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PETROLEUM & RESOURCES CORP

Form N-30D

October 15, 2002

LETTER TO STOCKHOLDERS

We submit herewith the financial statements of the Corporation for the nine months ended September 30, 2002. In addition, there is a schedule of investments provided along with other financial information.

Net assets of the Corporation at September 30, 2002 were \$20.55 per share on 21,075,063 shares outstanding, compared with \$24.90 per share at December 31, 2001 on 21,147,563 shares outstanding. On March 1, 2002, a distribution of \$0.13 per share was paid consisting of \$0.08 from 2001 long-term capital gain, \$0.01 from 2001 short-term capital gain, \$0.03 from 2001 investment income and \$0.01 from 2002 investment income, all taxable in 2002. Investment income dividends of \$0.13 per share were paid on June 1, 2002 and September 1, 2002.

Net investment income for the nine months ended September 30, 2002 amounted to \$7,261,163, compared with \$8,212,484 for the same period in 2001. These earnings are equal to \$0.34 and \$0.40 per share, respectively, on the average number of shares outstanding during each period.

Net capital gain realized on investments for the nine months ended September 30, 2002 amounted to \$11,364,173, the equivalent of \$0.54 per share.

Current and potential shareholders 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, at its site on the Internet. The address for the site is www.peteres.com. Also available at the website are a brief history of the Corporation, historical financial information, and more general industry material. Further information regarding shareholder services is located on page 12 of this report.

The Corporation is an internally-managed equity fund emphasizing petroleum and other natural resource investments. The investment policy of the fund is based on the primary objectives of preservation of capital, the attainment of reasonable income from investments and, in addition, an opportunity for capital appreciation.

By order of the Board of Directors,

/s/ DOUGLAS G. OBER
Douglas G. Ober,
Chairman and
Chief Executive Officer

/s/ Richard F. Koloski
Richard F. Koloski,
President

October 18, 2002

STATEMENT OF ASSETS AND LIABILITIES

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September 30, 2002
(unaudited)

Assets

Investments* at value:

Common stocks and convertible securities (cost \$280,393,488)	\$378,970,009
Short-term investments (cost \$52,626,275)	52,612,730

Cash

Cash	52,
Securities lending collateral	68,394,

Receivables:

Investment securities sold	616,
Dividends and interest	518,

Prepaid expenses and other assets	1,884,
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Total Assets	503,049,
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Liabilities

Open written option contracts at value (proceeds \$192,399)	248,
---	------

Obligations to return securities lending collateral	68,394,
---	---------

Accrued expenses	1,262,
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Total Liabilities	69,906,
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Net Assets	\$433,142,
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Net Assets

Common Stock at par value \$1.00 per share, authorized 50,000,000 shares; issued and outstanding 21,075,063 shares	\$ 21,075,
---	------------

Additional capital surplus	300,035,
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Undistributed net investment income	2,188,
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Undistributed net realized gain on investments	11,337,
--	---------

Unrealized appreciation on investments	98,506,
--	---------

Net Assets Applicable to Common Stock	\$433,142,
---------------------------------------	------------

Net Asset Value Per Share of Common Stock	\$20
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* See Schedule of Investments on pages 8 and 9.

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF OPERATIONS

Nine Months Ended September 30, 2002
(unaudited)

Investment Income

Income:

Dividends	\$ 8,164,309
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Interest and other income	729,932

Total income	8,894,241

Expenses:	
Investment research	508,585
Administration and operations	347,316
Directors' fees	152,250
Reports and stockholder communications	166,391
Transfer agent, registrar and custodian expenses	137,324
Auditing and accounting services	56,511
Legal services	37,779
Occupancy and other office expenses	103,237
Travel, telephone and postage	62,064
Other	61,621

Total expenses	1,633,078

Net Investment Income	7,261,163

Realized Gain and Change in Unrealized Appreciation on Investments	
Net realized gain on security transactions	11,364,173
Change in unrealized appreciation on investments	(102,291,452)

Net Loss on Investments	(90,927,279)

Change in Net Assets Resulting from Operations	\$ (83,666,116)

The accompanying notes are an integral part of the financial statements.

