NORTH EUROPEAN OIL ROYALTY TRUST
Form 10-Q
May 30, 2008

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended April 30, 2008 or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __________ to ___________ .

Commission file number 1-8245

NORTH EUROPEAN OIL ROYALTY TRUST
(Exact name of registrant as specified in its charter)

Delaware	22-2084119
(State of organization)	(I.R.S. Employer I.D. No.)

Suite 19A, 43 West Front Street, Red Bank, New Jersey 07701
(Address of principal executive offices)

(732) 741-4008
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer _____ Accelerated filer X

Non-accelerated filer _____ Smaller reporting company _____

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes _____ No X

Class	Outstanding at April 30, 2008
Units of Beneficial Interest	9,190,590

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements.

STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS (NOTE 1)

April 30, 2008 AND OCTOBER 31, 2007

	2008	2007
	(unaudited)	
Current assets - - Cash and cash equivalents (Note 1)	$ 9,074,525	$ 5,912,620
Producing gas and oil royalty rights, net of amortization (Notes 1 and 2)	1	1
Total Assets	$ 9,074,526	$ 5,912,621
Current liabilities - - Distributions to be paid to unit owners	$ 9,006,778	$ 5,881,978
Trust corpus (Notes 1 and 2)	1	1
Undistributed earnings	67,747	30,642
Total Liabilities and Trust Corpus	$ 9,074,526	$ 5,912,621

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

STATEMENTS OF REVENUE COLLECTED AND EXPENSES PAID (NOTE 1)

FOR THE THREE MONTHS ENDED APRIL 30, 2008 AND 2007

	2008	2007
	(unaudited)	
German gas, sulfur and oil royalties received	$ 9,360,976	$ 7,544,543
Interest income	26,979	57,210
Trust expenses	(338,549)	(268,312)
Net income	$ 9,049,406	$ 7,333,441
Net income per unit	$ .98	$ .80
Distributions per unit to be paid to unit owners	$ .98	$ .80

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

STATEMENTS OF REVENUE COLLECTED AND EXPENSES PAID (NOTE 1)

FOR THE SIX MONTHS ENDED APRIL 30, 2008 AND 2007

	2008	2007
	(unaudited)	
German gas, sulfur and oil royalties received	$16,576,059	$16,027,930
Interest income	60,334	110,903
Trust expenses	(607,662)	(545,206)
Net income	$16,028,731	$15,593,627
Net income per unit	$1.74	$1.70
Distributions per unit paid or to be paid to unit owners	$1.74	$1.69

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

STATEMENTS OF UNDISTRIBUTED EARNINGS (NOTE 1)

FOR THE SIX MONTHS ENDED APRIL 31, 2008 AND 2007

	2008	2007
	(unaudited)	
Balance, beginning of period	$ 30,642	$ 35,590
Net income	16,028,731	15,593,627
	16,059,373	15,629,217
Less:		
Current year distributions paid or to be paid to unit owners	15,991,626	15,532,097
Balance, end of period	$ 67,747	$ 97,120

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

STATEMENTS OF CHANGES IN CASH AND CASH EQUIVALENTS (NOTE 1)

FOR THE SIX MONTHS ENDED APRIL 30, 2008 AND 2007

	2008	2007
	(unaudited)	
Sources of cash and cash equivalents:		
German gas, sulfur and oil royalties	$16,576,059	$16,027,930
Interest income	60,334	110,903
	16,636,393	16,138,833
Uses of cash and cash equivalents:		
Payment of Trust expenses	607,662	545,206
Distributions paid	12,866,826	15,348,285
	13,474,488	15,893,491
Net increase (decrease) in cash and cash equivalents during the period	3,161,905	245,342
Cash and cash equivalents, beginning of period	5,912,620	7,204,250
Cash and cash equivalents, end of period	$ 9,074,525	$ 7,449,592

