NORTH EUROPEAN OIL ROYALTY TRUST
Form 10-Q
August 27, 2009

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 July 31, 2009 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes _____ 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 July 31, 2009
Units of Beneficial Interest	9,190,590

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements.

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

JULY 31, 2009 AND OCTOBER 31, 2008

	2009	2008
	(Unaudited)	(Audited)
Current assets - - Cash and cash equivalents	$5,430,425	$9,524,529
Producing gas and oil royalty rights, net of amortization (Notes 1 and 2)	1	1
Total Assets	$5,430,426	$9,524,530
Current liabilities - - Distributions to be paid to unit owners, paid August 2009 and November 2008	$5,330,543	$9,466,308
Trust corpus (Notes 1 and 2)	1	1
Undistributed earnings	99,882	58,221
Total Liabilities and Trust Corpus	$5,430,426	$9,524,530

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 JULY 31, 2009 AND 2008

	2009	2008
	(Unaudited)	
German gas, sulfur and oil royalties received	$5,466,337	$8,463,341
Interest income	1,191	17,332
Trust expenses	(223,984)	(253,814)
Net income	$5,243,544	$8,226,859
Net income per unit	$0.57	$0.90
Distributions per unit to be paid to unit owners	$0.58	$0.89

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

STATEMENTS OF REVENUE COLLECTED AND EXPENSES PAID (NOTE 1)

FOR THE NINE MONTHS ENDED JULY 31, 2009 AND 2008

	2009	2008
	(Unaudited)	
German gas, sulfur and oil royalties received	$25,072,153	$25,039,400
Interest income	10,839	77,666
Trust expenses	(870,079)	(861,476)
Net income	$24,212,913	$24,255,590
Net income per unit	$2.63	$2.64
Distributions per unit to be paid to unit owners	$2.63	$2.63

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

STATEMENTS OF UNDISTRIBUTED EARNINGS (NOTE 1)

FOR THE NINE MONTHS ENDED JULY 31, 2009 AND 2008

	2009	2008
	(Unaudited)	
Balance, beginning of period	$ 58,221	$ 30,642
Net income	24,212,913	24,255,590
	24,271,134	24,286,232
Less:		
Current year distributions paid or to be paid to unit owners	24,171,252	24,171,251
Balance, end of period	$ 99,882	$ 114,981

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

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

FOR THE NINE MONTHS ENDED July 31, 2009 AND 2008

	2009	2008
	(Unaudited)	
Sources of cash and cash equivalents:		
German gas, sulfur and oil royalties	$25,072,153	$25,039,400
Interest income	10,839	77,666
	25,082,992	25,117,066
Uses of cash and cash equivalents:		
Payment of Trust expenses	870,079	861,476
Distributions paid	28,307,017	21,873,604
	29,177,096	22,735,080
Net increase (decrease) in cash and cash equivalents during the period	(4,094,104)	2,381,986
Cash and cash equivalents, beginning of period	9,524,529	5,912,620
Cash and cash equivalents, end of period	$ 5,430,425	$ 8,294,606

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"). On a modified cash basis, revenue is earned when cash is received and expenses are incurred when cash is paid. GAAP basis financial statements disclose revenue 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.

These financial statements should be read in conjunction with the financial statements that were included in the Trust's Annual Report on Form 10-K for the period ended October 31, 2008. The Statement of Assets, Liabilities and Trust Corpus included herein contains information from the Trust's 2008 Form 10-K.

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.

The amounts deposited in the Trust's bank accounts are covered under the FDIC's Temporary Liquidity Guarantee Program.

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 July 31, 2009 and 2008, there were 9,190,590 units of beneficial interest outstanding.

New Accounting Pronouncements -

In May 2009, the FASB issued Statement No. 165, Subsequent Events. Statement 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. Statement 165 was effective for interim and annual periods ending after June 15, 2009. The Trust evaluated events between the end of the most recent quarter, July 31, 2009, and August 25, 2009, the date the financial statements were issued. There were no subsequent events during this period.