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STATEMENTS OF CHANGES IN NET ASSETS

	Nine Months Ended September 30, 2002	Year Ended December 31, 2001
	(unaudited)	
From Operations:		
Net investment income	\$ 7,261,163	\$ 10,098,102
Net realized gain on investments	11,364,173	22,308,303
Change in unrealized appreciation on investments	(102,291,452)	(164,346,055)

Change in net assets resulting from operations	(83,666,116)	(131,939,650)

Dividends to Stockholders from:		
Net investment income	(6,337,113)	(8,877,046)
Net realized gain from investment transactions	(1,903,279)	(22,032,850)

Decrease in net assets from distributions	(8,240,392)	(30,909,896)

From Capital Share Transactions:		
Value of shares issued in payment of distributions	--	13,159,002
Cost of shares purchased (Note 4)	(1,442,545)	(11,990,525)

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Change in net assets from capital share transactions	(1,442,545)	1,168,477
Total Decrease in Net Assets	(93,349,053)	(161,681,069)
Net Assets:		
Beginning of period	526,491,798	688,172,867
End of period (including undistributed net investment income of \$2,188,068 and \$1,264,018, respectively)	\$ 433,142,745	\$ 526,491,798

The accompanying notes are an integral part of the financial statements.

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

Security Transactions and Investment Income--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. Dividend income and distributions to shareholders are recognized on the ex-dividend date, and interest income is recognized on the accrual basis.

2. FEDERAL INCOME TAXES

The Corporation's policy is to distribute all of its taxable income to its shareholders in compliance with the requirements of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required. For federal income tax purposes, the identified cost of securities, including options, at September 30, 2002 was \$333,238,690, and net unrealized appreciation aggregated \$98,536,448, of which the related gross unrealized appreciation and depreciation were \$143,099,984 and \$44,563,536, respectively.

Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. Accordingly, annual reclassifications are made within the Corporation's capital accounts to reflect income and gains available for distribution under income tax regulations.

3. INVESTMENT TRANSACTIONS

Purchases and sales of portfolio securities, other than options and short-term investments, during the nine months ended September 30, 2002 were \$35,584,450

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and \$31,192,124, respectively. Options may be written or purchased by the Corporation. The Corporation, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. The risk associated with purchasing options is limited to the premium originally paid. Option transactions comprised an insignificant portion of operations during the period ended September 30, 2002. All investment decisions are made by a committee, and no one person is primarily responsible for making recommendations to that committee.

4. CAPITAL STOCK

The Corporation has 5,000,000 unissued preferred shares without par value.

On December 27, 2001, the Corporation issued 579,054 shares of its Common Stock at a price of \$22.725 per share (the average market price on December 10, 2001) to stockholders of record November 19, 2001 who elected to take stock in payment of the distribution from 2001 capital gain and investment income.

The Corporation may purchase shares of its Common Stock from time to time at such prices and amounts as the Board of Directors may deem advisable.

Transactions in Common Stock for 2002 and 2001 were as follows:

	Shares		Amount	
	Nine months ended September 30, 2002	Year ended December 31, 2001	Nine months ended September 30, 2002	Year ended December 31, 2001
Shares issued in payment of dividends	--	579,054	\$ --	\$ 13,159,002
Total increase	--	579,054	\$ --	\$ 13,159,002
Shares purchased (at a weighted average discount from net asset value of 9.0% and 16.6%, respectively)	(72,500)	(429,150)	(1,442,545)	(11,990,525)
Total decrease	(72,500)	(429,150)	\$(1,442,545)	\$(11,990,525)
Net change	(72,500)	149,904	\$(1,442,545)	\$ 1,168,477

The cost of the 115,332 shares and 42,832 shares of Common Stock held by the Corporation on September 30, 2002 and December 31, 2001, respectively, amounted to \$2,503,711 and \$1,061,166 on each respective date.

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The Corporation has an employee incentive stock option and stock appreciation rights plan which provides for the issuance of options and stock appreciation rights for the purchase of up to 895,522 shares of the Corporation's Common Stock at 100% of the fair market value at date of grant. Options are exercisable beginning not less than one year after the date of grant and extend and vest over ten years from the date of grant. Stock appreciation rights are exercisable beginning not less than two years after the date of grant and extend over the period during which the option is exercisable. The stock appreciation rights allow the holders to surrender their rights to exercise their options and receive cash or shares in an amount equal to the difference between the option price and the fair market value of the common stock at the date of surrender.