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

NORTH EUROPEAN OIL ROYALTY TRUST

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

(1) Summary of significant accounting policies:

Basis of Accounting -

The accompanying financial statements of North European Oil Royalty Trust (the "Trust") present financial statement balances and financial results on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States ("GAAP basis"). Cash basis financial statements disclose revenue when cash is received and expenses when cash is paid. GAAP basis financial statements disclose income as earned and expenses as incurred, without regard to receipts or payments. The modified cash basis of accounting is utilized to permit the accrual for distributions to be paid to unit owners (those distributions approved by the Trustees for the Trust). The Trust's distributable income represents 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 modified cash basis of accounting provides a more meaningful presentation to unit owners of the results of operations of the Trust.

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 the remaining net book value of royalty rights is de minimis 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 income taxes -

The Trust, as a grantor trust, is exempt from Federal 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 original maturities of three months or less from the date of purchase.

From time to time, the amounts deposited in the Trust's bank accounts may exceed the federally insured limit.

Net income per unit -

Net income per unit is based upon the number of units outstanding at the end of the period. As of both April 30, 2008 and 2007, there were 9,190,590 units of beneficial interest outstanding.

(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. These rights are held under contracts with local German exploration and development subsidiaries of ExxonMobil Corp. and the Royal Dutch/Shell Group of Companies. 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) Related party transactions:

John R. Van Kirk, the Managing Director of the Trust, provides office space and services to the Trust at cost. For such office space and office services, the Trust reimbursed the Managing Director $4,824 and $3,134 in the second quarter of fiscal 2008 and 2007, respectively. For such office space and office services, the Trust reimbursed the Managing Director $13,746 and $10,763 in the first six months of fiscal 2008 and 2007, respectively.

As of January 1, 2007, Lawrence A. Kobrin, a Trustee of the Trust, was named Senior Counsel at Cahill Gordon & Reindel LLP which serves as counsel to the Trust. Prior to such time, Mr. Kobrin was a partner at Cahill Gordon & Reindel LLP. For the second quarter of fiscal 2008 and 2007, the Trust paid Cahill Gordon & Reindel LLP $28,687 and $8,732 for legal services, respectively. For the first six months of fiscal 2008 and 2007, the Trust paid Cahill Gordon & Reindel LLP $85,379 and $40,607 for legal services, respectively.

As of November 1, 2006, John H. Van Kirk, the former Managing Trustee of the Trust and the father of John R. Van Kirk, was named to the position of Founding Trustee Emeritus. For his service in such capacity, he earned $2,500 in each of the second quarters of fiscal 2008 and 2007 and $5,000 in the first six months of fiscal 2008 and 2007.

(4) Employee Benefit Plan:

The Trust has established a savings incentive match plan for employees (SIMPLE IRA) that is available to all employees of the Trust, including the Managing Director. The Trustees have authorized the Trust to make contributions to the accounts of the employees, on a matching basis, of up to 3% of cash compensation paid to each employee effective as of January 1, 2008.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Executive Summary

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 does not engage 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 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 ExxonMobil Corp. ("ExxonMobil"), or by Oldenburgische Erdolgesellschaft ("OEG"). In 2002, Mobil Erdgas and BEB Erdgas und Erdol GmbH ("BEB"), a joint venture of ExxonMobil and the Royal Dutch/Shell Group of Companies, formed a company ExxonMobil Production Deutschland GmbH ("EMPG") to carry out all exploration, drilling and production activities. All sales activities are still handled by the operating companies, either Mobil Erdgas or BEB.

The operating companies pay monthly royalties to the Trust based on their sales of natural gas, sulfur and oil. Of these three products, natural gas provides approximately 98% of the total royalties. 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 the gas is sold and the exchange rate. The Oldenburg concession is the primary area from which the natural gas, sulfur and oil are extracted and provides nearly 100% of all the royalties received by the Trust. The Oldenburg concession (1,398,000 acres) covers virtually the entire former Principality of Oldenburg and is located in the federal state of Lower Saxony.

