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NORTH EUROPEAN OIL ROYALTY TRUST
Form 10-K
December 28, 2007

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended October 31, 2007 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)

(IRS Employer Identification Number)

Suite 19A, 43 West Front Street, Red Bank, N.J.

07701

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number including area code: 732-741-4008

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered
Units of Beneficial Interest New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No X

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. .

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

Large accelerated filer      Accelerated filer    X    Non-accelerated filer  
      ---  ---

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

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As of April 30, 2007, the aggregate market value of outstanding units of beneficial interest of the registrant held by non-affiliates of the registrant was \$368,910,283 on such date.

As of December 31, 2007, there were 9,190,590 units of beneficial interest ("units") of the registrant outstanding.

Documents Incorporated by Reference

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Items 10, 11, 12, 13 and 14 of Part III have been partially or wholly omitted from this report and the information required to be contained therein is incorporated by reference from the Registrant's definitive proxy statement dated January 10, 2008 for the annual meeting to be held on February 13, 2008.

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PART I

Item 1. Business.

(a) General Development of Business.

Registrant (the "Trust") is a grantor trust which, on behalf of the owners of beneficial interest in the Trust (the "unit owners"), 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 ExxonMobil Corp. ("ExxonMobil") and the Royal Dutch/Shell Group of Companies ("Royal Dutch/Shell 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. See Item 2 of this Report for descriptions of certain of these contracts.

The royalty rights were received by the Trust from North European Oil Company (the "Company") upon dissolution of the Company in September, 1975. The Company was organized in 1957 as the successor to North European Oil Corporation (the "Corporation"). The Trust is administered by trustees (the "Trustees") under an Agreement of Trust dated September 10, 1975, as amended (the "Trust Agreement").

Neither the Trust nor the Trustees on behalf of the Trust conduct any active business activities or operations. The function of the Trustees is to monitor, verify, collect, hold, invest and distribute the royalty payments made to the Trust. Under the Trust Agreement, the Trustees make quarterly distributions of the net funds received by the Trust on behalf of the unit owners. Funds temporarily held by the Trust are invested in interest bearing bank deposits, certificates of deposit, U.S. Treasury Bills or other government obligations.

There has been no significant change in the principal operation or purpose of the Trust during the past fiscal year.

During the past several years, the Securities and Exchange Commission (the "SEC") finalized rules implementing legislation concerning governance matters for publicly held entities that was passed as part of the Sarbanes-Oxley Act of 2002 ("SOX"). The Trust is complying with the requirements of the SEC and SOX and at this time the Trustees have chosen not to request any relief from those provisions based on the passive nature of the Trust. In that connection, the Trustees have directed that certain of the additional statements and disclosures set forth or incorporated by reference in this Report, which the SEC requires of corporations, be made even though some of such statements and disclosures might not now or in the future be required to be made by the Trust.

In addition, the New York Stock Exchange (the "NYSE"), where units of beneficial interest of the Trust are listed for trading, has adopted additional corporate governance rules as set forth in Section 303A of the NYSE Listed Company Manual. Most of the governance requirements promulgated

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by the NYSE are not applicable to the Trust which is a passive entity acting as a royalty trust and holds only overriding royalty rights. The Trust does not engage in any operating or active business. The Trustees have, however, chosen to constitute an Audit and a Compensation Committee.

(b) Financial Information about Segments.  
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Since the Trust conducts no active business operations, an analysis by segments is accordingly not applicable to the Trust. To the extent that royalty income received by the Trust is attributable to sales of different products, to sales from different geographic areas or to sales by different operating companies, this information is set forth in Item 2 of this Report and the Exhibit described in that Item 2.

(c) Narrative Description of Business.  
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Under the Trust Agreement, the Trust conducts no active business operations and is restricted to collection of income from royalty rights and distribution to unit owners of the net income after payment of administrative and related expenses.

The overriding royalty rights held by the Trust are derived from contracts and agreements originally entered into by German subsidiaries of the predecessor Corporation during the early 1930s. Some of these royalty rights are based on leases which have passed their original expiration dates. However, the leases remain in effect as long as there is continued production or the lessor does not cancel the lease. Individual lessors will normally not seek termination of the rights originally granted because the leases provide for royalty payments to the lessors if sales of oil or gas result from discoveries made on the leased land. Additionally, termination by individual lessors would result in the escheat of mineral rights to the State. The remainder of the Trust's royalty rights are based on government granted concessions which remain in effect as long as there are continued production activities and/or exploration efforts by the operating companies. It is generally anticipated that the operating companies will continue production where it remains economically profitable for them to do so.

Royalties are paid to the Trust on sales from production under these leases and concessions by the operating companies on a regular monthly or quarterly basis pursuant to the royalty agreements. Since January 2001, the operating companies have been making royalty payments to the Trust exclusively in Euros. Once deposited in the Trust's bank account in Germany, the Euros are converted into U.S. dollars at the rate in effect on the date of transfer. The Trust does not engage in activities to hedge against currency risk or similar transactions and the fluctuations in the conversion rate impact its financial results. The Trust has not experienced any difficulty in effecting the conversion into U.S. dollars.

As the holder of overriding royalty rights, the Trust has no legal ability, whether by contract or operation of law, to compel production. Moreover, if an operator should determine to terminate production in any concession or lease area and to surrender the concession or lease, the royalty rights for that area would thereby be terminated. Under certain royalty

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agreements, the operating companies are required to advise the Trust of any intention to surrender lease or concession rights. While the Trust itself is precluded from undertaking any production activities, possible residual rights might permit the Trust to take up a surrendered concession or lease and attempt to retain a third party operator to develop such concession or lease.

During fiscal 2006, when offered the opportunity to exercise residual rights at the time of abandonment of four minor non-productive leases, the Trust found that, due to the size of the leases, the lack of any current production or hydrocarbon potential and the lack of interest by alternate operating companies, it was appropriate to accede to the surrender of these leases.

The exploration for and the production of gas and oil is a speculative business. The Trust has no means of ensuring continued income from its royalty rights at either their present levels or otherwise. In addition, fluctuations in prices and supplies of gas and oil and the effect these fluctuations might have on royalty income to the Trust and on reserves net to the Trust cannot be accurately projected. The Trustees have no information with which to make any projections beyond information on economic conditions which is generally available to the public and thus are unwilling to make any such projections.

While Germany has laws relating to environmental protection, the Trustees have no detailed information concerning the present or possible effect of such laws on operations in areas where the Trust holds royalty rights on production and sale of products from those areas.

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 generally not material to the regular annual income received under the royalty rights.

The Trust, either itself or in cooperation with holders of parallel royalty rights, arranges for periodic reviews of the books and records of the operating companies to verify compliance with the computation provisions of the applicable agreements. From time to time, these examinations disclose computational errors or errors from inappropriate application of existing agreements and appropriate adjustments are requested and made.