(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, condensate and sulfur.

(3) Related party transactions:

John R. Van Kirk, the Managing Director of the Trust, provides office space and office services to the Trust at cost. For such office space and office services, the Trust reimbursed the Managing Director $6,948 and $7,494 in the third quarter of fiscal 2009 and 2008, respectively. For such office space and office services, the Trust reimbursed the Managing Director $18,748 and $21,240 in the first nine months of fiscal 2009 and 2008, 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 third quarter of fiscal 2009 and 2008, the Trust paid Cahill Gordon & Reindel LLP $15,267 and $15,685 for legal services, respectively. For the first nine months of fiscal 2009 and 2008, the Trust paid Cahill Gordon & Reindel LLP $82,999 and $101,064 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 $0 and $2,500 in the third quarters of fiscal 2009 and 2008 and $5,000 and $7,500 in the first nine months of fiscal 2009 and 2008, respectively. John H. Van Kirk, who served as President of North European Oil Corporation and North European Oil Company from 1954-1975 and as Managing Trustee of the Trust from 1975-2006, passed away on February 25, 2009.

(4) Employee Benefit Plan:

As of January 1, 2008, the Trust 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 for the 2009 calendar year.

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.

There are two types of natural gas found within the Oldenburg concession, "sweet" gas and "sour" gas. "Sweet" gas needs no treatment before it can be sold. In recent years "sweet" gas has assumed the role of swing producer. During periods of high demand the production of "sweet" gas is increased as necessary. During the summer months "sweet" gas production is reduced due to a general decline in demand. On the other hand, "sour" gas must be processed at either the Grossenkneten or NEAG desulfurization plants before it can be sold. The desulfurization process removes hydrogen sulfide and other contaminants. The hydrogen sulfide in gaseous form is converted to sulfur in a solid form and sold separately. For efficiency purposes, the desulfurization plants are operated at capacity on a continual basis. Any excess production from the plants is stored in underground storage for higher demand periods. As needed, the operators conduct maintenance on the plants, generally during the summer months when demand is lower.

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.

The Trust is also entitled under the Mobil Agreement to receive 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 of sulfur by Mobil Erdgas at a selling price above an agreed upon base price. This base price is adjusted annually by an inflation index. The Trust had received no sulfur royalties under this agreement for over ten years until the second quarter of fiscal 2008, when the average selling price exceeded the indexed base price. During the second through the fourth quarters of fiscal 2008, the Trust received $259,770, $266,168 and $448,753 in royalties, respectively. In the first quarter of fiscal 2009 the Trust received $244,874 in sulfur royalties under the Mobil Agreement. However, the average selling price for sulfur once again dropped below the indexed base price and no royalties based on sulfur sales were received under the Mobil Agreement in the second or third quarters of fiscal 2009.

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. NV Nederlandse Gasunie (the state owned Dutch gas distribution company) has completed the purchase 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 calculation. The Trust is continuing discussions with the operator to obtain a formal confirmation that the sale will not affect the method of royalty calculation.

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. During the period in which the operating companies conducted this analysis, the payment of royalties to the Trust was suspended. While this issue of allocation of royalties has been resolved, the final accounting of royalties due the Trust has not been completed and no royalties based on gas sales from Grosses Meer have been paid to the Trust during fiscal 2009. The Trust received $37,612 in royalties from Grosses Meer in the first quarter of fiscal 2008 and since then has received no further 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 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. Working under a confidentiality agreement with the operating companies, the Trust's German accountant reviews these contracts periodically on behalf of the Trust 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, together 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: Third Quarter Fiscal 2009 Versus Third Quarter Fiscal 2008

For the third quarter of fiscal 2009, the Trust's net income was $5,243,544, a decrease of 36.26% from the net income of $8,226,859 for the third quarter of fiscal 2008. Gross royalties received for the third quarter of fiscal 2009 were $5,466,337, a decrease of 35.41% as compared to $8,463,341 for the third quarter of fiscal 2008. These royalties were derived from sales of gas, sulfur and oil from the Trust's overriding royalty areas in Germany during the second calendar quarter of 2009. A distribution of 58 cents per unit was paid on August 26, 2009 to owners of record as of August 14, 2009.

