

NORTH EUROPEAN OIL ROYALTY TRUST

Report to Unit Owners:

For the second quarter of fiscal 2004 ended April 30, 2004, the Trust's net royalty income was \$3,858,689, a decline of 14.8% or \$669,854 over the prior year's equivalent period. This royalty income was derived from sales of gas, sulfur and oil from the Trust's overriding royalty areas in Germany during the first calendar quarter of 2004. This level of income allowed a distribution of 43 cents per unit payable on May 26, 2004 to owners of record as of May 14, 2004. For the six month period, the Trust's net royalty income was \$7,992,802, a decline of 11.7% or \$1,056,108 from the prior year's equivalent period. For the six month period ended April 30, 2004 total distributions were equal to \$0.89 per unit.

The amount of royalties paid to the Trust is based on four primary factors: the amount of gas sold, the price of that gas, the area from which that gas is sold and the exchange rate. For the quarter just ended the impact of the fall off in both gas prices and gas sales was too substantial to be more than partially offset by the impact of the higher average exchange rate derived from the transfer of royalties from Germany to the United States.

Under the lower percentage royalty rate agreement with BEB, the joint venture between the German subsidiaries of the ExxonMobil Corporation and the Royal Dutch/Shell Group of Companies, covering the entire Oldenburg concession, gas sales declined by 14.3% compared to the second quarter of fiscal 2003. Gas sales dropped from 52.9 to 45.3 billion cubic feet ("Bcf"). The average gas price for gas sold under this agreement declined as well although not as substantially, falling 3.1% from 1.3051 Euro cents per Kilowatt hour ("Ecents/Kwh") in the average for the second quarter of fiscal 2003 to 1.2646 Ecents/Kwh for the quarter just ended.

The situation under the higher percentage royalty rate agreement with the German subsidiary of ExxonMobil covering western Oldenburg was similar with both gas sales and gas prices falling. Under this agreement gas sales declined 15.1% from 20.3 Bcf for the second quarter of fiscal 2003 to 17.3 Bcf for the quarter just ended. The average price for gas sold under this agreement was 1.2583 Ecents/Kwh, down 8.6% from the average price for the second quarter of fiscal 2003 of 1.3761 Ecents/Kwh.

Under the lower percentage royalty rate agreement the average value of the Euro based on the monthly transfer of royalties to the U.S. during the quarter just ended was \$1.2105 an increase of 11.2% from \$1.0882, the average value for the second quarter of fiscal 2003. Under the higher percentage royalty rate agreement the average value of the Euro based on the monthly transfer of royalties to the U.S. for the quarter just ended was \$1.2106 an increase of 12.3% from \$1.0778- the average value for the second quarter of fiscal 2003. Converting the average gas prices using the average exchange rates for the quarter into more familiar terms yields an average gas price under both the lower and higher percentage royalty rate agreements of \$4.27 and \$4.34 per thousand cubic feet, respectively.

Despite the continuing negative comparison of current gas prices to those of the prior year, average prices for gas sold under both royalty agreements increased over average gas prices for the immediately preceding quarter. The continued strengthening of the price of oil on the world market and the decline of the Euro from its recent twelve month highs would tend to support higher gas prices in the latter half of the remainder of the Trust's fiscal year. However, prior to the fiscal year end gas

sales levels are unlikely to be affected to any significant degree by the various activities instituted by the operating companies to increase production. Since lower gas sales can be expected to continue, an increase in gas prices is likely to be more than offset by lower gas sales.

In the days leading up to the record date for this quarter's distribution, the Trust's office received a number of telephone inquiries seeking some explanation for the fall off in the stock price. The unit owners were unable to find any news that would seem to support the decline and wondered whether they had missed some press release or other news item directly affecting the price of Trust units. Since there was no significant news item beyond the decline in the second quarter's distribution compared to the prior year, the only explanation I could provide, following conversations with the Trust's specialist, was the imbalance between buyers and sellers. In this case there was an comparatively large amount of units being offered for sale on the market over a period of days. With an average daily volume below 10,000 units, it does not take a large block to cause an imbalance between buyers and sellers with a resulting impact on the traded price.

Respectfully submitted,



John R. Van Kirk
Managing Director

May 17, 2004

CONDENSED INCOME STATEMENTS (Cash Basis) (unaudited)	For the Three Months Ended		For the Six Months Ended	
	April 30, 2004	April 30, 2003	April 30, 2004	April 30, 2003
German royalties received.....	\$4,075,008	\$4,699,755	\$8,435,738	\$9,466,319
Interest income.....	4,954	7,520	11,347	16,040
Trust expenses.....	(221,273)	(178,732)	(454,283)	(433,449)
Net income on a cash basis.....	\$3,858,689	\$4,528,543	\$7,992,802	\$9,048,910
Net income per unit on a cash basis.....	\$.43	\$.51	\$.89	\$ 1.01
Dividends and distributions per unit paid to formerly unlocated shareholders.....	\$.00	\$.00	\$.00	\$.00
Cash distributions declared per unit.....	\$.43	\$.50	\$.89	\$ 1.01
Units outstanding.....	8,931,414	8,931,414	8,931,414	8,931,414

This report may contain forward looking statements concerning business, financial performance and financial condition of the Trust, which are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in any forward looking statement. The statements contained herein are based on the Trustees' current beliefs, expectations and assumptions and are subject to a number of risks and uncertainties. Actual results and events may vary significantly from those discussed in the forward looking statements.

**NORTH EUROPEAN
OIL ROYALTY TRUST**

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**North
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Trust**



REPORT TO OWNERS
for the six months ended April 30, 2004