Under the plan, the exercise price of the options and related stock appreciation rights is reduced by the per share amount of capital gain paid by the Corporation during subsequent years. At the beginning of 2002, there were 148,997 options outstanding at a weighted average exercise price of \$17.1543 per share. During the nine months ended September 30, 2002, the Corporation granted options including stock appreciation rights for 23,769 shares of common stock with an exercise price of \$23.1350. During the period stock appreciation rights relating to 20,754 stock option shares were exercised at a weighted average market price of \$22.4884 per share and the stock options relating to these rights, which had a weighted average exercise price of \$12.2539, were cancelled. At September 30, 2002, there were outstanding exercisable options to purchase 27,808 common shares at \$9.7117-\$25.9338 per share (weighted average price of \$17.4661) and unexercisable options to purchase 124,204 common shares at \$9.7117-\$25.9338 per share (weighted average price of \$18.9227). The weighted average remaining contractual life of outstanding exercisable and unexercisable options was 5.1666 years and 6.2514 years, respectively. The total compensation expense for stock options and stock appreciation rights recognized for the nine months ended September 30, 2002 was \$(207,854). At September 30, 2002, there were 274,929 shares available for future option grants.

5. RETIREMENT PLANS

The Corporation provides retirement benefits for its employees under a non-contributory qualified defined benefit pension plan. The benefits are based on years of service and compensation during the last five years of employment. The Corporation's current funding policy is to contribute annually to the plan only those amounts that can be deducted for federal income tax purposes. As of September 30, 2002, the plan assets, consisting primarily of investments in individual stocks, bonds and mutual funds were \$4,405,413. In determining the actuarial present value of the projected benefit obligation, the interest rate used for the weighted average discount rate was 7.25%, the expected rate of annual salary increases was 7.0%, and the long-term expected rate of return on plan assets was 8.0%. The projected benefit obligation as of September 30, 2002 was \$3,620,318. Prepaid pension cost included in other assets at September 30, 2002 was \$1,578,006.

In addition, the Corporation has a nonqualified benefit plan which provides employees with defined retirement benefits to supplement the qualified plan. The Corporation does not provide postretirement medical benefits.

6. EXPENSES

The cumulative amount of accrued expenses at September 30, 2002 for employees and former employees of the Corporation was \$1,019,980. Aggregate remuneration paid or accrued during the nine months ended September 30, 2002 to officers and directors amounted to \$418,637, which includes a credit of \$207,854 for stock

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options and stock appreciation rights.

7. 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 by collateral of at least 102%, at all times, of the fair value of the securities loaned plus accrued interest. 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, 2002, the Corporation had outstanding loans of \$65,558,569 and held collateral of \$68,394,850.

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FINANCIAL HIGHLIGHTS

	Nine Months Ended		Year Ended December 31			
	(unaudited)		2001	2000	1999	1998
	Sept. 30, 2002	Sept. 30, 2001	2001	2000	1999	1998
Per Share Operating Performance*						
Net asset value, beginning of period	\$24.90	\$32.69	\$32.69	\$26.32	\$22.87	\$27.00
Net investment income	0.34	0.40	0.49	0.37	0.48	0.00
Net realized gains and change in unrealized appreciation (depreciation) and other changes	(4.30)	(7.93)	(6.84)	7.46	4.51	(3.00)
Total from investment operations	(3.96)	(7.53)	(6.35)	7.83	4.99	(3.00)
Capital share repurchases	--	0.06	0.06	0.28	0.01	
Less distributions						
Dividends from net investment income	(0.30)	(0.31)	(0.43)	(0.39)	(0.48)	(0.00)
Distributions from net realized gains	(0.09)	(0.08)	(1.07)	(1.35)	(1.07)	(1.00)
Total distributions	(0.39)	(0.39)	(1.50)	(1.74)	(1.55)	(1.00)
Net asset value, end of period	\$20.55	\$24.83	\$24.90	\$32.69	\$26.32	\$22.00
Per share market price, end of period	\$19.05	\$22.66	\$23.46	\$27.31	\$21.50	\$20.00
Total Investment Return						
Based on market price	(17.4)%	(15.9)%	(8.7)%	36.1%	13.3%	(10.0)%
Based on net asset value	(16.1)%	(23.0)%	(19.0)%	33.1%	23.8%	(11.0)%
Ratios/Supplemental Data						

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Net assets, end of period (in 000's)	\$433,143	\$511,601	\$526,492	\$688,173	\$565,075	\$474,000
Ratio of expenses to average net assets	0.43%+	0.27%+	0.35%	0.59%	0.43%	0.43%
Ratio of net investment income to average net assets	1.91%+	1.74%+	1.67%	1.24%	1.86%	2.00%
Portfolio turnover	9.26%+	7.00%+	6.74%	7.68%	11.89%	12.00%
Number of shares outstanding at end of period (in 000's)*	21,075	20,601	21,148	21,054	21,471	20,000

 *Prior years have been adjusted to reflect the 3-for-2 stock split effected in October, 2000.

