

ADAMS NATURAL RESOURCES FUND, INC.  
Form N-Q  
April 24, 2015

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT  
INVESTMENT COMPANY**

**Investment Company Act file number: 811-02736**

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**ADAMS NATURAL RESOURCES FUND, INC.**

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(Exact name of registrant as specified in charter)

**500 East Pratt Street, Suite 1300, Baltimore, Maryland 21202**

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(Address of principal executive offices)

**Lawrence L. Hooper, Jr.  
Adams Natural Resources Fund, Inc.  
500 East Pratt Street, Suite 1300  
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:** March 31, 2015

**Item 1. Schedule of Investments.**

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SCHEDULE OF INVESTMENTS

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March 31, 2015

(unaudited)

|   | Shares    | Value (A)     |
|---|-----------|---------------|
| <b>Common Stocks 99.4%</b>                |           |               |
| <b>Energy 78.9%</b>                       |           |               |
| <b>Exploration &amp; Production 26.3%</b> |           |               |
| Anadarko Petroleum Corp.                  | 275,000   | \$ 22,772,750 |
| Chesapeake Energy Corp. (B)               | 452,000   | 6,400,320     |
| Cimarex Energy Co.                        | 108,000   | 12,429,720    |
| ConocoPhillips                            | 213,000   | 13,261,380    |
| Energen Corp.                             | 129,600   | 8,553,600     |
| EOG Resources, Inc.                       | 358,000   | 32,825,020    |
| EQT Corp.                                 | 140,000   | 11,601,800    |
| Marathon Oil Corp.                        | 571,000   | 14,908,810    |
| Noble Energy, Inc.                        | 373,500   | 18,264,150    |
| Occidental Petroleum Corp.                | 405,000   | 29,565,000    |
| Pioneer Natural Resources Co. (E)         | 99,500    | 16,269,245    |
| Whiting Petroleum Corp. (C)               | 174,500   | 5,392,050     |
|   |           | 192,243,845   |
| <b>Integrated Oil &amp; Gas 27.9%</b>     |           |               |
| Chevron Corp.                             | 743,200   | 78,021,136    |
| Exxon Mobil Corp.                         | 1,358,430 | 115,466,550   |
| Suncor Energy Inc.                        | 350,000   | 10,237,500    |
|   |           | 203,725,186   |
| <b>Oil Equipment &amp; Services 13.8%</b> |           |               |
| Baker Hughes, Inc.                        | 160,000   | 10,172,800    |
| Enscopl (Class A)                         | 140,000   | 2,949,800     |
| Halliburton Co.                           | 145,070   | 6,365,672     |
| National Oilwell Varco, Inc.              | 250,000   | 12,497,500    |
| Oil States International Inc. (C)         | 170,000   | 6,760,900     |
| Schlumberger Ltd.                         | 626,000   | 52,233,440    |
| Seadrill Ltd. (B)                         | 200,003   | 1,870,028     |
| Weatherford International plc (C)         | 645,000   | 7,933,500     |
|   |           | 100,783,640   |
| <b>Pipelines 4.4%</b>                     |           |               |
| Kinder Morgan Inc.                        | 469,000   | 19,726,140    |
| Williams Companies, Inc.                  | 250,000   | 12,647,500    |
|   |           | 32,373,640    |
| <b>Refiners 6.5%</b>                      |           |               |
| Marathon Petroleum Corp.                  | 132,300   | 13,546,197    |
| Phillips 66                               | 431,275   | 33,898,215    |
|   |           | 47,444,412    |

## SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2015

(unaudited)

|  | Shares/<br>Principal | Value (A)      |
|--|----------------------|----------------|
| <b>Basic Materials 20.5%</b>   |                      |                |
| <b>Chemicals 17.5%</b>   |                      |                |
| Alcoa Inc.   | 614,000              | \$ 7,932,880   |
| CF Industries Holdings, Inc. (E)   | 80,469               | 22,827,446     |
| Dow Chemical Co.   | 492,500              | 23,630,150     |
| Eastman Chemical Co.   | 140,000              | 9,696,400      |
| LyondellBasell Industries N.V. (Class A)   | 345,200              | 30,308,560     |
| Monsanto Co.   | 194,400              | 21,877,776     |
| Praxair, Inc.  | 97,300               | 11,748,002     |
|  |                      | 128,021,214    |
| <b>General Industrials 1.7%</b>  |                      |                |
| Packaging Corp. of America   | 156,300              | 12,221,097     |
| <b>Gold &amp; Precious Metals 0.7%</b>   |                      |                |
| SPDR Gold Trust (C) (E)  | 45,000               | 5,114,700      |
| <b>Industrial Metals 0.6%</b>  |                      |                |
| Freeport-McMoRan Copper & Gold Inc.  | 248,000              | 4,699,600      |
| <b>Total Common Stocks</b><br>(Cost \$463,758,556)   |                      | 726,627,334    |
| <b>Short-Term Investments 0.5%</b>   |                      |                |
| <b>Money Market Account 0.5%</b>   |                      |                |
| M&T Bank, 0.10%  | \$ 3,265,097         | 3,265,097      |
| <b>Money Market Funds 0.0%</b>   |                      |                |
| Fidelity Institutional Money Market Money Market Portfolio (Institutional Class), 0.14% (D)  | 100,000              | 100,000        |
| <b>Total Short-Term Investments</b><br>(Cost \$3,365,097)                                    |                      | 3,365,097      |
| <b>Securities Lending Collateral 1.1%</b><br>(Cost \$8,005,980)                              |                      |                |
| <b>Money Market Funds 1.1%</b>   |                      |                |
| Invesco Short-Term Investment Trust Liquid Assets Portfolio (Institutional Class), 0.08% (D) | 8,005,980            | 8,005,980      |
| <b>Total Investments 101.0%</b><br>(Cost \$475,129,633)                                      |                      | 737,998,411    |
| Liability for open written option contracts 0.0%   |                      | (11,800)       |
| Other assets less liabilities (1.0%)   |                      | (7,132,089)    |
| <b>Net Assets 100.0%</b>   |                      | \$ 730,854,522 |

Notes:

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- (A) Common stocks 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) A portion of shares held are on loan.  
 (C) Presently non-dividend paying.  
 (D) Rate presented is as of period-end and represents the annualized yield earned over the previous seven days.  
 (E) All or a portion of this security is pledged to cover open written call option contracts. Aggregate market value of such pledged securities is \$9,831,150.

See accompanying notes.

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**SCHEDULE OF OUTSTANDING WRITTEN OPTION CONTRACTS**

March 31, 2015

(unaudited)

| Contracts<br>(100 shares<br>each) | Security   | Strike<br>Price | Contract<br>Expiration<br>Date | Value     |
|-----------------------------------|--|-----------------|--------------------------------|-----------|
| <b>COVERED CALLS</b>              |  |                 |                                |           |
| 200                               | CF Industries Holdings, Inc.   | \$375           | May 14                         | \$ 4,000  |
| 150                               | Pioneer Natural Resources Co.  | 235             | Jun 14                         | 4,500     |
| 150                               | SPDR Gold Trust ETF  | 130             | Jun 14                         | 3,300     |
| 500                               | Total Option Liability (Unrealized Gain of \$84,548 on Premiums<br>Received of \$96,348) |                 |                                | \$ 11,800 |

See accompanying notes.

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

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**1. SIGNIFICANT ACCOUNTING POLICIES**

Adams Natural Resources Fund (the Fund), formerly Petroleum & Resources Corporation, is registered under the Investment Company Act of 1940 as a non-diversified investment company. The Fund is an internally-managed closed-end fund specializing in energy and other natural resources stocks.

**Security Transactions** - Investment transactions are accounted for on the trade date. Gain or loss on sales of investments is determined on the basis of specific identification.

