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PETROLEUM & RESOURCES CORP

Form N-Q

October 24, 2008

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

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, 2008

Date of reporting period: September 30, 2008

SCHEDULE OF INVESTMENTS

September 30, 2008
(unaudited)

| | Shares | Value (A) |
|------------------------|-----------|---------------|
| | ----- | ----- |
| Common Stocks -- 99.3% | | |
| Energy -- 92.9% | | |
| Integrated -- 39.0% | | |
| Chevron Corp. | 915,000 | \$ 75,469,200 |
| ConocoPhillips | 556,891 | 40,792,266 |
| Exxon Mobil Corp. | 1,245,000 | 96,686,700 |
| Hess Corp. | 195,000 | 16,005,600 |
| Marathon Oil Co. | 240,000 | 9,568,800 |

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| | | |
|---------------------------|---------|------------|
| Murphy Oil Corp. | 266,500 | 17,093,310 |
| Royal Dutch Shell plc ADR | 265,000 | 15,637,650 |
| Suncor Energy | 300,000 | 12,642,000 |
| Total S.A. ADR | 390,000 | 23,665,200 |

307,560,726

Exploration & Production -- 17.1%

| | | |
|----------------------------|---------|------------|
| Apache Corp. | 200,000 | 20,856,000 |
| Devon Energy Corp. | 250,000 | 22,800,000 |
| EOG Resources, Inc. (B) | 200,000 | 17,892,000 |
| Forest Oil Corp (C) | 69,477 | 3,446,059 |
| Noble Energy, Inc. | 340,000 | 18,900,600 |
| Occidental Petroleum Corp. | 400,000 | 28,180,000 |
| XTO Energy Inc. | 487,500 | 22,678,500 |

134,753,159

Services -- 25.8%

| | | |
|---|---------|------------|
| Baker Hughes, Inc. | 205,000 | 12,410,700 |
| Complete Production Services, Inc. (C) (D) | 400,500 | 8,062,065 |
| Halliburton Co. | 700,000 | 22,673,000 |
| Hercules Offshore, Inc. (C) (D) | 588,300 | 8,918,628 |
| Nabors Industries Ltd. (C) (D) | 520,000 | 12,958,400 |
| National Oilwell Varco, Inc. (C) | 138,538 | 6,958,764 |
| Noble Corp. (D) | 600,000 | 26,340,000 |
| Schlumberger Ltd. | 700,000 | 54,663,000 |
| Transocean Inc. (C) | 237,953 | 26,136,758 |
| Weatherford International, Ltd. (C) | 987,120 | 24,816,197 |

203,937,512

Utilities -- 11.0%

| | | |
|------------------------------------|---------|------------|
| Energen Corp. | 300,000 | 13,584,000 |
| Equitable Resources Inc. | 398,800 | 14,627,984 |
| MDU Resources Group, Inc. (D) | 375,000 | 10,875,000 |
| National Fuel Gas Co. (D) | 200,000 | 8,436,000 |
| New Jersey Resources Corp. (B) (D) | 300,000 | 10,767,000 |
| Northeast Utilities | 200,000 | 5,130,000 |
| Questar Corp. | 240,000 | 9,820,800 |
| Spectra Energy Corp. (D) | 108,812 | 2,589,726 |
| Williams Companies, Inc. | 450,000 | 10,642,500 |

86,473,010

Shares/
Prin. Amt. Value (A)

Basic Industries -- 6.4%

Basic Materials & Other -- 6.4%

| | | |
|--|---------|--------------|
| Air Products and Chemicals, Inc. | 115,000 | \$ 7,876,350 |
| CONSOL Energy Inc. | 200,000 | 9,178,000 |
| du Pont (E.I.) de Nemours and Co. (B) | 157,500 | 6,347,250 |
| International Coal Group, | | |

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| | | |
|--|-------------|---------------|
| Inc. (C) (D) | 3,000,000 | 18,720,000 |
| Massey Energy Co. | 230,808 | 8,232,920 |
| | | ----- |
| | | 50,354,520 |
| | | ----- |
| Total Common Stocks (Cost \$410,134,785) | | 783,078,927 |
| | | ----- |
| Short-Term Investments -- 1.0% | | |
| Time Deposit -- 0.0% | | |
| Citibank, 3.47%, due 10/1/08 | | 236,732 |
| | | ----- |
| Commercial Paper -- 1.0% | | |
| General Electric Capital Corp., 2.20%, due 10/2/08 | \$1,500,000 | 1,499,908 |
| Prudential Funding, LLC, 2.10%, due 10/9/08 | \$3,100,000 | 3,098,553 |
| Toyota Motor Credit Corp., 2.24%, due 10/7/08 | \$3,100,000 | 3,098,843 |
| | | ----- |
| | | 7,697,304 |
| | | ----- |
| Total Short-Term Investments (Cost \$7,934,036) | | 7,934,036 |
| | | ----- |
| Total Securities Lending Collateral -- 6.2% | | |
| (Cost \$49,020,899) | | |
| Brown Brothers Investment Trust, 2.32% (E) | | 49,020,899 |
| | | ----- |
| Total Investments -- 106.5% | | |
| (Cost \$467,089,720) | | 840,033,862 |
| Cash, receivables, prepaid expenses and other assets, less liabilities -- (6.5%) | | (51,127,660) |
| | | ----- |
| Net Assets -- 100% | | \$788,906,202 |
| | | ===== |

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) All or a portion of this security is pledged to cover open written call option contracts. Aggregate market value of such pledged securities is \$505,070.
- (C) Presently non-dividend paying.
- (D) A portion of shares held are on loan. See note 8 to financial statements.
- (E) Rate presented is as of period-end and represents the annualized yield earned over the previous seven days.