Under one set 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 (the "Mobil Agreement"). Under the Mobil Agreement there is no deduction of costs prior to the calculation of royalties from gas well gas and oil well gas, which together account for approximately 99% of all the royalties under this agreement. Historically, the Trust has received significantly greater royalty payments under the Mobil Agreement due to the higher royalty rate specified by that agreement.

Under another set of rights covering the entire Oldenburg concession and pursuant to the agreement with OEG, the Trust receives royalties at the rate of 0.6667% on gross receipts from sales by BEB of gas well gas, oil well gas, crude oil, condensate and sulfur (removed during the processing of sour gas) less a certain allowed deduction of costs (the "OEG Agreement"). Under the OEG Agreement, 50% of the field handling, treatment and transportation costs, as reported for state royalty purposes, are deducted from the gross sales receipts prior to the calculation of the royalty to be paid to the Trust. On November 23, 2007, N.V. Nederlandse Gasunie (the state owned Dutch gas distribution company) announced that it had reached an agreement with BEB regarding the purchase by Gasunie of BEB's North German gas distribution and transmission network. Preliminary informal discussions with OEG personnel indicate that the pipeline sale should not affect the method of royalty calculations. The Trust is continuing discussions with the operator both to obtain a formal confirmation that the sale will not affect the method of royalty calculation and to fully understand the impact, if any, of the pipeline sale on future royalty income.

The Trust also receives small amounts of royalties from a private lease area, Grosses Meer, outside the Oldenburg concession. The German authorities have requested that the operating companies conduct a reservoir analysis to determine whether the royalties are being properly allocated based on the locations of the gas reserves. Until such time as this issue is settled, the payment of royalties from Grosses Meer has been suspended. For fiscal 2007, total royalties from Grosses Meer received by the Trust were less than $80,000.

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 impact on the price of light heating oil and a delayed impact on the price of gas. The Trust itself does not have access to the specific sales contracts under which gas from the Oldenburg concession is sold. These contacts are reviewed periodically on behalf of the Trust by Ernst & Young AG to verify the correctness of application of the Agreement formulas for the computation of royalty payments.

For unit owners, changes in the value of the Euro have both an immediate and long-term impact. The immediate impact is from the exchange rate that is applied at the time the royalties, paid to the Trust in Euros, are converted into dollars at the time of their transfer from Germany to the United States. A higher exchange rate would yield more dollars and a lower exchange rate fewer dollars. The long-term impact relates to the mechanism of gas pricing. Since oil on the international market is priced in dollars, a weaker Euro would mean that oil imported into Germany is more expensive. A stronger Euro would mean that oil imported into Germany is less expensive. These changes in the price of oil in Germany are subsequently reflected in the price of light heating oil, which is used as a component in the calculation of gas prices in the contracts under which the gas is sold. The changes in German domestic light heating oil prices are in turn reflected in gas prices with a built-in delay of three to six months.

Seasonal demand factors affect the income from royalty rights insofar as they relate to energy demands and increases or decreases in prices, but on average they are not material to the regular annual income received under the royalty rights.

The Trust has no means of ensuring continued income from overriding royalty rights at their present level or otherwise. The Trust's current consultant in Germany provides general information to the Trust on the German and European economies and energy markets. This information provides a context in which to evaluate the actions of the operating companies. In his position as consultant, he receives reports from the operating companies with respect to current and planned drilling and exploration efforts. However, the unified exploration and production venture, EMPG, which provides the reports to the Trust's consultant, continues to limit the information flow to that which is required by German law.

The relatively low level of administrative expenses of the Trust limits the 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. 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 delay factor of three to six months prior to the application of any changes in light heating oil prices to gas prices.

As mandated by the Trust Agreement, distributions of income are made on a quarterly basis. These distributions, as determined by the Trustees, constitute substantially all the funds on hand after provision is made for Trust expenses then anticipated.

