	8,599,500
		13,308,211
<b>Services 14.7%</b>		
Baker Hughes, Inc.	112,000	4,771,200
Halliburton Co.	400,000	13,228,000
Nabors Industries Ltd. (B)	520,000	9,391,200
National Oilwell Varco, Inc.	195,800	8,707,226
Noble Corp. (B) (D)	220,000	7,433,800
Schlumberger Ltd.	475,000	29,264,750
Transocean Ltd. (B)	257,953	16,583,798
Weatherford International, Ltd. (B)	300,000	5,130,000

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		94,509,974
<b>Basic Materials 15.4%</b>		
<b>Chemicals 6.2%</b>		
Dow Chemical Co.	447,300	12,282,858
Potash Corporation of Saskatchewan Inc.	71,250	10,262,850
Praxair, Inc. (D)	196,508	17,736,812
		40,282,520
<b>Industrial Metals 5.1%</b>		
Cliffs Natural Resources Inc. (D)	150,000	9,588,000
Freeport-McMoRan Copper & Gold Inc. (D)	275,000	23,482,250
		33,070,250
<b>Mining 4.1%</b>		
CONSOL Energy Inc.	125,000	4,620,000
International Coal Group, Inc. (B) (D)	3,000,000	15,960,000
Massey Energy Co. (E)	180,000	5,583,600
		26,163,600
<b>Utilities 8.4%</b>		
AGL Resources Inc.	165,000	6,329,400
EQT Corp.	250,000	9,015,000
MDU Resources Group, Inc.	375,000	7,481,250
National Fuel Gas Co.	200,000	10,362,000
New Jersey Resources Corp.	290,000	11,373,800
Northeast Utilities	200,000	5,914,000
Questar Corp.	200,000	3,506,000
		53,981,450
<b>Total Stocks</b>		
(Cost \$385,838,883)		617,154,965

## SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2010

(unaudited)

	Prin. Amt./ Shares	Value (A)
<b>Short-Term Investments</b> 4.3%		
<b>Time Deposits</b> 1.6%		
Wilmington Trust FSB, 0.90% (C)	\$ 10,001,041	\$ 10,001,041
<b>Commercial Paper</b> 2.2%		
Chevron Funding Corp., 0.15%, due 10/07/10	\$ 4,869,000	4,868,878
Societe Generale North America, 0.23%, due 10/13/10	\$ 9,000,000	8,999,325
		13,868,203
<b>Money Market Funds</b> 0.6%		
Fidelity Institutional Money Market Government Portfolio, 0.06% (C)	23,449	23,449
RBC U.S. Government Money Market (Institutional Class I), 0.14% (C)	3,777,031	3,777,031
Vanguard Federal Money Market, 0.04% (C)	18,649	18,649
Western Asset Institutional Government Money Market (Class I), 0.09% (C)	29,730	29,730
		3,848,859
<b>Total Short-Term Investments</b> (Cost \$27,718,103)		\$ 27,718,103
<b>Total Investments</b> 100.0% (Cost \$413,556,986)		644,873,068
Cash, receivables, prepaid expenses and other assets, less liabilities (0.0)%		(275,491)
<b>Net Assets</b> 100%		\$ 644,597,577

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) Presently non-dividend paying.  
(C) Rate presented is as of period-end and, for money market funds, represents the annualized yield earned over the previous seven days.  
(D) All or a portion of this security is pledged to cover open written call option contracts. Aggregate market value of such pledged securities is \$9,858,067.  
(E) All or a portion of this security is pledged to collateralize open written put option contracts with an aggregate market value to deliver upon exercise of \$11,877,000.

*See accompanying notes.*

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**SCHEDULE OF OUTSTANDING WRITTEN OPTION CONTRACTS**

September 30, 2010

(unaudited)

Contracts (100 shares each)	Security	Strike Price	Contract Expiration Date	Value
<b>COVERED CALLS</b>				
150	Cliffs Natural Resources Inc.	\$ 80	Oct 10	\$ (900)
275	Freeport-McMoRan Copper & Gold Inc.	95	Nov 10	(43,450)
500	International Coal Group, Inc.	5	Dec 10	(35,000)
250	Noble Corp.	34	Oct 10	(22,250)
500	Noble Corp.	37	Nov 10	(31,000)
200	Noble Energy, Inc.	80	Nov 10	(28,000)
192	Praxair, Inc.	95	Oct 10	(2,880)
100	Total S.A. ADR	50	Nov 10	(28,500)
2,167				(191,980)
<b>COLLATERALIZED PUTS</b>				
500	Baker Hughes, Inc.	38	Nov 10	(44,500)
430	Baker Hughes, Inc.	39	Oct 10	(11,180)
200	ConocoPhillips	52.50	Nov 10	(15,400)
100	Halliburton Co.	25	Oct 10	(400)
500	Halliburton Co.	30	Nov 10	(41,500)
500	Schlumberger Ltd.	52.50	Oct 10	(5,000)
500	Schlumberger Ltd.	57.50	Oct 10	(19,500)
2,730				(137,480)
				\$ (329,460)

See accompanying notes.