+Ratios presented on an annualized basis.

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SCHEDULE OF INVESTMENTS

September 30, 2002
 (unaudited)

	Shares	Value (A)
Stocks And Convertible Securities -- 87.5%		
Energy --76.6%		
Internationals --27.1%		
BP plc ADR	482,000	\$ 19,231,800
ChevronTexaco Corp.	300,000	20,775,000
Exxon Mobil Corp.	1,160,000	37,004,000
Royal Dutch Petroleum Co.	670,000	26,913,900
"Shell" Transport and Trading Co., plc ADR	150,000	5,358,000
TotalFinaElf ADR (B)	125,000	8,231,250
		117,513,950
Domestics --7.9%		
Amerada Hess Corp.	80,000	5,430,400
ConocoPhillips	140,310	6,487,935
Kerr McGee Corp.	177,153	7,695,526
Murphy Oil Corp. (B)	80,000	6,565,600
Unocal Capital Trust \$3.125 Conv. Pfd.	72,540	3,500,055
Unocal Corp. (B)	150,000	4,708,500
		34,388,016
Producers -- 14.0%		
Anadarko Petroleum Corp. (B)	250,000	11,135,000
Apache Corp. (B)	154,000	9,155,300
Devon Energy Corp. (B)	80,000	3,860,000
EOG Resources, Inc.	200,000	7,192,000
Noble Energy	125,000	4,246,250
Occidental Petroleum Corp.	175,000	4,966,500
Ocean Energy, Inc.	550,000	10,972,500
Pioneer Natural Resources Co.		

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(C)	235,000	5,698,750
Stone Energy Corp. (B) (C)	104,300	3,389,750

		60,616,050

Distributors -- 15.7%		
Atmos Energy Corp. (B)	139,500	2,999,250
Duke Energy Corp. 8.25% Conv. Pfd. due 2004 (B)	160,000	2,616,000
Duke Energy Corp. (B)	115,000	2,248,250
El Paso Corp. (B)	300,000	2,481,000
Energen Corp.	250,000	6,327,500
Equitable Resources Inc.	361,000	12,472,550
Keyspan Corp. (B)	220,000	7,370,000
Kinder Morgan, Inc. (B)	162,500	5,760,625
National Fuel Gas Co. (B)	200,000	3,974,000

		67,944,045

	Shares	Value (A)
	-----	-----
New Jersey Resources Corp.	277,500	\$ 9,129,750
Northwestern Corp. (B)	200,000	1,952,000
Questar Corp.	268,000	6,121,120
TECO Energy, Inc. (B)	200,000	3,176,000
Williams Companies 9.0% FELINE PACS due 2005	120,000	864,000
Williams Companies, Inc.	200,000	452,000

		67,944,045

Services --11.9%		
Baker Hughes, Inc.	90,000	2,612,700
BJ Services Co. (B) (C)	400,000	10,400,000
Core Laboratories N.V. (C)	209,400	1,962,078
GlobalSantaFe Corp. (B)	200,000	4,470,000
Grant Prideco Inc. (C)	308,000	2,630,320
Nabors Industries, Ltd. (B) (C)	200,000	6,550,000
Noble Corp. (C)	135,000	4,185,000
Schlumberger Ltd.	190,000	7,307,400
Transocean Inc.	200,000	4,160,000
Weatherford International, Ltd. (B) (C)	190,000	7,056,600

		51,334,098

Basic Industries --10.9%		
Basic Materials & Other --7.6%		
Albemarle Corp.	160,000	4,046,400
Arch Coal Inc. (B)	190,000	3,144,500
Engelhard Corp.	200,000	4,766,000
General Electric Co.	350,000	8,627,500
Philadelphia Suburban Corp.	305,000	6,191,500
Rohm & Haas Co.	200,000	6,200,000

		32,975,900

Paper and Forest Products --3.3%		
Boise Cascade Corp. 7.5% ACES due 2004	51,000	2,006,850

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Boise Cascade Corp.	205,000	4,674,000
Meadwestvaco Corp. (B)	150,000	2,881,500
Temple-Inland Inc. (B)	120,000	4,635,600

		14,197,950

Total Stocks And Convertible Securities (Cost \$280,393,488) (D)		378,970,009

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SCHEDULE OF INVESTMENTS (continued)

September 30, 2002
(unaudited)