Results: Second Quarter of Fiscal 2008 Versus Second Quarter of Fiscal 2007

For the second quarter of fiscal 2008, the Trust's net income was $9,049,406, an increase of 23.40% from the net income of $7,333,441 for the second quarter of fiscal 2007. Royalties received for the second quarter of fiscal 2008 were $9,360,976, an increase of 24.1% as compared to $7,544,543 for the second quarter of fiscal 2007. These royalties were derived from sales of gas, sulfur and oil from the Trust's overriding royalty areas in Germany during the first calendar quarter of 2008. A distribution of 98 cents per unit was paid on May 28, 2008 to owners of record as of May 16, 2008.

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 the gas is sold and the exchange rate. For the second quarter of fiscal 2008, a combination of higher gas prices and higher average exchange rates under both the Mobil and the OEG Agreements more than offset the decline in gas sales and resulted in the increase in the amount of royalties received.

For the quarter just ended, the average price of gas sold under the Mobil Agreement increased 14.66% to 2.2876 Eurocents/Kwh ("Ecents/Kwh") from 1.9950 Ecents/Kwh in the second quarter of fiscal 2007. Based on the transfer from Germany of royalties received under the Mobil Agreement, the average value of the Euro for the quarter just ended increased 15.10% to a dollar equivalent of $1.5333 from $1.3321 for the second quarter of fiscal 2007. For the quarter just ended, under the Mobil Agreement gas sales decreased 18.22% to 14.004 billion cubic feet ("Bcf") from 17.125 Bcf in the second quarter of fiscal 2007. Converting the average gas prices using the average exchange rate into more familiar terms yields an average gas price under this agreement of $10.10 per thousand cubic feet ("Mcf") compared to $7.64/Mcf for the second quarter of fiscal 2007.

For the quarter just ended, the average price of gas sold under the OEG Agreement increased 3.35% to 2.3809 Ecents/Kwh from 2.3038 Ecents/Kwh in the second quarter of fiscal 2007. Based on the transfer from Germany of royalties received under the OEG Agreement, the average value of the Euro for the quarter just ended increased 16.06% to a dollar equivalent of $1.5432 from $1.3297 for the second quarter of fiscal 2007. For the quarter just ended, under the OEG Agreement gas sales decreased 16.88% to 33.680 Bcf from 40.518 Bcf in the second quarter of fiscal 2007. Converting the average gas prices using this average exchange rate into more familiar terms yields an average gas price under this agreement of $10.33/Mcf compared to $8.60/Mcf for the second quarter of fiscal 2007.

For the quarter just ended, Trust interest income decreased 52.84% to $26,979 from $57,210 in the second quarter of fiscal 2007, reflecting both the reduced funds available for investment and the decline in interest rates applicable during the period. Trust expenses for the second quarter of fiscal 2008 increased 26.18% or $70,237 to $338,549 primarily due to costs associated with the biennial review of the German operating companies.

The current Statement of Assets, Liabilities and Trust Corpus of the Trust at April 30, 2008, compared to that at fiscal year end (October 31, 2007), shows an increase in assets due to the higher royalty receipts during the second quarter of fiscal 2008 compared to the fourth quarter of fiscal 2007.

Results: First Six Months of Fiscal 2008 Versus First Six Months of Fiscal 2007

For the six month period, the Trust's net income was $16,028,731, an increase of 2.79% from the net income of $15,593,627 for last year's equivalent period. Royalties received for the first six months of fiscal 2008 were $16,576,059, an increase of 3.4% as compared to $16,027,930 for the first six months of fiscal 2007. These royalties were derived from sales of gas, sulfur and oil from the Trust's overriding royalty areas in Germany during the fourth calendar quarter of 2007 and the first calendar quarter of 2008. For the six month period ended April 30, 2008 total distributions were equal to $1.74 per unit compared to total distributions of $1.69 for the first six months of fiscal 2007.