(d) Financial Information about Foreign and Domestic Operations and

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Export Sales.  
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The Trust does not engage in any active business operations, and its sources of income are the overriding royalty rights covering gas, sulfur and oil production in certain areas in Germany and interest on the funds temporarily invested by the Trustees. In Item 2 of this Report, there is a schedule (by product, geographic area and operating company) showing the royalty income received by the Trust during the fiscal year ended October 31, 2007.

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(e) Trustees and Executive Officers of the Trust.  
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As specified in the Trust Agreement, the affairs of the Trust are managed by not more than five individual Trustees who receive compensation determined under that same agreement. One of the Trustees is designated as Managing Trustee and receives additional compensation in such capacity. Robert P. Adelman, who is 77 years old, has served as Managing Trustee (non-executive) since November 1, 2006.

Day-to-day matters are handled by the Managing Director, John R. Van Kirk, who also serves as CEO and CFO. John R. Van Kirk, who is 55 years old, has held the position of Managing Director of the Trust since November 1990. The Managing Director provides office space and services at cost to the Trust.

In addition to the Managing Director, the Trust has one administrative employee in the United States. The Trust also maintains a part-time consultancy relationship with an expert in Germany from whom it receives reports on a regular basis. Because the Trust has only two employees, employee relations or labor contracts are not directly material to the business or income of the Trust. The Trustees have no specific information concerning employee relations of the operating companies.

(f) Available Information.  
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The Trust maintains a website at [www.neort.com](http://www.neort.com). The Trust's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and related amendments are available free of charge through the Trust's website as soon as reasonably practicable after such reports are filed with or furnished to the SEC. The Trust's Code of Conduct and Business Ethics, the Trustees' Regulations and the Trust's Audit Committee Charter are also available on the Trust's website. The Trust's website and the information contained in it and connected to it shall not be deemed incorporated by reference into this Form 10-K.

Item 1A. Risk Factors.

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The results of operations and financial condition of the Trust are subject to various risks. Some of these risks are described below, and you should take such risks into account in evaluating the Trust or any investment decision involving the Trust. This section does not describe all risks that may be applicable to the Trust and it is intended only as a summary of certain material risk factors. More detailed information concerning the risk factors described below is contained in other sections of this Annual Report on Form 10-K.

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The Trust does not conduct any active business activities or operations and has no legal ability to compel production.  
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The Trust holds overriding royalty rights only. It is a passive entity and conducts no operations. It can exert no influence on the operating companies that conduct exploration, drilling, production and sales activities in the areas covered by the Trust's overriding royalty rights. Thus, the Trust has no means of ensuring continued income from its overriding royalty rights. The failure of an operator to conduct its operations, discharge its obligations, deal with regulatory agencies or comply with laws, rules and regulations, including environmental laws and regulations, in a proper manner could have an adverse effect on the net proceeds payable to the Trust. The Trust also has no right to remove or replace an operator.

The current operating companies are under no obligation to continue operations on the royalty areas. The production and sale of proved producing reserves of natural gas, from which the Trust derives its royalties, reduces the amount of remaining reserves. If the operating companies do not perform additional development projects which replace at least a portion of the current production, the anticipated life of the Trust will not be extended and could be shortened. Absent further additions to the amount of proved producing reserves, production and sales will reach a point in the future where the level of sales will no longer be commercially viable and production will cease.

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Trust reserve estimates depend on many assumptions that may prove to be inaccurate, and these inaccuracies may cause errors in the reserve estimates.  
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The value of Trust units may depend in part on the reserves attributable to the royalty areas. The calculations performed in the process of estimating proved producing reserves are inherently uncertain. The accuracy of any reserve estimate is a function of the quality of available data, engineering interpretation and judgment, and the assumptions used regarding the quantities of recoverable natural gas and the future prices of crude oil and natural gas. The Trust receives monthly and quarterly reports from the operating companies with respect to production and sales on either a well-by-well or a field-wide basis. The Trust also receives semi-annual reports from the operating companies with respect to current and planned drilling and exploration efforts. These reports are very limited in nature. The unified exploration and production venture, ExxonMobil Production Deutschland GmbH ("EMPG"), which provides these reports to the Trust,



continues to limit the information flow to that which is required by German law, and the Trust has no legal or contractual right to compel the issuance of additional information. The Trust's inability to compel the delivery of detailed information with respect to individual wells increases the likelihood of inaccuracy in the petroleum engineering consultant's estimates of reserves.

Actual production, revenues and expenditures by the operating companies for the royalty areas, and therefore actual net proceeds payable to the Trust, will vary from estimates and those variations could be material.

Fluctuations in prices of gas and oil and the effect of these fluctuations on  
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royalty income to the Trust cannot be accurately projected.  
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The Trust's distributions are highly dependent upon the prices realized from the sale of natural gas and a decrease in such prices could reduce the amount of cash distributions paid to unit owners.

Oil and natural gas prices can fluctuate widely in response to a variety of factors that are beyond the control of the Trust. Factors that contribute to price fluctuation include, among others: (1) political conditions in major oil producing regions, especially in the Middle East and Russia; (2) worldwide and German economic conditions; (3) weather conditions; (4) the price of oil or natural gas imported into Germany; and (5) the level of consumer demand in Germany.

When oil and natural gas prices decline, the Trust is affected in two ways. First, net income from the royalty areas is reduced. Second, exploration and development activity by the operating companies on the royalty areas may decline as some projects may become uneconomic and are either delayed or eliminated. It is impossible to predict future oil and natural gas price movements, and this, along with other factors, make future cash distributions to unit owners impossible to predict.

Changes in the value of the Euro have both an immediate and long term impact  
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on the Trust.  
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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 U.S. 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 less 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 contracted gas prices with a built-in delay of three to six months.

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## Item 1B. Unresolved Staff Comments.

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None.

## Item 2. Properties.

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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 ExxonMobil, or by Oldenburgische Erdolgesellschaft ("OEG"). As a result of direct and indirect ownership, ExxonMobil owns two-thirds of OEG and the Royal Dutch/Shell Group owns one-third of 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. BEB Erdgas und Erdol GmbH ("BEB"), a joint venture in which ExxonMobil and the Royal Dutch/Shell Group each own 50%, administers the concession held by OEG. In 2002, Mobil Erdgas and BEB formed EMPG to carry out all exploration, drilling and production activities. All sales activities are still handled by either Mobil Erdgas or BEB.

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 said 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. When the average selling price falls below the adjusted base price, no royalties are payable. No payments were received from the sale of sulfur under this agreement during fiscal 2007 or the previous five years.

