Annual Report 2001

North European Oil Royalty Trust

ATTENTION:
PLEASE RETAIN
CRITICAL TAX INFORMATION ENCLOSED

The Annual Meeting of Unit Owners will be held on Wednesday, February 13, 2002, 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; entrance on 54th Street). All unit owners are cordially invited to attend.

If you plan to attend the meeting please note that The University Club has a dress code. Gentlemen are required to wear a jacket and tie and ladies are required to wear business attire. The University Club does not make exceptions.

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IMPORTANT TAX INFORMATION

For your convenience the information necessary to prepare your 2001 tax return is included in the removable "Note to Unit Owners" on Pages 17 and 18.

Please note there will be no separate mailing of the tax letter.

Report to Unit Owners:

FOURTH QUARTER 2001

Net income for the Trust for the fourth quarter of fiscal 2001 was $5,318,238, an increase of 83.7% from the fourth quarter of fiscal 2000. Higher gas prices and gas sales volumes under both royalty rate agreements in effect within the Oldenburg concession along with a slightly higher average value for the Euro resulted in the sharply higher royalties received by the Trust. 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 1.6723 Euro cents per Kwh ("Ecents/Kwh"), an increase of 33.7% from the average price for the fourth quarter of fiscal 2000 of 1.2506 Ecents/Kwh. For overall gas sales subject to the Trust's 0.6667% royalty agreement with Oldenburgische Erdol Gesellschaft ("OEG"), gas prices averaged 1.5950 Ecents/Kwh. This average price represented an increase of 25.9% from the average price for the fourth quarter of fiscal 2000 of 1.2673 Ecents/Kwh. The combination of last year's fourth quarter extensive maintenance and the performance of this year's scheduled maintenance during the third quarter at the Grossenkneten desulfurization plant resulted in a substantial increase in gas production and sales between the comparable quarters. Gas sales under the higher and lower royalty rate agreements increased by 30.4% to 24.0 billion cubic feet ("Bcf") and by 35.3% to 50.5 Bcf respectively. For the fourth quarter of fiscal 2001, the Euro was equal to $0.9080 compared to $0.8809 for the prior year, an increase of 3.1% . Converting gas prices measured in Ecents/kwh to more familiar terms by using the average exchange rate yields average sales prices under the higher and lower royalty rate agreements of $4.31 and $4.03 per Mcf for the quarter just ended.

FISCAL 2001 REPORT

As shown by the graph on Page 16, fiscal 2001 was an exceptional year for the Trust in the level of royalties received. However, with the exception of events taking place in the world oil markets and their impact on gas prices in Germany, fiscal 2001 was an unremarkable year for the Trust. While gas prices increased steadily through the third quarter, the increases reflected the built-in pricing mechanisms in the long term contracts under which the gas is sold. The reduction in world oil prices during the year finally began to be reflected in gas prices in the fourth quarter. Overall gas sales declined slightly but gas sales from the higher royalty rate area of western Oldenburg increased.

Through the third quarter of fiscal 2001, gas sold under both the higher and lower royalty rate agreements increased consistently on a quarter to quarter basis. The built-in escalation clauses and the three to six month delay in the gas sales contracts carried the impact of earlier high world oil prices through the third quarter of fiscal 2001 before the impact of falling world oil prices first became evident. Under the higher royalty rate agreement, average gas prices for the quarter increased from 1.5603 Ecents/Kwh in the first quarter to 1.6016 Ecents/Kwh and 1.7552 Ecents/Kwh in the second and third before falling back to 1.6723 Ecents/Kwh in the fourth. Under the lower royalty rate agreement average quarterly gas prices followed a similar pattern at 1.5956, 1.6620, 1.8718 and 1.5950 Ecents/Kwh in the first through fourth quarters respectively. These higher gas prices were the primary determining factor behind the increase in Trust royalties and distributions from the prior year. In average for the year under the higher and lower royalty rate agreements, gas prices increased 61.5% and 63.9% to 1.6415 Ecents/Kwh and 1.6664 Ecents/Kwh, respectively.

Overall Oldenburg gas sales dipped slightly this year falling by 1.44% from 218.7 Bcf to 215.6 Bcf. Lower gas sales in each of the first three quarters were almost completely offset by the added production and sales during the fourth quarter. The uninterrupted operation of the desulfurization plant and unexpected production from the Hengstlage sweet gas field substantially boosted production in the fourth quarter. Gas sales from the higher royalty rate area of western Oldenburg increased 5.69% from 25.0 Bcf to 26.4 Bcf for fiscal 2001. With a royalty rate approximately seven times higher on gas sold from western Oldenburg the increase in these gas sales contributed appreciably to the overall increase in royalties paid to the Trust.

The impact of the changing value of the Euro was not a significant factor in the determination of Trust royalties during fiscal 2001. During the first six months the Euro traded within a fairly narrow range. Based on the royalty transfer rates for the first and second quarters, the average value of the Euro was a dollar equivalent of $0.9020 and $0.9024 respectively. During the third quarter the average value of the Euro fell to $0.8626 before recovering and increasing in the fourth quarter to an average of $0.9080.

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, 2001. The report indicates that net Trust gas reserves declined by 4.8% from 53,298 million cubic feet ("MMcf") to 50,714 MMcf on net sales for 2001 of 5,166 MMcf. The reduction in the amount of reserves can be traced to the lack of any active drilling during 2001. The suspension of drilling followed the increase to 24% in the level of State royalties effective January 2001. While the suspension of drilling cannot be directly linked to the increase in State royalties, it seems to be more a political statement than an economic one. The operating companies may have chosen to demonstrate that while it may be convenient to conduct operations in close proximity to their markets, their status as international companies provides other avenues for their investments. There are, however, distinct advantages to the operating companies in their access to local production facilities which improve their bargaining position and provide increased flexibility in delivery. Our consultant in Germany has informed us that there will be a resumption of drilling in 2002. (See graphs on Pages 19 and 20 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. Trust units were a welcome bright spot in the investment portfolios of many unit owners. The distribution of $2.46 per unit for fiscal 2001 is the highest since 1982. With the extensive maintenance and repairs to Grossenkneten in 2000, regular scheduled maintenance in 2001 was much less disruptive allowing increased production and sales from the higher royalty rate area of western Oldenburg to return to their usual ratio with respect to overall sales. The Euro, while still well below par with the dollar, seemed generally to stabilize during the year. While world oil prices declined significantly during 2001 as a result of the combination of reduced demand caused by the economic downturn and early attempts at price reduction through production increases, recent attempts to reduce production by the major world suppliers hold out the prospect of subsequent price stabilization. The Trust is pleased to announce that it has continued to implement the order of the Delaware Court of Chancery and has reached an agreement with the State of New York with respect to shares of stock of predecessor corporations owned by shareholders with New York addresses of record. (See note 4 to the Financial Statements).

