

NORTH EUROPEAN OIL ROYALTY TRUST

Report to Unit Owners:

The distribution detailed in this report, covering the Trust's third fiscal quarter ended July 31, 2004, represents your proportionate share of the Trust net income. For the third quarter of fiscal 2004, Trust net income declined by 22.9% to \$3,351,901, which permitted a distribution of 37 cents per unit compared to the distribution of 49 cents for the prior year's period. Due to an error on the part of the operating companies to properly adjust the royalty payment in the final month of the quarter, this quarter's royalty payment was larger than it should have been. When the higher royalty payment was included in the calculation of net income, the resulting distribution to be paid to unit owners was three cents higher than it otherwise would have been. The first royalty payment in the next quarter by the operating companies will be reduced by the amount of the earlier overpayment thus reducing funds available for the fourth quarter's distribution. The current distribution is being paid on August 25, 2004 to holders of record as of August 13, 2004.

For the nine month fiscal period, Trust net income was \$11,344,703, a decline of 15.3% from the prior year's period. Cumulative distributions for the nine month period are \$1.26 per unit compared to \$1.50 paid during the same period last year.

The primary factors affecting royalty revenue for the quarter just ended were the decline in gas sales and prices under both the higher royalty rate agreement covering western Oldenburg and the lower royalty rate agreement covering the entire Oldenburg concession. The increase in the exchange rate was minor and could only partially offset the more substantial impact on royalties caused by the decline in gas sales and gas prices.

The higher royalty rate agreement between the Trust and the German subsidiary of ExxonMobil covers western Oldenburg and provides the Trust with the bulk of its royalties. Under this agreement average gas prices for the

quarter decreased 24.6% from the equivalent quarter for the prior year. Gas prices fell from 1.4963 Euro cents per Kilowatt hour ("Ecents/Kwh") to 1.1276 Ecents/Kwh. When we convert this quarter's price into more familiar terms using the average exchange rate for the quarter, the average price for gas sold under this agreement was \$3.90 per Mcf. This represents a 21.3% decrease from the prior year's equivalent quarter.

The lower royalty rate agreement between the Trust and BEB, a joint venture between ExxonMobil and the Royal Dutch/Shell Group of Companies, covers gas sales from the entire Oldenburg concession. Under this agreement average gas prices for the quarter decreased 15.3% from the equivalent quarter for the prior year. Gas prices fell from 1.3995 Ecents/Kwh to 1.1858 Ecents/Kwh compared to the prior year's equivalent quarter. When we convert this quarter's price into more familiar terms using the average exchange rate for the quarter, the average price for gas sold under this agreement was \$4.03 per Mcf. This represents a 11.1% decrease from the prior year's equivalent quarter.

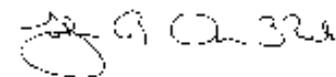
During the quarter just ended overall Oldenburg gas sales decreased by 10.5% from 43.1 Billion cubic feet ("Bcf") to 38.6 Bcf. Gas sales from the higher royalty rate area of western Oldenburg decreased 10.3% from 16.9 Bcf to 15.2 Bcf. At this level, gas sales from western Oldenburg accounted for 39.3% of total Oldenburg gas sales. However, because of the higher royalty rate in effect in western Oldenburg, gas sold from western Oldenburg provided 80.5% of all royalties paid to the Trust.

Throughout fiscal 2004 the Euro has held its value within a fairly narrow range. For the quarter just ended the average value for the Euro based on all royalties transferred to the United States was \$1.2128. This average value was 4.7% higher than the average value of \$1.1586 posted in the third quarter of fiscal 2003. The higher value of the Euro has the immediate impact of increasing the amount of dollars

received at the time of the transfer of royalties from Germany. However, because of the use of light heating oil as a pricing factor in the gas sales contracts, the higher Euro also works to reduce the price of gas within Germany by making imported oil prices in dollars less expensive.

In an effort to keep the unit owners informed about the operating companies' efforts to increase production, the Trust's German consultant Alfred Stachel spoke with personnel at the operating companies to get an update on their progress. The operating companies indicated that the expansion of the Visbek compressor station is on time and will commence full operations at the beginning of October. Kneheim Z-5, a new well located in western Oldenburg, has been completed and will enter its active production phase in October. Drilling operations for Hemmelte Z-8a, a horizontal deviation off an existing wellhead in western Oldenburg, began on June 24th. Drilling operations for Sage Z-4, a new well located in eastern Oldenburg, began on June 30th. The operating companies have indicated that they believe the first impact of their efforts to increase production and sales will not be apparent until the Trust's first quarter of fiscal 2005.

Respectfully submitted,



John R. Van Kirk
Managing Director

August 12, 2004

**CONDENSED INCOME STATEMENTS
(Cash Basis) (unaudited)**

	For the Three Months Ended July 31, 2004	For the Nine Months Ended July 31, 2004	For the Nine Months Ended July 31, 2003
German royalties received.....	\$3,506,720	\$4,536,318	\$14,002,637
Interest income.....	5,250	8,241	24,281
Trust expenses.....	(160,069)	(192,422)	(625,871)
Net income on a cash basis.....	\$3,351,901	\$4,352,137	\$13,401,047
Net income per unit on a cash basis.....	\$.38	\$.49	\$ 1.50
Dividends and distributions per unit paid to formerly unlocated shareholders.....	\$.01	\$.00	\$.00
Cash distributions declared per unit.....	\$.37	\$.49	\$ 1.26
Units outstanding.....	8,933,310	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.



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OIL ROYALTY TRUST**

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North European Oil Royalty Trust



REPORT TO OWNERS
for the nine months ended July 31, 2004