For the first six months of fiscal 2008, a combination of higher gas prices under the Mobil Agreement and higher average exchange rates under both the Mobil and OEG Agreements more than offset the lower gas prices under the OEG Agreement and the decline in gas sales under both agreements and resulted in the increase in the amount of royalties received.

For the six months just ended, the average price of gas sold under the Mobil Agreement increased 2.53% to 2.1867 Ecents/Kwh from 2.1327 Ecents/Kwh in the first six months of fiscal 2007. Based on the transfer from Germany of royalties received under the Mobil Agreement, the average value of the Euro for the six months just ended increased 14.00% to a dollar equivalent of $1.5025 from $1.3180 for the first six months of fiscal 2007. For the six months just ended, under the Mobil Agreement gas sales decreased 18.43% to 28.255 Bcf from 34.637 Bcf in the first six months of fiscal 2007. Converting the average gas prices using this average exchange rate into more familiar terms yields an average gas price under this agreements of $9.46/Mcf compared to $8.08/Mcf for the first six months of fiscal 2007.

For the six months just ended, the average price of gas sold under the OEG Agreement decreased 2.91% to 2.2851 Ecents/Kwh from 2.3536 Ecents/Kwh in the first six months of fiscal 2007. Based on the transfer from Germany of royalties received under the OEG Agreement, the average value of the Euro for the quarter just ended increased 14.50% to a dollar equivalent of $1.5075 from $1.3166 for the first six months of fiscal 2007. For the six months just ended, under the OEG Agreement gas sales decreased 17.09% to 68.395 Bcf from 82.493 Bcf in the first six months of fiscal 2007. Converting the average gas prices using this average exchange rate into more familiar terms yields an average gas price under this agreement of $9.69/Mcf compared to $8.70/Mcf for the first six months of fiscal 2007.

Interest income for the six month period declined 45.60% to $60,334 from $110,903 in the first six months of fiscal 2007, reflecting the decreased funds available for investment and the decrease in interest rates applicable during the period. Trust expenses for the six month period increased 11.46% or $62,456 to $607,662 in comparison to the prior year's equivalent period primarily due to costs associated with the biennial review of the German operating companies.

Report on Drilling and Geophysical Work

The Trust's German consultant, Alfred Stachel, met with representatives of the operating companies recently to inquire about planned and proposed drilling and geophysical work for 2008 and beyond and other general matters. The following is a summary of Mr. Stachel's account of the operating companies' responses to his inquiries. The Trust is not able to confirm the accuracy of any of these findings or responses. In addition, the operating companies are not obligated to take any of the actions outlined and, if they change their plans with respect to any such actions, they are not obligated to inform the Trust.

The operating companies reported to Mr. Stachel that the drilling program is being continued with three wells (all located in eastern Oldenburg) planned for calendar 2008. Goldenstedt Z-7a, which had already found gas in the Carboniferous zone but had encountered a technical problem when the drill string became lodged and could not be extricated, resumed drilling in March 2008. The third sidetrack for this well will re-drill the reservoir section and will be the second well completed with the intention of exploiting the tight Carboniferous gas zone. The Carboniferous zone is a sweet gas zone located below the Zechstein (sour gas) zone. Due to the nature of this zone, the horizontal deviations along with multiple hydraulic fracturing treatments are normally required to increase production to an economic level. Following the completion of the drilling of Goldenstedt Z-7a, the drilling rig will be moved to the second well, Varnhorn Z-7a, which will further explore the Carboniferous zone and is scheduled to begin drilling in June 2008. If Varnhorn Z-7a tests positive for gas, additional work comprised of individual hydraulic fracturing treatments will be conducted along its horizontal length before it enters production. The final well for 2008 is Sage Z-5, which is planned to delineate the existing gas field and improve gas recovery from the Zechstein zone. Sage Z-5 is a new well site and has not been finalized as to location. This well will be drilled as a slanted borehole with a horizontal reservoir section of 1,500 meters. Drilling is tentatively scheduled to begin in the fall of 2008.