Finally, please note that the information necessary to prepare your tax return, including the 2001 cost depletion percentage of 9.2385%, is contained in the removable "Note to Unit Owners" on Pages 17 and 18 of this report.

December 28, 2001

Respectfully submitted,

John R. Van Kirk
Managing Director

North European Oil Royalty Trust
Selected Financial Data (Cash Basis)

For Years Ended October 31	2001	2000	1999	1998	1997
German royalties received	$22,453,630	$14,155,028	$10,667,478	$13,881,870	$13,651,678
Interest income	137,305	96,460	70,026	101,973	92,660
Trust expenses	(684,111)	(583,226)	(596,081)	(586,830)	(674,131)
Net income on a cash basis	$21,906,824	$13,668,262	$10,186,423	$13,397,013	$13,070,207
Net income per unit on a cash basis	$2.47	$1.54	$1.17	$1.54	$1.50
Dividends and distributions per unit paid or to be paid to former unlocated shareholders	$0.00	$0.00	$0.00	$0.00	$0.00
Cash distribution declared per unit	$2.46	$1.56	$1.17	$1.54	$1.51
	$2.46	$1.56	$1.17	$1.54	$1.51
Units outstanding end of period	8,886,804	8,886,804	8,696,646	8,696,460	8,696,430
Registered unit owners	1,441	1,546	1,700	1,771	1,876

Description of Trust Assets

The properties of the Trust, which the Trust and Trustees hold pursuant to the Trust Agreement on behalf of the unit owners, are overriding royalty rights on sales of gas, sulfur and oil under certain concessions or leases in the Federal Republic of Germany. The actual leases or concessions are held either by Mobil Erdgas-Erdol GmbH ("Mobil Erdgas"), a German operating subsidiary of the Exxon Mobil Corp., or by Oldenburgische Erdol Gesellschaft ("OEG"). The Oldenburg concession (1,398,000 acres), covering virtually the entire former State of Oldenburg and located in the Federal state of Lower Saxony, is the major source of royalty income for the Trust. Within this concession Mobil Erdgas and BEB Erdgas und Erdol GmbH ("BEB"), a joint venture of Exxon Mobil Corp. and the Royal Dutch Group, carry out all exploration, drilling, production and sales activities. As a result by direct and indirect ownership, Exxon Mobil Corp. owns two-thirds of OEG and the Royal Dutch Group owns one-third of OEG.

Under one series of rights covering the western part of the Oldenburg concession (approximately 662,000 acres), the Trust receives a royalty payment of 4% on gross receipts from sales by Mobil Erdgas of gas well gas, oil well gas, crude oil and condensate. Under the royalty agreement with Mobil Erdgas there is no deduction of costs prior to the calculation of royalties from gas well gas or oil well gas, which together account for approximately 99% of all the royalties under said agreement. The Trust also is entitled to receive from Mobil Erdgas a 2% royalty on gross receipts of sales of sulfur obtained as a by-product of sour gas produced from the western part of Oldenburg. The payment of the sulfur royalty is conditioned upon sales by Mobil Erdgas of sulfur at a selling price above an agreed upon base price. This base price is adjusted annually by an inflation index. When the average selling price falls below the adjusted base price, no royalties are payable. No payments were received under this sulfur royalty during fiscal 2001.

Under another series of rights covering the entire Oldenburg concession and pursuant to an agreement with OEG (the "OEG Agreement"), the Trust receives royalties at the rate of 0.6667% on gross receipts from sales of gas well gas, oil well gas, crude oil, condensate and sulfur (removed during the processing of sour gas) less 50% of an escalating cost base. This cost base is recomputed annually based on indices reflecting changes in certain prices within Germany. Under the agreement previously reached with OEG, the computation system will be changed in 2002, at which time 50% of the field handling, treatment and transportation costs as reported for state royalty purposes will be deducted from the gross sales receipts prior to the calculation of the royalty to be paid to the Trust. Based on the limited audit access available to it and the financial information provided by the operating companies, the Trust's management does not believe that this change will materially alter the amount of the Trust's royalty receipts, but there can be no assurance that this will be the case until the calculations are actually applied.

The Trust also holds through Mobil Erdgas a 2% royalty interest in oil and gas sales from acreage in Bavaria, and a 0.2117% royalty under the net interest of the Bayerische Mineral Industries A.G. ("BMI"), a subsidiary of Mobil Erdgas, in concessions in Bavaria. The net interest of BMI ranges from 16-1/2 to 100% of the sales, depending on the geographic region or area. Due to the absence of royalty income under this agreement, reserves from this area in Bavaria are not included in reserve calculations for this report year. While both Mobil Erdgas and BMI have suspended production in their concessions in Bavaria, the concessions remain open. Mobil Erdgas is exploring the possible sale of some fields within this concession for use as gas storage facilities. If a sale is concluded, the Trust would seek royalties on any recoverable gas remaining in place.

NORTH EUROPEAN OIL ROYALTY TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations.
North European Oil Royalty Trust (Trust)

General

The Trust is a passive fixed investment trust which holds overriding royalty rights, receives income under those rights from certain operating companies, pays its expenses and distributes the remaining net funds to its unit owners. The Trust is not involved in any business or extractive operations of any kind in the areas over which it holds royalty rights and is precluded from any such involvement by the Trust Agreement. There are no requirements, therefore, for capital resources with which to make capital expenditures or investments in order to continue the receipt of royalty revenues by the Trust.

The operating companies, subsidiaries of Exxon Mobil Corp. and the Royal Dutch Group, pay monthly royalties to the Trust based on their sales of natural gas, sulfur and oil. The Oldenburg concession is the primary area from which these products are extracted and provides nearly 100% of all the royalties received by the Trust. Of these three products, natural gas provides approximately 98% of the total royalties. The gas is sold to various distributors under long term contracts which delineate, among other provisions, the timing, manner, volume and price of the gas sold. The pricing mechanisms contained in these contracts include a delay factor of three to six months and use the price of light heating oil in Germany as one of the primary pricing components. Since Germany must import a large percentage of its energy requirements, the U.S. dollar price of oil on the international market has a significant, although delayed, impact on the price of gas.

The Trust does not conduct any active business operations and has only limited need of funds for its own administrative services. These funds are used to pay Trustees' fees (computed under the Trust Agreement and based upon a percentage of royalties and interest income received), the remuneration fixed by the Trustees for the Managing Trustee and the Managing Director, expenses associated with the Trustees' meetings, professional fees paid to consultants, legal advisors and auditors, transfer agent fees, and secretarial and other general office expenses.

Another requirement for funds by the Trust relates to the occasional necessity of making lump sum payments of arrearages of dividends of a corporate predecessor and distributions previously declared by

Fiscal 2001 versus Fiscal 2000 *(continued)*

the Trust. The payment of such arrearages would require a reduction in the amount of distributions which otherwise would be made on presently outstanding units. For further information on this contingent liability and the impact of the Delaware Court order see Item 3, Legal Proceedings, and Note 3 to Financial Statements contained herein.