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PORTFOLIO SUMMARY

September 30, 2008

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(unaudited)

TEN LARGEST PORTFOLIO HOLDINGS

| | Market Value | % of Net Assets |
|---------------------------------|---------------|-----------------|
| Exxon Mobil Corp. | \$ 96,686,700 | 12.3% |
| Chevron Corp. | 75,469,200 | 9.6 |
| Schlumberger Ltd. | 54,663,000 | 6.9 |
| ConocoPhillips | 40,792,266 | 5.2 |
| Occidental Petroleum Corp. | 28,180,000 | 3.5 |
| Noble Corp. | 26,340,000 | 3.3 |
| Transocean Inc. | 26,136,758 | 3.3 |
| Weatherford International, Ltd. | 24,816,197 | 3.2 |
| Total S.A. ADR | 23,665,200 | 3.0 |
| Devon Energy Corp. | 22,800,000 | 2.9 |
| Total | \$419,549,321 | 53.2% |

SECTOR WEIGHTINGS

[CHART]

| | |
|--------------------------|-------|
| Integrated | 39.0% |
| Exploration & Production | 17.1% |
| Services | 25.8% |
| Utilities | 11.0% |
| Basic Materials & Other | 6.4% |
| Short-Term Investments | 1.0% |

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SCHEDULE OF OUTSTANDING OPTION CONTRACTS

September 30, 2008
(unaudited)

| Contracts (100 shares each) | Security | Contract Strike Price | Contract Expiration Date | Contract Value |
|-----------------------------------|----------|--------------------------|--------------------------------|-------------------|
|-----------------------------------|----------|--------------------------|--------------------------------|-------------------|

COVERED CALLS

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| | | | | | |
|-----|------------------------------------|-------|-----|----|---------|
| 100 | du Pont (E.I.) de Nemours and Co.. | \$ 55 | Oct | 08 | \$1,000 |
| 100 | EOG Resources, Inc..... | 170 | Oct | 08 | 1,000 |
| --- | | | | | ----- |
| 200 | | | | | \$2,000 |
| === | | | | | ===== |

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(SELECTED) 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 is an internally-managed fund emphasizing petroleum and other natural resource investments. The investment objectives of the Corporation are preservation of capital, the attainment of reasonable income from investments, and an opportunity for capital appreciation.

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 stockholders are recognized on the ex-dividend date, and interest income is recognized on the accrual basis.

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 which approximates fair value. Purchased and written options are valued at the last quoted asked price.

The Corporation adopted Financial Accounting Standard Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), effective January 1, 2008. There was no impact on the fair value of assets individually or in aggregate upon adoption. In accordance with FAS 157, fair value is defined as the price that the Corporation would receive upon selling an investment in an orderly transaction to an independent buyer. FAS 157 established a three-tier hierarchy to establish classification of fair value measurements, 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

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Corporation's own assumptions, developed based on the best information available in the circumstances.

The Corporation's investments at September 30, 2008 are classified as follows:

| | Investment in securities | Written options |
|---------|-----------------------------|-----------------|
| | ----- | ----- |
| Level 1 | \$ 783,078,927 | \$2,000 |
| Level 2 | 56,954,935* | -- |
| Level 3 | -- | -- |
| | ----- | ----- |
| Total | \$840,033,862 | \$2,000 |

* Consists of short-term investments and securities lending collateral.

For federal income tax purposes, the identified cost of securities at September 30, 2008 was \$467,059,897 and net unrealized appreciation aggregated \$372,973,965, of which the related gross unrealized appreciation and depreciation were \$399,448,533 and \$26,474,568, respectively.

8 . 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 an investment trust fund that may invest in money market instruments, commercial paper, repurchase agreements, U.S. Treasury Bills, and U.S. agency obligations. 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, 2008, the Corporation had securities on loan of \$51,290,735 and held cash collateral of \$49,020,899; additional collateral was delivered the next business day in accordance with the procedure described above. 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.

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Item 2. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures:

(a) As of October 24, 2008, 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 October 24, 2008, 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.

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: October 24, 2008

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

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indicated.

BY: /s/ Douglas G. Ober

Douglas G. Ober
Chief Executive Officer
(Principal Executive Officer)

Date: October 24, 2008

BY: /s/ Maureen A. Jones

Maureen A. Jones
Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: October 24, 2008