In addition to these wells planned for 2008, 3 additional wells (Goldenstedt Z-10 and Z-23 and Cappeln Z-6) are in the early planning stages to develop additional areas of the Carboniferous zone, and 4 infill wells (Quadmoor Z-5, Visbek Z-16a, Brinkholz Z-5 and Goldenstedt Z-16a) are under consideration to further develop the Zechstein (sour gas) zone. Since the

Zechstein zone is characterized by low porosity, these infill wells have the potential of developing new reserves that could not be reached by existing wells. A final well, Hemmelte NW T 1, is also in the early planning stages for some point beyond 2008, perhaps mid 2009. While this well was initially intended to explore both the Bunter (sweet gas) and Zechstein zones, it has been scaled back to just the Bunter zone. A later separate well will be drilled to access the deeper Zechstein zone. Since the planning for all these wells is in its earliest stages and the availability of drilling rigs in Germany is limited, this drilling program will likely be spread over several years.

The processing and interpretation of earlier seismic work covering the Quadmoor, Rechterfeld, Sagermeer, Brinkholz, Goldenstedt, Visbek and Oythe fields is continuing. Additionally, the operators plan to complete reservoir models for Goldenstedt, Visbek, Quadmoor, Woestendollen, Rechterfeld, Varnhorn, Doetlingen, Brinkholz, Brettorf and Neerstedt. This work provides detailed information regarding depth, location and extent of potential gas bearing structures and provides insight into how best to develop the available reserves within these fields through further drilling, including infill, exploratory and horizontal.

According to the long-term inspection and maintenance schedule, a four week period of maintenance work has been scheduled for the Grossenkneten desulfurization plant from May 23 to June 26, 2008. During this period, normal operations and thru-put of the plant are normally reduced by approximately one-third.

This report on Form 10-Q contains forward looking statements concerning business, financial performance and financial condition of the Trust. Many of these statements are based on information provided to the Trust by the operating companies or by consultants using public information sources. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in any forward looking statements. These include uncertainties concerning levels of gas production and gas prices, general economic conditions and currency exchange rates and the risks described in Item 1A, "Risk Factors," in the Trust's Annual Report on Form 10-K for the fiscal year ended October 31, 2007. Actual results and events may vary significantly from those discussed in the forward looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Trust does not engage in any trading activities with respect to possible foreign exchange fluctuations. The Trust does not use any financial instruments to hedge against possible risks related to foreign exchange fluctuations. Market risk is negligible because standing instructions at its German bank require the bank to process conversions and transfers of royalty payments as soon as possible following their receipt. The Trust does not engage in any trading activities with respect to possible commodity price fluctuations.

Item 4. Controls and Procedures.

The Trust maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Trust is recorded, processed, summarized, accumulated and communicated to its management, which consists of the Managing Director, to allow timely decisions regarding required disclosure, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

The Managing Director has performed an evaluation of the effectiveness of the design and operation of the Trust's disclosure controls and procedures as of April 30, 2008. Based on that evaluation, the Managing Director concluded that the Trust's disclosure controls and procedures were effective as of April 30, 2008.

There have been no changes in our internal control over financial reporting identified in connection with the evaluation described above that occurred during the second quarter of fiscal 2008 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Part II -- OTHER INFORMATION

Item 5. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of Unit Owners was held on February 13, 2008. The results of the voting for the election of Trustees and two amendments to the Trust Agreement are set forth in the Trust's 10-Q for the first quarter of fiscal 2008, which was filed on February 28, 2008.

Item 6. Exhibits.

Exhibit 31. Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32. Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NORTH EUROPEAN OIL ROYALTY TRUST
(Registrant)

/s/ John R. Van Kirk
John R. Van Kirk
Managing Director

Dated: May 30, 2008