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PETROLEUM & RESOURCES CORP

Form N-Q

April 27, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

-----  
(Exact name of registrant as specified in charter)

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

(Address of principal executive offices) (Zip code)

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

Registrant's telephone number, including area code: 410-752-5900

Date of fiscal year end: December 31, 2006

Date of reporting period: March 31, 2006

Item 1: SCHEDULE OF INVESTMENTS.

SCHEDULE OF INVESTMENTS

-----  
March 31, 2006  
(unaudited)

Shares      Value (A)  
-----

Stocks And Convertible Securities -- 98.2%

Energy -- 86.8%

Internationals -- 22.7%

BP plc ADR                      600,000    \$ 41,364,000

Chevron Corp.                    635,000    36,810,950

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|                           |           |            |
|---------------------------|-----------|------------|
| Exxon Mobil Corp.         | 1,140,000 | 69,380,400 |
| Royal Dutch Shell plc ADR | 275,000   | 17,121,500 |
| Total S.A. ADR            | 120,000   | 15,807,600 |

-----  
180,484,450  
-----

Domestics -- 13.9%

|                        |         |            |
|------------------------|---------|------------|
| Amerada Hess Corp.     | 65,000  | 9,256,000  |
| ConocoPhillips         | 510,000 | 32,206,500 |
| Holly Corp.            | 210,000 | 15,565,200 |
| Kerr-McGee Corp.       | 107,647 | 10,278,136 |
| Marathon Oil Co.       | 110,000 | 8,378,700  |
| Murphy Oil Corp.       | 250,000 | 12,455,000 |
| Valero Energy Corp.    | 240,000 | 14,347,200 |
| Western Refining, Inc. | 350,000 | 7,567,000  |

-----  
110,053,736  
-----

Producers -- 16.5%

|                               |         |            |
|-------------------------------|---------|------------|
| Apache Corp.                  | 165,000 | 10,809,150 |
| Burlington Resources Inc.     | 65,000  | 5,974,149  |
| Devon Energy Corp.            | 340,000 | 20,797,800 |
| EOG Resources, Inc. (B)       | 320,000 | 23,040,000 |
| Newfield Exploration Co. (C)  | 175,000 | 7,332,500  |
| Noble Energy, Inc.            | 430,000 | 18,885,600 |
| Occidental Petroleum Corp.    | 200,000 | 18,530,000 |
| Pioneer Natural Resources Co. | 175,000 | 7,743,750  |
| XTO Energy Inc.               | 400,000 | 17,428,000 |

-----  
130,540,949  
-----

Distributors -- 11.4%

|                            |         |            |
|----------------------------|---------|------------|
| AGL Resources Inc.         | 170,000 | 6,128,500  |
| Duke Energy Corp.          | 217,624 | 6,343,740  |
| Energen Corp.              | 400,000 | 14,000,000 |
| Equitable Resources Inc.   | 450,000 | 16,429,500 |
| MDU Resources Group, Inc.  | 250,000 | 8,362,500  |
| National Fuel Gas Co.      | 200,000 | 6,544,000  |
| New Jersey Resources Corp. | 200,000 | 9,050,000  |
| Questar Corp.              | 200,000 | 14,010,000 |
| Williams Companies, Inc.   | 450,000 | 9,625,500  |

-----  
90,493,740  
-----

Shares  
or Units Value (A)  
-----

Services -- 22.3%

|                              |         |              |
|------------------------------|---------|--------------|
| Baker Hughes, Inc.           | 130,000 | \$ 8,892,000 |
| BJ Services Co.              | 740,000 | 25,604,000   |
| GlobalSantaFe Corp.          | 290,000 | 17,617,500   |
| Grant Prideco Inc. (C)       | 308,000 | 13,194,720   |
| Hercules Offshore, Inc.      | 110,000 | 3,741,100    |
| Nabors Industries Ltd. (C)   | 260,000 | 18,610,800   |
| Noble Corp.                  | 185,000 | 15,003,500   |
| Precision Drilling Trust (B) | 300,000 | 9,702,000    |