The Trust has no means of ensuring continued income from overriding royalty rights at their present level or otherwise. Economic and political factors which are not foreseeable may have an impact on Trust income. The effect of changing economic conditions on the demand for energy throughout the world and future prices of oil and gas cannot be accurately projected.

The relatively small amounts required for administrative expenses of the Trust limit the possible effect of inflation on its financial prospects. Continued price inflation would be reflected in sales prices, which with sales volumes form the basis on which the royalties paid to the Trust are computed. In addition, fluctuations in the euro/dollar exchange rate have an impact on domestic energy prices within Germany and on the amount of dollars received upon conversion. The impact of inflation or deflation on energy prices in Germany is delayed by the use in certain long-term gas sales contracts of a deferred “trailing average” related to light fuel oil prices.

Fiscal 2001 versus Fiscal 2000

For fiscal 2001 the Trust's gross royalty income increased 58.6% from $14,155,028 to $22,453,630. The lingering impact of higher world oil prices on German gas prices as well as reduced maintenance downtime at the Grossenkneten desulfurization plant, which resulted in higher gas sales from the higher royalty rate area of western Oldenburg, combined to produce the increase in royalties. The Euro continued to exhibit its weakness relative to the dollar. For each of the first three quarters the dollar value of the Euro was below that of the prior year and only in the final quarter did the value of the Euro increase over the prior year's quarter.

The high world oil prices that lingered into the first half of fiscal 2001continued to be reflected through the contractual delay mechanism in the high gas prices for gas sold from the Oldenburg concession throughout the year. For the first three quarters, average Oldenburg gas prices under the lower royalty rate agreement posted quarter over quarter increases reaching a high point of 1.8718 Euro cents per kilowatt hour (“Ecents/Kwh”) in the third quarter. The decline in oil prices was finally reflected in gas prices during the fourth quarter with average gas prices falling to 1.5950 Ecents/Kwh. For the year, average gas prices posted a 63.9% increase to a value of 1.6643 Ecents/Kwh. Average gas prices under the higher royalty rate agreement followed a similar track rising to a high point of 1.7552 Ecents/Kwh in the third quarter before falling back to 1.6723 Ecents/Kwh in the fourth quarter. In average for the year, gas prices increased 61.5% to 1.6415 Ecents/Kwh. When we use the average exchange rates and convert prices measured in Ecents/Kwh into more familiar terms of dollars/Mcf, we see average gas prices under the lower and higher royalty rate agreements of $4.18/ Mcf and $4.19/Mcf, increases of 38.4% and 52.9%, respectively.

For fiscal 2001 overall Oldenburg gas sales showed a slight decline for the year, falling 1.44% from 218.7 billion cubic feet (“BCF”) to 215.6 BCF. This decline, which was concentrated in the lower royalty rate area of eastern Oldenburg, was more than offset by an increase in gas sales from the higher royalty rate area of western Oldenburg. Western Oldenburg gas sales increased 5.7% from 93.2 BCF to 98.5 BCF in total for the year. In contrast to the prior year when the Grossenkneten plant underwent a sizeable

Fiscal 2001 versus Fiscal 2000 *(continued)*

multi-year renovation and repair program which entailed an extended reduction in processing capacity, the impact of this year's scheduled maintenance was comparatively minor. Since the gas in western Oldenburg is predominantly sour gas (which must be processed to remove the hydrogen sulfide component) the reduced downtime at Grossenkneten permitted operations to resume more quickly resulting in increased gas sales.

With an effective royalty rate in western Oldenburg seven times greater than the royalty rate in eastern Oldenburg, changes in the percentage of sales originating from western Oldenburg can have significant effects on the level of Trust royalties. The percentage of western sales to total sales increased in fiscal 2001 from 42.60% to 45.7% reflecting the reduced downtime at the desulfurization plant.

Since reaching its current all time low, based on the transfer rate for the Trust's royalties, of a dollar equivalent value of $0.8626 during the Trust's third fiscal quarter, the Euro has maintained some stability. In average for the year, the Euro declined 5% from a dollar equivalent of $0.9417 for fiscal 2000 to $0.8945 for fiscal 2001.

Trust expenses increased by 17.3% from $583,226 to $684,111 reflecting higher Trustee's fees pursuant to the formula contained in the Trust Agreement and higher Trust expenses. Interest income increased 42.3% from $96,460 to $137,305 reflecting greater sums available for investment.

During fiscal 2001 and 2000 respectively, an additional 0 and 30 Trust units were issued and $0 and $1,043 were paid to former unlocated shareholders of North European Oil Corporation and North European Oil Company who presented shares for exchange or filed properly documented affidavits of loss and obtained an unlimited, open penalty indemnity bond. Management continues to believe that the number of such presentations will continue to be immaterial in the coming years. In all events, after the year 2005, pursuant to the provisions of the order of the Delaware Court of Chancery of April 17, 1996, further liability for payment of dividends or distributions arrears will be eliminated. See Note 3 to the Financial Statements contained herein for further information.

Fiscal 2000 versus Fiscal 1999

For fiscal 2000 the Trust's gross royalty income increased 32.7% from $10,667,478 to $14,155,028. The substantial increase in world oil prices experienced during 2000 continued to be reflected in the higher gas prices and accounted for the entire increase in the Trust's royalties. The shutdown for maintenance and repairs of the Grossenkneten desulfurization plant during the fourth quarter accounted for the majority of the decline in gas sales. The Euro remained under pressure throughout the year and continued the decline in value begun shortly after its introduction in January 1999.

The sustained increase in world oil prices during 2000 was reflected to a growing degree throughout the year in the price of gas sold under the overriding royalty agreements covering the Oldenburg concession. Under the higher royalty rate agreement covering gas sales from western Oldenburg, gas prices measured in pfennigs per kilowatt hour ("Pf/Kwh") climbed from 1.6136 Pf/Kwh in the first quarter of fiscal 2000 to 2.4459 Pf/Kwh in the fourth quarter, an increase of 51.6%. Under the lower royalty rate agreement covering gas sales from the entire Oldenburg concession, gas prices increased 59% from 1.5587 Pf/Kwh in the first quarter to 2.4786 Pf/Kwh in the fourth quarter.

Under both the higher and lower royalty rate agreements covering gas sales from the Oldenburg concession, gas sales through the first nine months showed increases of 3% and 2.5%, respectively.

Fiscal 2000 versus Fiscal 1999 *(continued)*

During the fourth quarter, however, the Grossenkneten desulfurization plant experienced significant downtime while the operating companies conducted extensive maintenance and repair operations. These operations, following previous changes in the maintenance timetable, were significantly more extensive than last year's and required a more complete suspension of production activity at the plant resulting in a significant decline in fourth quarter gas sales. For the entire year under the higher and lower royalty rate agreements gas sales declined 2.4% to 93.2 Billion cubic feet ("Bcf") and 1.1% to 218.7 Bcf., respectively.