**Security Valuation** - The Fund'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 a national security exchange are valued at the primary exchange's 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 money market funds, are valued at amortized cost, which approximates fair value. Money market funds are valued at net asset value on the day of valuation. Listed written options are valued at the last quoted asked price.

Various inputs are used to determine the fair value of the Fund'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 Fund's own assumptions, developed based on the best information available in the circumstances.

The following table summarizes the fair value inputs for the Fund's investments at March 31, 2015:

|                               | Level 1       | Level 2 | Level 3 | Total         |
|-------------------------------|---------------|---------|---------|---------------|
| <b>Assets:</b>                |               |         |         |               |
| Common stocks                 | \$726,627,334 | \$--    | \$--    | \$726,627,334 |
| Short-term investments        | 3,365,097     | --      | --      | 3,365,097     |
| Securities lending collateral | 8,005,980     | --      | --      | 8,005,980     |
| Total investments             | \$737,998,411 | \$--    | \$--    | \$737,998,411 |
| <b>Liabilities:</b>           |               |         |         |               |
| Written options               | \$(11,800)    | \$--    | \$--    | \$(11,800)    |

There were no transfers into or from Level 1 or Level 2 during the quarter ended March 31, 2015.

## 2. FEDERAL INCOME TAXES

For federal income tax purposes, the identified cost of securities at March 31, 2015 was \$475,129,633 and net unrealized appreciation aggregated \$262,868,778, of which the related gross unrealized appreciation and depreciation were \$302,895,646 and \$40,026,868, respectively.

## 3. INVESTMENT TRANSACTIONS

The Fund's investment decisions are made by the portfolio management team with recommendations from the research staff. The Fund is subject to changes in the value of equity securities held ("equity price risk") in the normal course of pursuing its investment objectives. The Fund may use derivative instruments, such as written options, to manage exposure to certain risks and/or to enhance performance. Derivatives are not accounted for as hedging instruments.

**Options** - Option contracts generally entail risks associated with counterparty credit, liquidity, and equity price risk. The Fund has mitigated counterparty credit and liquidity risks by trading its options through an exchange. Equity price risk is mitigated by writing only covered call or collateralized put option contracts, which require the Fund to segregate certain securities, as denoted on the Schedule of Investments, at its custodian when the option is written.

When the Fund writes an option, an amount equal to the premium received is recorded as a liability and is subsequently marked to market daily in the Statement of Assets and Liabilities, with any related change recorded as change in unrealized appreciation or depreciation on written option contracts in the Statement of Operations. Upon expiration or closing, premiums received, net of premiums paid, are treated as net realized gain or loss on written option contracts in the Statement of Operations. Upon the exercise of written put option contracts, premiums received are deducted from the cost basis of the underlying securities purchased. Upon the exercise of written call option contracts, premiums received are added to the proceeds from the sale of underlying securities in determining whether there is a realized gain or loss on security transactions in the Statement of Operations.

#### **4. PORTFOLIO SECURITIES LOANED**

The Fund 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 Fund on the next business day. Cash deposits are placed in a registered money market fund. The Fund 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 Fund 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 Fund. At March 31, 2015, the Fund had securities on loan of \$7,856,823 and held cash collateral of \$8,005,980; additional collateral was delivered the next business day in accordance with the procedure described above. The Fund is indemnified by its 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.**

(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 30a-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 30a-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.

Adams Natural Resources Fund, Inc.

By: /s/ Mark E. Stoeckle

Mark E. Stoeckle

Chief Executive Officer

(Principal Executive Officer)

Date: April 24, 2015

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/ Mark E. Stoeckle

Mark E. Stoeckle

Chief Executive Officer

(Principal Executive Officer)

Date: April 24, 2015

By: /s/ Brian S. Hook

Brian S. Hook

Vice President, Chief Financial Officer and Treasurer

(Principal Financial Officer)

Date: April 24, 2015