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|   |         |               |
|---|---------|---------------|
| Schlumberger Ltd.   | 280,000 | 35,439,600    |
| TODCO (C)   | 175,000 | 6,896,750     |
| Weatherford International,<br>Ltd. (C)                              | 493,560 | 22,580,370    |
|   |         | -----         |
|   |         | 177,282,340   |
|   |         | -----         |
| Basic Industries -- 11.4%   |         |               |
| Basic Materials & Other -- 10.9%                                    |         |               |
| Air Products and Chemicals, Inc.                                    | 125,000 | 8,398,750     |
| Aqua America, Inc.  | 380,000 | 10,571,600    |
| Arch Coal Inc.  | 200,000 | 15,188,000    |
| Consol Energy Inc.  | 160,000 | 11,865,600    |
| du Pont (E.I.) de Nemours and Co.                                   | 157,500 | 6,648,075     |
| Florida Rock Industries Inc.  | 75,000  | 4,216,500     |
| General Electric Co.  | 454,800 | 15,817,944    |
| Martin Marietta Materials, Inc.                                     | 30,000  | 3,210,900     |
| Rohm & Haas Co.   | 200,000 | 9,774,000     |
| Tronox Inc. (C)   | 21,705  | 368,768       |
|   |         | -----         |
|   |         | 86,060,137    |
|   |         | -----         |
| Paper & Forest Products -- 0.5%                                     |         |               |
| Smurfit-Stone Container Corp. (C)                                   | 300,000 | 4,071,000     |
|   |         | -----         |
| Total Stocks And Convertible Securities<br>(Cost \$329,624,727) (D) |         | \$778,986,352 |
|   |         | -----         |

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SCHEDULE OF INVESTMENTS (continued)

March 31, 2006  
(unaudited)

|  | Prin. Amt.   | Value (A)    |
|--|--------------|--------------|
|  | -----        | -----        |
| Short-Term Investments -- 1.7%                       |              |              |
| U.S. Government Obligations -- 1.7%                  |              |              |
| U.S. Treasury Bills,<br>4.40%, due 5/18/06           | \$13,500,000 | \$13,422,391 |
|  |              | -----        |
| Time Deposit -- 0.0%                                 |              |              |
| Citibank, N.A., 4.15%,<br>due 4/3/06                 |              | 236,315      |
|  |              | -----        |
| Total Short-Term Investments<br>(Cost--\$13,658,706) |              | \$13,658,706 |
|  |              | -----        |

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|                                       | Value (A)     |
|---------------------------------------|---------------|
| -                                     | -----         |
| Securities Lending Collateral -- 1.7% |               |
| Brown Brothers Investment             |               |
| Trust, 4.67%, due 4/3/06              | \$ 13,801,464 |
|                                       | -----         |
| Total Securities Lending              |               |
| Collateral (Cost--\$13,801,464)       | 13,801,464    |
|                                       | -----         |
| Total Investments -- 101.6%           |               |
| (Cost--\$357,084,897)                 | 806,446,522   |
| Cash, receivables, prepaid            |               |
| expenses and other                    |               |
| assets, less liabilities -- (1.6)%    | (12,887,160)  |
|                                       | -----         |
| Net Assets -- 100.0%                  | \$793,559,362 |
|                                       | =====         |

Notes:

- (A) See note 1 to financial statements. Securities are listed on the New York Stock Exchange, the American Stock Exchange, or the NASDAQ.
- (B) Some or all of these securities are on loan. See note 8 to financial statements.
- (C) Presently non-dividend paying.
- (D) The aggregate market value of stocks held in escrow at March 31, 2006 covering open call option contracts written was \$16,686,831. In addition, the aggregate market value of securities segregated by the Corporation's custodian required to collateralize open put option contracts written was \$12,827,500.