With an effective royalty rate in western Oldenburg seven times greater than the royalty rate in eastern Oldenburg, changes in the percentage of sales originating from western Oldenburg can have significant effects on the level of Trust royalties. The percentage of western sales to total sales declined in fiscal 2000 to 42.60% from 43.17% in fiscal 1999. Since the bulk of gas extracted from wells located in western Oldenburg is sour gas, the more extensive shutdown of the desulfurization plant in the fourth quarter disproportionately affected the level of western sales.

Fiscal 2000 showed no relief from the continued decline in the value of the Euro since shortly after its introduction in January 1999. After a brief respite in the fourth quarter of fiscal 1999, the Euro had four consecutive quarters of quarter-to-quarter declines. Based on the exchange rates utilized at the times of the various transfers of royalties from Germany to the U.S., the average dollar equivalent value of the Euro for the first quarter of fiscal 2000 was $1.0043. The average values for the second through fourth quarters were $0.9511, $0.9304 and $0.8810, respectively. The Euro's decline continued into the first quarter of fiscal 2001 as well.

The impact on Trust royalties of changes in the Euro/dollar exchange rates are twofold. There is an immediate impact on Trust royalties because at the end of every month German royalty payments are transferred to the United States and the exchange rate determines the amount of dollars the Trust receives. The long term impact is derived from the pricing mechanism which, in part, uses the price of light heating oil in Germany to determine the price of gas sold under the various sales contracts. The price of light heating oil in turn is affected by the price in dollars of oil on the international market. Over time the short and long term impact of changes in the exchange rate tend to offset each other to varying degrees. Despite the decline in the exchange rates, when we apply the average exchange rates to gas prices in the various quarters, we see a steady increase through the year. Under the higher royalty rate agreement, gas prices began the year at the equivalent price of $2.40 per Mcf and finished the year at $3.17 per Mcf. Under the lower royalty rate agreement, gas prices began the year at the equivalent price of $2.23 per Mcf and finished the year at $3.17 per Mcf.

Trust expenses increased 2.5% from $569,081 to $583,226 primarily due to increased Trustees fees which are controlled by provisions in the Trust Agreement based on Trust royalties. Interest income increased 38% from $70,026 to $96,460 primarily due to the increase in funds available for investment.

During fiscal 2000 and 1999 respectively, an additional 30 and 186 Trust units were issued and $1,043 and $6,425 were paid to former unlocated shareholders of North European Oil Corporation and North European Oil Company who presented shares for exchange or filed properly documented affidavits of loss and obtained an unlimited, open penalty indemnity bond. Management continues to believe that the number of such presentations will continue to be immaterial in the coming years. In all events, after the year 2005, pursuant to the provisions of the order of the Delaware Court of Chancery of April 17, 1996, further liability for payment of dividends or distributions arrears will be eliminated. See Note 3 to the Financial Statements contained herein for further information.

NORTH EUROPEAN OIL ROYALTY TRUST

This report contains 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.

Distributions and Trading

The units of the Trust are listed on the New York Stock Exchange under the symbol NET. Under the Trust Agreement, the Trustees distribute the net royalty income after expenses to unit owners quarterly. The following table presents the range of low and high closing prices as reported by the New York Stock Exchange and the cash distributions paid to unit owners by quarter for the past two fiscal years.

Fiscal Year 2001

Quarter Ended	Low Closing Price	High Closing Price	Distribution Per Unit
January 31, 2001	15.1250	17.8500	.71
April 30, 2001	17.0000	20.9000	.61
July 31, 2001	17.7000	20.6500	.54
October 31, 2001	16.2500	19.4500	.60

Fiscal Year 2000

Quarter Ended	Low Closing Price	High Closing Price	Distribution Per Unit
January 31, 2000	13.0000	15.5000	.39
April 30, 2000	13.3125	15.1250	.41
July 31, 2000	12.5000	17.0625	.43
October 31, 2000	14.1250	18.1250	.33

The quarterly distributions to unit owners represent their undivided interest in royalty payments from sales of gas, oil and sulfur during the previous quarter. Each unit owner is entitled to recover a portion of their investment in these royalty rights through a cost depletion allowance. The percentage of cost depletion allowance recommended by the Trust's independent petroleum and natural gas consultants for calendar 2001 is 9.2385 %. Specific details relative to your interest in the Trust's income and expenses are included in the removable "Note to Unit Owners" on pages 17 and 18.

The Trust maintains no reserve to cover any payments which might be required if the holders of shares of stock in the predecessor Corporation or Company, who have not yet exchanged those shares for units in the Trust, should surrender them for exchange. See Note 3 to the Financial Statements.

The number of holders of record of Trust units as of November 30, 2001 was 1,441. The calculation of the number of record owners of Trust units does not include owners of shares of stock in either of theTrust's predecessor entities which have not yet been exchanged for units in the Trust (a total of 604 record owners).

NORTH EUROPEAN OIL ROYALTY TRUST

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Unit Owners and Trustees of North European Oil Royalty Trust:

We have audited the accompanying statements of assets, liabilities and trust corpus of North European Oil Royalty Trust as of October 31, 2001 and 2000 and the related statements of income and expenses on a cash basis, undistributed earnings and changes in cash and cash equivalents for each of the three years in the period ended October 31, 2001. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accounts of the Trust are maintained on the cash basis of accounting under which income is not recorded until collected instead of when earned, and expenses are recorded when paid instead of when incurred. Thus, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles which require the use of the accrual basis of accounting (see Note 1).

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and trust corpus of North European Oil Royalty Trust as of October 31, 2001 and 2000, and its income and expenses, undistributed earnings and changes in cash and cash equivalents for each of the three years in the period ended October 31, 2001, all on the cash basis of accounting.

As discussed in Note 3, the Trust has a contingent liability relating to unclaimed units and distributions. No reserves are established or reflected in the financial statements for the possibility that funds would be required to satisfy such claims.

ARTHUR ANDERSEN LLP

Roseland, New Jersey
November 8, 2001, except with respect to Note 4
as to which the date is December 4, 2001

NORTH EUROPEAN OIL ROYALTY TRUST

STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS (NOTE 1)
OCTOBER 31, 2001 AND 2000

ASSETS

	2001	2000
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	$ 5,391,320	$ 2,946,596
PRODUCING GAS AND OIL ROYALTY RIGHTS (Note 1)	1	1
	$ 5,391,321	$ 2,946,597

LIABILITIES AND TRUST CORPUS

	2001	2000
CURRENT LIABILITIES:		
Cash distributions payable to unit owners, paid November 2001 and 2000	$ 5,332,083	$ 2,932,645
CONTINGENT LIABILITY (Note 3)		
TRUST CORPUS (Notes 1 and 2)	1	1
UNDISTRIBUTED EARNINGS (Note 1)	59,237	13,951
	$ 5,931,321	$ 2,946,597

STATEMENTS OF INCOME AND EXPENSES ON A CASH BASIS (NOTE 1)
FOR THE YEARS ENDED OCTOBER 31, 2001, 2000 AND 1999

	2001	2000	1999
GERMAN GAS, OIL AND SULFUR ROYALTIES RECEIVED	$22,453,630	$14,155,028	$10,667,478
INTEREST INCOME	137,305	96,460	70,026
TRUST EXPENSES	(684,111)	(583,226)	(569,081)
NET INCOME ON A CASH BASIS	$21,906,824	$13,668,262	$10,168,423
NET INCOME PER UNIT ON A CASH BASIS	$2.47	$1.54	$1.17
CASH DISTRIBUTIONS PAID OR TO BE PAID			
Dividends and distributions per unit paid or to be paid to former unlocated shareholders (Note 3)	$ 0.00	$ 0.00	$ 0.00
Distributions per unit paid or to be paid to unit owners (Note 4)	$2.46	$1.56	$1.17
	$2.46	$1.56	$1.17

The accompanying notes to financial statements are an integral part of these statements.