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 is deducted from the gross sales receipts prior to the calculation of the royalty to be paid to the Trust. After the close of the fiscal year, on November 23, 2007, NV 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. No details concerning this purchase, which is

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subject to the approval of the relevant German authorities, are currently available and it is not possible at this time for the Trustees to estimate or project the impact, if any, this sale might have on the Trust's royalty income or the deduction of costs under the OEG Agreement.

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 these agreements, reserves from these areas 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 even though there are no current exploration or development activities in these areas. No royalties have been received under these concessions since 1996.

In addition to the areas of Oldenburg and Bavaria, the Trust also holds overriding royalties at various rates on a number of leases of various sizes in other areas of northwest Germany. At the present time, all but one of these leases are in the non-producing category. Due to the low level of income and the intermittent gas production from the single producing lease, reserves from this lease are not included in reserve calculations for this report year.

The following is a schedule of royalty income for the fiscal year ended October 31, 2007 by product, geographic area and operating company:

### BY PRODUCT:

Product	Royalty Income
Gas Well and Oil Well Gas	\$ 26,923,681
Sulfur	\$ 257,239
Oil	\$ 303,334

### BY GEOGRAPHIC AREA:

Area	Royalty Income
Western Oldenburg	\$ 22,666,110
Eastern Oldenburg	\$ 4,738,796
Non-Oldenburg Areas	\$ 79,348

### BY OPERATING COMPANY:

Company	Royalty Income
Mobil Erdgas (under the Mobil Agreement)	\$ 19,339,534
BEB (under the OEG Agreement)	\$ 8,144,720

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Exhibit 99.1 to this Report is a report entitled The Calculation of Cost Depletion Percentage for the 2007 Calendar Year Based on the Estimate of Remaining Proved Producing Reserves in the Northwest Basin of the Federal Republic of Germany as of October 1, 2007 (the "Cost Depletion Report"). The Cost Depletion Report, dated December 14, 2007, was prepared by Ralph E. Davis Associates, Inc., 1717 St. James Place, Suite 460, Houston, Texas 77056 ("Davis Associates"). Davis Associates is an independent petroleum and natural gas consulting organization specialized in analyzing hydrocarbon reserves.

The Cost Depletion Report provides documentation supporting the calculation of the cost depletion percentage for the 2007 calendar year based on the use of certain production data and the estimated net proved producing reserves as of October 1, 2007 for the primary area in which the Trust holds overriding royalty rights. The cost depletion percentage is prepared for the Trust's unit owners for tax reporting purposes. In order to permit timely filing of the Cost Depletion Report and consistent with the practice of the Trust in prior years, the information has been prepared for the 12-month period ended September 30, 2007, which is one month prior to the end of the fiscal year of the Trust. Unit owners are referred to the full text of the Cost Depletion Report contained herein for further details.

The primary purpose of the Cost Depletion Report is the preparation of the cost depletion percentage. The only information provided to the Trust that can be utilized in the calculation of the cost depletion percentage is current and historical production and sales of proved producing reserves. Pursuant to the arrangements under which the Trust holds royalty rights and due to the fact that the Trust is not considered an operating company within Germany, it has no access to the operating companies' proprietary information concerning producing field reservoir data. The Trustees have been advised that publication of such information is not required under applicable law in Germany and that the royalty rights do not grant the Trust the right to require or compel the release of such information. Past efforts to obtain such information have not been successful. The information made available to the Trust by the operating companies does not include any of the following: reserve estimates, capitalized costs, production cost estimates, revenue projections, producing field reservoir data (including pressure data, permeability, porosity and thickness of producing zone) or other similar information. While the limited information available to the Trust permits the calculation of the cost depletion percentage, it does not change the uncertainty with respect to the estimate of proved producing reserves. In addition, it is impossible for the Trust or its consultant to make estimates of proved undeveloped or probable future net recoverable oil and gas by appropriate geographic areas.

The Trust has the authority to examine, but only for certain limited purposes, the operating companies' sales and production from the royalty areas. The Trust also has access to published materials in Germany from W.E.G. (a German organization equivalent to the American Petroleum Institute or the American Gas Association). The use of such statistical information relating to production and sales necessarily involves extrapolations and projections. Both Davis Associates and the Trustees believe the use of the material available is appropriate and suitable for preparation of the cost depletion percentage and the estimates described in the Cost Depletion Report. Both the Trustees and Davis Associates believe this report and these estimates to be reasonable and appropriate but assume that these estimates may vary from statistical estimates which could be made if reservoir production information (of the kind normally available to domestic producing companies) were available. The limited information

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available makes it inappropriate to make projections or estimates of proved or probable reserves of any category or class other than the estimated net proved producing reserves described in the Cost Depletion Report.

Attachment A of the Cost Depletion Report shows a schedule of estimated net proved producing reserves of the Trust's royalty properties, computed as of October 1, 2007 and a five year schedule of gas, sulfur and oil sales for the twelve months ended September 30, 2007, 2006, 2005, 2004 and 2003 computed from quarterly sales reports of operating companies received by the Trust during such periods.

Item 3. Legal Proceedings.  
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The Trust is not party to any material pending legal proceeding.

Item 4. Submission of Matters to a Vote of Security Holders.  
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None.

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## PART II

Item 5. Market for the Registrant's Units of Beneficial Interest,  
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Related Unit Owner Matters and Trust Purchases of Units of  
-----  
Beneficial Interest.  
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The Trust's units of beneficial interest are traded on the New York Stock Exchange under the symbol NRT. In addition, the Midwest Stock Exchange and the Boston Exchange have granted unlisted trading privileges in the Trust units.

Under the Trust Agreement the Trustees distribute to unit owners, on a quarterly basis, the net royalty income after deducting expenses and reserving limited funds for anticipated administrative expenses.

The following table presents the high and low closing prices for the quarterly periods ended in fiscal 2007 and 2006 as reported by the NYSE as well as the cash distributions paid to unit owners by quarter for the past two fiscal years.