	Prin. Amt.	Value (A)
	-----	-----
Short-Term Investments -- 12.1%		
U.S. Government Obligations -- 2.3%		
U.S. Treasury Bills, 1.55-1.61%, due 11/14/02-11/21/02	\$10,200,000	\$10,178,332

Certificates of Deposit -- 2.3%		
Mercantile-Safe Deposit Trust Co., 1.95%, due 10/15/02	10,000,000	10,000,000

Commercial Paper -- 7.5%		
AIG Funding, Inc., 1.74%, due 10/22/02	5,000,000	4,994,925
ChevronTexaco Corp., 1.72%, due 10/24/02	5,000,000	4,994,506
Coca-Cola Enterprises, Inc., 1.71%, due 10/17/02-10/24/02	3,820,000	3,816,609
GMAC MINT, 1.77%, due 11/7/02	5,000,000	4,990,904
General Electric Capital Corp., 1.74-1.75%, due 10/3/02-11/12/02	5,000,000	4,995,931
	Prin. Amt. or Shares	Value (A)
	-----	-----
Toyota Motor Credit Corp., 1.72%, due 11/5/02	\$4,850,000	\$ 4,841,890

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Wells Fargo Financial, Inc., 1.76%, due 10/8/02	\$3,775,000	3,773,708

		32,408,473

Purchased Options -- 0.0% TECO Energy, Inc., Put, November 2002, Strike Price \$15	30,500	25,925

Total Short-Term Investments (Cost \$52,626,275)		52,612,730

Total Investments -- 99.6% (Cost \$333,019,763)		431,582,739
Cash, receivables and other assets, less liabilities -- 0.4%		1,560,006

Net Assets--100.0%		\$433,142,745
		=====

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 7 to Financial Statements.
- (C) Presently non-dividend paying.
- (D) The aggregate market value of stocks held in escrow at September 30, 2002 covering open call option contracts written was \$1,495,600. In addition, the aggregate market value of securities segregated by the custodian required to collateralize open put option contracts written was \$2,950,000.

This report, including the financial statements herein, 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 this report. The rates of return will vary and the market 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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CHANGES IN PORTFOLIO SECURITIES

During the Three Months Ended September 30, 2002
(unaudited)

Shares

Held
September 30,

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	Additions -----	Reductions -----	2002 -----
Albemarle Corp.....	145,000		160,000
Arch Coal Inc.....	15,000		190,000
Baker Hughes, Inc.....	90,000		90,000
ConocoPhillips.....	140,310/(1)/		140,310
Duke Energy Corp.....	15,000		115,000
Murphy Oil Corp.....	16,500	20,000	80,000
Noble Corp.....	85,000		135,000
Philadelphia Suburban Corp.	5,000		305,000
Rohm & Haas Co.....	20,000		200,000
Conoco Inc.....		300,000/(1)/	--
Exxon Mobil Corp.....		40,000	1,160,000
Meadwestvaco Corp.....		60,000	150,000
Royal Dutch Petroleum Co...		50,000	670,000
Schlumberger Ltd.....		39,400	190,000

/(1) /Received .4677 share of ConocoPhillips for each share of Conoco Inc. held.

FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities and Exchange Act of 1934. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Corporation's actual results are the performance of the portfolio of stocks held by the Corporation, the conditions in the U.S. and international financial, petroleum and other markets, the price at which shares of the Corporation will trade in the public markets, and other factors discussed in the Corporation's periodic filings with the Securities and Exchange Commission.

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HISTORICAL FINANCIAL STATISTICS

December 31 -----	Value of Net Assets -----	Shares Outstanding* -----	Net Asset Value per Share* -----	Dividends from Net Investment Income per Share* -----	Distributions from Net Realized Gains per Share* -----
1992.....	\$320,241,282	17,369,255	\$18.44	\$.51	\$.82
1993.....	355,836,592	18,010,007	19.76	.55	.87
1994.....	332,279,398	18,570,450	17.89	.61	.79
1995.....	401,404,971	19,109,075	21.01	.58	.81
1996.....	484,588,990	19,598,729	24.73	.55	.88
1997.....	566,452,549	20,134,181	27.64	.51	1.04
1998.....	474,821,118	20,762,063	22.87	.52	1.01
1999.....	565,075,001	21,471,270	26.32	.48	1.07
2000.....	688,172,867	21,053,644	32.69	.39	1.35
2001.....	526,491,798	21,147,563	24.90	.43	1.07

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September 30, 2002 (unaudited) 433,142,745 21,075,063 20.55 .30 .09

* Prior years have been adjusted to reflect the 3-for-2 stock split effected in October, 2000.