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SCHEDULE OF OUTSTANDING OPTION CONTRACTS

March 31, 2006  
(unaudited)

| Contracts<br>(100 shares<br>each) | Security                         | Strike<br>Price | Contract<br>Expiration<br>Date | Appreciation/<br>(Depreciation) |
|-----------------------------------|----------------------------------|-----------------|--------------------------------|---------------------------------|
| COVERED CALLS                     |                                  |                 |                                |                                 |
| 59                                | Air Products and Chemicals, Inc. | \$ 70           | Sep 06                         | \$ (6,962)                      |
| 100                               | Apache Corp.....                 | 75              | Apr 06                         | 13,700                          |
| 100                               | Apache Corp.....                 | 85              | Jul 06                         | 9,700                           |
| 150                               | Aqua America, Inc.....           | 30              | Jun 06                         | 4,959                           |
| 100                               | Arch Coal Inc.....               | 90              | Jul 06                         | 6,199                           |
| 200                               | ConocoPhillips.....              | 75              | May 06                         | 18,399                          |
| 150                               | Consol Energy Inc.....           | 90              | Oct 06                         | (25,700)                        |
| 100                               | EOG Resources, Inc.....          | 90              | Apr 06                         | 10,699                          |
| 50                                | Kerr-McGee Corp.....             | 100             | Apr 06                         | 5,599                           |
| 100                               | Kerr-McGee Corp.....             | 105             | Jul 06                         | (3,301)                         |

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|       |                                  |     |     |    |          |
|-------|----------------------------------|-----|-----|----|----------|
| 100   | Murphy Oil Corp.....             | 50  | Apr | 06 | 2,200    |
| 100   | Murphy Oil Corp.....             | 55  | Jul | 06 | (800)    |
| 100   | Newfield Exploration Co.....     | 45  | Jun | 06 | (7,800)  |
| 200   | Newfield Exploration Co.....     | 50  | Jun | 06 | 4,975    |
| 200   | Newfield Exploration Co.....     | 50  | Sep | 06 | (14,134) |
| 100   | Pioneer Natural Resources Co.... | 45  | Jun | 06 | (17,800) |
| 100   | Pioneer Natural Resources Co.... | 50  | Jun | 06 | (800)    |
| 20    | Total S.A.....                   | 155 | May | 06 | 3,840    |
| 250   | Total S.A.....                   | 150 | Aug | 06 | (5,750)  |
| 100   | XTO Energy Inc.....              | 45  | May | 06 | (3,300)  |
| 100   | XTO Energy Inc.....              | 45  | Aug | 06 | (10,800) |
| 100   | XTO Energy Inc.....              | 50  | Aug | 06 | (3,800)  |
| 100   | XTO Energy Inc.....              | 55  | Aug | 06 | 8,700    |
| ----- |                                  |     |     |    | -----    |
| 2,679 |                                  |     |     |    | (11,977) |
| ----- |                                  |     |     |    | -----    |