STATEMENTS OF UNDISTRIBUTED EARNINGS (NOTE 1)
FOR THE YEARS ENDED OCTOBER 31, 2001, 2000 AND 1999

	2001	2000	1999
BALANCE, beginning of year	$ 13,951	$ 58,044	$ 69,998
Reimbursement for prior payment of past dividends and distributions	0	0	1,017
NET INCOME ON A CASH BASIS	21,906,824	13,668,262	10,168,423
	21,920,775	13,726,306	10,239,438
LESS:			
Dividends and distributions paid to former unlocated shareholders (Note 3)	0	1,043	6,318
Current year distributions paid or to be paid to unit owners (Note 4)	21,861,538	13,711,312	10,175,076
	21,861,538	13,712,355	10,181,394
BALANCE, end of year	$ 59,237	$ 13,951	$ 58,044

STATEMENTS OF CHANGES IN CASH AND CASH EQUIVALENTS (NOTE 1)
FOR THE YEARS ENDED OCTOBER 31, 2001, 2000 AND 1999

	2001	2000	1999
SOURCES OF CASH AND CASH EQUIVALENTS:			
German gas, sulfur and oil royalties received	$22,453,630	$14,155,028	$10,667,478
Interest income	137,305	96,460	70,026
Reimbursement for prior payment of past dividends and distributions	0	0	1,017
	22,590,935	14,251,488	10,738,521
USES OF CASH AND CASH EQUIVALENTS:			
Payment of Trust expenses	684,111	583,226	569,081
Distributions and dividends paid (Note 3)	19,462,100	13,040,838	10,616,169
	20,146,211	13,624,064	11,185,250
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	2,444,724	627,424	(446,729)
CASH AND CASH EQUIVALENTS, beginning of year	2,946,596	2,319,172	2,765,901
CASH AND CASH EQUIVALENTS, end of year	$ 5,391,320	$ 2,946,596	$ 2,319,172

The accompanying notes to financial statements are an integral part of these statements.

NORTH EUROPEAN OIL ROYALTY TRUST

NOTES TO FINANCIAL STATEMENTS
October 31, 2001, 2000, and 1999

(1) Summary of significant accounting policies:

Basis of accounting—

The accounts of North European Oil Royalty Trust (the "Trust") are maintained on a cash basis of accounting with the exception of the accrual for distributions to be paid to unit owners (those distributions approved by the Trustees for the Trust). The Trust's distributable incomes represent royalty income received by the Trust during the period plus interest income less any expenses incurred by the Trust, all on a cash basis. In the opinion of the Trustees, the use of the cash basis provides a more meaningful presentation to unit owners of the results of operations of the Trust.

Use of Estimates-

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

Producing gas and oil royalty rights—

The rights to certain gas and oil royalties in Germany were transferred to the Trust at their net book value by North European Oil Company (the "Company") (see Note 2). The net book value of the royalty rights has been reduced to one dollar ($1) in view of the fact that any remaining net book value of royalty rights is *de minimus* relative to annual royalties received and distributed by the Trust and does not bear any meaningful relationship to the fair value of such rights or the actual amount of proved producing reserves.

Federal and state income taxes—

The Trust, as a grantor trust, is exempt from Federal and state income taxes under a private letter ruling issued by the Internal Revenue Service.

Cash and cash equivalents—

Included in cash and cash equivalents are amounts deposited in bank accounts and amounts invested in certificates of deposit and U.S. Treasury bills with maturities of three months or less.

Net income per unit on the cash basis—

Net income per unit on the cash basis is based upon the number of units outstanding at the end of the period (see Note 3). As of October 31, 2001, 2000, and 1999, there were 8,886,804, 8,886,804 and 8,696,646 units of beneficial interest outstanding, respectively.

(2) Formation of the Trust:

The Trust was formed on September 10, 1975. As of September 30, 1975, the Company was liquidated and the remaining assets and liabilities of the Company, including its royalty rights, were transferred to the Trust. The Trust, on behalf of the owners of beneficial interest in the Trust, holds overriding royalty rights covering gas and oil production in certain concessions or leases in the Federal Republic of Germany. The rights are held under contracts with local German exploration and development subsidiaries of Exxon Mobil Corp. and the Royal Dutch Group. Under these contracts, the Trust receives various percentage royalties on the proceeds of the sales of certain products from the areas involved. At the present time, royalties are received for sales of gas well gas, oil well gas, crude oil, distillate and sulfur.

(3) Contingent liability:

The Trust serves as fiduciary for certain unlocated or unknown shareholders of the Trust's corporate predecessors, North European Oil Corporation (the "Corporation") and North European Oil Company. From the liquidation of the Company to October 31, 2000, 721,364 Trust units were issued in exchange for Corporate or Company shares and dividends of $354,101 and distributions of $4,236,544 were paid to former unlocated Corporation and Company shareholders. For the year ended October 31, 2001, there were no units issued in exchanges and no dividends and no distributions were paid to former unlocated Corporation and Company shareholders.

On February 26, 1996 the settlement of litigation between the Trust and the Delaware State Escheator was approved by the Delaware Court of Chancery. As of that date, there were a total of 875,748 authorized but unissued units representing the unexchanged shares of the Trust's corporate predecessors. Out of this total, 760,560 units were subject to the settlement. Pursuant to the Court approved settlement, 380,280 units were issued to the Escheator on April 17, 1996. Of the Trust units remaining to be issued to the Escheator, approximately 50% (190,128 units) have been issued to the Escheator as of June 30, 2000 and the remaining balance will be issued by June 30, 2005. Through June 30, 2000, claims by unlocated or unknown shareholders of the Trust's corporate predecessors for units and past dividends and distributions thereon ("subsequent claims") were paid by the Escheator and the Trust on a 50:50 basis. From July 1, 2000 to June 30, 2005, subsequent claims will be paid by the Escheator and the Trust on a 75:25 basis. Any subsequent claims will reduce the number of units to be issued to the Escheator in 2005. Following the final issuance of units to the Escheator in 2005, the Trust's contingent liability for past dividends and distributions attributable to all unexchanged Corporation and Company shares subject to the settlement will be completely eliminated. Under the terms of the settlement, the maximum liability of the Escheator for subsequent claims is limited to the value of the units received, plus current distributions on units retained, less the Escheator's share of subsequent claims. As of the receipt of the November, 2001 distribution, the maximum liability of the Escheator will be $11,638,204.