### FISCAL YEAR 2007

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Quarter Ended -----	Low Closing Price -----	High Closing Price -----	Distribution Per Unit -----
January 31, 2007	\$33.56	\$39.01	\$0.89
April 30, 2007	\$35.45	\$40.46	\$0.80
July 31, 2007	\$37.29	\$39.90	\$0.58
October 31, 2007	\$31.50	\$37.62	\$0.64

### FISCAL YEAR 2006

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Quarter Ended -----	Low Closing Price -----	High Closing Price -----	Distribution Per Unit -----
January 31, 2006	\$25.25	\$30.50	\$0.85
April 30, 2006	\$26.85	\$33.50	\$0.88
July 31, 2006	\$31.25	\$42.75	\$0.77
October 31, 2006	\$31.03	\$43.75	\$0.78

The quarterly distributions to unit owners represent their undivided interest in royalty payments from sales of gas, sulfur and oil during the previous quarter. Each unit owner is entitled to recover a portion of his or her investment in these royalty rights through a cost depletion percentage. The calculation of this cost depletion percentage is set forth in detail in Attachment B to the Cost Depletion Report attached as

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Exhibit 99.1 to Form 10-K. The Cost Depletion Report has been prepared by Davis Associates using the limited information described in Item 2 of this Report to which reference is made. The Trustees believe that the calculations and assumptions used in the Cost Depletion Report are reasonable according to the facts and circumstances of available information. The cost depletion percentage recommended by the Trust's independent petroleum and natural gas consultants for calendar 2007 is 8.5046%. Specific details relative to the Trust's income and expenses and cost depletion percentage as they apply to the calculation of taxable income for the 2007 calendar year are included on a special removable page in the 2007 Annual Report under "Note to Unit Owners." A separate letter containing the same information has been sent to all unit owners who were registered at any time during calendar 2007 and who are no longer registered owners as of the end of the calendar year. Additionally, the tax reporting information for 2007 is available on the Trust's website, [www.neort.com](http://www.neort.com).

As of November 30, 2007, there were 1,116 unit owners of record.

The Trust does not maintain any compensation plans under which units are authorized for issuance. The Trust did not make any repurchases of Trust units during fiscal 2007, 2006 or 2005.

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Item 6. Selected Financial Data.

NORTH EUROPEAN OIL ROYALTY TRUST					
SELECTED FINANCIAL DATA (CASH BASIS)					
FOR FIVE FISCAL YEARS ENDED OCTOBER 31, 2007					
	2007	2006	2005	2004	2003
German gas, sulfur and oil royalties received	\$27,484,254	\$31,079,122	\$21,085,039	\$15,061,209	\$18,169,035
Net Income	\$26,739,669	\$30,258,944	\$20,222,814	\$14,307,658	\$17,398,359
Net Income per unit	\$2.91	\$3.29	\$2.20	\$1.60	\$1.95
Units of beneficial interest outstanding at end of year (a)	9,190,590	9,190,590	9,180,876	8,933,310	8,931,414
Distributions paid or to be paid:					
Dividends and distributions per unit paid to formerly unlocated unit owners	.00	.02	.02	.01	.00
Distributions per unit paid or to be paid to unit owners	\$2.91	\$3.28	\$2.22	\$1.59	\$1.95
Total assets at year end	\$5,912,621	\$7,204,251	\$3,920,268	\$3,014,387	\$4,063,767

(a) Net income per unit was calculated based on the number of units outstanding at the end of the fiscal year.



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### Item 7. 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 engaging in such activities 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 the Trustees hold pursuant to the Trust Agreement on behalf of the unit owners, are overriding royalty rights on the 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 or by OEG. In 2002, Mobil Erdgas and BEB formed a company 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 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 state of Oldenburg and is located in the federal state of Lower Saxony.

Under the Mobil Agreement covering the western part of the Oldenburg concession, 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 Mobil Agreement there is no deduction of costs prior to the calculation of royalties from gas well gas and oil well gas. Historically, the Trust has received significantly greater royalty payments under the Mobil Agreement due to the higher royalty rate specified by the agreement.

Under the OEG Agreement covering the entire Oldenburg concession, 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. Under the OEG Agreement, 50% of the field handling, treatment and transportation costs as reported by OEG for state royalty purposes are deducted from the gross sales receipts prior to the calculation of the royalty to be paid to the Trust.

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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 U.S. 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 less 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 contracted gas prices with a built-in delay of three to six months.

Seasonal demand factors affect the income from the Trust's royalty rights insofar as they relate to energy demands and increases or decreases in prices, but on average they are generally not material to the annual income received under the Trust's 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 of the funds on hand after provision is made for Trust expenses then anticipated.

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Results: Fiscal 2007 versus Fiscal 2006

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For fiscal 2007, the Trust's gross royalty income decreased 11.57% to \$27,484,254 from \$31,079,122 in fiscal 2006. Declines in both gas prices and gas sales were only partially offset by an increase in average exchange rates and combined to decrease the amount of royalty income, which resulted in the lower distributions.

Under the Mobil Agreement, gas sales decreased 10.47% to 65.606 Billion cubic feet ("Bcf") in fiscal 2007 from 73.282 Bcf in fiscal 2006. Weather proved to be a significant factor during fiscal 2007 by reducing overall demand across Germany and Europe in general.

### Quarterly and Yearly Gas Sales under the Mobil Agreement

Fiscal Quarter	2007 Gas Sales	2006 Gas Sales	Percentage Changed
First	17.512 Bcf	19.540 Bcf	-10.38%
Second	17.125 Bcf	19.016 Bcf	-9.95%
Third	16.177 Bcf	17.613 Bcf	-8.15%
Fourth	14.792 Bcf	17.113 Bcf	-13.56%
Fiscal Year Total	65.606 Bcf	73.282 Bcf	-10.47%

Average gas prices for gas sold under the Mobil Agreement decreased 11.76% to 1.8688 Euro cents per kilowatt hour ("Ecents/Kwh") in fiscal 2007 from 2.1178 Ecents/Kwh in fiscal 2006. Except for the first quarter of fiscal 2007, the average gas price for each quarter posted a decline over the prior year's corresponding quarter. The decline in world oil prices during late 2006, the increase in the value of the Euro as U.S. dollar denominated oil prices began to rise, and the weather related reduction in demand accounted for much of this decline.

### Average Gas Prices under the Mobil Agreement

Fiscal Quarter	2007 Gas Prices	2006 Gas Prices	Percentage Change
First	2.2673 Ecents/Kwh	2.0456 Ecents/Kwh	10.84%
Second	1.9950 Ecents/Kwh	2.2743 Ecents/Kwh	-12.28%
Third	1.5159 Ecents/Kwh	2.0417 Ecents/Kwh	-25.75%
Fourth	1.6366 Ecents/Kwh	2.1046 Ecents/Kwh	-22.23%
Fiscal Year Avg.	1.8688 Ecents/Kwh	2.1178 Ecents/Kwh	-11.76%

Converting gas prices into more familiar terms, using the average exchange rate, yielded a price of \$7.21/Mcf, a 3.89% decrease over fiscal 2006's average price of \$7.50/Mcf. For fiscal 2007, the average value of the Euro based on the transfer of royalties received from western Oldenburg gas sales was \$1.3415 up 8.95% from the average value of \$1.2313 for fiscal 2006.

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from 178.472 Bcf in fiscal 2006 due primarily to weather.