NOTES TO SCHEDULES OF INVESTMENTS AND OUTSTANDING WRITTEN OPTION CONTRACTS  
(Unaudited)

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 is an internally-managed closed-end fund emphasizing petroleum and other natural resource investments.

Security Transactions

- 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.

Security Valuation

- The Corporation's investments are reported at fair value as defined under accounting principles generally accepted in the United States of America. 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 and money market funds) are valued at amortized cost, which approximates fair value. Purchased and written options are valued at the last quoted bid and asked price, respectively. Money market funds are valued at net asset value on the day of valuation.

Various inputs are used to determine the fair value of the Corporation's investments. These inputs are summarized as follows:

• **Level 1**

-- fair value is determined based on market data obtained from independent sources; for example, quoted prices in active markets for identical investments,

• **Level 2**

-- fair value is determined using other assumptions obtained from independent sources; for example, quoted prices for similar investments,

• **Level 3**

-- fair value is determined using the Corporation's own assumptions, developed based on the best information available in the circumstances.

The Corporation's investments at September 30, 2010 were classified as follows:

	Level 1	Level 2	Level 3	Total
Common stocks	\$617,154,965	\$--	\$--	\$617,154,965
Short-term investments	3,848,859	23,869,244	--	27,718,103
Securities lending collateral	--	--	--	--



Total Investments	\$621,003,824	\$23,869,244	\$--	\$644,873,068
Written options	\$(329,460)	\$--	\$--	\$(329,460)

There were no transfers into or from Level 1 or Level 2 during the quarter ended September 30, 2010.

## 2. FEDERAL INCOME TAXES

For federal income tax purposes, the identified cost of securities at September 30, 2010 was \$413,556,986 and net unrealized appreciation aggregated \$231,316,082, of which the related gross unrealized appreciation and depreciation were \$253,351,971 and \$22,035,889, respectively.

## 3. INVESTMENT TRANSACTIONS

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

The Corporation is subject to changes in the value of equity securities held (equity price risk) in the normal course of pursuing its investment objectives. The Corporation may purchase and write option contracts to increase or decrease its equity price risk exposure or may write option contracts to generate additional income. Option contracts generally entail risks associated with counterparty credit, illiquidity, and unfavorable equity price movements. The Corporation has mitigated counterparty credit and illiquidity risks by trading its options through an exchange. The risk of unfavorable equity price movements is limited for purchased options to the premium paid and for written options by writing only covered call or collateralized put option contracts, which require the Corporation to segregate certain securities or cash at its custodian when the option is written.

When the Corporation writes (purchases) an option, an amount equal to the premium received (paid) by the Corporation is recorded as a liability (asset) and is subsequently marked to market daily in the Statement of Assets and Liabilities, with any related change recorded as an unrealized gain or loss in the Statement of Operations. Premiums received (paid) from unexercised options are treated as realized gains (losses) on the expiration date. Upon the exercise of written put (purchased call) option contracts, premiums received (paid) are deducted from (added to) the cost basis of the underlying securities purchased. Upon the exercise of written call (purchased put) option contracts, premiums received (paid) are added to (deducted from) the proceeds from the sale of underlying securities in determining whether there is a realized gain or loss.

## 4. PORTFOLIO SECURITIES LOANED

The Corporation makes loans of securities to approved brokers to earn additional income. It receives as collateral cash deposits, U.S. Government securities, or bank letters of credit valued at 102% of the value of the securities on loan. The market value of the loaned securities is calculated based upon the most recent closing prices and any additional required collateral is delivered to the Corporation on the next business day. Cash deposits are placed in a registered money market fund. 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. 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 September 30, 2010, the Corporation had no securities on loan. The Corporation is indemnified by the Custodian, serving as lending agent, for loss of loaned securities and has the right under the lending agreement to recover the securities from the borrower on demand.

Item 2. Controls and Procedures.

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(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) are effective based on their evaluation of the disclosure controls and procedures as of a date within 90 days of the filing date of this report.

(b) There have been no significant changes in the registrant's internal control over financial reporting (as defined in Rule 30 a-3(d) under the Investment Company Act of 1940 ) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

The certifications of the principal executive officer and principal financial officer pursuant to Rule 30 a-2(a) under the Investment Company Act of 1940 are attached hereto as Form N-Q Certifications.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**By:** /s/ Douglas G. Ober  
Douglas G. Ober  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

**Date:** October 22, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

**By:** /s/ Douglas G. Ober  
Douglas G. Ober  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

**Date:** October 22, 2010

**By:** /s/ Brian S. Hook  
Brian S. Hook  
Treasurer

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(Principal Financial Officer)

**Date:** October 22, 2010