Under the Trust Agreement as deemed amended by the February 26, 1996 order of the Delaware Court of Chancery, the Trust is not required to make payments of arrearages of Company dividends or Trust distributions with respect to units issued or to be issued to the Escheator. As of October 31, 2001, there remained a total of 303,786 units that could be issued to unlocated or unknown Corporation and Company shareholders. Of this total, 190,122 units are subject to the settlement and remain to be issued to the Escheator. If all shares represented by the units already issued as well as the units remaining to be issued were presented for exchange, $487,023 in dividends and $29,899,710 in distributions would be payable. In the opinion of the Trustees, based in part on the history of exchanges during the last ten fiscal years, the maximum liability of the Escheator would be adequate to cover the Escheator's share of any subsequent claims. In any event, the Trust's contingent liability for such claims will be eliminated in 2005.

(4) Subsequent Event:

In implementation of the provisions of the order of the Delaware Court of Chancery dated February 26, 1996 (the "Delaware Order"), reported on Form 8-K filed February 26, 1996, on December 4, 2001, the Trust and the Administrator of Unclaimed Property, Office of the New York State Comptroller (the "New York Administrator") entered into a Settlement Agreement covering Units for which owners were unlocated but New York state addresses were shown in predecessor corporation records. The New York Settlement Agreement covers 89,220 Units attributable to stock ownership by unlocated shareholders of predecessor corporate entities.

Of the Units covered by the Settlement Agreement, 44,610 would be issued to the New York Administrator prior to December 31, 2001 and the balance of 44,610 will be issued on or before June 30, 2005. The Settlement Agreement provides for processing of claims in the period until June 30, 2005 and the sharing of any costs relating to any claims which are allowed. After June 30, 2005, under the Delaware Order, no payments will be required for arrearages in dividends or distributions to allowed claims and the existing contingent liability concerning them will be eliminated.

The 44,610 Units issued now will receive regular distributions of Trust royalty income. Their issuance results in a *de minimus* reduction (amounting to 0.502%) in Trust distributions to existing owners.

Management of the Trust intends to continue the implementation program permitted by the Delaware Order with other states, but the impact of any such implementation will be minimal in view of the limited numbers of addresses listed in each of the other states.

(5) Quarterly results (unaudited):

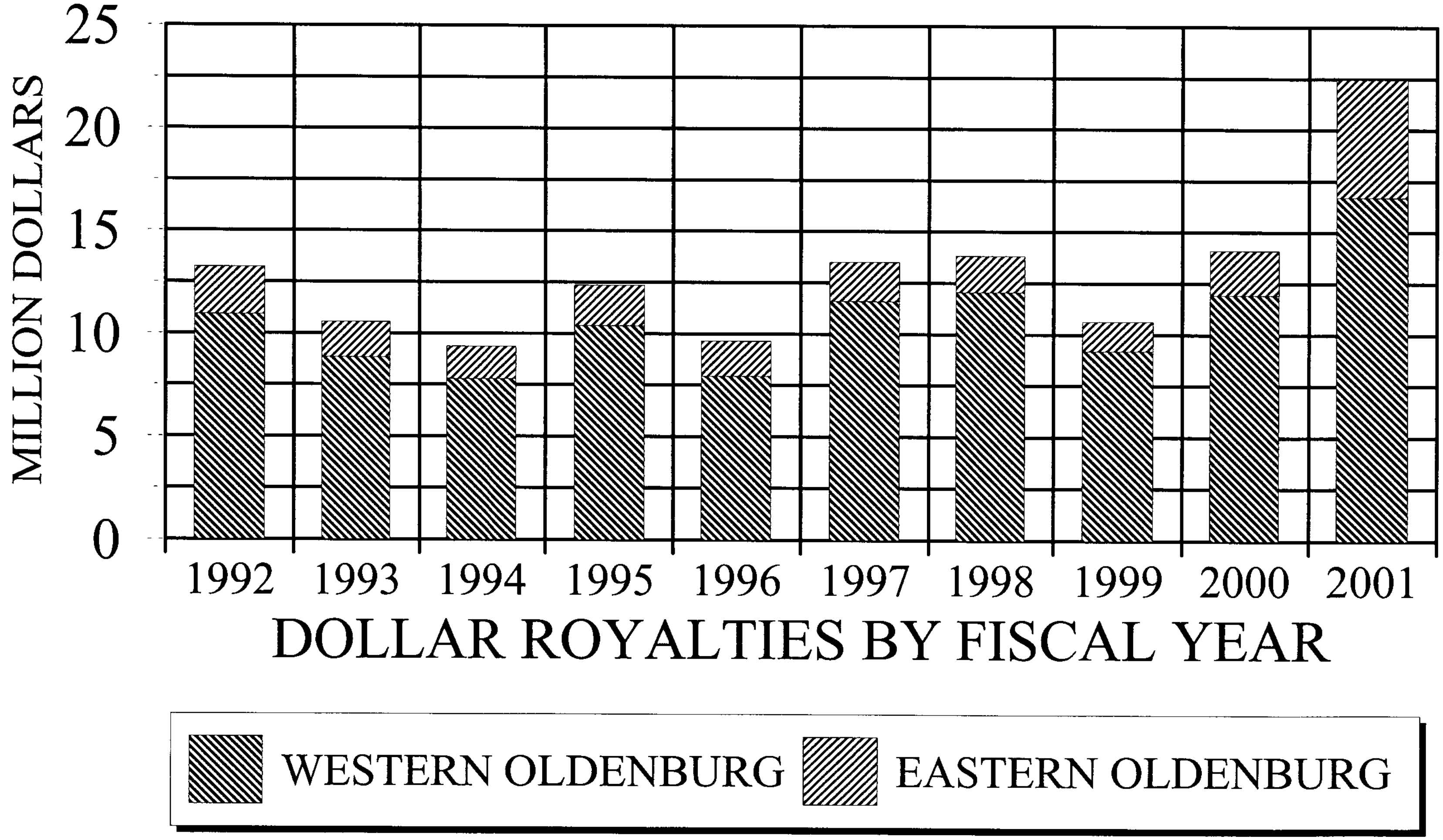
The table below summarizes the quarterly results and distributions of the Trust for the years ended October 31, 2001 and 2000.