COLLATERALIZED PUTS

|       |                                  |       |     |    |           |
|-------|----------------------------------|-------|-----|----|-----------|
| 250   | Arch Coal Inc.....               | 60    | Jul | 06 | 12,999    |
| 100   | Baker Hughes, Inc.....           | 55    | Jul | 06 | 7,699     |
| 75    | Baker Hughes, Inc.....           | 60    | Jul | 06 | (2,850)   |
| 250   | Exxon Mobil Corp.....            | 52.50 | Apr | 06 | 22,999    |
| 150   | Exxon Mobil Corp.....            | 50    | Jul | 06 | 13,799    |
| 100   | Florida Rock Industries Inc....  | 50    | Jun | 06 | 1,199     |
| 100   | Florida Rock Industries Inc....  | 45    | Sep | 06 | (2,300)   |
| 100   | Grant Prideco Inc.....           | 40    | Apr | 06 | 8,699     |
| 100   | Grant Prideco Inc.....           | 35    | Jul | 06 | 4,199     |
| 100   | Marathon Oil Co.....             | 65    | Apr | 06 | 10,699    |
| 65    | Marathon Oil Co.....             | 70    | May | 06 | (845)     |
| 200   | Marathon Oil Co.....             | 60    | Jul | 06 | 19,399    |
| 75    | Marathon Oil Co.....             | 65    | Jul | 06 | 10,649    |
| 100   | Marathon Oil Co.....             | 55    | Oct | 06 | 5,699     |
| 100   | Martin Marietta Materials, Inc.. | 65    | Apr | 06 | 22,445    |
| 150   | Noble Corp.....                  | 65    | Jun | 06 | 13,484    |
| 70    | TODCO.....                       | 30    | Jun | 06 | 5,039     |
| 150   | Valero Energy Corp.....          | 45    | Jun | 06 | 11,099    |
| 150   | Valero Energy Corp.....          | 47.50 | Jun | 06 | 7,049     |
| ----- |                                  |       |     |    | -----     |
| 2,385 |                                  |       |     |    | 171,160   |
| ----- |                                  |       |     |    | -----     |
|       |                                  |       |     |    | \$159,183 |
|       |                                  |       |     |    | =====     |

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(SELECTED) NOTES TO FINANCIAL STATEMENTS (Unaudited)

Petroleum & Resources Corporation (the Corporation) is registered under the Investment Company Act of 1940 as a non-diversified investment company. The Corporation's investment objectives as well as the nature and risk of its investment transactions are set forth in the Corporation's registration statement.

Security Valuation-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

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investments (excluding purchased options) are valued at amortized cost. Purchased and written options are valued at the last quoted asked price.

For federal income tax purposes, the identified cost of Securities at March 31, 2006 was \$357,055,074 and net unrealized appreciation aggregated \$449,391,448, of which the related gross unrealized appreciation and depreciation were \$452,682,645 and \$3,291,197 respectively.

### 8. PORTFOLIO SECURITIES LOANED

The Corporation makes loans of securities to brokers, secured by cash deposits, U.S. Government securities, or bank letters of credit. 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. The loans are secured at all times by collateral of at least 102% of the fair value of the securities loaned plus accrued interest. Gain or loss in the fair value of the securities loaned that may occur during the term of the loan will be for the account of the Corporation. At March 31, 2006, the Corporation had securities on loan of \$13,483,638 and held collateral of \$13,801,464, consisting of an investment trust fund which may invest in money market instruments, commercial paper, repurchase agreements, U.S. Treasury Bills, and U.S. agency obligations.

### Item 2. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures:

(a) As of April 21, 2006, an evaluation was performed under the supervision and with the participation of the officers of Petroleum & Resources Corporation (the "Corporation"), including the principal executive officer ("PEO") and principal financial officer ("PFO"), of the effectiveness of the Corporation's disclosure controls and procedures. Based on that evaluation, the Corporation's officers, including the PEO and PFO, concluded that, as of April 21, 2006, the Corporation's disclosure controls and procedures were reasonably designed so as to ensure: (1) that information required to be disclosed by the Corporation on Form N-Q is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission; and (2) that material information relating to the Corporation is made known to the PEO and PFO as appropriate to allow timely decisions regarding required disclosure.

(b) There have been no significant changes in the Corporation's internal control over financial reporting (as defined in Rule 30 a-3(d) under the Investment Company Act of 1940 (17 CFR 270.30a-3(d)) that occurred during the Corporation's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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### 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.

#### PETROLEUM & RESOURCES CORPORATION

BY: /s/ Douglas G. Ober  
-----  
Douglas G. Ober  
Chief Executive Officer

Date: April 27, 2006

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  
Chief Executive Officer  
(Principal Executive Officer)

Date: April 27, 2006

BY: /s/ Maureen A. Jones  
-----  
Maureen A. Jones  
Vice President, Chief Financial Officer and Treasurer  
(Principal Financial Officer)

Date: April 27, 2006