Common Stock
Listed on the New York Stock Exchange
and the Pacific Exchange
Petroleum & Resources Corporation
Seven St. Paul Street, Suite 1140, Baltimore, MD 21202
Website: www.peteres.com
E-mail: contact@peteres.com
Telephone: (410) 752-5900 or (800) 638-2479
Counsel: Chadbourne & Parke L.L.P.
Independent Accountants: PricewaterhouseCoopers LLP
Transfer Agent, Registrar & Custodian of Securities
The Bank of New York
101 Barclay Street
New York, NY 10286
The Bank's Shareholder Relations Department: (866) 723-8330
E-mail: Shareowner-svcs@bankofny.com

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SHAREHOLDER 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.

BuyDIRECT/SM/*

BuyDIRECT is a direct purchase and sale plan, as well as a dividend reinvestment plan, sponsored and administered by our transfer agent, The Bank of New York. 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 \$7.50

A one-time fee for new accounts who are not currently registered holders.

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Optional Cash Investments
Service Fee \$2.50 per investment
Brokerage Commission \$0.05 per share
Reinvestment of Dividends**
Service Fee 10% of amount invested
(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 Included
Book to Book Transfers Included

To transfer shares to another participant or to a new participant

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 (monthly
minimum) \$50.00
Maximum per transaction \$25,000.00
Maximum per year NONE

A brochure which further details the benefits and features of BuyDIRECT as well as an enrollment form may be obtained by contacting The Bank of New York.

For Non-Registered Shareholders

For shareholders whose stock is held by a broker in "street" name, The Bank of New York's Automatic Dividend Reinvestment 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 the Plan or contact The Bank of New York about the BuyDIRECT Plan.

The Corporation
Petroleum & Resources Corp.
Lawrence L. Hooper, Jr.,

Vice President, Secretary and
General Counsel
Seven St. Paul Street, Suite 1140
Baltimore, MD 21202
(800) 638-2479
Website:
www.peteres.com
E-mail:
contact@peteres.com

The Transfer Agent
The Bank of New York
Shareholder Relations
Dept.-8W

P.O. Box 11258
Church Street Station
New York, NY 10286
(866) 723-8330

Website: <http://stock.bankofny.com>
E-mail:
Shareowner-svcs@
bankofny.com

*BuyDIRECT is a service mark of The Bank of New York.

**The year-end dividend and capital gain distribution may be made in newly

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issued shares of common stock. There would be no fees or commissions in connection with this dividend and capital gain distribution when made in newly issued shares.

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PETROLEUM & RESOURCES CORPORATION

Board of Directors

Enrique R. Arzac/2,4/	Douglas G. Ober/1/
Daniel E. Emerson/1,3/	Landon Peters/1,3/
Edward J. Kelly, III/1,4/	John J. Roberts/2,4/
Thomas H. Lenagh/3,4/	Susan C. Schwab/1,3/
W.D. MacCallan/2,4/	Robert J.M. Wilson/1,3/
W. Perry Neff/1,2/	

1. Member of Executive Committee
2. Member of Audit Committee
3. Member of Compensation Committee
4. Member of Retirement Benefits Committee

Officers

Douglas G. Ober	Chairman and Chief Executive Officer
Richard F. Koloski	President
Joseph M. Truta	Executive Vice President
Nancy J.F. Prue	Vice President--Research
Lawrence L. Hooper, Jr.	Vice President, Secretary and General Counsel
Maureen A. Jones	Vice President and Chief Financial Officer
Christine M. Sloan	Assistant Treasurer
Geraldine H. Pare	Assistant Secretary

Stock Data

Price (9/30/02)	\$19.05
Net Asset Value (9/30/02)	\$20.55
Discount:	7.3%

New York Stock Exchange and Pacific Exchange ticker symbol: PEO

NASDAQ Mutual Fund Quotation Symbol: XPEOX

Newspaper stock listings are generally under the abbreviation: PetRs

Distributions in 2002

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From Investment Income	\$0.30
From Net Realized Gains	0.09

Total	\$0.39
	=====

2002 Dividend Payment Dates

March 1, 2002
June 1, 2002
September 1, 2002
December 27, 2002*

*Anticipated

[GRAPHIC]

[LOGO] PETROLEUM & RESOURCES CORPORATION (R)
THIRD QUARTER REPORT

September 30, 2002