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. Gas sales are measured in billion cubic feet ("Bcf"). Gas prices are reported in Euro cents per Kilowatt hour ("Ecents/Kwh") and dollars per thousand cubic feet ("$/Mcf"). The primary factor affecting royalty revenue for the quarter just ended was the decline in gas prices under both the Mobil and the OEG Agreements. In addition, in comparison to the third quarter of fiscal 2008, the lower average value of the Euro relative to the dollar decreased the number of dollars received when the royalties paid in Euros were converted to dollars at the time of their transfers to the U.S. Gas sales were virtually unchanged in comparison to the prior year's equivalent period.

Factors Affecting Royalties Paid under the Mobil Agreement

	3rd Fiscal Qtr. Ended 7/31/2009	3rd Fiscal Qtr. Ended 7/31/2008	Percentage Change
Gas Sales (Bcf)	12.290	12.314	- 0.20%
Gas Prices (Ecents/Kwh)	1.8579	2.4704	-24.79%
Gas Prices ($/Mcf)	$ 7.52	$11.16	-32.62%
Average Euro Exchange Rate	$1.4060	$1.5688	-10.38%

Factors Affecting Royalties Paid under the OEG Agreement

	3rd Fiscal Qtr. Ended 7/31/2009	3rd Fiscal Qtr. Ended 7/31/2008	Percentage Change
Gas Sales (Bcf)	31.205	31.045	+ 0.51%
Gas Prices (Ecents/Kwh)	2.1681	2.5699	-15.63%
Gas Prices ($/Mcf)	$ 8.48	$11.35	-25.29%
Average Euro Exchange Rate	$1.3946	$1.5730	-11.34%

If we exclude the effects of differences in prices and average exchange rates, the combination of royalty rates on gas sold from western Oldenburg results in an effective royalty rate approximately seven times higher than the royalty rate on gas sold from eastern Oldenburg. This is of particular significance to the Trust since gas sold from western Oldenburg provides the bulk of royalties paid to the Trust. For the quarter just ended, gas sales from western Oldenburg accounted for only 39.38% of all gas sales. However, royalties on these gas sales provided approximately 81.04% or $4,360,454 out of a total of $5,380,602 in Oldenburg royalties attributable to gas.

During fiscal 2009, the operating companies performed no maintenance on the Grossenkneten desulfurization plant. However, during the third quarter of fiscal 2008, the operating companies conducted a six-week maintenance program on this plant. During this period one-third of the plant was shut down for two weeks on a rotating basis until the maintenance was completed. This reduction in processing capacity negatively affected gas sales during the prior year's period.

Interest income was minimal due to the substantial decline in interest rates applicable during the period. Per the terms of the Trust Agreement, funds temporarily held by the Trust are invested in certificates of deposit or U.S. Treasury Bills. For the quarter just ended, Trust interest income decreased 93.13% to $1,191 from $17,332 in the third quarter of fiscal 2008. Trust expenses for the third quarter of fiscal 2009 decreased 11.75% or $29,830 to $223,984 in comparison to the prior year's equivalent period. This decline in expenses is related to the start-up costs of and early work by the Trust's German counsel with respect to the legal aspects arising from the examination of the German operating companies' royalty payments in the prior year's period. This examination is conducted every other year.

The current Statement of Assets, Liabilities and Trust Corpus of the Trust at July 31, 2009, compared to that at fiscal year-end (October 31, 2008), shows a decline in assets due to the lower royalty receipts during the third quarter of fiscal 2009.

