The Annual Meeting of Unit Owners will be held on Wednesday, February 14, 2001, at 1:30 P.M., in Rooms 3 and 4, Ninth Floor, at the University Club, 1 West 54th Street, New York City (Northwest corner of 5th Avenue). All unit owners are cordially invited to attend.

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IMPORTANT TAX INFORMATION

For your convenience the information necessary to prepare your 2000 tax return is included in the removable "Note to Unit Owners" on Pages 15 and 16. Please note there will be no separate mailing of the tax letter.

Report to Unit Owners:

FOURTH QUARTER 2000

Net income for the Trust for the fourth quarter of fiscal 2000 was $2,894,771, an increase of 26.9% from the fourth quarter of fiscal 1999. Higher gas prices covering gas sales under both royalty rate agreements in effect within the Oldenburg concession more than offset the combined impact of the reduced volume of gas sales and the lower average exchange rate for the Euro. Western Oldenburg gas prices under the Trust's 4% royalty agreement with Mobil Erdgas-Erdol GmbH ("Mobil Erdgas"), the German subsidiary of Exxon Mobil Corp., averaged 1.2505 Euro cents per Kwh ("Ecents/Kwh"), an increase of 81.2% from the average price for the fourth quarter of fiscal 1999 of .6901 Ecents/Kwh. For overall gas sales subject to the Trust's 0.6667% royalty agreement with Oldenburgische Erdol Gesellschaft ("OEG"), gas prices averaged 1.2673 Ecents/Kwh. This average price represented an increase of 85.5% from the average price for the fourth quarter of fiscal 1999 of .6834 Ecents/Kwh. A complete two week shutdown and a two week partial shutdown at the Grossenkneten desulfurization plant significantly lowered the sour gas processing capacity and reduced gas sales under the higher and lower royalty rate agreements by 19.5% to 18.4 billion cubic feet ("Bcf") and by 15.3% to 37.3 Bcf respectively. For the fourth quarter of fiscal 2000, the Euro was equal to $0.8809 compared to $1.0508 for the prior year, a decline of 16.2% . Converting gas prices measured in Ecents/kwh to more familiar terms by using the average exchange rate yields an average sales price of $3.17 per Mcf for the quarter just ended compared to $2.04 per Mcf for the prior year.

FISCAL 2000 REPORT

The ongoing impact of higher world oil prices continued to be reflected throughout fiscal 2000 in higher gas prices in Germany. Indeed, since the second quarter of fiscal 1999, gas sold under both the higher and lower royalty rate agreements increased consistently on a quarter to quarter basis with only one interruption. In the second quarter of fiscal 1999 under the higher royalty rate agreement, gas sold for .6442 Ecents/Kwh compared to the most recent price of 1.2505 Ecents/Kwh in the fourth quarter of fiscal 2000. Under the lower royalty rate agreement gas sold for .6601 Ecents/Kwh and 1.2673 Ecents/Kwh in the corresponding quarters. These higher gas prices were the primary determining factor behind the increase in Trust royalties and distributions from the prior year.

Overall Oldenburg gas sales began the year on a strong note posting an increase of 5.7% for the first six months over the prior year rising to 135.5 Bcf from 128.1 Bcf. This level of gas sales is the highest volume ever sold during the first six months. While nearly all of this increase was confined to the lower royalty rate area of eastern

Oldenburg, gas sales from the higher royalty rate area of western Oldenburg posted a slight increase to 50.1 Bcf. Although at this level western gas sales only account for 36.9% of total gas sales, on a quantitative basis this is the highest volume of western gas ever sold during the first six months. Traditionally, the first six months of each fiscal year correspond to the period of highest demand stretching from late fall through winter and into early spring. The operating companies, which began the year at such a high level of gas production and sales could not even match last year's pace during the second six months. Overall gas sales for the second six months fell 10.4% from 92.9 Bcf to 83.2 Bcf. Gas sales from western Oldenburg declined 5.3% from 45.5 Bcf to 43.1 Bcf. In both royalty rate areas the decline in gas sales was concentrated in the final quarter reflecting the reduced production capacity due to repair and maintenance operations at the desulfurization plant.

The decline in value of the Euro continued unabated throughout fiscal 2000. Based on the conversion of royalties, the average dollar equivalent value for the Euro in sequence by quarter was 1.0044, .9511, .9304 and .8810. The falling value of the Euro had an immediate short term impact through the reduction in the number of dollars received when royalties are converted from Euros into dollars upon their transfer to the United States. The long term impact of the value of the Euro on Trust royalties comes about as a result of the pricing mechanisms in the various contracts under which the gas is sold. These contracts, in part, use the price of light heating oil in Germany to determine the price at which the gas is sold. Light heating oil is distilled from crude oil that has been imported into Germany. Crude oil is priced on the international market in dollars. Consequently when the Euro is weak, crude oil is more expensive, light heating oil becomes more costly and the price of gas rises. The impact of changes in the price of light heating oil is delayed three to six months by the terms of the sales contracts.

Ralph E. Davis Associates, Inc., the Trust's petroleum consultants, have submitted their report on the Trust's estimated remaining net proved producing reserves as of October 1, 2000. The report indicates that net Trust gas reserves increased by 13% from 47,175 million cubic feet ("MMcf") to 53,298 MMcf despite near record net sales for 2000 of 4,960 MMcf. The additions to the amount of reserves despite the high level of gas sales is a direct result of the operating companies continued success in their program of horizontal drilling. (See graphs on pages 14 and 17 which reflect the impact of Trust royalty rate percentages on the gross sales and estimated gross reserve figures.)

It has been a very successful year for the Trust. Despite significant downtime for the desulfurization plant, gas sales reached near record levels. Gas prices in Germany have reflected to a growing degree the increases experienced in world oil prices. Although prices have fallen somewhat since the end of the Trust's fiscal year, world oil prices remain significantly higher than those experienced during fiscal 1999 and should continue to help support high gas prices in Germany for some time to come. Despite the weakness in the Euro during fiscal 2000, recent weeks have shown some improvement in its value relative to the dollar.

With great regret the Trustees of North European Oil Royalty Trust accepted the resignation of their fellow Trustee, Robert J. Castle, effective September 21, 2000. Mr. Castle had served as Director of the Trust's predecessor, North European Oil Company, from 1965 to 1975 and was one of the original Trustees following the formation of the Trust in 1975. The Trustees will miss his wise counsel and have begun their search for his successor.

Finally, please note that the information necessary to prepare your tax return, including the 2000 cost depletion percentage of 8.5794%, is contained in the removable "Note to Unit Owners" on pages 15 and 16 of this report.

Respectfully submitted,
(Signature Cut)
John R. Van Kirk
Managing Director

December 29, 2000