Quarterly and Yearly Gas Sales under the OEG Agreement			
Fiscal Quarter	2007 Gas Sales	2006 Gas Sales	Percentage Changed
First	41.976 Bcf	47.876 Bcf	-12.32%
Second	40.518 Bcf	46.775 Bcf	-13.38%
Third	37.982 Bcf	42.563 Bcf	-10.76%
Fourth	36.260 Bcf	41.258 Bcf	-12.11%
Fiscal Year Total	156.736 Bcf	178.472 Bcf	-12.18%

Average gas prices for gas sold under the OEG Agreement decreased 2.27% to 2.1463 Ecents/Kwh in fiscal 2007 from 2.1961 Ecents/Kwh in fiscal 2006. Except for the first quarter of fiscal 2007, the average gas price for each quarter posted a decline over the prior year's corresponding quarter. The decline in world oil prices during late 2006, the increase in the value of the Euro as U.S. dollar denominated oil prices began to rise, and the weather related reduction in demand accounted for much of this decline.

Average Gas Prices under the OEG Agreement			
Fiscal Quarter	2007 Gas Prices	2006 Gas Prices	Percentage Change
First	2.4017 Ecents/Kwh	2.1240 Ecents/Kwh	13.08%
Second	2.3038 Ecents/Kwh	2.3088 Ecents/Kwh	-0.22%
Third	1.8744 Ecents/Kwh	2.1900 Ecents/Kwh	-14.27%
Fourth	1.9568 Ecents/Kwh	2.1582 Ecents/Kwh	-9.33%
Fiscal Year Avg.	2.1463 Ecents/Kwh	2.1961 Ecents/Kwh	-2.27%

Converting gas prices into more familiar terms using the average exchange rate yielded a price of \$8.08/Mcf, a 6.09% increase over fiscal 2006's average price of \$7.62/Mcf. For fiscal 2007, the average value of the Euro based on the transfer of royalties received from overall Oldenburg gas sales was \$1.3409 up 8.47% from the average value of \$1.2362 for fiscal 2006.

Reflecting both increased cash available for short term investment and higher interest rates, interest income for fiscal 2007 increased by 26.77% to \$207,932 for fiscal 2007 from \$164,021 for fiscal 2006. Trust expenses decreased 3.22% to \$952,517 in fiscal 2007 from \$984,199 in fiscal 2006.

Results: Fiscal 2006 versus Fiscal 2005

For fiscal 2006, the Trust's gross royalty income increased 47% to \$31,079,122 from \$21,085,039 in fiscal 2005. Increases in gas prices and gas sales offset the slight decline in average exchange rates and combined to increase the amount of royalty income, which resulted in the higher distributions.

Under the Mobil Agreement, gas sales increased 7.74% to 73.282 Bcf in fiscal 2006 from 68.019 Bcf in fiscal 2005. Other than the current year's third quarter when the annual maintenance was conducted at the Grossenkneten desulfurization plant, each quarter's gas sales increased over the prior year's equivalent period. The contrast in gas sales for the third and fourth quarters in fiscal 2005 and 2006 reflected the shift in normal scheduling of maintenance at the desulfurization plant from the third quarter to the fourth

quarter in fiscal 2005. The 2006 maintenance was conducted during the third

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quarter of fiscal 2006.

Quarterly and Yearly Gas Sales under the Mobil Agreement			
Fiscal Quarter	2006 Gas Sales	2005 Gas Sales	Percentage Changed
First	19.540 Bcf	17.333 Bcf	12.73%
Second	19.016 Bcf	17.639 Bcf	7.81%
Third	17.613 Bcf	18.325 Bcf	-3.89%
Fourth	17.113 Bcf	14.722 Bcf	16.24%
Fiscal Year Total	73.282 Bcf	68.019 Bcf	7.74%

The overall increase in western gas sales could be explained at least partially by the full functioning of the compressors completed in early fiscal 2005 and the additional production from the western wells completed in the last two years.

Average gas prices for gas sold from this royalty area increased 45.28% to 2.1178 Ecents/Kwh in fiscal 2006 from 1.4577 Ecents/Kwh in fiscal 2005. For fiscal 2006, the average gas price for each quarter posted an increase over the prior year's corresponding quarter. The run up in world oil prices during late 2005 and 2006 accounted for much of this increase.

Average Gas Prices under the Mobil Agreement			
Fiscal Quarter	2006 Gas Prices	2005 Gas Prices	Percentage Change
First	2.0456 Ecents/Kwh	1.3010 Ecents/Kwh	57.23%
Second	2.2743 Ecents/Kwh	1.5258 Ecents/Kwh	49.06%
Third	2.0417 Ecents/Kwh	1.4738 Ecents/Kwh	38.54%
Fourth	2.1046 Ecents/Kwh	1.5397 Ecents/Kwh	36.69%
Fiscal Year Avg.	2.1178 Ecents/Kwh	1.4577 Ecents/Kwh	45.28%

Converting gas prices into more familiar terms using the average exchange rate yielded a price of \$7.50/Mcf, a 41.1% increase over fiscal 2005's average price of \$5.31/Mcf. For fiscal 2006, the average value of the Euro based on the transfer of royalties received from western Oldenburg gas sales was \$1.2313 down 3.0% from the average value of \$1.2694 for fiscal 2005.

Under the OEG Agreement, gas sales increased 11.02% from 160.762 Bcf in fiscal 2005 to 178.472 Bcf in fiscal 2006. Current year quarterly gas sales increased for each quarter over the prior year's corresponding quarter. The contrast in gas sales for the third and fourth quarters in fiscal 2005 and 2006 reflected the shift in normal scheduling of maintenance at the desulfurization plant from the third quarter to the fourth quarter in fiscal 2005. The 2006 maintenance was conducted during the third quarter of fiscal 2006.

Quarterly and Yearly Gas Sales under the OEG Agreement			
Fiscal Quarter	2006 Gas Sales	2005 Gas Sales	Percentage Changed
First	47.876 Bcf	44.215 Bcf	8.28%
Second	46.775 Bcf	43.045 Bcf	8.67%
Third	42.563 Bcf	41.909 Bcf	1.56%
Fourth	41.258 Bcf	31.593 Bcf	30.59%
Fiscal Year Total	178.472 Bcf	160.762 Bcf	11.02%

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Average gas prices for gas sold from the entire Oldenburg concession increased 43.79% to 2.1961 Ecents/Kwh in fiscal 2006 from 1.5272 Ecents/Kwh

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in fiscal 2005. For fiscal 2006, the average gas price for each quarter posted an increase over the prior year's corresponding quarter.

### Average Gas Prices under the OEG Agreement

Fiscal Quarter	2007 Gas Prices	2006 Gas Prices	Percentage Change
First	2.1240 Ecents/Kwh	1.4169 Ecents/Kwh	49.91%
Second	2.3088 Ecents/Kwh	1.6018 Ecents/Kwh	44.13%
Third	2.1900 Ecents/Kwh	1.5216 Ecents/Kwh	43.93%
Fourth	2.1582 Ecents/Kwh	1.5874 Ecents/Kwh	35.96%
Fiscal Year Avg.	2.1961 Ecents/Kwh	1.5272 Ecents/Kwh	43.79%

Converting gas prices into more familiar terms using the average exchange rate yielded a price of \$7.620/Mcf, a 40.1% increase over fiscal 2005's average price of \$5.44/Mcf. For fiscal 2006, the average value of the Euro based on the transfer of royalties received from overall Oldenburg gas sales was \$1.2362 down 2.5% from the average value of \$1.2680 for fiscal 2005.