	Fiscal 2001 by Quarter and Year				
	First	Second	Third	Fourth	Year
Royalties received	$6,441,960	$5,574,4374	$4,983,996	$5,453,300	$22,453,630
Net income on a cash basis	$6,322,861	$5,395,154	$4,870,571	$5,318,238	$21,906,824
Net income per unit on a cash basis	.71	.61	.55	.60	2.47
Current year cash distributions paid or to be paid	$6,309,631	$5,420,950	$4,798,874	$5,332,083	$21,861,538
Current year cash distributions per unit	.71	.61	.54	.60	2.46

	Fiscal 2000 by Quarter and Year				
	First	Second	Third	Fourth	Year
Royalties received	$3,499,675	$3,682,978	$3,966,769	$3,005,606	$14,155,028
Net income on a cash basis	$3,366,006	$3,541,412	$3,866,073	$2,849,771	$13,668,262
Net income per unit on a cash basis	$0.39	$0.41	$0.43	$0.33	$1.54
Current year cash distributions paid or to be paid	$3,391,704	$3,565,637	$3,821,326	$2,932,645	$13,711,312
Current year cash distributions per unit	$0.39	$0.41	$0.43	$0.33	$1.56

DOLLAR ROYALTIES

WESTERN AND EASTERN OLDENBURG



North European Oil Royalty Trust
P.O. Box 456
Red Bank, New Jersey 07701
(732) 741-4008

IMPORTANT

RETAIN THIS LETTER FOR PREPARATION OF YOUR 2001 INCOME TAX RETURNS
THE TRUST DOES NOT FILE NOR FURNISH TO OWNERS FORM 1099

January 10, 2002

To the Present and Former Unit Owners of
North European Oil Royalty Trust:

This letter sets forth the information you will require for preparation of your personal income tax returns in connection with ownership of units of beneficial interest in North European Oil Royalty Trust (the "Trust") during 2001.

For Federal income tax reporting purposes, each owner of units in the Trust is considered to be a grantor or substitute grantor as well as a beneficiary of the Trust. As such, you are deemed to have received your pro rata share of overriding royalties when paid to the Trust and are permitted to deduct your share of Trust expenses. Consequently, your net taxable income may not correspond exactly to the cash distributions received. **TRUST DISTRIBUTIONS SHOULD NOT BE INCLUDED ON INCOME TAX RETURNS AS "DIVIDEND INCOME" AND ARE NOT ELIGIBLE FOR THE DIVIDENDS RECEIVED DEDUCTION FOR CORPORATIONS.**

The Internal Revenue Service has ruled that the overriding royalty rights held by the Trust represent economic interest in oil and gas deposits. Consequently, income realized from such interests is taxable to each unit owner as ordinary income subject to cost depletion. Each unit owner's basis for computing cost depletion is the adjusted cost basis for their units. This adjusted cost basis is to be reduced annually by the depletion previously allowed. Based upon computations of proved producing reserves estimated in accordance with accepted engineering analytical principles, Ralph E. Davis Associates, Inc. of Houston, Texas, has recommended that the percentage to be applied to the cost basis to determine deductions for **the cost depletion for the year 2001 is 9.2385%.** The suggested percentage for cost depletion deduction will be adjusted annually in accordance with reported production results and revised reserve estimates. Since the above percentage covers the entire year 2001, if you owned units for only a portion of the year, you are required to prorate the percentage depletion in the ratio that the cumulative Income per Unit shown on the following schedule for the period of your ownership bears to the Total Income per Unit for the entire year.

If you owned units for the period January 1, 2001 through December 31, 2001, you will be considered to have received and expended, on the cash basis, the respective totals for each unit as shown in the following schedule. On the other hand, if you owned units for only a portion of that

TEAR OUT HERE

period, then the schedule shows the amounts of income and deductible expenses reportable by you for each unit owned for the respective months. For your information, income is received between the 24th and the end of each month.

		Income per Unit	Expenses per Unit
January	2001	$0.3520	$0.0039
February		0.2356	0.0125
March		0.2064	0.0050
April		0.1821	0.0025
May		0.2244	0.0048
June		0.1473	0.0048
July		0.1863	0.0031
August		0.2240	0.0079
September		0.2112	0.0044
October		0.1753	0.0028
November		0.1976	0.0091
December		0.1696	0.0075
TOTAL	**2001**	$2.5118	$0.0683

Income and expenses should be reported on Federal Income Tax Form 1040, Schedule E. Under Part I, Income or Loss from Rental Real Estate and Royalties, line 1 enter property description as "oil and gas overriding royalty rights, Germany through North European Oil Royalty Trust." Your income and expenses are calculated by multiplying the above per Unit figures by the number of units you owned. Your income should be entered on line 4. Expenses should be entered on line 18 as "miscellaneous Trust expenses." Your cost depletion deduction should be entered on line 20. This figure is derived by multiplying the total adjusted cost of all your units by .092385. Your adjusted cost is your original cost minus depletion deducted in prior years. Your net reportable income or loss should be entered on lines 22 and 26 in Part I and on line 40 in Part V and is determined by subtracting the amounts entered on lines 18 and 20 from the amount on line 4. All of the above entries should be adjusted for the period of time you owned your units, if you did not own them throughout 2001.

The royalty income received by the Trust represents income from Germany. Although no German taxes are imposed on this income, this information should be considered if you have available foreign tax credits from other sources.