Results: First Nine Months of Fiscal 2009 Versus First Nine Months of Fiscal 2008

For the nine month period, the Trust's net income was $24,212,913, a decrease of 0.18% from the net income of $24,255,590 for last year's equivalent period. Gross royalties received for the first nine months of fiscal 2009 were $25,072,153, an increase of 0.13% as compared to $25,039,400 for the first nine months of fiscal 2008. These royalties were primarily derived from sales of gas, sulfur and oil from the Trust's overriding royalty areas in Germany during the fourth calendar quarter of 2008 and the first two calendar quarters of 2009. For both nine month periods ended July 31, 2009 and 2008, total distributions were equal to $2.63 per unit. As in prior years, the Trust receives adjustments from the operating companies based on their final calculations of royalties payable during the previous calendar year. As an adjustment for the prior calendar year, the Trust received the equivalent of $0.0964 and $0.1090 per unit during the first nine months of fiscal 2008 and 2009, respectively. In addition, the total distribution for the current nine month period includes a one-time adjustment covering the period 2005-2007. During their verification, the Trust's German accountants discovered errors related to calculation discrepancies in the determination of average gas prices. Following the required recalculation, the Trust received the equivalent of $0.1013 per unit as an adjustment.

The primary factors affecting royalty revenue for the nine months just ended were increases in gas prices and decreases in average exchange rates under both the Mobil and the OEG Agreements. The combination of these factors, along with the slight decline in gas sales, resulted in only minor changes in net income and no change in the cumulative distribution payable.

Factors Affecting Royalties Paid under the Mobil Agreement

	Nine Months Ended 7/31/2009	Nine Months Ended 7/30/2008	Percentage Change
Gas Sales (Bcf)	38.827	40.569	- 4.29%
Gas Prices (Ecents/Kwh)	2.6086	2.2729	+14.77%
Gas Prices ($/Mcf)	$10.11	$ 9.98	+ 1.30%
Average Euro Exchange Rate	$1.3454	$1.5244	-11.74%

Factors Affecting Royalties Paid under the OEG Agreement

	Nine Months Ended 7/31/2009	Nine Months Ended 7/30/2008	Percentage Change
Gas Sales (Bcf)	97.971	99.441	- 1.48%
Gas Prices (Ecents/Kwh)	2.9499	2.3739	+24.26%
Gas Prices ($/Mcf)	$11.07	$10.21	+ 8.42%
Average Euro Exchange Rate	$1.3368	$1.5296	-12.60%

If we exclude the effects of differences in prices and average exchange rates, the combination of royalty rates on gas sold from western Oldenburg results in an effective royalty rate approximately seven times higher than the royalty rate on gas sold from eastern Oldenburg. This is of particular significance to the Trust since gas sold from western Oldenburg provides the bulk of royalties paid to the Trust. For the nine months just ended, gas sales from western Oldenburg accounted for only 39.63% of all gas sales. However, royalties on these gas sales provided approximately 81.68% or $19,896,792 out of a total of $24,360,470 in Oldenburg royalties attributable to gas.

During fiscal 2009, the operating companies performed no maintenance on the Grossenkneten desulfurization plant. However, during the third quarter of fiscal 2008, the operating companies conducted a six-week maintenance program on this plant. During this period one-third of the plant was shut down for two weeks on a rotating basis until the maintenance was completed. This reduction in processing capacity negatively affected gas sales during the prior year's period.

Interest income was lower reflecting the decline in interest rates applicable during the period. Interest income for the nine month period decreased 86.04% to $10,840 from $77,666 in the first nine months of fiscal 2008. Trust expenses for the nine month period increased 0.99% or $8,603 to $870,079 in comparison to the prior year's equivalent period. The increase in expenses resulted primarily from a timing issue in the payment of an insurance fee.

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, 2008. 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. The 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 July 31, 2009. Based on that evaluation, the Managing Director concluded that the Trust's disclosure controls and procedures were effective as of July 31, 2009.

There have been no changes in our internal control over financial reporting identified in connection with the evaluation described above that occurred during the third quarter of fiscal 2009 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II -- OTHER INFORMATION

Item 6. Exhibits.

Exhibit 31. Certification of Chief Executive Officer 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: August 27, 2009