Reflecting both increased cash available for short term investment and higher interest rates, interest income for fiscal 2006 was substantially higher increasing 176.3% to \$164,021 for fiscal 2006 from \$59,353 for fiscal 2005. Trust expenses increased 6.8% to \$984,199 in fiscal 2006 from \$921,578 in fiscal 2005.

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The operating companies provided reports to the Trust's German consultant detailing some of their plans for exploration and drilling for calendar 2008 and the results of that program for calendar 2007. The Trust's consultant extracted the following information from those reports. Goldenstedt Z-7a was the second well to explore the Carboniferous zone in eastern Oldenburg. Drilling was originally scheduled to start in January 2007. However, delays in the availability of drilling rigs pushed back the actual start until July 2007. By November 2007 the well had reached its projected depth and the Carboniferous zone was gas bearing. Unfortunately, in the process of removing the drill string from the well, it became stuck and could not be extracted. By the time plans were made to redrill this section as a deviated hole, the drilling rig had moved to a new location. A new rig is scheduled to return in January 2008 to complete the work. Varnhorn Z-7a was planned as the third well to explore the Carboniferous zone in eastern Oldenburg and was scheduled to begin after the completion of Goldenstedt Z-7a. With the delay in the completion of Goldenstedt Z-7a, drilling of Varnhorn Z-7a is not scheduled to start until March 2008. Hemmelte NW Z-1 was originally scheduled to begin drilling in the second half of 2007. With the ongoing scarcity of drilling rigs, this well, although still on the drilling schedule, has no firm start date. The well, located in western Oldenburg, is intended to explore both the Bunter (sweet gas) zone and the Zechstein (sour gas) zone. Once gas testing of the shallower Bunter zone is completed, the well is expected to be continued to the deeper Zechstein zone and would commence a horizontal deviation of 1,000 meters. Final depth is anticipated to be nearly 12,000 feet. Three additional wells, Goldenstedt Z-23 (Carboniferous), Cappeln Z-6 (Carboniferous) and Visbek Z-16 (Zechstein) are also on the drilling schedule but are not likely to commence drilling before 2009 at the earliest.

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Critical Accounting Policies  
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The financial statements, appearing subsequently in this Report, 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 accounting is an accepted accounting method for royalty trusts such as the Trust. GAAP basis financial statements disclose income as earned and expenses as incurred, without regard to receipts or payments. The use of GAAP would require the Trust to accrue for expected royalty payments. This is exceedingly difficult since the Trust has very limited information on such payments until they are received. The Trust's cash basis financial statements disclose revenue when cash is received and expenses when cash is paid. The one modification of the cash basis of accounting is that the Trust accrues 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 provides a more meaningful presentation to unit owners of the results of operations of the Trust and presents to the unit owners a more accurate calculation of income and expenses for tax reporting purposes.

### Off-Balance Sheet Arrangements

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The Trust has no off-balance sheet arrangements.

### Contractual Obligations

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As shown below, the Trust had no contractual obligations as of October 31, 2007 other than the distribution announced on October 30, 2007 and payable to unit owners on November 28, 2007, as reflected in the statement of assets, liabilities and trust corpus.

#### Payments Due by Period

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	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	-----	-----	-----	-----	-----
Distributions payable to unit owners	\$5,881,978	\$5,881,978	\$---	\$---	\$---

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This Report on Form 10-K 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



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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 sale prices, general economic conditions and currency exchange rates, as well as those factors set forth above under Item 1A of this Report. Actual results and events may vary significantly from those discussed in the forward looking statements.

Item 7A. 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 the Trust's 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 commodity price fluctuations.

Item 8. Financial Statements and Supplementary Data.  
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NORTH EUROPEAN OIL ROYALTY TRUST

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Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Unit Owners of

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North European Oil Royalty Trust

We have audited the accompanying statements of assets, liabilities and trust corpus of North European Oil Royalty Trust (the "Trust") as of October 31, 2007 and 2006, and the related statements of revenue collected and expenses paid, undistributed earnings and changes in cash and cash equivalents for each of the years in the two-year period ended October 31, 2007. 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 the standards of the Public Company Accounting Oversight Board (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.

As described in Note 1, these financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U. S. generally accepted accounting principles.

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, 2007 and 2006, its revenue collected and expenses paid, its undistributed earnings and changes in cash and cash equivalents for each of the years in the two-year period ended October 31, 2007, on the basis of accounting described in Note 1.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of North European Oil Royalty Trust's internal control over financial reporting as of October 31, 2007, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated December 20, 2007 expressed an unqualified opinion on management's assessment of internal control over financial reporting and an unqualified opinion on the effectiveness of internal control over financial reporting.

Weiser LLP  
New York, NY  
December 20, 2007

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Report of Independent Registered Public Accounting Firm  
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The Board of Trustees and Unit Owners of  
North European Oil Royalty Trust

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We have audited the accompanying statement of assets, liabilities and trust corpus arising from cash transactions of North European Oil Royalty Trust as of October 31, 2005, and the related statements of revenue collected and expenses paid, undistributed earnings and changes in cash and cash equivalents for the year ended October 31, 2005. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (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 audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and trust corpus arising from cash transactions of North European Oil Royalty Trust at October 31, 2005, its revenue collected and expenses paid, its undistributed earnings and changes in its cash and cash equivalents for the year ended October 31, 2005, on the basis of accounting described in Note 1.