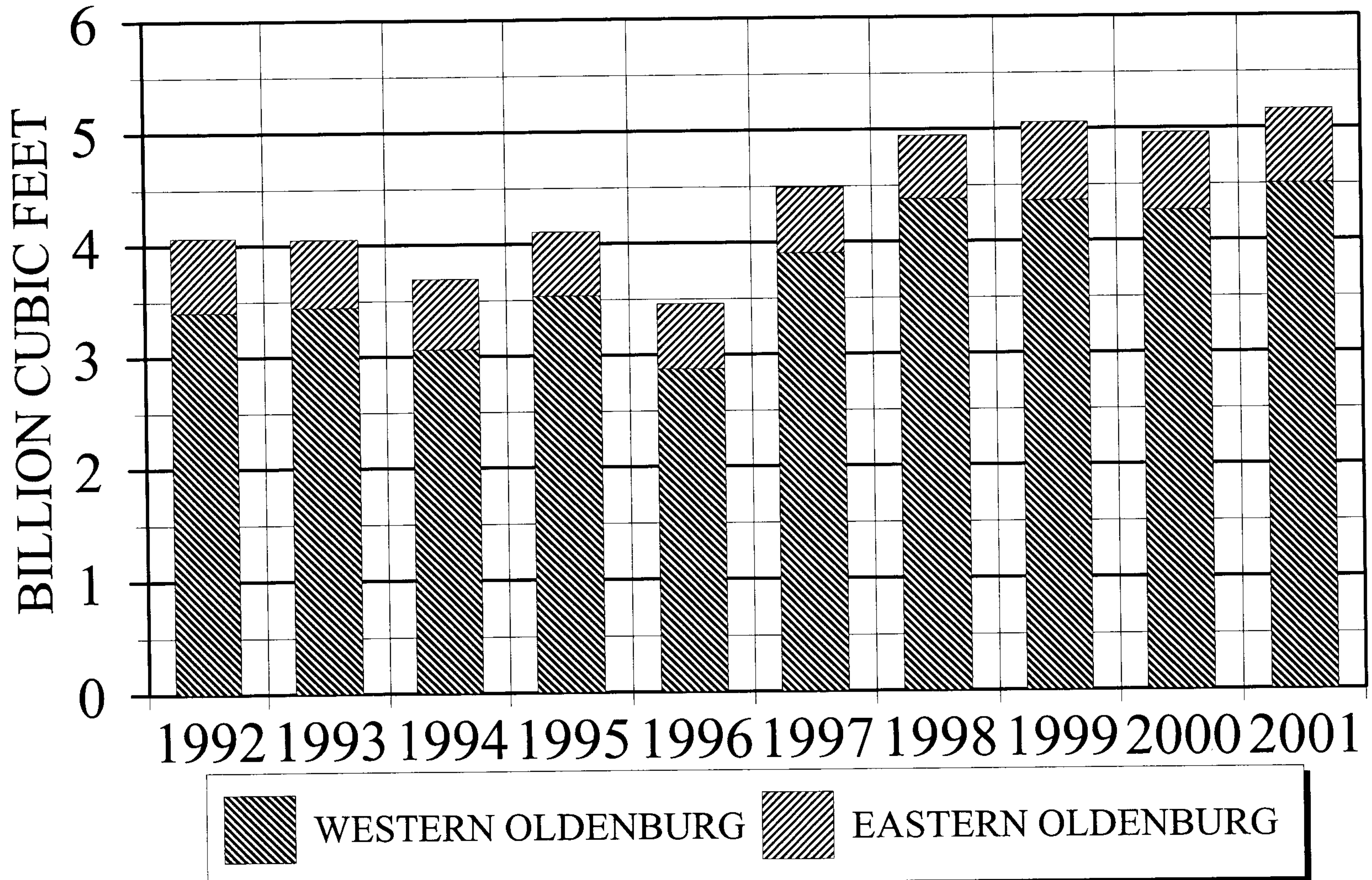
<u>The Trust will submit this letter and the listing of unit owners during 2001 to the Internal Revenue Service</u>. This list will contain names, addresses and tax ID or Social Security numbers; we suggest that you attach this letter to your tax returns.

Most sincerely,

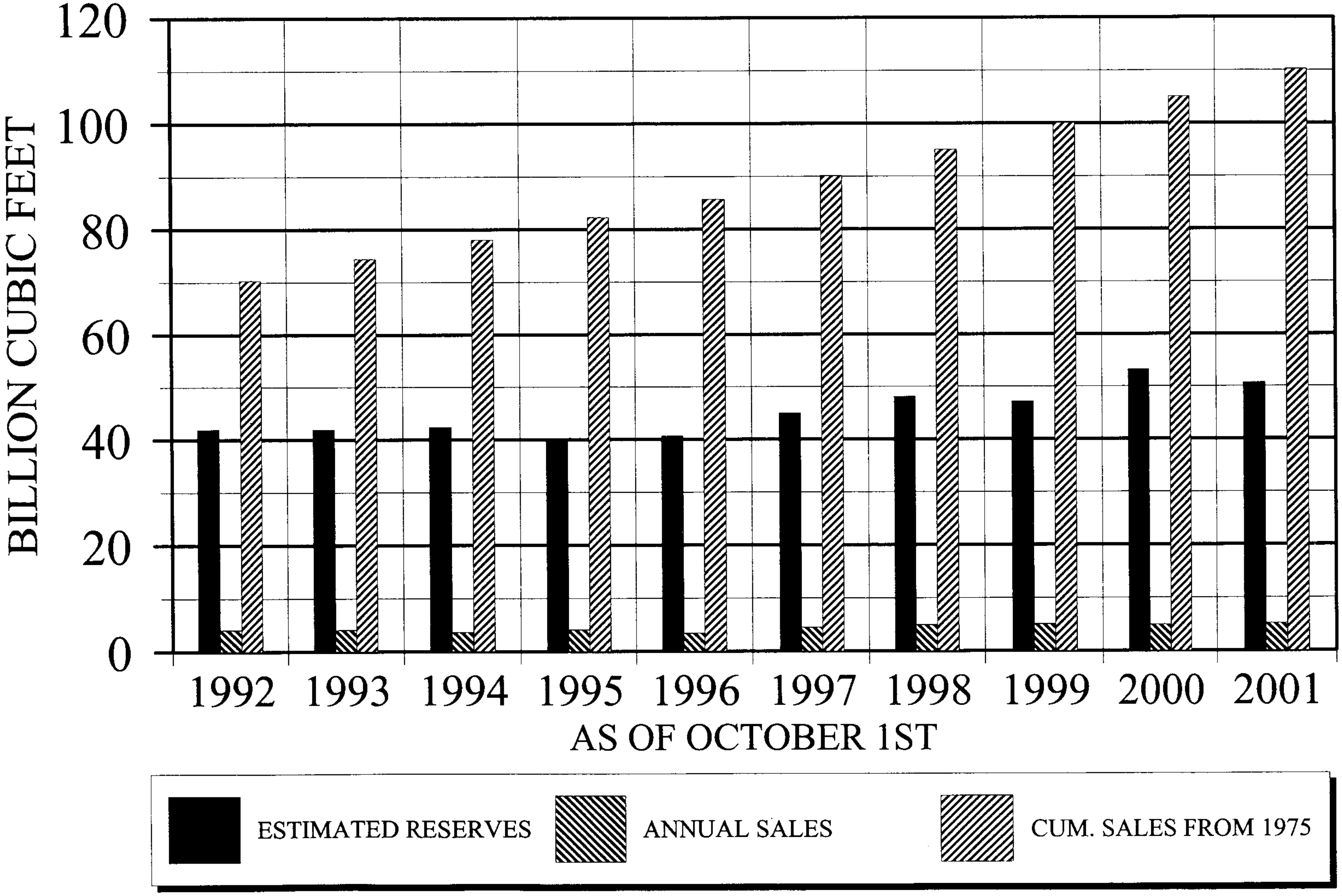
John R. Van Kirk
Managing Director

TEN YEAR HISTORY OF NET GAS SALES

REFLECTING EFFECTIVE ROYALTY RATES



NET GAS RESERVES (ESTIMATED) AND VOLUME OF NET GAS SALES



North European Oil Royalty Trust PO Box 456, Red Bank, NJ 07701

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Auditors

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Roseland, N.J. 07068

Transfer Agent

Registrar and Transfer Co.
10 Commerce Drive
Cranford, N.J. 07016
TEL: (800) 368-5948
(908) 497-2300

A copy of the Trust's Form 10-K Annual Report for fiscal 2001 as filed with the Securities and Exchange Commission will be sent to any owner upon written request to John R. Van Kirk, Managing Director, P.O. Box 456, Red Bank, New Jersey 07701.