Ernst & Young LLP  
December 7, 2005

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NORTH EUROPEAN OIL ROYALTY TRUST  
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STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS (NOTE 1)  
-----

OCTOBER 31, 2007 AND 2006

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ASSETS	2007	2006
-----	-----	-----
Current Assets		
Cash and cash equivalents (Note 1)	\$5,912,620	\$7,204,250
Producing gas and oil royalty rights (Note 1)	1	1
	-----	-----
	\$5,912,621	\$7,204,251
	=====	=====
LIABILITIES AND TRUST CORPUS		
-----		
Current liabilities		
Distributions payable to unit owners, paid November 2007 and 2006	\$5,881,978	\$7,168,660
Contingent liability (Note 3)		
Trust corpus (Notes 1 and 2)	1	1
Undistributed earnings	30,642	35,590
	-----	-----
	\$5,912,621	\$7,204,251
	=====	=====

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

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NORTH EUROPEAN OIL ROYALTY TRUST

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STATEMENTS OF REVENUE COLLECTED AND EXPENSES PAID (NOTE 1)  
-----  
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005

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	2007	2006	2005
German gas, sulfur and oil royalties received	\$27,484,254	\$31,079,122	\$21,085,039
Interest income	207,932	164,021	59,353
Trust expenses	(952,517)	(984,199)	(921,578)
Net income	\$26,739,669	\$30,258,944	\$20,222,814
Net income per unit	\$2.91	\$3.29	\$2.20
Distributions paid or to be paid:			
Dividends and distributions per unit paid to formerly unlocated unit owners	.00	.02	.02
Distributions per unit paid or to be paid to unit owners	\$2.91	\$3.28	\$2.22

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

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NORTH EUROPEAN OIL ROYALTY TRUST

STATEMENTS OF UNDISTRIBUTED EARNINGS (NOTE 1)

FOR THE FISCAL YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005

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	2007	2006	2005
Balance, beginning of year	\$ 35,590	\$ 64,299	\$ 66,394
Net income	26,739,669	30,258,944	20,222,814
	26,775,259	30,323,243	20,289,208
Less:			
Dividends and distributions paid to formerly unlocated unit owners (Note 3)	0	148,097	155,062
Current year distributions paid or to be paid to unit owners	26,744,617	30,139,556	20,069,847
Balance, end of year	\$ 30,642	\$ 35,590	\$ 64,299

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

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NORTH EUROPEAN OIL ROYALTY TRUST

STATEMENTS OF CHANGES IN CASH AND CASH EQUIVALENTS (NOTE 1)  
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005

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	2007	2006	2005
Sources of cash and cash equivalents:			
German gas, sulfur and oil royalties received	\$27,484,254	\$31,079,122	\$21,085,039
Interest income	207,932	164,021	59,353
	27,692,186	31,243,143	21,144,392
Uses of cash and cash equivalents:			
Payment of Trust expenses	952,517	984,199	921,578
Distributions and dividends paid (Note 3)	28,031,299	26,974,961	19,316,933
	28,983,816	27,959,160	20,238,511
Net increase (decrease) in cash and cash equivalents during the year	(1,291,630)	3,283,983	905,881
Cash and cash equivalents, beginning of year	7,204,250	3,920,267	3,014,386
Cash and cash equivalents, end of year	\$5,912,620	\$7,204,250	\$3,920,267

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

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NORTH EUROPEAN OIL ROYALTY TRUST

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2007, 2006 AND 2005



(1) Summary of significant accounting policies:

Basis of accounting -

The accompanying condensed 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.

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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.

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

Net income per unit -  
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Net income per unit is based upon the number of units outstanding at the end of the period. As of October 31, 2007, 2006 and 2005, there were 9,190,590, 9,190,590 and 9,180,876 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. These rights are held under contracts with local German exploration and development subsidiaries of ExxonMobil Corp. and the Royal Dutch/Shell 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: -----

Since its inception in 1975, the Trust had served as fiduciary for certain unlocated or unknown shareholders of North European Oil Corporation (the "Corporation") and the Company, corporate predecessors of the Trust. Pursuant to an order of the Delaware Court of Chancery dated February 26, 1996 (the "Chancery Court Order"), from and after July 1, 2005, the Trust has no further obligation to make payments of dividends or distributions attributable to any unexchanged Corporation and Company shares.

From the liquidation of the Company to October 31, 2006, 729,761 Trust units were issued in exchange for Corporation and Company shares and dividends of \$358,804 and distributions of \$4,618,699 were paid to formerly unlocated Corporation and Company shareholders. With the escheat of the last Trust units attributable to unexchanged Corporation and Company shares completed in April 2006, all Trust units, including those issuable in exchange for Corporation and Company shares, have been issued and no further payments are required.

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### (4) 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 services, the Trust reimbursed the Managing Director \$28,381 and \$21,871 in fiscal 2007 and 2006, respectively.

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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 fiscal 2007, the Trust paid Cahill Gordon & Reindel LLP \$76,357 for legal services.

During fiscal 2007, John H. Van Kirk, the father of John R. Van Kirk, received \$9,000 as the balance of his previously agreed upon salary as Managing Trustee for calendar 2006 and \$7,500 for his service as Founding Trustee Emeritus.

(5) Employee Benefit Plan:  
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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 making of contributions by the Trust to the accounts of employees, on a matching basis, of up to 3% of cash compensation paid to each such employee effective as of January 1, 2008.

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(6) Quarterly results (unaudited):  
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The table below summarizes the quarterly results and distributions of the Trust for the fiscal years ended October 31, 2007 and 2006.

Fiscal 2007 by Quarter and Year  
-----

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	First	Second	Third	Fourth	Year
Royalties received	\$8,483,387	\$7,544,543	\$5,402,889	\$6,053,435	\$27,484,254
Net income	8,260,186	7,333,441	5,264,505	5,881,537	26,739,669
Net income per unit	.90	.80	.57	.64	2.91
Distributions paid or to be paid	\$8,179,625	\$7,352,472	\$5,330,542	\$5,881,978	\$26,744,617
Dividends and distributions per unit paid to formerly unlocated unit owners	.00	.00	.00	.00	.00
Distributions per unit paid or to be paid to unit owners	.89	.80	.58	.64	2.91

Fiscal 2006 by Quarter and Year

	First	Second	Third	Fourth	Year
Royalties received	\$8,184,669	\$8,297,022	\$7,312,458	\$7,284,973	\$31,079,122
Net income	7,944,609	8,062,442	7,140,701	7,111,192	30,258,944
Net income per unit	.87	.88	.78	.77	3.29
Distributions paid or to be paid	\$7,806,422	\$8,087,719	\$7,076,754	\$7,168,661	\$30,139,556
Dividends and distributions per unit paid to formerly unlocated unit owners	.02	.00	.00	.00	.02
Distributions per unit paid or to be paid to unit owners	.85	.88	.77	.78	3.28

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Item 9. Changes in and Disagreements with Accountants  
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 on Accounting and Financial Disclosure.  
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None.

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Item 9A. Controls and Procedures.  
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Disclosure Controls and Procedures  
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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 October 31, 2007. Based on that evaluation, the Managing Director concluded that the Trust's disclosure controls and procedures were effective as of October 31, 2007.

Internal Control Over Financial Reporting  
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Part A. Management's Report on Internal Control Over Financial  
-----  
Reporting  
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The Trust's management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) for the Trust. There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time. Management has evaluated the Trust's internal control over financial reporting as of October 31, 2007. This assessment was based on criteria for effective internal control over financial reporting described in the standards promulgated by the Public Company Accounting Oversight Board and in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Trust's internal control over financial reporting was effective as of October 31, 2007. Management's assessment of the effectiveness of our internal control over financial reporting as of October 31, 2007 has been audited by Weiser LLP, the Trust's independent auditors, as stated in their report which appears below.

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Part B. Attestation Report of Independent Registered Public  
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Accounting Firm  
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Report of Independent Registered Public Accounting Firm on  
Internal Control over Financial Reporting

To the Board of Trustees and Unit Owners of

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North European Oil Royalty Trust

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that North European Oil Royalty Trust (the "Trust") maintained effective internal control over financial reporting as of October 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Trust's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Trust's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In our opinion, management's assessment that North European Oil Royalty Trust maintained effective internal control over financial reporting as of October 31, 2007, is fairly stated, in all material respects, based on criteria established in Internal Control-Integrated Framework issued by COSO. Also, in our opinion, the Trust maintained, in all material respects, effective internal control over financial reporting as of October 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company

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Accounting Oversight Board (United States), the statement of assets, liabilities and trust corpus as of October 31, 2007, and the related statements of revenue collected and expenses paid, undistributed earnings and changes in cash and cash equivalents for the year ended October 31, 2007 of North European Oil Royalty Trust and our report dated December 20, 2007 expressed an unqualified opinion thereon.

Weiser LLP

New York, NY  
December 20, 2007

Part C. Changes in Internal Control Over Financial Reporting  
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There have been no changes in the Trust's internal control over financial reporting that occurred during the fourth quarter of fiscal 2007 that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

Item 9B. Other Information.  
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None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.  
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Except as set forth below, the information required by this item is contained in the Trust's definitive Proxy Statement for its Annual Meeting of Unit Owners to be held on February 13, 2008, to be filed pursuant to Section 14 of the Securities Exchange Act of 1934, and is incorporated herein by

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reference.

Code of Ethics

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The Trustees have adopted a Code of Conduct and Business Ethics (the "Code") for the Trust's trustees and employees, including the Managing Director. The Managing Director serves the roles of principal executive officer and principal financial and accounting officer. A copy of the Code is available without charge on request by writing to the Managing Director at the office of the Trust. The Code is also available at the Trust's website, [www.neort.com](http://www.neort.com).

All trustees and employees of the Trust have signed a copy of the Code. No waivers or exceptions to the Code have been granted since the adoption of the Code. Any amendments or waivers to the Code, to the extent required, will be disclosed in a Form 8-K filing of the Trust after such amendment or waiver.

Item 11. Executive Compensation.

-----

The information required by this item is contained in the Trust's definitive Proxy Statement for its Annual Meeting of Unit Owners to be held on February 13, 2008, to be filed pursuant to Section 14 of the Securities Exchange Act of 1934, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

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and Related Stockholder Matters.

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The information required by this item is contained in the Trust's definitive Proxy Statement for its Annual Meeting of Unit Owners to be held on February 13, 2008, to be filed pursuant to Section 14 of the Securities Exchange Act of 1934, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director

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Independence.

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The information required by this item is contained in the Trust's definitive Proxy Statement for its Annual Meeting of Unit Owners to be held on February 13, 2008, to be filed pursuant to Section 14 of the Securities Exchange Act of 1934, and is incorporated herein by reference.

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Item 14. Principal Accountant Fees and Services.

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The information required by this item is contained in the Trust's definitive Proxy Statement for its Annual Meeting of Unit Owners to be held on February 13, 2008, to be filed pursuant to Section 14 of the Securities Exchange Act of 1934, and is incorporated herein by reference.



PART IV

Item 15. Exhibits and Financial Statement Schedules.  
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(a) The following is a list of the documents filed as part of this Report:

1. Financial Statements

Index to Financial Statements for the Fiscal Years  
Ended October 31, 2007, 2006 and 2005

Reports of Independent Registered Public Accounting Firms

Statements of Assets, Liabilities and Trust Corpus as of  
October 31, 2007 and 2006

Statements of Revenue Collected and Expenses Paid for the  
Fiscal Years Ended October 31, 2007, 2006 and 2005

Statements of Undistributed Earnings for the Fiscal Years  
Ended October 31, 2007, 2006 and 2005

Statements of Changes in Cash and Cash Equivalents for the  
Fiscal Years Ended October 31, 2007, 2006 and 2005

Notes to Financial Statements

2. Exhibits

The Exhibit Index following the signature page lists all  
exhibits filed with this Report or incorporated by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Trust has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORTH EUROPEAN OIL ROYALTY TRUST

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Dated: December 27, 2007

By: /s/ John R. Van Kirk

-----  
John R. Van Kirk,  
Managing Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: December 27, 2007

/s/ Robert P. Adelman

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Robert P. Adelman, Managing Trustee

Dated: December 27, 2007

/s/ Samuel M. Eisenstat

-----  
Samuel M. Eisenstat, Trustee

Dated: December 27, 2007

/s/ Lawrence A. Kobrin

-----  
Lawrence A. Kobrin, Trustee

Dated: December 27, 2007

/s/ Willard B. Taylor

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Willard B. Taylor, Trustee

Dated: December 27, 2007

/s/ Rosalie J. Wolf

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Rosalie J. Wolf, Trustee

Dated: December 27, 2007

/s/ John R. Van Kirk

-----  
John R. Van Kirk, Managing Director

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Exhibit Index

Exhibit

Page

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(3.1) Trust Agreement, dated September 10, 1975,  
amended May 13, 1976, and February 10, 1981  
(incorporated by reference to Exhibit 4(I) to  
Form 10-Q for the quarter ended April 30, 1981  
(File No. 0-8378)).

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- (3.2) Amended and Restated Trustees' Regulations, amended and restated as of October 31, 2007 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K, filed November 2, 2007 (File No. 0-8378))
- (10.1) Agreement with OEG, dated April 2, 1979, exhibit to Current Report on Form 8-K filed May 11, 1979 (incorporated by reference as Exhibit 1 to Current Report on Form 8-K, filed May 11, 1979 (File No. 0-8378)).
- (10.2) Agreement with Mobil Oil, A.G. concerning sulfur royalty payment, dated March 30, 1979, (incorporated by reference to Exhibit 3 to Current Report on Form 8-K, filed May 11, 1979 (File No. 0-8378)).
- (21) There are no subsidiaries of the Trust.
- (31) Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 44
- (32) Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 46
- (99.1) Calculation of Cost Depletion Percentage for the 2007 Calendar Year Based on the Estimate of Remaining Proved Producing Reserves in the Northwest Basin of the Federal Republic of Germany as of October 1, 2007 prepared by Ralph E. Davis Associates, Inc. 47
- (99.2) Order Approving Settlement signed by Vice Chancellor Jack Jacobs of the Delaware Court of Chancery (incorporated by reference as Exhibit 99.2 to Current Report on Form 8-K, filed February 26, 1996).